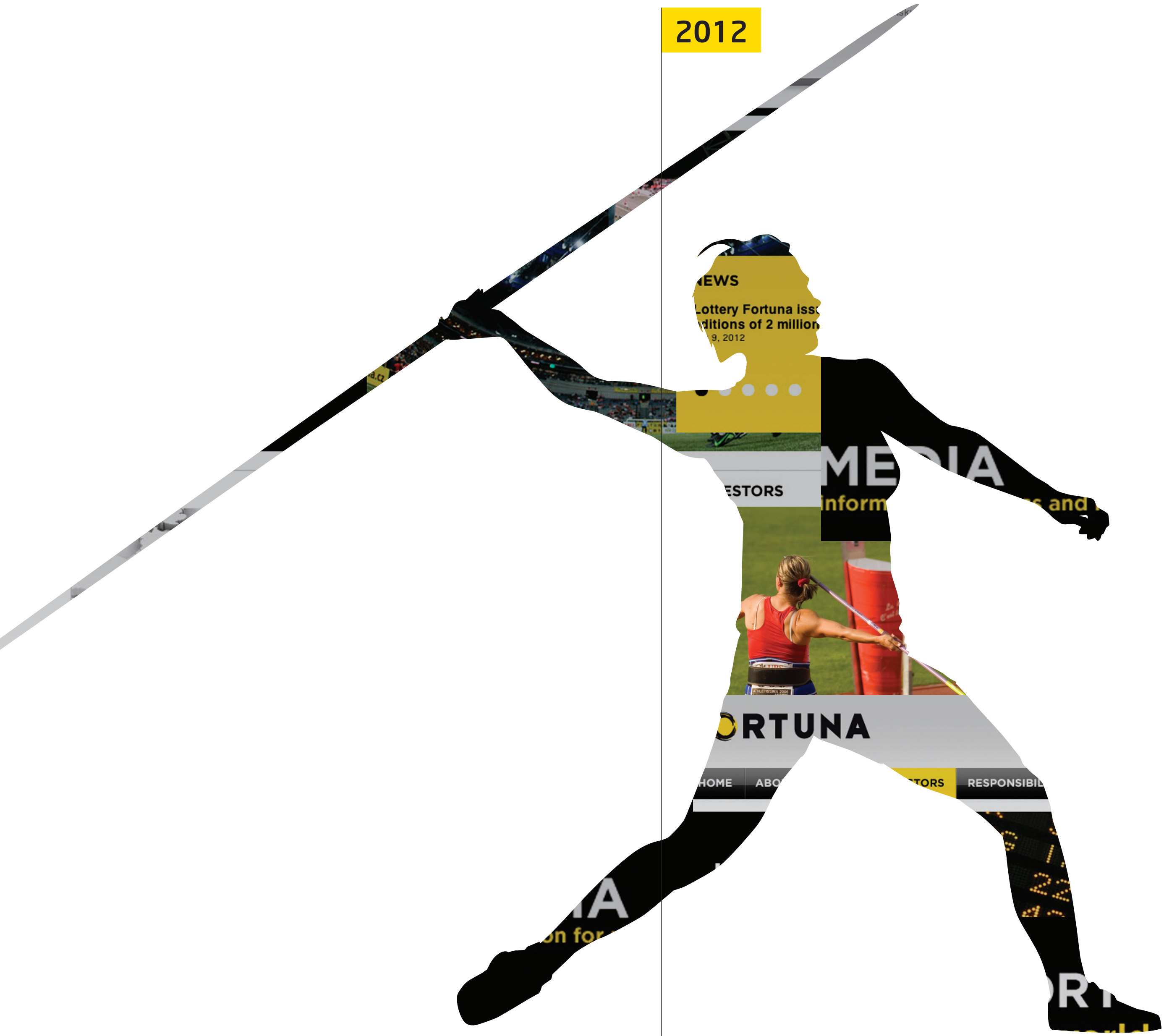
2012



FORTUNA ENTERTAINMENT GROUP N.V.
HALF YEAR REPORT 2012

29. 8. 2012

FORTUNA

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1. Overview

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 for major televised matches and number 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 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 developed online betting and the gaming platform FortunaWin, through which has provided betting and gaming products to customers in Hungary and Croatia since June 2010 and May 2011, respectively.

Thanks to its 20 plus years of experience on the 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 30 June 2012, Fortuna held the number-one market position in Poland and the number-two market position in the Czech Republic and Slovakia based on total Amounts Staked.

As of 30 June 2012, Fortuna operated 1,577 points of sales in three markets.

In July 2011, Fortuna entered the numerical lottery market in the Czech Republic by launching the LOTO game, a numerical lottery game with draws held twice a week. Daily games Zlatých 11 followed shortly and in May 2012, Fortuna started the new flagship numerical game SUPERLOTO with draws three times a week. The Company has also been selling highly successful instant scratch tickets since May 2011. In the first six months of 2012, Fortuna held a 6% market share on the Czech lottery which increased to 8% at the end of the reported period. Fortuna operated 2,043 lottery terminals as of 30 June 2012.

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 30 June 2012, Fortuna's majority shareholder was AIFELMONA HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, with a 67.3% stake.

2. First Half 2012 Financial Highlights

Financials (Euro thousands)	Six months to 30 June		
	2012	2011	% change
Amounts staked	229,072	209,022	9.6%
– of which sports betting	219,087	208,246	5.2%
– of which lottery	9,985	776	1,187.4%
Gross Win	55,131	47,857	15.2%
– of which sports betting	50,183	47,431	5.8%
– of which lottery	4,948	426	1,062.4%
Revenues	48,041	41,895	14.7%
– of which sports betting	43,059	41,469	3.8%
– of which lottery	4,982	426	1,069.5%
EBITDA	10,139	11,890	(14.7%)
– of which sports betting	13,145	12,852	2.3%
– of which lottery	(3,006)	(962)	212.5%
Operating profit	8,403	10,396	(19.2%)
– of which sports betting	11,664	11,378	2.5%
– of which lottery	(3,261)	(982)	232.2%
Net profit for the period from continuing operations	5,619	8,629	(34.9%)
Ratios			
EBITDA margin	21.1%	28.4%	(7.3 pp)
Operating profit margin	17.5%	24.8%	(7.3 pp)
Margin of net profits for the year from continuing operations	11.7%	20.6%	(8.9 pp)
CAPEX as % of revenues	4.8%	3.5%	1.3 pp
Operations			
Number of points of sales (sports betting)	1,577	1,432	10.2%
Number of lottery terminals	2,043	0	na
Number of employees – EOP	2,604	2,629	(1.0%)

	As at 30 June 2012	As at 30 June 2011	% change
No. of shares EOP	52,000,000	52,000,000	0%
Total assets	89,034	87,122	2.2%
Total equity	40,739	46,061	(11.6%)
Total borrowings	29,254	28,240	3.6%
Net debt / (Net cash)	15,575	14,728	5.8%
CAPEX	2,025	1,678	20.7%

3. Management Report for the First Half of 2012

3.1 Financial Results in the First Half of 2012

Amounts Staked and Gross Win

In the first half of 2012, Fortuna recorded total Amounts Staked of EUR 229.1 million, 9.6% more than in the first half of 2011, according to the consolidated unaudited financial results. The Amounts Staked performance was positively influenced by online sport betting growth in the Czech Republic and Poland, by EURO 2012 championship which took place in June 2012 in Poland and Ukraine and by the contribution of the Czech lottery segment.

The Amount Staked from sports betting reached EUR 219.1 million in the first six months of 2012, 5.2% more than in the same period in 2011. The growth was highest in the Czech Republic and also in Poland, triggered by the introduction of regulated online betting in January this year and by the acquisition of 80 new retail outlets most of them owned byTipsport PL. In the negative, the level of accepted bets in the first half of 2012 declined in Slovakia, due to the limits imposed on a number of high rolling individuals which impacted the annual comparison. EURO 2012 football championship hosted by Poland and Ukraine in June 2012 contributed to high level of accepted bets (more information later in this chapter).

The Amounts Staked from lottery bets totalled EUR 10 million in the first half of 2012. The Amounts Staked from sold scratch tickets amounted to EUR 2.5 million and from numerical lottery games EUR 7.5 million. The numbers cannot be compared on year-on-year basis.

In the first half of 2012, Gross Win came to EUR 55.1 million, an increase of 15.2% compared with the same period in 2011. Gross Win from online betting in the first half of 2012 increased to EUR 17.8 million, a gain of 21.8% over the same period in 2011. Gross Win from retail betting in the first half of 2012 amounted to EUR 32.4 million, just 1.3% less than in the previous year. The decline in retail betting was greatest in the Czech Republic while in Poland the Gross Win from retail betting went up. Gross Win from lottery amounted to EUR 5 million in the first half of 2012, of which EUR 877 thousand came from the scratch cards and EUR 4.1 million from the numerical games.

In the first half of 2012, Gross Profit from betting increased by 11% yoy and came to EUR 42 million. The Gross Profit from online betting increased by 13.8% to EUR 13.5 million. Gross Profit from retail betting in the first half of 2012 went down by 3.0% yoy to EUR 24.9 million. Gross Profit from lottery amounted to EUR 3.7 million in the first half of 2012.

The Gross Profit margin from sports betting in the first half of 2012 was 17.5%, just 0.5 percentage points less than in the same period in 2011. The cause of the margin decline was the rising volume of live betting, which generated lower margins and less favourable betting results for Fortuna in the second quarter of 2012. The Gross Profit margin from lottery – scratch tickets in the first half of 2012 reached 19.9% and from numerical games 42.4%. Lower margin on scratch tickets in the first half of 2012 resulted from higher numbers of first prizes which were paid out in this period.

Revenues, OPEX, EBITDA

In the first half of 2012, the Company recorded total revenues in the amount of EUR 48 million, 14.7% more than in the previous year. Of this, revenue from sports betting amounted to EUR 43.1 million and went up 3.8% yoy. Revenues from the lottery amounted to EUR 5 million in the first half of 2012.

Total operating costs in the first half of 2012 came to EUR 37.9 million, 26.3% more than in the same period in 2011. Staff costs increased 8.4% yoy to EUR 14.3 million, primarily due to higher staff costs in the lottery segment. In the first half of 2012 governmental taxes and levies amounted to EUR 5.7 million, 59.2% more than in the previous year, down to the higher betting tax implemented in the Czech Republic as of 1 January 2012. Other operating expenses (net) increased in the first half of 2012 by 35.2% to EUR 17.8 million primarily due to marketing expenses and other costs of sales related to Fortuna Loterie.

Group's EBITDA of Fortuna amounted to EUR 10.1 million, by 14.7% less than in the first half of 2011. Out of this, EBITDA recorded by the sports betting segment reached EUR 13.1 million and therefore increased 2.3% yoy despite a strong negative impact of higher betting taxation in the first half of this year. EBITDA of lottery segment reached a negative number of EUR (3) million, up by 212.5% yoy and is fully in line with the Company's forecasted plan. Expenses relating to the lottery were the major contributor to the negative EBITDA recorded.

In the first half of 2012, depreciation increased by 16.2% yoy to EUR 1.7 million as a result of investments related to the lottery project and investments into new IT systems in the sports betting segment.

EBIT and Net Profit

In the first half of 2012, operating profit (EBIT) amounted to EUR 8.4 million, 19.2% less than in the same period of the previous year. This result was impacted by lower EBITDA and higher depreciation. Of this, EBIT generated by sports betting segment rose 2.5% to EUR 11.7 million and in the negative, EBIT from lottery segment recorded a negative figure of EUR 3.3 million compared to a loss of almost EUR 1 million in the same period last year.

Net finance costs reached EUR 957 thousand in the first half of 2012 and went up by EUR 685 thousand.

Income tax equalled EUR 1.8 million in 2012, 22.2% more than in 2011, primarily at the back of corporate income tax introduced in the Czech Republic this year.

In the first half of 2012, the Company recorded net profit of EUR 5.6 million, 34.9% less than in the previous year.

Cash and Indebtedness

The total amount of bank debt as of 30 June 2012 was EUR 29.3 million, 3.6% more in comparison with the 30 June 2011. Cash and cash equivalents as of 30 June 2012 amounted to EUR 13.7 million, 1.2% more than as of 30 June 2011. The total balance of those two items resulted in a Company net debt position of EUR 15.6 million as of 30 June 2012, 5.8% higher than as of 30 June 2011.

CAPEX and Investments

In the first half of 2012, total capital expenditures amounted to EUR 2 million, 20.7% more than in the same period last year. The majority capital expenditures came from sport betting in the Czech Republic and Slovakia and included new investments into the IT systems.

Breakdown of Revenues by Country

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

Selected financial results by segment in the first half 2012

(in EUR million)	CZECH REPUBLIC - SPORTS BETTING	CZECH REPUBLIC - LOTTERY	SLOVAKIA	POLAND	MALTA	TOTAL
Total amounts staked	**118.7**	**10.0**	**65.2**	**32.9**	**2.2**	**229.1**
Paid out prizes	(96.1)	(5.0)	(49.6)	(21.1)	(2.1)	(173.9)
Gross win from betting	**22.7**	**4.9**	**15.6**	**11.9**	**0.08**	**55.1**
– of which: online betting/scratch tickets	10.2	0.9	6.3	1.3	0.08	17.8/0.9
– of which: retail betting/numerical games	12.5	4.1	9.3	10.6	0	32.4/4.1
Withholding tax paid	0	0	(3.4)	(4.0)	(0.01)	(7.4)
Other revenues	0.07	0.03	0.1	0.04	0	0.3
Revenue	**22.7**	**5.0**	**12.3**	**8.0**	**0.07**	**48.0**
Taxation of earnings from betting	(4.5)	(1.3)	0			(5.7)
Gross profit from betting	**18.2**	**3.7**	**12.2**	**7.9**	**0.07**	**42.0**
– of which: online betting/scratch tickets	8.1	0.5	4.7	0.6	0.07	13.5/0.5
– of which: retail betting/numerical games	10.1	3.2	7.5	7.3	0	24.9/3.2
Gross profit margin – sports betting (%)	15.3%	na	18.7%	24.0%	3.1%	17.5%
Gross profit margin – lottery (scratch tickets) (%)	na	19.9%	na	na	na	19.9%
Gross profit margin – lottery (numerical games) (%)	na	42.4%	na	na	na	42.4%

Czech Republic Sports Betting

The sports betting in the Czech Republic generated 51.8% of total Amounts Staked for the Company in the first half of 2012, similar figure to the 52.9% share reached in the first half of 2011. Total Amounts Staked came to EUR 118.7 million, 7.3% more than in the first half of 2011. Gross Win in the Czech Republic sports betting amounted to EUR 22.7 million in the first half of 2012, 3.7% more than in the previous year. This growth was driven primarily by the online expansion; Gross Win from the online segment hiked by 28.1% yoy and amounted to EUR 10.2 million. On the negative, Gross Win from retail betting in the Czech Republic declined 10.3% yoy and totalled EUR 12.5 million.

Gross Profit from sports betting in the Czech Republic was EUR 18.2 million, 0.7% less than in the first half of 2011 and was impacted by the higher betting taxation introduced in the Czech Republic from the beginning of this year. The online Gross Profit went up 20.2% and amounted to EUR 8.1 million. Gross Profit from retail in the Czech Republic decreased by 13% in the first half of 2012 and reached EUR 10.1 million. Gross profit margin from sports betting in the Czech Republic equalled 15.3% in the first half of 2012, 1.2 percentage points less than in the first half of 2011 due to a temporary margins decline in the second quarter of the year.

Czech Republic Lottery

The Czech Republic Lottery represented a 4.4% share of total Amounts Staked. Total Amounts Staked from lottery came to EUR 10 million, of which numerical games were EUR 7.5 million and scratch tickets EUR 2.5 million. Gross Win in the Czech Republic Lottery amounted to EUR 5 million in the first half of 2012, of which numerical games reached EUR 4.1million and scratch tickets EUR 0.9 million.

Gross Profit from lottery in the Czech Republic was EUR 3.7 million. Gross profit margin from the sale of scratch tickets in the Czech Republic equalled 19.9% and from numerical games 42.4% in the first half of 2012. The Czech Republic Lottery included in the first half of 2011 only results from the sale of the scratch tickets for less than 2 months, therefore the numbers cannot be compared on annual basis.

Slovakia

The share of Slovakia with regards to total Amounts Staked in the first half of 2012 came to 28.5%, a drop from the 34% share recorded in the first half of 2011.

Total Amounts Staked came to EUR 65.2 million, 7.3% less than in the first half of 2011. Gross Win in Slovakia amounted to EUR 15.6 million in the first half of 2012, 3.5% less than in the same period of the previous year. Gross Win from online betting was EUR 6.3 million, 4.6% less than in the same period of the previous year. Gross Win from retail betting in Slovakia went down by 2.8% yoy and totalled EUR 9.3 million. This is primarily down to the declining private consumption in Slovakia, the loss of a handful of large staking high rollers and to the fact that Slovakia did not qualify for EURO 2012 championship. Hence, the interest of customers in this event was smaller than in the neighbouring countries. The recorded Gross Win from sports betting in Slovakia was also reduced by higher licence fees paid to the state which increased in September 2011 from 5% to 5.5%.

Gross Profit from betting in Slovakia was EUR 12.2 million, 4.6% less than in 2011. Gross Profit from online betting in Slovakia went down by 5.9% in the first half of 2012 to EUR 4.7 million. Gross Profit from retail betting in Slovakia went down by 3.7% in the first half of 2012 to EUR 7.5 million. Gross profit margin from betting in Slovakia equalled 18.7% in 2012, 0.5 percentage points more than in the first half of 2011.

Poland

Poland accounted for a 14.4% share of total Amounts Staked in the first half of 2012, a solid increase if compared with a 12% share in the same period of 2011. In the first six months of 2012, total Amounts Staked recorded in Poland came to EUR 32.9 million, 31.1% more than in 2011. This makes Poland the fastest growing market in Fortuna's portfolio. Thanks to the introduction of online sports betting in Poland at the end of January 2012, EURO 2012 championship which was co-hosted by Poland and the acquisition of 80 new retail outlets from Tipsport PL, Fortuna has been able to avert the declining trend of accepted bets from previous periods. However, the betting tax in Poland still remains high and clearly discriminates the regulated domestic sports betting versus offshore betting.

Gross Win from betting in Poland increased to EUR 11.9 million in the first half of 2012, an increase of 27.2% yoy.

Gross Profit from betting in Poland was EUR 7.9 million, 25.2% more than in the same period of 2011. Gross profit margin from betting in Poland amounted to 24% in the first half of 2012, 1.1 percentage points less than in the same period of 2011 and it is the highest gross profit margin of all the markets.

EURO 2012 Summary

In June and July 2012, Poland and Ukraine hosted EURO 2012 football championship which is typically one of the most significant events in the sport betting world and as such, it may impact the financial performance of Fortuna on one-off basis.

The Amounts Staked on EURO 2012 reached almost EUR 17 million, out of which more than EUR 4.7 million (28%) was accepted in Poland, almost EUR 8.4 million (49%) in the Czech Republic and approximately EUR 3.9 million (23%) in Slovakia. If compared to the last EURO football championship in 2008, the total Amounts Staked increased approximately by 25%.

The share of online bets was biggest in the Czech Republic with 42% of EURO 2012 bets coming through internet, followed by Slovakia (38% via online) and Poland (solid 14.2% bets through internet). Even though the share of online bets was the lowest in the Polish market, it stands for a good result as the online has been available in the market for five months only.

In terms of Amounts Staked, the tournament was record breaking for Poland when for the first time in Fortuna's history Polish customers bet more on a major sport event than their Slovak counterparts. The bigger share of Poland and the Czech Republic (both having their teams playing in EURO 2012) on total Amounts Staked reflected the fact that Slovak national team did not qualify to the tournament.

As there were only minor surprises in results with by and large predictable outcomes, Fortuna paid-out record winnings which amounted almost to a 14 million EUR. This represents more than a 30% increase when compared to EURO 2008 tournament. The total Group's Gross Win from EURO 2012 was approximately EUR 3.3 million and the Gross Win margin approximately 20%, a respectable performance compared to Fortuna's European peer group especially competitors with supporting online casino/gaming offers.

With respect to new customer acquisition, over 9,000 new online customers (i.e. almost 400 per day) registered with Fortuna Entertainment Group during EURO 2012 football championship.

The strongest percentage increase in the online registrations was recorded by hosting Poland where the number of registered internet customers raised by 1,700 (18%) from the pre-tournament figure of 9,500. As expected, the biggest absolute figure was reached in the more mature Czech market with approximately 4,300 new online clients followed by Slovakia with solid 3,000 new registrations.

However, with additional 3,800 newly registered clients in Polish betting outlets (by law, Poland has a separate registration for online customers and those betting in shops, which is different to other countries), the total increase of registered customer base during EURO 2012 in Poland was the biggest of all three markets.

3.2 Sports Betting Channels and Distribution Network

The Group delivers its sports betting products to customers through retail betting outlets, online and, to a lesser extent, 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 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, better educated, and users of social networking sites and the various functionalities of smart phones and mobile phones, who value their independence and expect immediate access to betting products regardless of the time of day. The remote services the Group offers also enable customers to place bets from locations where there are no betting shops. Currently, the share of internet and mobile betting is raising rapidly reflecting customer's behaviour to bet on the move. The share of retail betting has been going down over time but still represents the largest absolute volume in the countries where Fortuna operates.

The table below presents information on the Group's retail network as of 30 June 2012 and 2011:

	Czech Republic	Slovakia	Poland	Total
Betting outlets	389	255	374	1,018
"Partner" betting outlets	248	155	10	413
Total number as of 30 June 2011	**637**	**410**	**384**	**1,431**

	Czech Republic	Slovakia	Poland	Total
Betting outlets	360	254	378	992
"Partner" betting outlets	328	172	85	585
Total number as of 30 June 2012	**688**	**426**	**463**	**1,577**

Source: the Company

Thanks to experience from the Czech Republic and Slovakia markets, where Fortuna already successfully runs both betting spots and online betting the Company has been able to provide onshore online offer in Poland shortly after obtaining the consent of the Minister of Finance in January 2012. Fortuna promptly responded to the received permission from Polish authorities and became the first licensed operator to provide online sports betting in Poland. Unfortunately, the Polish parliament decided to maintain a high 12% withholding tax from betting activities, which is discriminatory for legal tax-paying players versus off-shore companies.

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. The Ministry of Finance granted Fortuna the permission to offer bets through 80 new betting shops and extended licence for providing services through 54 other outlets, for which the license was to expire soon.

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 from 25 May 2011 for a period of 5 years.

3.3 Lottery in the Czech Republic

In July 2010, Fortuna SazKan obtained a licence to offer lottery products in the Czech Republic. Fortuna signed an agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project. The strategy of Fortuna is to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spent per capita is low compared with other countries (such as Slovakia or Hungary).

Scratch Cards
In May 2011 Fortuna started selling scratch tickets. Three types of instant scratch tickets have been 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. Series II was issued in October 2011 in a total volume of 3 million pieces.

After the great success of first series of scratch tickets, in January 2012 Fortuna expanded the offer with four more editions – Zlatá cihla (Golden Brick), Medvídci (Bears), Šťastná podkova (Lucky Horseshoe) and Pavouček štěstí (Lucky Spider). Each scratch ticket is on sale in an edition totalling 500,000 cards.

Fortuna Loterie has so far gained approximately 50% of the scratch ticket market in the Czech Republic. The penetration of scratch tickets in the Czech Republic is low (single digit number) in comparison to the Western Europe where it reaches 20% market share in the numerical lotteries market and represents an unique window of opportunity for Fortuna Loterie.

In addition, Fortuna has been expanding its distribution network for highly successful scratch tickets and therefore in June 2012 it signed a contract with Česká pošta, s.p. (Czech Post Office) on distribution of lottery products through its 3,300 branch offices. As a result of this agreement, Fortuna will start offering its range of scratch cards at the post offices across the whole Czech Republic from the beginning of September 2012.

Numerical Games

Currently, Fortuna Loterie offers three different numerical games with a number of additional games accompanied to them:

LOTO. In mid July 2011, Fortuna launched its first numerical lottery game – LOTO in the Czech Republic. LOTO is a simple numerical game where six numbers from 1 to 49 are selected and one colour out of two – black or white. In total, nine prizes will be split; players know in advance the amount they can win (except the jackpot) as these are set in advance. The lottery draw will take place twice a week each Wednesday and Saturday. An additional game to LOTO is Šťastné číslo (Lucky number). The minimum bet amount is CZK 20 and every fourth bet can win.

Zlatých 11. In November 2011, Fortuna Loterie presented Zlatých 11 (Golden 11), a new daily game in which the winnings are fixed in accordance with the betted amount and number of figures selected and guessed correctly. 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.

SUPERLOTO. In May 2012, Fortuna Loterie introduced a new flagship game – SUPERLOTO with three draws a week. The mechanics of SUPERLOTO is very similar to LOTO. Once again, six numbers are selected from 49, plus a colour, but one of four, this time around. The supplementary game +Šťastné číslo (+ A happy number) also follows the same principle as in Loto, while another supplementary game, Loto Plus, is a novelty. SUPERLOTO will pay out on 55% of bets received.

A key to the success of Fortuna Loterie is a network of high-quality retail outlets. As of 30 June 2012, Fortuna operated 2,043 retail outlets. Key distributors of Loterie Fortuna are retail chains such as GECO, Spar, HDS Retail, Citi-Tabák or Peal, number of individual retailers, tobacconists at supermarkets and large shopping malls and approximately 350 Fortuna's branches. Fortuna's terminals also offer mobile phone top-ups for customers of Telefónica O2 Czech Republic and Vodafone CZ. Scratch tickets are distributed through a network consisting of 2,800 points of sales and together with the Czech Post Office, this number should increase by additional 3,300 branches.

In June 2012, Fortuna Entertainment Group agreed with E-INVEST, a Czech financial group, on the cooperation in the Czech lottery market. Based on this agreement, E-INVEST will buy 10% stake of Fortuna Loterie, a Czech subsidiary of FEG operating numerical games LOTO and SUPERLOTO and scratch tickets.

Both companies have already signed the Agreement on Future Agreement. According to the contract, the transfer of shares should be executed within 12 months from signing. The direct investment of E-INVEST in Fortuna Loterie will speed up the roll-out of distribution network and further strengthen the management team with long-standing know-how in the retail field.

3.4 Strategy

Growth Opportunities in Online Betting

The Group's online businesses in Slovakia and the Czech Republic have been growing organically since 2007 and 2009, respectively. The Group's strategy is to continue to grow its online businesses organically and maximize the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband Internet penetration.

Having already launched online betting operations in Slovakia in 2007, the Group was able to leverage its experience to quickly and successfully launch its online betting operations in the Czech Republic in 2009. Following the necessary changes in the legislation and after the permission was granted by Polish authorities, Fortuna has been offering online betting in Poland since 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.

Strengthening the Retail Network

The Group aims to maximize the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimize 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 horseracing, 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.

Lottery Project in the Czech Republic

In July 2010, Fortuna SazKan obtained a licence to offer lottery products in the Czech Republic. The strategy of Fortuna is to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spend per capita is low compared with other countries (such as Slovakia or Hungary). The current development of Fortuna's lottery business is described in the Chapter 3.3.

Promotion of Brand Loyalty

The Group seeks to promote brand loyalty amongst its customers. In 2005, 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 has further improved 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 emphasize 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 the Central and Eastern European region.

Compliance with Local Regulations

The Group strategy is to comply with local regulations concerning the provision of online betting services in the countries where it has land-based operations.

3.5 Risk Factors

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

Risks relating to the betting and gaming industry

General Market Conditions

Changes and developments in economic, regulatory, administrative or other policies in the countries in which the Group operates, over which the Group has no control, could significantly affect the Group's business, prospects, financial conditions and results of operations in a manner that could not be predicted.

The Group's results are dependent on general economic conditions over which it has no control. General economic conditions such as employment rates and disposable income in the countries in which the Group operates can have an impact on its revenues. Accordingly, there can be no assurance that adverse general economic conditions in those countries in which the Group operates will not have adverse effects on the Group's business, financial condition, results of operations or prospects.

The number of the Group's customers is in turn directly related to the reputation of betting and gaming and the general public's perception of betting and gaming in the countries in which the Group operates. Public sentiment towards the betting and gaming industry can vary considerably. While the Group is attempting to improve the image of betting and gaming in its core markets, it is often labelled as a less socially desirable type of entertainment. Peaks in anti-betting and anti-gaming sentiment may occur from time to time, causing significant damage to the betting and gaming industry as a whole. Adverse changes in the perception of the betting and gaming industry by the general public may lead to a decrease in demand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by public opinion 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 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% to 5.5%, effective 1 September 2011. In 2011, the Czech parliament approved amendments to the Czech Gambling Act No. 300/2011 Coll. effective 1 January 2012, the proceeds used for the benefit of the public as described in the previous paragraph were replaced by a unified 20% tax on Gross Win and 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 organizers that do not comply with local regulations and therefore will not be affected by changes in taxation. Consequently, such changes may have a material adverse impact on the Group's revenues and financial results.

Dependence on Licences

The Group conducts activities that are highly regulated. Licences or permissions are required to organize 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 organization, 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 licences. 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 organized 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 organized 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 period ending 30 June 2012.

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 payout of prizes. The risk management is based on experienced employees of the bookmaking department with the proper knowledge, experience and expertise and 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 a material adverse effect on the Group's cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

Due to the fact that the Group accepts bets related to sports events, its business and financial result 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 organizers 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 a material adverse effect on the Group's operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by 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 a material adverse effect on the business, financial condition or results of operations of the Group.

Acquisitions

The Group may consider growing through acquisitions in the near future. The Group's ability to realize 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 a material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horseracing 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.

Although some of the Group's operating companies have successfully introduced online services parallel to their offline operations in Slovakia and the Czech Republic, the outlets Group obtained a licence for online operation in Poland in January 2012. Although the Group may use its Czech and Slovak experience, the roll-out of online services in Poland may encounter some difficulties, especially in the fields of marketing, risk management and ongoing management, resulting from traditional models of operations. Consequently, the Group's financial results and prospects may be adversely affected.

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 EUR. The Group also has expenses, assets and liabilities denominated in currencies other than EUR 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 EUR 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 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.

Fortuna SK, Fortuna SazKan and Fortuna GAME have entered into three financing agreements with Česká spořitelna, a.s. Upon the occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including an acceleration of the outstanding loans and foreclosure of security. In accordance with Share Pledge Agreements (concluded in connection with Loan Facility Agreements between Fortuna SazKan, Fortuna GAME, Fortuna SK, and Česká spořitelna, a.s.), Česká spořitelna, a.s. may foreclose on the pledged shares, as a result of which Fortuna may cease to own Fortuna SazKan, 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 combined trademark "Fortuna Sázkova Kancelář" registered in the Czech Republic with the Czech Industrial Property Office is pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Loan Facility Agreements with Fortuna SazKan and Fortuna GAME. If Česká spořitelna, a.s. forecloses on the aforementioned trademark further to a default event, Fortuna SazKan and Fortuna GAME may cease to own such trademark and may not be able to use such trademark in their operations, which may have a material adverse 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 AIFELMONA 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.

3.6 Material Subsequent Events

There were no material events after 30 June 2012.

4. Shares and Shareholders Structure

Shareholders Structures as of 30 June 2012

AIFELMONA HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	67.26%
BZ BWK AM*	6.98%
Management	0.02%
Other free float	25.74%

Source: the Company
*based on last shareholder notification

During the first six months ending 30 June 2012 the Company did not receive any 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 30 June 2012 was 0.02%.

Following the authorization of the General Meeting held on 25 May 2011, the Company adopted the stock option plan (hereinafter referred to as the "Plan") for selected members of the management and employees. The Plan is valid from 30 June 2011. Participants in the Plan are granted the option (right) to acquire shares at the exercise price of CZK 115 per share. Options granted in 2011 vested as of 1 March 2012 provided that the option holder remained an employee of the Company and was not serving a notice period. Options granted in 2011 can be exercised at any time for a period of one year, i.e. until 28 February 2013. Total number of option granted was 248,500 as of 30 June 2012. As of the date of the Half Year Report, none of granted options were exercised.

As at 30 June 2012, the issued and paid-up share capital of FEG amounted to EUR 520,000 and is divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other and there is no other class of shares authorized. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

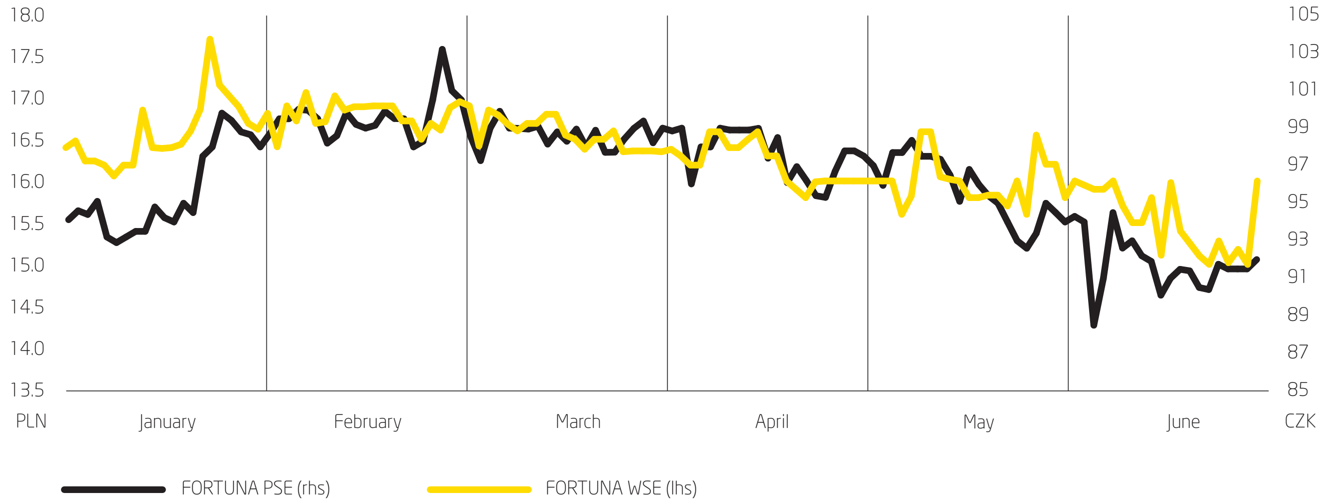
Share Price Development and Trading Activity in the First Half of 2012[1]
Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010. The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG.

During the first half of 2012, Fortuna shares were traded for a total value of CZK 439 million on the Prague Stock Exchange and for a total value of PLN 28.5 million on the Warsaw Stock Exchange. The lowest trading price during the six months was CZK 88.5 and PLN 15 and the highest CZK 103.2 and PLN 17.7 on the Prague and Warsaw Stock Exchanges respectively.

The closing price on 30 June 2012 was CZK 92 on the Prague Stock Exchange and PLN 16 on the Warsaw Stock Exchange and market capitalization reached CZK 4.8 billion (based on the Prague Stock Exchange quote).

[1]Sources: PSE and WSE websites

Share Price Development from 1 January 2012 till 30 June 2012



Sources: BBG

5. Dividend Policy and Dividend Payment

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. (FEG) held on 25 May 2012 in Amsterdam approved a Management Board's proposal to effect a gross dividend payment of EUR 0.23 in cash per share for the financial year 2011.

The dividend record date will set at 8 June 2012. On 6 June 2012, the shares were listed ex-dividend. The actual payment of dividend occurred on 25 June 2012. The approved dividend pay-out for the year 2011 represents approximately 90% of the consolidated net profit of the Group and it is in accordance with the long-term dividend policy – the dividend payout ratio is 70–100% of the consolidated net profit.

6. Related Parties Transactions

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

In the period from 1 January 2012 till 30 June 2012, the Company has not been notified about any transactions executed either by Directors and Members of Supervisory Board or by Insiders.

7. Corporate Governance

Annual General Meeting of 25 May 2012

The General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 25 May 2012 in Amsterdam. It was attended by shareholders who together hold 67.91% of 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 2011 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the financial year 2011 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 Accountants LLP, the Company's external auditor.

The General Meeting approved a Management Board's proposal to effect gross dividend payments of EUR 0.23 in cash per share with a nominal value of one eurocent (EUR 0.01) for the financial year 2011. The dividend record date was set at 8 June 2012. Actual payment of dividend shall occur ultimately on 25 June 2012.

The proposal was based in a diligent analysis of the Company's results and anticipated performance performed by the Company's Management Board, after taking into account any circumstances that may have a negative impact on the Company's freely distributable reserves, including the Company's business prospects, future earnings, cash requirements, envisaged costs and expenses as well as expansion plans and provided that such dividend payment would not impair the capital structure of the Company. The dividend proposal is in accordance with the communicated dividend policy – the dividend payout ratio is 70–100% of the net profit from the continuing operations (consolidated accounts). The proposed dividend pay-out for 2011 represents approximately 90% of the net profit from the continuing operations (consolidated accounts).

In accordance with the advice of the Audit Committee, the Annual General Meeting appointed Ernst & Young Accountants LLP as the external auditor of the Company, for the financial year 2012.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of his management during the 2011 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 2011 financial year.

The General Meeting approved the annual remuneration (starting from the beginning of 2012) 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. Wilf Walsh as a new Chairman of the Management Board of FEG as of 25 May 2012. Prior to the appointment, Mr. Walsh held the position of Vice-Chairman.

It was announced to the General Meeting that Mr. Václav Brož, a member of the Supervisory Board of the Company, was a member of the Supervisory Board of MobilKom, a.s., a company incorporated under the laws of the Czech Republic, which is in bankruptcy at this moment. The General Meeting confirmed Mr. Václav Brož as a member of the Supervisory Board of the Company.

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 25 May 2012 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 25 May 2012, 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 2011. The Annual Report 2011, including the Company's 2011 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 2011 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.

Management Board Structure as at 30 June 2012

Name	Position	Office Term in 1H 2012	Expiration of the office term
Wilfred Walsh	Chairman of the Management Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2014
Janka Galáčová	Member of the Management Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	1 January 2012 – 30 June 2012	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.

The General Meeting appointed Mr. Wilf Walsh as a new Chairman of the Management Board of FEG as of 25 May 2012. Prior to the appointment, Mr. Walsh held the position of Vice-Chairman. The former Chairman of the Management Board, Jiří Bunda, left the Company at the end of 2011.

Supervisory Board Structure as at 30 June 2012

Name	Position	Office Term in 1H 2012	Expiration of the office term
Jozef Janov	Chairman of the Supervisory Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2014
Václav Brož	Member of the Supervisory Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2014
Marek Rendek	Member of the Supervisory Board	1 January 2012 – 30 June 2012	at the General Meeting held in 2015

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.

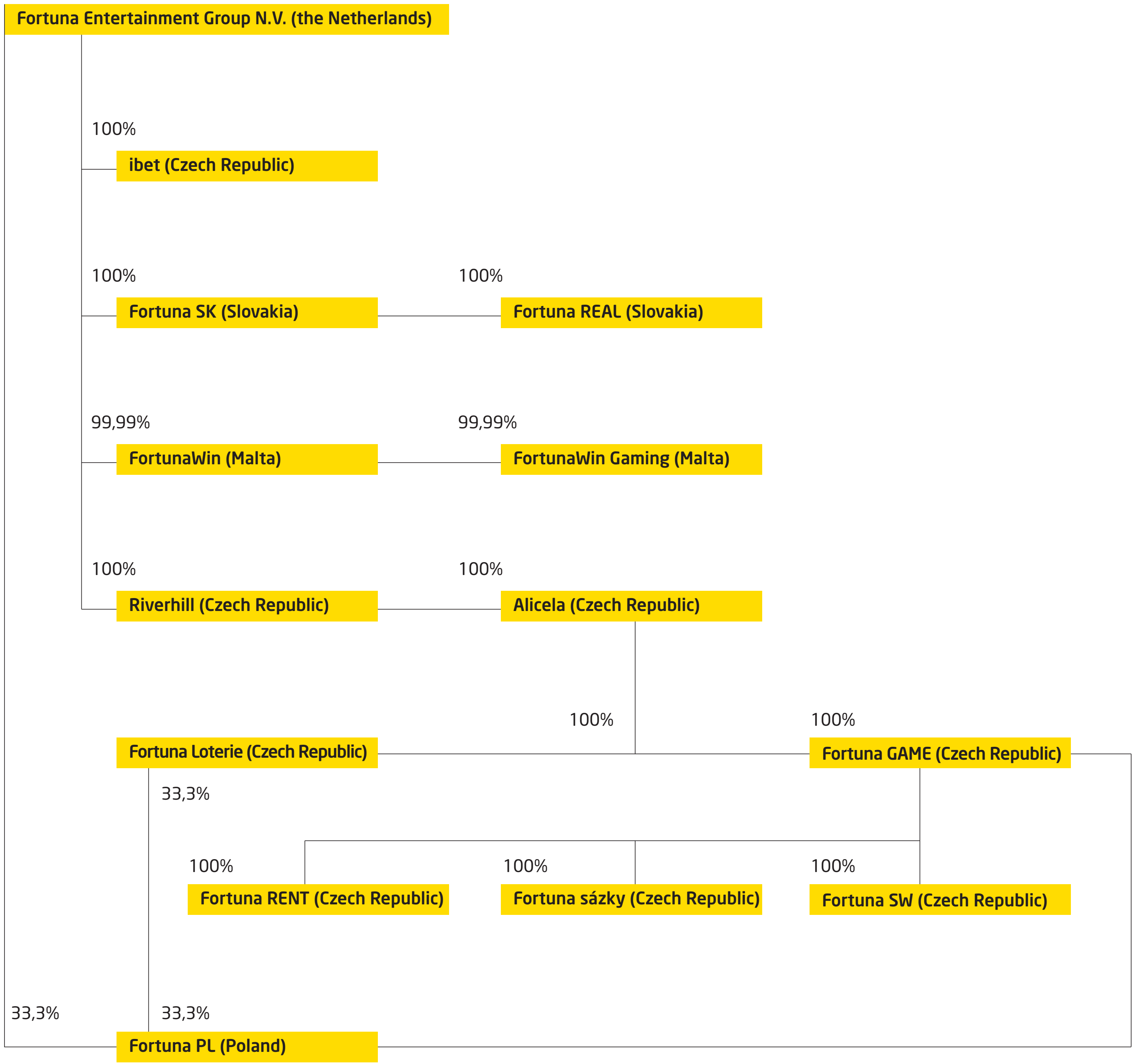
Changes in Top Management of the Group in the First Half of 2012

Radim Haluza became the new CEO of Fortuna Entertainment Group as of 1 July 2012. In this position, he replaced the interim CEO Wilf Walsh who took over the position after the departure of Jiří Bunda at the end of last year. Wilf Walsh was appointed the Chairman of the Board by the Annual General Meeting on 25 May 2012.

Radim Haluza joined the Company as the Director of Sports Betting Business in May 2011 from a position of CEO for Žabka a.s. which was sold to Tesco. Radim Haluza has been fully familiar with Fortuna since its acquisition by Penta Investments group, when he was involved in the financial and tax planning for the entire transaction.

Organizational Structure as of 30 June 2012

The diagram below presents the current structure of the Group as at 30 June 2012:



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 Fortuna Loterie hold shares in Fortuna PL.
FORTUNA sázky a.s. is a dormant company, a 100% owned subsidiary of Fortuna GAME. As of 4 January 2012 Fortuna sázková kancelář a.s. was renamed Fortuna Loterie a.s.

In addition, Maltese law does not allow for the holding of the entire share capital in a limited liability company by a sole shareholder being a corporate entity. Therefore, with respect to both Maltese companies, one share is held by Jozef Janov – Chairman of the Supervisory Board of FEG.

Management Statement

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

– the half year financial statements for the first half of 2012 included in this Half Year Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and the entities included in the consolidation;

– the half-yearly Directors' report gives a true and fair view of the Company's position as at the balance sheet date of 30 June 2012, the state of affairs during the six months of 2012 to which the report relates and of that of the Company's related entities whose financial information has been consolidated in the Company's half-yearly financial statements, and the expected course of affairs focusing in particular, where not detrimental to the Company's vital interests, on capital expenditures and circumstances affecting revenue developments and profit-earning capacity.

– the half-year Management Board Report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Amsterdam, 21 August 2012

Wilfred 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.

8. Interim Consolidated Financial Statements of Fortuna Entertainment Group N.V. for the six months ended 30 June 2012

Unaudited Interim Condensed Consolidated Financial Statements of Fortuna Entertainment Group N.V. prepared in accordance with IAS 34 as adopted by the European Union for the six months ended 30 June 2012

CONTENT

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements for the six months period ended 30 June 2012 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the consolidated statement of financial position as at 30 June 2012, the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six-month period then ended and the notes. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 21 August 2012

Ernst & Young Accountants LLP

Signed by S.D.J. Overbeek-Goeseije

Interim Consolidated Statement of Financial Position as at 30 June 2012

€ 000	Notes	30 June 2012 unaudited	31 December 2011 audited
ASSETS			
Non-current assets			
Goodwill		49,647	49,339
Intangible assets	9	7,672	7,789
Property, plant and equipment	9	6,391	5,976
Deferred tax assets		687	699
Restricted cash		5,430	6,913
Other non-current assets		1,585	933
Total non-current assets		**71,412**	**71,649**
Current assets			
Current receivables		2,063	2,613
Income tax receivable		186	112
Other current assets		1,694	1,948
Cash and cash equivalents	10	13,679	17,533
Total current assets		**17,622**	**22,206**
TOTAL ASSETS		**89,034**	**93,855**
EQUITY AND LIABILITIES			
Share capital		520	520
Share premium		25,942	25,942
Statutory reserve		4,210	3,502
Foreign currency translation reserve		(978)	(1,358)
Hedge reserve		(435)	(433)
Retained earnings		11,480	18,529
Total Equity		**40,739**	**46,702**
Non-current liabilities			
Provisions		890	524
Long-term bank loans		23,294	22,573
Deferred tax liabilities		–	5
Other non-current liabilities		13	–
Total non-current liabilities		**24,197**	**23,102**
Current liabilities			
Trade and other payables		15,914	15,650
Income tax payable		556	183
Provisions		23	488
Current portion of long-term bank loans		5,960	5,928
Derivatives	12	822	935
Other current liabilities		823	867
Total current liabilities		**24,098**	**24,051**
EQUITY AND LIABILITIES		**89,034**	**93,855**

Interim Consolidated Statement of Income for the six months ended 30 June 2012

€ 000	Notes	30 June 2012 unaudited	30 June 2011 unaudited
Amounts staked	5	229,072	209,022
Revenue	**5**	**48,041**	**41,895**
Governmental taxes and levies	5	(5,740)	(3,606)
Personnel expenses		(14,328)	(13,213)
Depreciation and amortisation	5	(1,736)	(1,494)
Other operating income		433	194
Other operating expenses	13	(18,267)	(13,380)
Operating profit		**8,403**	**10,396**
Finance income		1,034	1,256
Finance cost		(1,991)	(1,528)
Profit before tax from continuing operations		**7,446**	**10,124**
Income tax expense	7	(1,827)	(1,495)
Net profit for the period		**5,619**	**8,629**
Attributable to:			
Owners of the parent		5,619	8,629

€	2012	2011
Earnings per share		
Weighted average number of ordinary shares for basic earnings per share	52,000,000	52,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	0.108	0.166
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent	0.108	0.166

Interim Consolidated Statement of Comprehensive Income for the six months ended 30 June 2012

€ 000	Notes	30 June 2012 unaudited	30 June 2011 unaudited
Profit for the period		**5,619**	**8,629**
Net gain / (loss) on revaluation of cash flow hedges	8	(3)	237
Income tax	8	1	(45)
		(2)	**192**
Exchange differences on translation of foreign operations		380	833
Other comprehensive income for the period, net of tax		**378**	**1,025**
Total comprehensive income for the period, net of tax		**5,997**	**9,654**
Attributable to:			
Owners of the parent		5,997	9,654

Interim Consolidated Statement of Cash Flows for the six months ended 30 June 2012

€ 000	Notes	30 June 2012 unaudited	30 June 2011 unaudited
Cash flows from operating activities			
Profit before tax from continuing operations		7,446	10,124
Loss after tax from discontinued operations		–	–
Profit before tax		**7,446**	**10,124**
Adjustments for:			
Depreciation and amortisation		1,736	1,494
Changes in provisions		(98)	(204)
(Gain) / Loss on disposal of property, plant and equipment		(18)	(29)
Interest paid and received		655	516
Change in fair value of derivatives		(118)	(43)
Operating profit before working capital changes		9,603	11,858
(Increase) / Decrease in other current assets		275	(380)
(Increase) / Decrease in receivables		(10)	138
(Decrease) / Increase in payables and other liabilities		(55)	(1,819)
(Increase) / Decrease in restricted cash		1,521	(616)
Cash generated from operating activities		11,334	9,181
Corporate income tax paid		(1,510)	(1,764)
Net cash flows provided by / (used in) operating activities		**9,824**	**7,417**
Cash flows from investing activities			
Interest received		95	118
Related party loans receivable (granted) / repaid		–	–
Acquisition of a subsidiary, net of cash acquired		–	–
Derecognition / (Acquisition) of other financial assets		–	–
Repayment of liabilities for purchase of subsidiary		(29)	(59)
Purchase of buildings, equipment and intangible assets		(2,025)	(1,636)
Net outflow from sale of a subsidiary, net of cash disposed		–	–
Proceeds from sale of buildings and equipment		22	44
Net cash flows provided by / (used in) investing activities		**(1,937)**	**(1,533)**
Cash flows from financing activities			
Net proceeds from / (Repayments of) long-term borrowings		616	(1,490)
Net proceeds from / (Repayments of) short-term borrowings		7	10
Related party loans received / (repaid)		–	(361)
Cash contribution by shareholder to acquire subsidiary companies		–	–
Payment to acquire subsidiary companies		–	–
Return of capital		–	–
Incurred transaction costs capitalized		–	–
Dividends paid	11	(11,960)	(15,600)
Interest paid		(750)	(636)
Net cash flows provided by / (used in) financing activities		**(12,087)**	**(18,077)**
Net effect of currency translation in cash		346	370
Net decrease in cash and cash equivalents		(3,854)	(11,823)
Cash and cash equivalents at the beginning of the period		17,533	25,335
Cash and Cash equivalents at the end of the period		**13,679**	**13,512**

Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2012

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Total
1 January 2012	**520**	**25,942**	**3,502**	**18,529**	**(433)**	**(1,358)**	**46,702**
Profit for the period	–	–	–	5,619	–	–	**5,619**
Other comprehensive income	–	–	–	–	(2)	380	**378**
Total comprehensive income	**-**	**-**	**-**	**5,619**	**(2)**	**380**	**5,997**
Dividend 2011 paid-out to shareholders	–	–	–	(11,960)	–	–	**(11,960)**
Statutory reserve movement	–	–	708	(708)	–	–	**-**
30 June 2012 (unaudited)	**520**	**25,942**	**4,210**	**11,480**	**(435)**	**(978)**	**40,739**

Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2011

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Total
1 January 2011	**520**	**25,942**	**3,004**	**21,307**	**(413)**	**(1,647)**	**52,007**
Profit for the period	–	–	–	8,629	–	–	8,629
Other comprehensive income	–	–	–	–	192	833	1,025
Total comprehensive income	**-**	**-**	**-**	**8,629**	**192**	**833**	**9,654**
Dividend 2010 paid-out to shareholders	–	–	–	(15,600)	–	–	(15,600)
Statutory reserve movement	–	–	289	(289)	–	–	**-**
30 June 2011 (unaudited)	**520**	**25,942**	**3,293**	**14,047**	**(221)**	**2,480**	**46,061**

Notes to the Interim Consolidated Financial Statement for the six months ended 30 June 2012

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 of Fortuna Entertainment Group N.V. ("FEGNV", "Company"), comprise the interim consolidated financial statement of financial position as at 30 June 2012 and 31 December 2011, the interim consolidated statements of income, interim consolidated statements of comprehensive income, interim consolidated statements of cash flows and interim consolidated statements of changes in equity for the six months ended 30 June 2012 and 30 June 2011, and a summary of significant accounting policies and other explanatory notes.

The interim condensed consolidated financial statements of FEGNV for the six months ended 30 June 2012 were authorized for issue in accordance with a resolution of the directors on 21 August 2012.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. As at 30 June 2012 AIFELMONA HOLDINGS LIMITED having its registered office at Kyriakou Matsi 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus held 67,26% of the shares of the Company and was controlling shareholder; the remaining 32,74% of shares are publically traded at the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

Description of business
Fortuna Entertainment Group N.V. operates in the betting industry under local licences in Czech Republic, Slovakia and in Poland and via an online platform based in Malta 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.

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

FEGNV has the following members of Management and Supervisory Board as at 30 June 2012:

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

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

Radim Haluza became the new CEO of Fortuna Entertainment Group as of 1 July 2012. In this position, he replaced the interim CEO Wilfred Walsh.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fortuna Group's annual financial statements as at 31 December 2011.

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

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

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

2.1. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as at 30 June 2012.

At the date of these interim condensed consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting industry which are ultimately owned by Penta. The interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union were prepared by FEGNV, as reporting entity, as at 30 June 2012 and include the following entities ("Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
Fortuna Loterie a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA sázky a.s.
FORTUNA software s.r.o.
ibet, s.r.o.
FortunaWin Ltd.
FortunaWin Gaming Ltd.
FORTUNA SK, a.s.
FORTUNA Real, s.r.o
FORTUNA zakłady bukmacherskie Sp. z o.o.

All entities are 100% owned by FEGNV, either directly or indirectly, except for FortunaWin Ltd. and FortunaWin Gaming Ltd., which are 99,99% owned by FEGNV.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fortuna Group's consolidated financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretations as of 1 January 2012, noted below:

IAS 12 – Deferred Tax: Recovery of Underlying Assets (Amendment)
This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group has no investment properties at fair value and assets under IAS 16 valued under the revaluation model, therefore it has no impact on the financial statement of the Group.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 7 – Disclosures – Transfers of financial assets (Amendment)
The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

– IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

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

4. INFORMATION ABOUT PRODUCTS AND SERVICES

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

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

In the first half of 2012 UEFA European Football Championship in Poland and Ukraine took place and significantly contributed to volumes of accepted bets. The Amounts Staked performance was positively influenced also by online sport betting growth in the Czech Republic and Poland and by the contribution of the Czech lottery segment.

The Company revenues are subject to the short-term volatility of profitability which may lead to either excess or insufficient revenue margins. The half year results may be seen as relatively short term. Comparison of the results over a longer period of time provides more precise information about the performance of the business.

5. OPERATING SEGMENT INFORMATION

Identification of reportable segments

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 hence divided into two operating segments being sports betting and lottery.

Accordingly since the year 2011 the Fortuna Group for management purposes distinguish five reportable segments:

Czech Republic sports betting
Czech Republic lottery
Slovakia
Poland
Other countries

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 interim condensed consolidated financial statements. The 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 and software development services which are primarily borne by the Czech entities FORTUNA GAME a.s. and FORTUNA software s.r.o.

The following tables present revenue and profit information regarding the Group's operating segments and revenue streams for the six months ended 30 June 2012 and 2011 respectively:

Six months ended 30 June 2012 (unaudited) **€ 000**	**Czech Republic sports betting**	**Czech Republic lottery**	**Czech Republic total**	**Slovakia**	**Poland**	**Other countries**	**Total Continuing operations**
Revenue	22,729	4,982	**27,711**	12,311	7,951	68	**48,041**
Taxation of earnings from betting/gaming	(4,464)	(1,276)	**(5,740)**	–	–	–	**(5,740)**
Depreciation and amortisation	(810)	(255)	**(1,065)**	(181)	(392)	(98)	**(1,736)**
Segment result	5,922	(3,261)	**2,661**	5,517	951	(726)	**8,403**
Capital expenditure	1,322	250	**1,572**	278	175	–	**2,025**
Non-current assets	11,677		**11,677**	968	1,151	267	**14,063**
Operating segment assets	26,345		**26,345**	6,812	4,718	1,512	**39,387**
Operating segment liabilities	12,252		**12,252**	2,457	2,994	515	**18,218**

Six months ended 30 June 2011 (unaudited) **€ 000**	**Czech Republic sports betting**	**Czech Republic lottery**	**Czech Republic total**	**Slovakia**	**Poland**	**Other countries**	**TOTAL Continuing operations**
Revenue	22,023	426	**22,449**	12,873	6,490	83	**41,895**
Taxation of earnings from betting/gaming	(3,533)	(73)	**(3,606)**	–	–	–	**(3,606)**
Depreciation and amortisation	(830)	(20)	**(850)**	(236)	(339)	(69)	**(1,494)**
Segment result	5,719	(982)	**4,737**	6,531	226	(1,112)	**10,382**
Capital expenditure	921	419	**1,340**	62	268	8	**1,678**
31 December 2011							
Non-current assets	11,222		**11,222**	873	1,305	365	**13,765**
Operating segment assets	26,262		**26,262**	12,828	4,631	795	**44,516**
Operating segment liabilities	12,275		**12,275**	2,938	1,927	577	**17,717**

Segment results for each operating segment excludes net finance costs of € 957 thousand and € 272 thousand for the 6 months ended 30 June 2012 and 2011, respectively, and income tax expense of € 1,827 thousand and € 1,495 thousand for the 6 months ended 30 June 2012 and 2011, respectively.

Segment assets excludes goodwill of € 49,647 thousand and € 49,339 thousand for the period ended 30 June 2012 and 31 December 2011, respectively, as this asset is managed on a group basis.

Segment liabilities excludes bank loans of € 29,254 thousand and € 28,501 thousand for the periods ended 30 June 2012 and 31 December 2011, respectively, and derivatives of € 822 thousand and € 935 thousand for the periods ended 30 June 2012 and 31 December 2011, 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.

In connection with this non-current assets consist of property, plant and equipment and intangible assets.

Information about product and services

An analysis of Fortuna Group's 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 and lottery activities.

Period ended 30 June 2012 (unaudited) € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Malta	TOTAL
Total amounts staked	118,742	9,985	**128,727**	65,214	32,937	2,194	**229,072**
– of which: Sports betting – Bets	114,520	–	**114,520**	61,552	29,241	2,194	**207,507**
– of which: Sports betting – Commissions	4,222	–	**4,222**	3,662	3,696	–	**11,580**
– of which: Lottery – Scratch tickets – Bets	–	2,481	**2,481**	–	–	–	**2,481**
– of which: Lottery – Numerical games – Bets	–	7,504	**7,504**	–	–	–	**7,504**
Paid out prizes	(96,080)	(5,037)	**(101,117)**	(49,642)	(21,069)	(2,113)	**(173,941)**
Gross win	22,662	4,948	**27,610**	15,572	11,868	81	**55,131**
– of which: Sports betting – Online	10,175	–	**10,175**	6,264	1,260	81	**17,780**
– of which: Sports betting – Retail	12,487	–	**12,487**	9,308	10,608	–	**32,403**
– of which: Lottery – Scratch tickets	–	877	**877**	–	–	–	**877**
– of which: Lottery – Numerical games	–	4,071	**4,071**	–	–	–	**4,071**
Withholding tax paid	–	–	**-**	(3,382)	(3,957)	(13)	**(7,352)**
Other revenues	67	34	**101**	121	40	–	**262**
Revenue	**22,729**	**4,982**	**27,711**	**12,311**	**7,951**	**68**	**48,041**
Taxation of earnings from betting/gaming	(4,464)	(1,276)	**(5,740)**	–	–	–	**(5,740)**
Gross profit	18,198	3,672	**21,870**	12,190	7,911	68	**42,039**
– of which: Sports betting – Online	8,140	–	**8,140**	4,719	576	68	**13,503**
– of which: Sports betting – Retail	10,058	–	**10,058**	7,471	7,335	–	**24,864**
– of which: Lottery – Scratch tickets	–	494	**494**	–	–	–	**494**
– of which: Lottery – Numerical games	–	3,178	**3,178**	–	–	–	**3,178**
Gross profit margin – Sports betting (%)	15%	–	**15%**	19%	24%	3%	**18%**
Gross profit margin – Lottery (%)	–	37%	**37%**	–	–	–	**37%**

Period ended 30 June 2011 (unaudited) € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Malta	TOTAL
Total amounts staked	110,655	776	**111,431**	70,320	25,120	2,151	**209,022**
– of which: Sports betting – Bets	105,914	–	**105,914**	67,439	22,109	2,151	**197,613**
– of which: Sports betting – Commissions	4,741	–	**4,741**	2,881	3,011	–	**10,633**
– of which: Lottery – Scratch tickets – Bets	–	776	**776**	–	–	–	**776**
– of which: Lottery – Numerical games – Bets	–	–	**-**	–	–	–	**-**
Paid out prizes	(88,794)	(350)	**(89,144)**	(54,176)	(15,791)	(2,054)	**(161,165)**
Gross win	21,861	426	**22,287**	16,144	9,329	97	**47,857**
– of which: Sports betting – Online	7,940	–	**7,940**	6,565	–	97	**14,602**
– of which: Sports betting – Retail	13,921	–	**13,921**	9,579	9,329	–	**32,829**
– of which: Lottery – Scratch tickets	–	426	**426**	–	–	–	**426**
– of which: Lottery – Numerical games	–	–	**-**	–	–	–	**-**
Withholding tax paid	–	–	**-**	(3,368)	(3,011)	(14)	**(6,393)**
Other revenues	162	–	**162**	97	172	–	**431**
Revenue	**22,023**	**426**	**22,449**	**12,873**	**6,490**	**83**	**41,895**
Taxation of earnings from betting/gaming	(3,533)	(73)	**(3,606)**	–	–	–	**(3,606)**
Gross profit	18,328	353	**18,681**	12,776	6,318	83	**37,858**
– of which: Sports betting – Online	6,771	–	**6,771**	5,015	–	83	**11,869**
– of which: Sports betting – Retail	11,557	–	**11,557**	7,761	6,318	–	**25,636**
– of which: Lottery – Scratch tickets	–	353	**353**	–	–	–	**353**
– of which: Lottery – Numerical games	–	–	**-**	–	–	–	**-**
Gross profit margin – Sports betting (%)	17%	–	**17%**	18%	25%	4%	**18%**
Gross profit margin – Lottery (%)	–	45%	**45%**	–	–	–	**45%**

6. IMPAIRMENTS

Goodwill and intangible assets

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Fortuna Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the consolidated financial statements for the year ended 31 December 2011.

The Group considers there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2012.

7. INCOME TAX

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

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

€ 000	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Current income tax:		
Current income tax charge	1,810	1,489
Deferred tax:		
Relating to origination and reversal of temporary differences	17	6
Income tax expense reported in the statement of income	**1,827**	**1,495**

Increase in Current income tax was caused mainly by the legislative change of taxation in the Czech Republic. In 2011, the Czech parliament approved amendments to the Czech Gambling Act No. 300/2011 Coll. effective 1 January 2012. The proceeds used for the benefit of the public in range from 6% to 20% of the difference between amounts staked, including any manipulation fees and wins paid to the betters, administration fees, local fees and expenses of state supervision was replaced by a unified 20% tax on Gross Win and 19% corporate income tax (in the year 2011 all revenues and expenses connected with the betting business in the Czech republic were not subject to CIT).

8. COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ 000	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Movements of other comprehensive income before tax		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	(3)	237
Total effect on other comprehensive income resulting from cash flow hedges (before tax)	**(3)**	**237**
Tax effect of components of other comprehensive income		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	1	(45)
Total tax effect on other comprehensive income resulting from cash flow hedges	**1**	**(45)**

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Fortuna Group acquired non-current assets with a cost of € 2,025 thousand (30 June 2011: € 1,678 thousand).

10. CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

€ 000	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Cash at bank	10,878	15,220
Cash in hand and in transit	2,801	2,313
Cash and cash equivalents	**13,679**	**17,533**

Cash and Indebtedness

The total amount of bank debt as of 30 June 2012 was € 29,254 thousand, 2.6% more in comparison to 31 December 2011. Cash and cash equivalents as of 30 June 2012 amounted to € 13,679 thousand, 22.0% less than as of 31 December 2011 and were impacted by the dividend payment in June 2012. The total balance of those two items resulted in a Company net debt position of € 15,575 thousand as of 30 June 2012, 42.0% higher than as of 31 December 2011.

11. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 25 May 2012 in Amsterdam approved a Management Board's proposal to pay-out a gross dividend of € 0.23 in cash per share for the financial year 2011.

Actual payment of dividend occurred on 25 June 2012. The dividend pay-out for 2011 represented approximately 90% of the net profit from the continuing operations (consolidated accounts) and it was in accordance with the communicated dividend policy – the dividend payout ratio is 70–100% of the net profit from the continuing operations (consolidated accounts).

Declared and paid during the year € 000	2012	2011
Dividend for 2010 paid in 2011	–	15,600
Dividend for 2011 paid in 2012	11,960	–
Total	**11,960**	**15,600**

12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives

As of 30 June 2012, Fortuna Group held interest rate swaps with a notional amount of € 22,917 thousand (31 December 2011: € 26,491 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates. Part of the interest rate swaps is designated as a cash flow hedge.

Interest rate swaps € 000	30 June 2012 (unaudited) liabilities	31 December 2011 (audited) liabilities
Cash flow hedges	(536)	(533)
Held for trading	(286)	(402)
Total cash flow hedges	**(822)**	**(935)**

Fair value hierarchy

As at 30 June 2012, Fortuna Group had derivative contracts measured at fair value of € 822 thousand.

All financial instruments carried at fair value are categorised in three categories by reference to the observability and significance of the inputs used in measuring fair value. The categories are defined as follows:

Level 1 – Quoted market prices
Level 2 – Valuation techniques (market observable)
Level 3 – Valuation techniques (non-market observable)

As at 30 June 2012, the Group held the following financial instruments measured at fair value:

Financial instruments € 000	30 June 2012	Level 1	Level 2	Level 3
Interest rate swaps	(822)	–	(822)	–

No change in classification of the interest rate swaps occurred since prior year.

Fortuna Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

Bank loans

At 30 June 2012 The Group was in compliance with syndicated bank loan covenants.

13. OTHER OPERATING EXPENSES

€ 000	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Operating lease expense	(4,347)	(4,427)
Franchise fees	(1,471)	(822)
Materials and office supplies	(1,152)	(914)
Marketing and advertising	(4,675)	(2,359)
Telecommunication costs	(1,254)	(911)
Energy and utilities	(795)	(866)
Repairs and maintenance	(427)	(367)
Taxes and fees paid to authorities	(357)	(262)
IT services	(1,283)	(589)
Travelling and entertainment costs	(438)	(346)
Others	(2,068)	(1,517)
	(18,267)	**(13,380)**

Other operating expenses increased in the first half of 2012 to € 18.3 million primarily due to marketing expenses and other costs of sales related to Fortuna Loterie.

The "Others" expenses include the fees for stream (online coverage of sports events), which was launched in first half year 2011.

14. SHARE-BASED PAYMENT PLANS

As at 30 June 2012 there was stock option plan (valid from 30 June 2011) for employees (employed on or before 31 December 2010) in the betting divisions of the main subsidiaries of Fortuna Entertainment Group N.V. Options granted in 2011 vested as of 1 March 2012 and as of 30 June 2012 none of granted options were exercised.

The Group did not adopt any further stock option plan during the first half of the year 2012.

For the six months ended 30 June 2012, the Group has recognised € 0 of share-based payment transactions expense in the income statement (30 June 2011: € 0).

15. RELATED PARTY DISCLOSURES

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

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

The following table provides the total amount of transactions which have been entered into with related parties, which were part of Penta portfolio of companies during the six months ended 30 June 2012 and 2011:

Consolidated statement of financial position € 000	**30 June 2012 (unaudited)**	**30 June 2011 (unaudited)**
Receivables from related parties		
Digital Park Einsteinova, a.s.	58	34
AERO Vodochody a.s.	–	1
FORTUNA SPORTSKA KLADIONICA d.o.o.	–	291
Total receivables from related parties	**58**	**326**
Payables to related parties		
DÔVERA zdravotná poisťovňa, a. s.	17	13
Penta Investments Limited, Cyprus	16	1
Avis Accounting B.V.	1	–
AB Facility, s.r.o.	1	–
Digital Park Einsteinova, a.s.	–	8
Total payables to related parties	**35**	**22**
Cash in related parties		
Privatbanka, a.s.	2,075	2,291
Total cash in related parties	**2,075**	**2,291**

Consolidated statement of income € 000	**30 June 2012 (unaudited)**	**30 June 2011 (unaudited)**
Sales to related parties		
FORTUNA SPORTSKA KLADIONICA d.o.o.	–	10
Total sales to related parties	**-**	**10**
Interest income from related parties		
Privatbanka, a.s.	26	14
Total sales to related parties	**26**	**14**
Interest expense from related parties		
Privatbanka, a.s.	1	1
Total interest from related parties	**1**	**1**
Purchases from related parties		
Predict Performance Improvement Ltd.	94	–
Avis Accounting B.V.	10	–
Žabka, a.s.	–	3
AERO Vodochody a.s.	–	1
DÔVERA zdravotná poisťovňa, a.s.	72	56
Digital Park Einsteinova, a.s.	75	80
AB Facility, s.r.o.	3	–
Total purchases from related parties	**254**	**140**

Shares Held by the Management

As of 30 June 2012 members of the Persons discharging managerial responsibilities within an issuer held 8,008 shares of FEGNV, representing 0.02% of aggregate voting rights.

16. EVENTS AFTER THE REPORTING PERIOD

CEO Wilfred Walsh who was at the position from the end of last year was replaced by Radim Haluza who became the new CEO of Fortuna Entertainment Group as of 1 July 2012.

There is a negotiation going on between Fortuna Czech Republic and smaller betting company about transfer of its business and taking over their retail branches.

Amsterdam, 21 August 2012

Wilfred 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.

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Defined Terms

"AIFELMONA HOLDINGS LIMITED"	AIFELMONA HOLDINGS LIMITED, a company having its registered seat at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus
"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
"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 HR"	FORTUNA SPORTSKA KLADIONICA d.o.o., a limited liability company (društvo s ograničenom odgovornošću), having its registered office at Grada Vukovara 271 Street, Zagreb, Croatia, and registered with the Commercial Court in Zagreb in the register of companies under number 080396593
"Fortuna Loterie"	FORTUNA Loterie 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 PL"	Fortuna zakłady bukmacherskie Sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
"Fortuna REAL"	FORTUNA Real, s.r.o., a limited liability company (spoločnosť s ručením obmedzeným), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic and registered in the Commercial Register of the District Court of Bratislava I in Section Sro, under number 40783/B

"Fortuna RENT"	FORTUNA RENT s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
""Fortuna sázky"	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936
"Fortuna SK"	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, andregistered 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 Cyprus with its registered office at Agias Fylaxeos & Polygnostou 212 C&I, 2nd floor, 3803 Limassol, Cyprus, and registered with the Cyprus Registry of Companies, Nicosia under number 158996

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