



Half Year Report 2011

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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 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 acquired Poland's Profesjonal betting office. Subsequently, all companies were rebranded under the one Fortuna brand.

With 20 years of experience in the CEE market, Fortuna sets standards and trends in the betting sector. The Group constantly invests into developing new products and services; it has expanded its branch network and the quality of its distribution channels. Fortuna currently holds the No. 1 market position in Poland, and the No. 2 market position in the Czech Republic and Slovakia based on total amounts staked. As at 30 June 2011 Fortuna operated 1,431 points of sale in three markets. Fortuna developed the FortunaWin online betting and gaming platform, through which it can offer products in new markets. FortunaWin has been providing customers in Hungary and Croatia with betting and gaming products since June 2010 and May 2011 respectively.

In July 2011, Fortuna launched the new Loto lottery in the Czech Republic, a numerical lottery game with twice weekly draws. The aim is to gain a substantial market position in the Czech market where the penetration of lottery business is low. The Company also successfully launched instant scratch tickets in May 2011.

In October 2010, FEG underwent a successful IPO on the stock exchanges in Prague and Warsaw. As of 30 June 2011 the Central European financial group Penta was Fortuna's majority shareholder with a 67.3% stake.

2. First Half 2011 Financial Highlights

Financials (EUR thousands)	Six months to June 30		
	2011	2010	% change
Amounts Staked	209,022	191,558	9.1%
of which sports betting	208,246	191,558	8.7%
of which lottery	776	-	n/a
Gross Win	47,857	45,372	5.5%
of which sports betting	47,431	45,372	4.5%
of which lottery	426	-	n/a
Revenues	41,895	39,341	6.5%
of which sports betting	41,469	39,341	5.4%
of which lottery	426	-	n/a
EBITDA	11,890	11,610	2.4%
of which sports betting	12,852	11,610	10.7%
of which lottery	(962)	-	n/a
Operating Profit	10,396	10,325	0.7%
of which sports betting	11,378	10,325	10.2%
of which lottery	(982)	-	n/a
Net Profit for the Period from Continuing Operations	8,629	7,235	19.3%
Ratios			
EBITDA Margin	28.4%	29.5%	(1.1 pp)
Operating Profit Margin	24.8%	26.2%	(1.4 pp)
Margin of Net Profits for the Year from Continuing Operations	20.6%	18.4%	2.2 pp
CAPEX as % of Revenues	3.6%	4.0%	(0.4 pp)
Operations			
No. of Points of Sales	1,432	1,311	9.2%
Number of Employees – EOP	2,629	2,736	(3.9%)
CAPEX	1,678	1,577	6.4%
	As at 30 June 2011	As at 31 Dec 2010	
No. of Shares EOP	52,000,000	52,000,000	0%
Total Assets	87,122	95,804	(9.1%)
Total Equity	46,061	52,007	(11.4%)
Total Borrowings	28,240	29,136	(3.1%)
Net Debt/ (Net Cash)	14,728	3,801	287.5%

3. Management Report for the First Half of 2011

3.1 Financial Results in the First Half of 2011

Amounts Staked, Gross Win, Revenues

In the first half of 2011, Fortuna recorded a total amounts staked figure of EUR 209 million, 9.1% more than in the first half of 2010, according to the consolidated unaudited financial results. The amounts staked performance was positively driven by market growth in the Czech Republic and Slovakia, primarily by the growing contribution of online betting. Strong performance was particularly recorded in Q1 2011. The year-on-year comparison was influenced by the FIFA World Cup in South Africa last year which significantly contributed to volumes of accepted bets in the first half of 2010. Despite the absence of a major sporting event such as the World Cup in 2011, Fortuna has performed well and surpassed its 2010 record figures.

The Company started lottery activities and therefore now reports Amounts Staked from lottery bets which totalled to EUR 776 thousands in the first half of 2011. The Amounts Staked from lottery consisted in the first half of 2011 solely of the sold amounts of the scratch tickets in a period of 6 weeks.

In the first half of 2011, Gross Win totalled EUR 47.9 million, an increase of 5.5% compared with the same period in 2010. Gross Win from online betting in the first half of 2011 increased to EUR 14.6 million, a substantial gain of 39.6% over the same period in 2010. Gross Win from retail betting in the first half of 2011 amounted to EUR 32.8 million, 6.0% less than in the previous year. The decline in retail betting was driven by the weaker second quarter mainly due to the absence of the FIFA World Cup. Gross Win from the lottery amounted to EUR 426 thousand in the first half of 2011.

In the first half of 2011, Gross Profit from betting increased 6.6% YOY and totalled EUR 37.9 million. The biggest annual increase in Gross Profit from betting came from online betting – by 38.3% to EUR 11.9 million. The share of online betting in Gross Profit from betting in the first half of 2011 amounted to 31.4%, compared to the 24.2% recorded in the first half of 2010. Gross Profit from retail betting in the first half of 2011 decreased 4.9% YOY to EUR 25.6 million. Gross Profit from the lottery amounted to EUR 353 thousand in the first half of 2011.

The Gross Profit margin from sports betting in the first half of 2011 was 18.0%, just 0.5 percentage points less than in the same period in 2010. The cause of the margin decline was the rising volume of live betting, which significantly contributed to the amounts staked increase but generated lower margins. The Gross Profit margin from the lottery (currently only from scratch tickets) in the first half of 2011 reached 45.5%. The combined Gross Profit margin from both segments totalled 18.1%.

In the first half of 2011, the Company recorded total revenues in the amount of EUR 41.9 million, 6.5 % more than in the previous year.

Total operating costs in the first half of 2011 came to EUR 30.0 million, 8.2% more than in the same period in 2010. Staff costs increased 1.1% YOY to EUR 13.2 million. Nevertheless, staff costs denominated in local currencies were lower than last year and the annual increase resulted from the appreciation of CZK against EUR. In the first half of 2011 governmental taxes and levies amounted to EUR 3.6 million, 8.0% more than in the previous year. Other operating expenses (net) increased in the first half of 2011 by 16.4% to EUR 13.2 million primarily due to start-up lottery costs and further enhancement of existing products and services, such as live streaming of sporting events on the website.

Fortuna EBITDA increased in the first half of 2011 by 2.4% to EUR 11.9 million. The high EBITDA increase recorded in Q1 2011 was mitigated by weaker markets (mainly the absence of the FIFA World Cup) and higher OPEX in Q2 which overall impacted the profitability of the Company in the first half of this year. Moreover, the annual comparison was influenced by a strong Q2 2010 driven by the FIFA World Cup betting.

In the first half of 2011, depreciation rose 16.3% to EUR 1.5 million. This was caused by the reconstruction of retail network equipment and online channel investments as well as appreciation of the CZK against the EUR.

In the first half of 2011, operating profit (EBIT) amounted to EUR 10.4 million, 0.7% more than in the same period in the previous year. This result was impacted by higher depreciation.

Net finance costs reached EUR 272 thousand in the first half of 2011 and significantly decreased by 84.6% YOY. Low finance costs resulted from refinancing in 1H 2010, repayments of some debts in 2010 and FX gains (net) recorded in the first half of 2011. The annual comparison was impacted by EUR 0.4 million of one-off expenses related to bank debt refinancing in the first half of 2010.

Income tax equalled EUR 1.5 million in 2010, 13% more than in 2010.

In the first half of 2011, the Company recorded a net profit of EUR 8.6 million, 19.3% more than in the previous year. Discontinued operations (Croatia) were no longer accounted for in the 2011 financial year. The result achieved was influenced by the levels of higher volumes of accepted bets and significantly lower finance costs.

Cash and Indebtedness

The total amount of bank debt as of 30 June 2011 was EUR 28.2 million, 3.1 % less in comparison with 31 December 2010. Cash and cash equivalents as of 30 June 2011 amounted to EUR 13.5 million, 46.7% less than as of 31 December 2010 and were impacted by the dividend payment in June 2011. The total balance of those two items resulted in a Company net debt of EUR 14.7 million as of 30 June 2011, 287.5% higher than as of 31 December 2010.

CAPEX and Investments

In the first half of 2011, total capital expenditures amounted to EUR 1.7 million, 6.4% more than in the same period last year. This number includes capital expenditures related to the lottery project in the Czech Republic of EUR 419 thousand in the first half of 2011.

Revenues Segmentation

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

Selected financial results by segment in the first half 2011

(IN EUR MILLION)	CZECH REPUBLIC – SPORTS BETTING	CZECH REPUBLIC - LOTTERY	SLOVAKIA	POLAND	MALTA	TOTAL
Total amounts staked	110.7	0.8	70.3	25.1	2.2	209.0
Paid out prizes	(88.8)	(0.4)	(54.2)	(15.8)	(2.1)	(161.2)
Gross win from betting	21.9	0.4	16.1	9.3	0.1	47.9
- of which: online betting	7.9	-	6.6	0	0.1	14.6
- of which: retail betting	13.9	-	9.6	9.3	0	32.8
- of which: lottery	-	0.4	-	-	-	0.4
Withholding tax paid	0	0	(3.4)	(3.0)	0.01	(6.4)
Other revenues	0.2	0	0.09	0.2	0	0.4
Revenue	22.0	0.4	12.9	6.5	0.1	41.9
Taxation of earnings from betting	(3.5)	(0.07)	0	0	0	(3.6)
Gross profit from betting	18.3	0.4	12.8	6.3	0.1	37.8
- of which: online betting	6.8	-	5.0	0	0.1	11.9
- of which: retail betting	11.6	-	7.8	6.3	0	25.6
- of which: lottery	-	0.4	-	-	-	0.4
Gross profit margin – sports betting (%)	16.6%	-	18.2%	25.2%	3.9%	18%
Gross profit margin – lottery (scratch tickets) (%)	-	45.5%	-	-	-	45.5%

Note: As of June 30 2011, Fortuna is reporting a new operating segment – “Czech Republic Lottery”. The previously reported segment “Czech Republic” changed to “Czech Republic – Sports Betting”.

Czech Republic Sports Betting

Sports betting in the Czech Republic generated 52.9% of total amounts staked for the Company in the first half of 2011, a modest increase from 52.4% in the first half of 2010. Total Amounts Staked came to EUR 110.7 million, 10.2% more than in the first half of 2010. Gross Win in the Czech Republic sports betting amounted to EUR 21.9 million in the first half of 2011, 4.3% more than in the previous year. This growth was driven primarily by online expansion; Gross Win from the online segment climbed by 36.7% YOY and amounted to EUR 7.9 million. On the contrary, Gross Win from retail betting in the Czech Republic declined 8.1% YOY and totalled EUR 13.9 million. Gross profit from sports betting in the Czech Republic was EUR 18.3 million, 4% more than in the first half of 2010. This increase was driven by online gross profit, which went up 35.4% and amounted to EUR 6.8 million. Gross profit from retail in the Czech Republic decreased by 8.4% in the first half of 2011 to EUR 11.6 million. The gross profit margin from sports betting in the Czech Republic equalled 16.6% in the first half of 2011, 1 percentage point less than in the first half of 2010.

Czech Republic Lottery

The newly reported operating segment Czech Republic Lottery included in the first half of 2011 only results from the sale of the scratch tickets and cannot provide YOY comparison. Total Amounts Staked came to EUR 776 thousand. Gross Win in the Czech Republic lottery amounted to EUR 426 thousand in the first half of 2011. Gross profit from lottery in the Czech Republic was EUR 353 thousand. Gross profit margin from the sale of scratch tickets in the Czech Republic equalled 45.5% in the first half of 2011.

Slovakia

The share of Slovakia in regard to total amounts staked in the first half of 2011 came to 33.6%, in comparison with the 32% share recorded in the first half of 2010.

Total amounts staked came to EUR 70.3 million, 14.6% more than in the first half of 2010. Gross Win in Slovakia amounted to EUR 16.1 million in the first half of 2011, 10.9% more than in the same period of the previous year. Gross Win from online betting was EUR 6.6 million, 41.5% more than in the same period of the previous year. Gross Win from retail betting in Slovakia went down by 3.4% YOY and totalled EUR 9.6 million. Gross profit from betting in Slovakia was EUR 12.8 million, 9.9% more than in 2010. This increase was driven by the online betting segment. Gross profit from online betting in Slovakia went up by 40.6% in the first half of 2011 to EUR 5 million. Gross profit from retail betting in Slovakia went down by 3.6% in the first half of 2011 to EUR 7.8 million. The gross profit margin from betting in Slovakia equalled 18.2% in 2010, 0.8 percentage points less than in the first half of 2010.

Poland

Poland accounted for a 12% share of total amounts staked in the first half of 2011, compared with a 15.5% share in the same period of 2010. Total amounts staked in Poland came to EUR 25.1 million, 15.4% less than in 2010. Since the implementation of a 12% tax rate on amounts staked in 2010 and the impossibility to offer some products, such as number games, volumes of accepted bets have reduced in Poland. Gross Win from betting in Poland went down to EUR 9.3 million in the first half of 2011, a decrease of 5.3% YOY. Gross profit from betting in Poland was EUR 6.3 million, 0.7% more than in the same period of 2010. The gross profit margin from betting in Poland amounted to 25.2% in the first half of 2011, 4.0% more than in the same period of 2010 and is the highest gross profit margin of all the markets.

FortunaWin

Internet betting in Hungary and Croatia through FortunaWin based in Malta was established in mid-2010 and therefore cannot provide an annual comparison. In the first half of 2011, total amounts staked came to EUR 2.2 million, Gross Win from betting was EUR 97 thousand and gross profit from betting equalled EUR 83 thousand. The gross profit margin from betting in Malta was 3.9% in the first half of 2011.

3.2 Overview of Products and Markets

"Streaming" of online coverage of sporting events was launched in the Czech Republic in January 2011. At the beginning of 2011, the Czech entities began to offer inspired virtual gaming ("IVG") in shops (graphically advanced virtual sports betting and gaming).

After fulfilling the conditions for six months of operations, FortunaWin Ltd and FortunaWin Gaming Ltd applied for a permanent betting and gaming licence. A regulatory system audit was carried out in February 2011 without any findings and the Company expects to be issued with a full licence within the upcoming weeks.

3.3 Lottery in the Czech Republic

In July 2010, Fortuna SazKan obtained a licence to sell lottery products in the Czech Republic. Fortuna signed an agreement with Intralot, the largest full service technology provider catering to all systems and support needs of the lottery project. The strategy of Fortuna is to primarily target new customers in addition to existing lottery game clients. The aim is to create a market in the Czech Republic where penetration in terms of betting spent per capita is low compared with other countries (such as Slovakia or Hungary). Fortuna Loto offers attractive conditions for business partners and players, valuable jackpots, simple game mechanics and a higher number of various prizes.

In April 2011, as a reaction to the financial difficulties of Sazka, the incumbent lottery provider in the Czech Republic, Fortuna decided to accelerate the launch of its lottery project. The commercial sale of scratch tickets was brought forward to May 2011 and the launch of numerical lottery games to July 2011, i. e. almost three months earlier than initially planned.

On 16 May 2011 Fortuna started selling scratch tickets through its distribution network consisting of almost 1,000 sales points. The penetration of scratch tickets in the Czech Republic is low (single digit number) in comparison to Western Europe where it has a 20% market share in the numerical lotteries market and represents an unique window of opportunity for Fortuna Loto.

At the end of May 2011, Fortuna submitted an official bid to takeover Sazka's lottery business to the bankruptcy administrator of Sazka. In this offer, Fortuna responded to the declaration of Sazka's insolvency and offered between two and two and a half billion Czech crowns (CZK 2 – 2.5 billion) for Sazka, depending on the due diligence results of the company's assets. The Company also officially confirmed its interest in the event of a sale of individual assets of the bankrupt Sazka.

In June 2011, Fortuna signed contracts with distributors for the first 1,000 lottery terminals. These are retail chains such as Geco, HDS Retail, Citi-Tabák, Valmont and Peal, a number of individual retailers and approximately 100 Fortuna branches. Intralot will deliver hundreds of terminals to Fortuna each month including the mini "Microlot". By the end of the year, up to 1,000 sales points will be added and by the end of 2012, the distribution network should consist of up to 3,000 points. In addition, Fortuna is extending the distribution network for the highly successful scratch tickets.

On 18 July 2011, Fortuna launched the new Loto lottery in the Czech Republic. After more than 50 years, the first new, fully-fledged Loto lottery was brought to the people by Fortuna. Approximately every fourth ticket will be a winner; a jackpot worth tens of million Czech crowns can be won with a single column bet costing just CZK 20. The Fortuna Lottery also restores the original purpose of the lottery and supports worthy causes for disadvantaged children. Among the first partners are Centrum Paraple, Fond ohrožených dětí and Konto Bariéry.

Loto is a simple and attractive game and the rollover jackpot starts at CZK 10 million and is anticipated to be paid out several times a year. Overall, nine prizes will be split; players know in advance the amount they can win (except the jackpot as these are fixed and not divided among a large number of potential winners). The first lottery draw took place on 20 July and thereafter takes place twice a week each Wednesday and Saturday. The lottery draw is broadcast by TV Nova in the prime broadcasting time of 8 PM.

The key to Loto's success is the network of high-quality retail outlets. Fortuna currently operates more than 700 retail outlets that will increase to 2,000 by the end of this year. Fortuna's terminals also offer mobile phone top-ups for customers of Telefónica O2 Czech Republic, T-mobile ČR and Vodafone CZ.

3.4 On-line Betting in Poland

On May 26th 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed players. Moreover, the new regulations strengthen the Polish Customs Service's authority in controlling illegal online gambling activities, including monitoring and suspension of money transfers. The new regulations came into force on July 14th 2011. Unfortunately, parliament decided to maintain the high 12% withholding tax from betting activities, which discriminates against legal tax-paying players versus off-shore companies.

Immediately after the new regulations were introduced, the Polish subsidiary of the Fortuna Entertainment Group – Fortuna zakłady bukmacherskie – submitted a request to the Ministry of Finance for permission to provide its clients in Poland with online betting. The Ministry of Finance is expected to approve this within next few months.

As a result of experience gained in the Czech Republic and Slovakia markets, where the Fortuna Entertainment Group already successfully runs both betting spots and online betting, the company is able to provide online services in Poland after obtaining consent from the Minister of Finance.

3.5 Strategy

Growth Opportunities in On-line Betting

The Group's online businesses in Slovakia and the Czech Republic have been growing organically since 2007 and 2009, respectively. Having already launched online betting operations in Slovakia in 2007, the Group was able to leverage its experience to quickly and successfully launch online betting operations in the Czech Republic in 2009. In response to changes in Polish legislation, the Group is preparing to launch local online operations once the new legislation comes into force.

In addition, the Group has recently finished building its online betting and gaming platform, offering a wide range of products including betting on sporting and other events, live betting, number betting, lottery and an online casino. To improve competitiveness, the FortunaWin business is located in Malta. The online betting and gaming platform went live in June 2010 and currently covers Hungary. FortunaWin reached 14,500 registered customers as at 30 June 2011.

Strengthening the Retail Network

The Group aims to maximize 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 regularly adjusts the number and location of retail betting shops where Fortuna products are sold. The Group continuously upgrades the locations, facilities, equipment and size of its retail betting shops.

The Group plans to further optimize the number of betting shops in Poland, Slovakia and the Czech Republic. The Group also intends to increase the number of “Partner” betting outlets in order to decrease fixed costs.

Fortuna intends to increase the number of products on offer in shops in order to attract more customers and to extend their dwell time and spend on each visit to a shop. In addition, the Company 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 Company seeks to expand and improve 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 shops.

Lottery Project in the Czech Republic

One of the most important strategic initiatives of the Group is the development and operation of the numerical lottery in the Czech Republic.

A detailed description of the lottery project and its current development can be found in Chapter 3.3.

Promotion of Brand Loyalty

The Group seeks to promote brand loyalty amongst its customers. Fortuna operates a large scale Fortuna Klub Plus Loyalty Programme in betting shops in all the countries in which it operates.

The management aims to improve the level of customer service it provides in all of its retail shops and anticipates that this will be a key differentiator between the Group’s retail shops and those of its competitors. The Group is further improving the Fortuna Klub Plus members’ service through continual enhancement of the CRM system implemented in 2010. The system is intended to improve customer relationships with the Group while building higher brand loyalty and providing a targeted customer communication plan with the focus on activating and tracking customer spending.

Entering New Markets

As part of the process of monitoring market opportunities, the Group regularly reviews investment and acquisition opportunities across the Central and Eastern European region. Fortuna established FortunaWin, an online betting and gaming platform, which provides the Group with the opportunity to offer its products online in markets in new countries. The new online platform currently provides betting and gaming products to Hungarian and Croatian customers.

Compliance with Local Regulations

The Group strategy is to comply with local regulations concerning the provision of online betting services in countries where it has land-based operations. Currently, Fortuna is fully focused on the introduction of online betting in Poland and intends to utilize its experience from online betting in other countries.

3.6 Risk Factors

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

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 operating results 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 impact revenues.

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. 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, operating results and prospects.

Changes in the Regulatory Environment and in Betting Taxation

The Group operates in various jurisdictions in sectors that are subject to state and/or municipal regulation and supervision. Since the Group offers products online it is exposed to the risk that certain jurisdictions, where the Group's customers are located or from where 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.

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 has been increased from 10% to 12%. Amendments to taxation on sports betting are also under discussion in the Czech Republic. Any increase in taxation or the imposition of new taxes may decrease the amount of money customers spend on the Group's products. 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 various conditions concerning services organization, marketing, employees, and premises in which products are sold. 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. Loss of licences or 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 relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implement common marketing strategy or expand its market share in affected markets and may lead to the loss of licences.

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, in the markets in which it currently operates as well as into new markets, the Group expects criminal activity to continue to present certain challenges, especially in new 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 that could disrupt the Group's ability to conduct its business effectively and therefore materially adversely affect the Group's business, financial condition, operating results and prospects.

The Group is strengthening the integrity and security of its betting and gaming operations by improving compliance functions, anti-money laundering procedures and corporate governance policies and procedures.

Risk Management Systems

The success of the Group depends on its risk management system. The internal risk management and control systems provide 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 2011.

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.

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 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 those countries in which the Group locally operates.

In Slovakia, Poland and the Czech Republic, 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 an onshore and offshore basis in those countries in which it operates will not have a material adverse effect on the Group's operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by competitors.

Key Personnel

To a significant extent the Group's success depends on 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 FEG level or within a local management team, could have a material adverse effect on the business, financial condition or operating results 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, to a large extent, on its ability to integrate both new and 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 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 into markets and geographic 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 possible anti-monopoly reviews by the relevant competition authorities that could result in such authorities seeking to prohibit or unwind its acquisition of new businesses, and the possibility that the failure of the Group's acquisition strategy could hamper continued growth and profitability.

Failure to Introduce New Innovative Products and Services

In order to attract and retain customers, the Group regularly introduces new betting opportunities for its customers. Furthermore, the Group started a new business line in the Czech Republic, a lottery. If the Group fails to roll out the lottery, this may have a material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products offered, the Group intends to introduce virtual horseracing and other gaming products. The introduction of particular products requires additional spending and marketing efforts. The growth of the Group's revenues may not be sustainable or may be lower than expected, which may adversely affect the Group's financial standing and share valuation.

Financial Risks

The Group's operating results 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. However, 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.

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.

Currency Fluctuations

The Group has expenses, assets and liabilities denominated in currencies other than the EUR due to its international operations, in particular, the Czech koruna and Polish zloty. The Group does not hedge the risk of the operating companies' profit translation.

Increases and decreases in the value of the euro versus other currencies could affect the Group's reported operating results and the reported value of its assets and liabilities in the statement of its financial position even if the 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 shareholder equity and its ability to pay future dividends.

Pledge in Favour of Česká spořitelna, a.s.

In accordance with the 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 the permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic.

The combined trademark "Fortuna Sázková Kancelář" registered in the Czech Republic with the Czech Industrial Property Office is pledged in favour of Česká spořitelna to secure its receivables from the Loan Facility Agreements with Fortuna SazKan and Fortuna GAME. If Česká spořitelna forecloses on the aforementioned trademark further to a default event, Fortuna SazKan and Fortuna GAME may cease to own this trademark.

Control of the Majority Shareholder

With 67.26% of FEG's outstanding shares, Penta Investments Limited is in a position to exert control over the outcome of matters submitted to a vote by FEG shareholders, including matters such as approval of annual financial statements, declarations of dividends, the election and removal of members of the Supervisory Board and the Management Board, capital increases and amendments to the Articles of Association.

3.7 Material Subsequent Events

Call Option for Shares in Fortuna HR

In September 2010, FEG entered into an agreement with Equinox Investments B.V., under which it had a call option for all shares in Fortuna HR held by Equinox Investments B.V. The option could be exercised within the three-year period starting from 1 July 2011, provided that Fortuna HR reported positive recurring EBITDA for three consecutive quarters. The purchase price was set at EUR 1 and the net debt (understood as interest bearing debts, including any shareholder loans, minus cash and cash equivalents, excluding restricted cash) at the date of transfer of the shares in Fortuna HR should not exceed EUR 12 million. In case the net debt exceeds EUR 12 million at the date of exercising the option, Equinox Investments B.V. should capitalize Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, FEG had the right of first refusal entitling it to purchase shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna

HR. In case FEG does not acquire shares in Fortuna HR for the indicated amount, Equinox Investments B.V. may sell the shares in Fortuna HR to such a third party and the call option will expire in respect of the shares sold to the third party.

The fair value of the option was nil and was included on Fortuna's statement of financial position. The option was revalued on a quarterly basis and potential movements in the fair value of the option flowed through the FEG income statement.

On 3 August 2011, the Management Board of Fortuna Entertainment Group NV received a notice from Equinox Investments B.V. inviting FEG to exercise its right to purchase shares in Fortuna HR pursuant to an offer from an unnamed third party. Based on the weak performance of Fortuna HR, the Management Board of Fortuna Entertainment Group NV decided not to exercise the option and informed Equinox Investments B.V. accordingly. As a result, FEG is no longer entitled to purchase shares in Fortuna HR and the option ceased to be included on Fortuna's statements.

4. Shares and Shareholders Structure

Shareholders Structures as of June 30, 2011

Penta Investments Limited	67.26%
BZ BWK AM	6.98%
Other free float	25.76%

Source: Company Data

During the first six months ending 30 June 2011 the Company did not receive any notification from shareholders of any acquisition or change to 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 2011 was 0.021%.

As at 30 June 2011, 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.

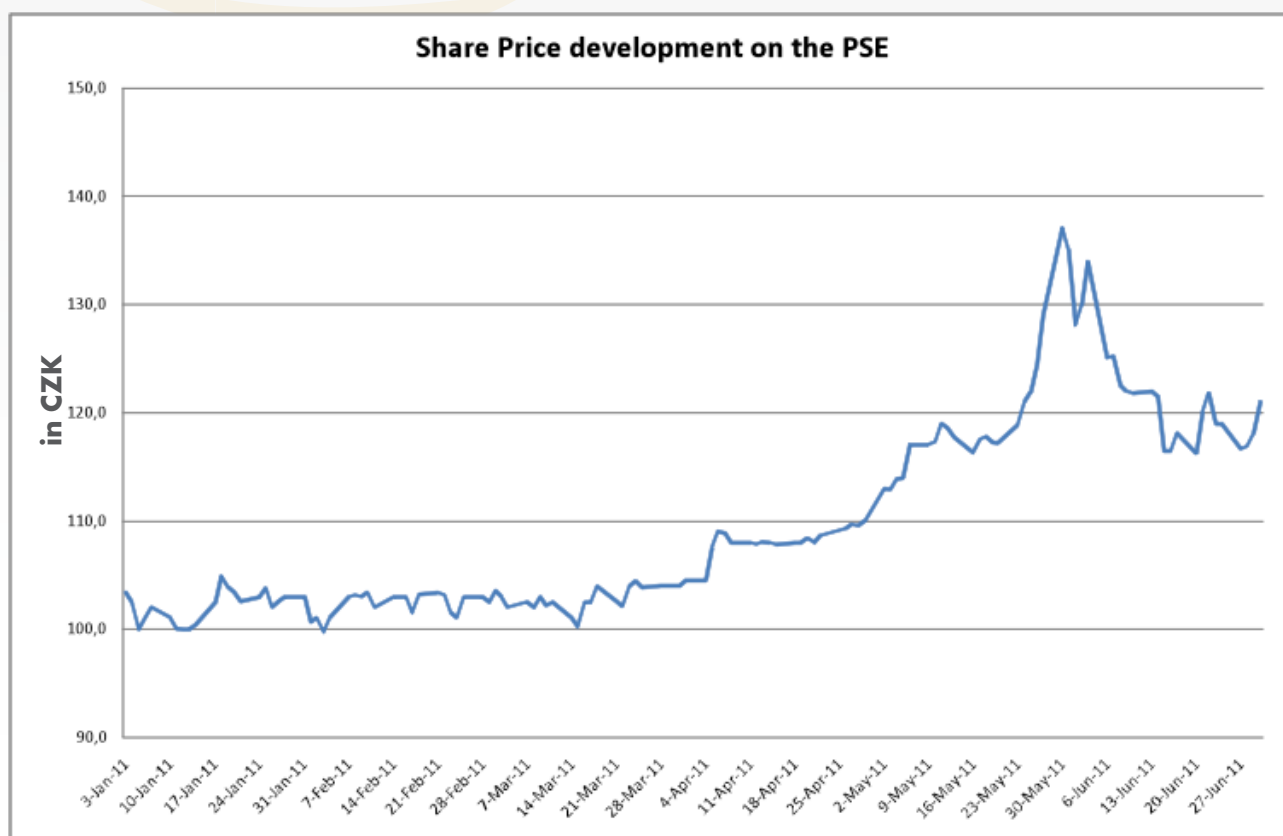
Share Price Development and Trading Activity in the first half of 2011

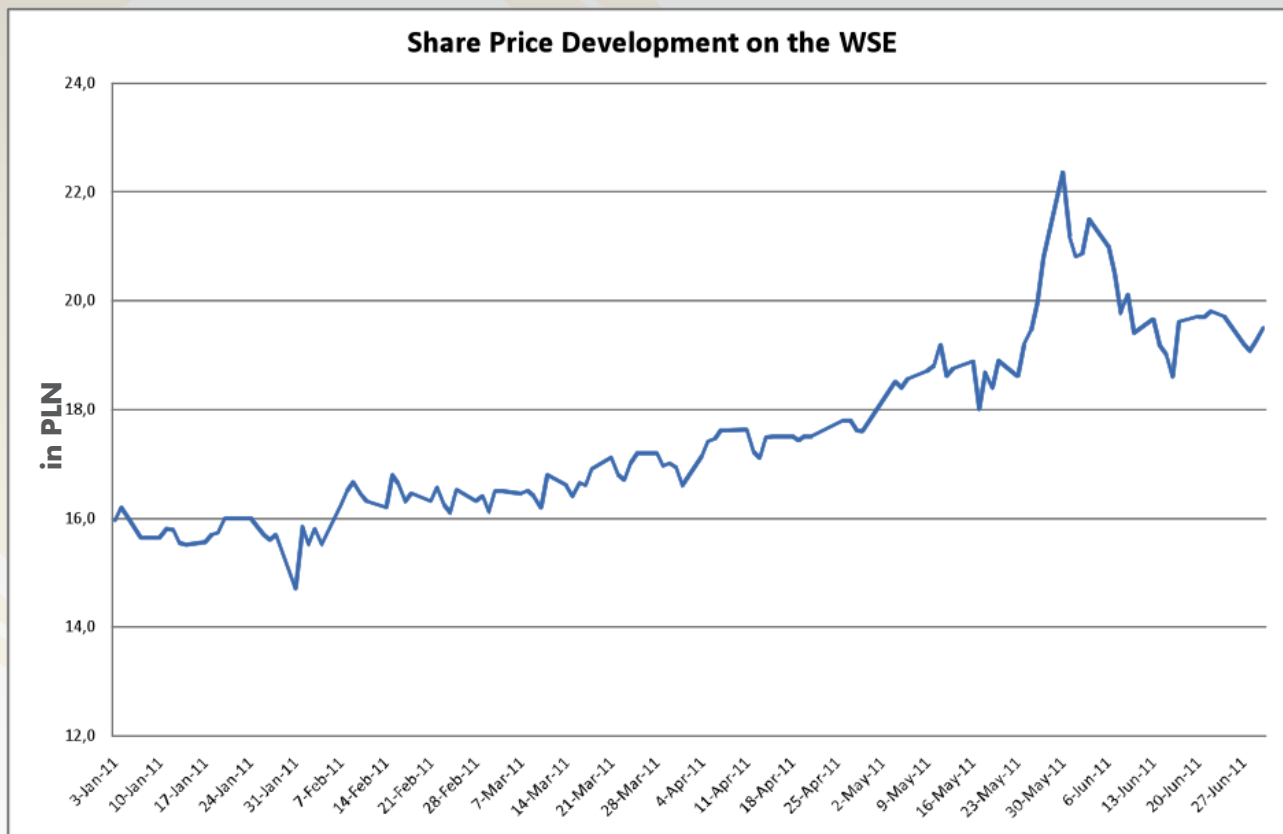
Shares in Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010. The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG.

During the first half of 2011, Fortuna shares were traded for a total value of CZK 1.6 billion on the Prague Stock Exchange and for a total value of PLN 25.5 million on the Warsaw Stock Exchange. The lowest trading price in these 6 months was CZK 100 and PLN 14.7 and the highest CZK 137 and PLN 23.86 on the Prague and Warsaw Stock Exchanges respectively.

The closing price on 30 June 2011 was CZK 121 on the Prague Stock Exchange and PLN 19.5 on the Warsaw Stock Exchange and market capitalization reached CZK 6.3 billion (based on the Prague Stock Exchange quote).

Diagram: Share Price Development from 1 Jan 2011 till 30 Jun 2011





Source: 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 2011 in Amsterdam approved the Management Board's proposal to effect gross dividend payments of EUR 0.30 in cash per share for the financial year 2010.

The dividend record date was 8 June 2011. Actual payment of dividend occurred on 24 June 2011. The proposed dividend pay-out for 2010 represented approximately 90% of net profit from continuing operations (consolidated accounts) and is in accordance with the communicated dividend policy - the dividend payout ratio is 70 - 100% of the net profit from continuing operations (consolidated accounts).

6. Related Parties Transactions

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

In the period 1 January 2011 to 30 June 2011, the Company was notified of the following transactions executed either by Directors and Members of the Supervisory Board or by insiders:

Name	Position	Transaction Date	Type of Security	Type of Transaction	No. of Securities	% of the total capital
Jiří Bunda	CEO and Chairman of the management Board of Fortuna Entertainment Group NV	18. 5. 2011	Common Shares	Acquisition	4,100	0.0079%
Michal Vepřek	CFO of Fortuna Entertainment Group NV	27. 5. 2011	Common Shares	Disposal	4,245	0.0082%
Marek Rendek	Member of Supervisory Board of Fortuna Entertainment Group NV	As of appointment on 25. 5. 2011	Common Shares	Acquisition	5,253	0.01%

After 30 June 2011, the Company has been notified of the following transactions executed either by Directors and Members of the Supervisory Board or by insiders:

Name	Position	Transaction Date	Type of Security	Type of Transaction	No. of Securities	% of the total capital
Michal Hanák	Head of Bookmaking Fortuna Entertainment Group NV	18. 7. 2011	Common Shares	Acquisition	1,200	0.0023%

Stock Option Plan

The General Meeting of Fortuna Entertainment Group NV held in Amsterdam on 25 May 2011 authorized the Management Board, subject to approval by the Supervisory Board, to purchase over a period of 18 months from 25 May 2011, the fully paid-up shares of the company's own capital on the stock exchange or elsewhere for payment within a period of 18 months, beginning 25 May, and to transfer the shares from the company's own capital that were purchased prior to or after 25 May 2011 for purposes of stock option plans and other general corporate purposes. Following authorization by the General Meeting, the Company adopted the stock option plan (hereinafter referred to as the "Plan") based on the principals stipulated below. The Plan will be implemented and administered by the Management Board and the Remuneration Committee established by the Supervisory Board. The Plan is valid from 30 June 2011 and the granting of options to eligible employees is subject to consent by signature.

Eligibility

Employees in the betting divisions of the main subsidiaries of Fortuna Entertainment Group NV (i.e. Fortuna Entertainment Group NV, Fortuna Sázková kancelář a.s., Fortuna Zakłady Bukmacherskie sp z o.o., Fortuna SK a.s. and FortunaWin Ltd., Fortuna software s.r.o), employed by the company on or before 31 December 2010 are eligible to participate in the Plan.

Granting of Options and Exercise Price

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

Exercising of Options

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

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

Change of Control

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

Amendments to the Plan

The Remuneration Committee may amend the Plan, including any extension, into subsequent calendar years acting upon Board decisions and subject to the provisions of any applicable law.

Except for the information above there were no other transactions between the Group and its Directors, members of the Supervisory Board and insiders.

7. Corporate Governance

Annual General Meeting of May 25, 2011

The General Meeting of shareholders of Fortuna Entertainment Group NV was held on 25 May 2011 in Amsterdam. It was attended by shareholders who together hold 73.18% of share capital and voting rights and therefore, it had a quorum. At the Fortuna AGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The General Meeting of Fortuna Entertainment Group NV adopted the statutory financial statements of the Company for the financial years 2009 and 2010 as drawn up by the Management Board and approved by the Supervisory Board. The financial statements of the Company for the financial year 2009 were prepared under Dutch law by the Management Board and audited and provided with the unqualified auditor's report by Ernst & Young Accountants LLP. The annual accounts for the financial year 2010 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 adopted the Company's financial statements for the financial year 2009 and the Company's annual accounts for the financial year 2010.

The General Meeting approved the Management Board's proposal to effect gross dividend payments of EUR 0.30 in cash per share with a nominal value of one eurocent (EUR 0.01) for the financial year 2010. The dividend record date was set at 8 June 2011. Actual payment of dividend shall ultimately occur on 24 June 2011.

The proposal was based on a diligent analysis of the Company's results and anticipated performance made 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 continuing operations (consolidated accounts). The proposed dividend pay-out for 2010 represents approximately 90% of net profit from 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 2011.

The General Meeting granted full discharge to each member of the Management Board for their performance during the 2010 financial year. The General Meeting granted full discharge to each member of the Supervisory Board for their performance during the 2010 financial year.

The General Meeting approved the annual remuneration (starting from the beginning of 2011) for 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. No remuneration for 2010 was granted to the members of the Supervisory Board.

No proposal was presented to the General Meeting to appoint a new member to the Management Board.

The General Meeting appointed Marek Rendek as a new member of the Supervisory Board for a period of four (4) years in accordance with the articles of association of the Company, whose appointment was effective as at 25 May 2011.

The General Meeting authorized the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months as of 25 May 2011 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 as to which shares were repurchased by the Company before or after 25 May 2011, for purposes of stock option plans and other general corporate purposes.

The General Meeting also discussed the corporate governance policy of the Company adopted by the Management Board and Supervisory Board based primarily on the Dutch Corporate Governance Code. As a company registered in the Netherlands, and listed in the Czech Republic and Poland, Fortuna Entertainment Group NV has established a corporate governance framework, which takes into account international best practice requirements. The policy also complies with the spirit of the substantive requirements of codes in the Czech Republic and Poland.

Management Board Structure as at 30 June 2011

Name	Position	Office Term in 1H 2011	Expiration of the office term
Jiří Bunda	Chairman of the Management Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Wilfred Thomas Walsh	Vice chairman of the Management Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Janka Galáčová	Member of the Management Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	1 January 2011 – 30 June 2011	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.

Supervisory Board Structure as at 30 June 2011

Name	Position	Office Term in 1H 2011	Expiration of the office term
Jozef Janov	Chairman of the Supervisory Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Václav Brož	Member of the Supervisory Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	1 January 2011 – 30 June 2011	at the General Meeting held in 2014
Martin Kúšik	Member of the Supervisory Board	1 January 2011 – 24 May 2011	-
Marek Rendek	Member of the Supervisory Board	25 May 2011 – 30 June 2011	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.

The General Meeting held on 25 May 2011 acknowledged the resignation of Martin Kúšik as a member of the Supervisory Board as of 24 May 2011 and appointed Marek Rendek as a new member of the Supervisory Board for a period of four (4) years in accordance with the articles of association of the Company. Mr. Rendek's appointment was effective as at 25 May 2011.

Marek Rendek has worked for the PENTA GROUP since 2002, starting as a financial management assistant, and then as a senior treasurer. Currently, as the Managing Director of Penta Investments Limited, Dutch Branch in Amsterdam, he is responsible for the day to day management of the branch and the Penta holding companies allocated to the Netherlands.

Marek Rendek graduated from the Technical University in Košice in 2001, majoring in banking, finance and investments. Mr. Rendek is Slovak by nationality. Mr. Rendek's broad global experience in the industry fills several important areas of the Supervisory Board profile. The participation of Marek Rendek on the Supervisory Board shall therefore strengthen and broaden the Board's oversight of the Company.

Changes in the Top Management of the Group in the First Half of 2011

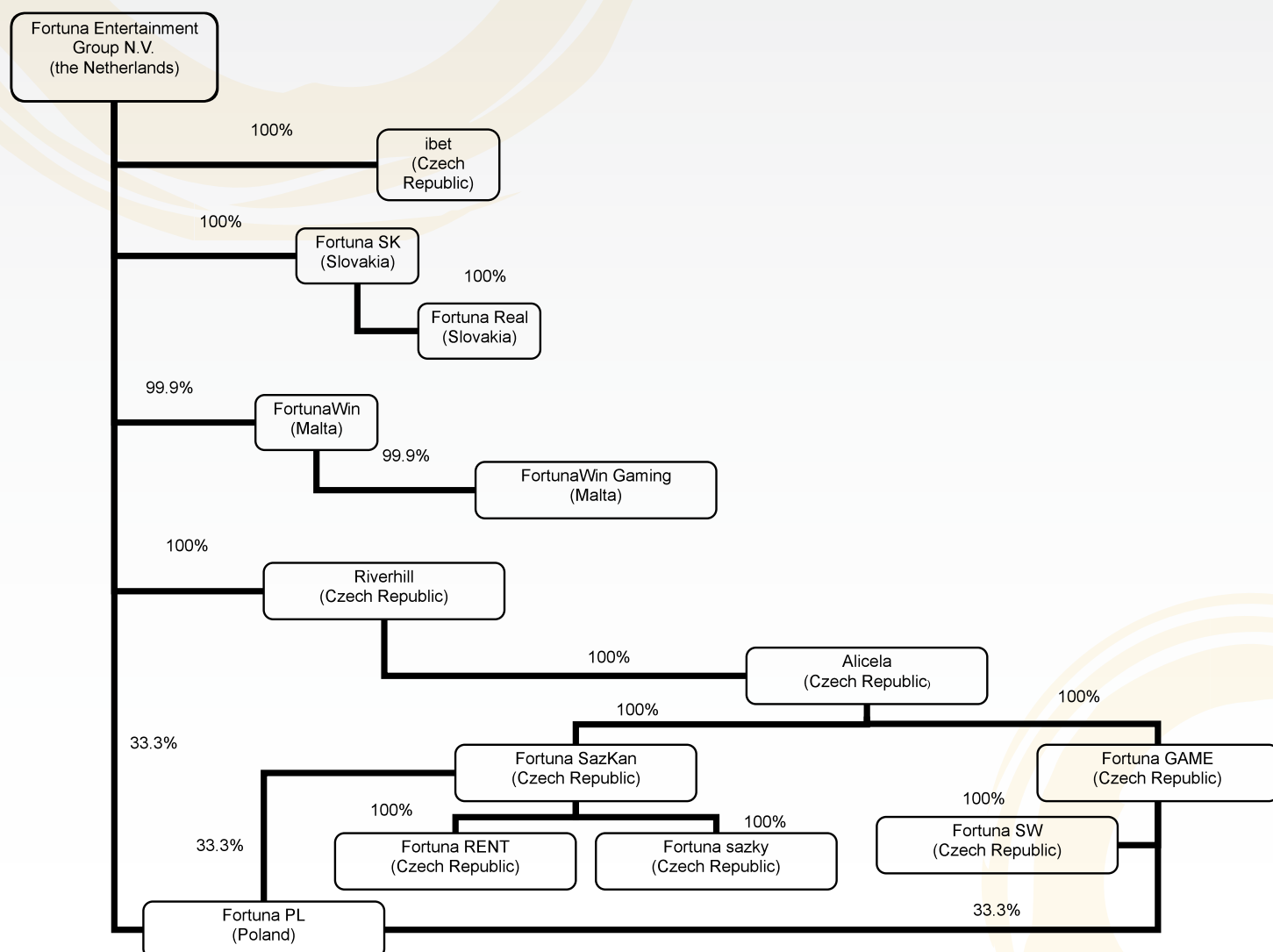
Jan Štefanek was appointed as the new General Manager of FORTUNA zakłady bukmacherskie Sp. z o.o. in Poland in March 2011. Mr. Štefanek previously worked as a sales network director and as the Sales Director of Fortuna from February 2007 and in July 2007 became a member of the Board of Directors of FORTUNA zakłady bukmacherskie Sp. z o.o.

As of April 1st, 2011 Milan Al'akša was appointed as the new General Manager of Fortuna SK, a.s. He is joining the group from the insurance company, Dôvera, a.s., where he worked as Head of Health Insurance Sales.

As of 1st May, Radim Haluza became the Director of the Sports Betting Business for the Fortuna Group. Mr. Haluza joined the company from his position as CEO for Žabka a.s. which was sold by the Penta to Tesco in March 2011. His primary responsibility is to manage major projects and develop the entire Group.

Organizational Structure as of 30 June 2011

The diagram below shows the current structure of the Group as at 30 June 2011:



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 permit foreign entities or entities where the direct parent entity 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 SazKan hold shares in Fortuna PL. Fortuna sazký a.s. is a dormant company, a 100% owned subsidiary of Fortuna SazKan.

In addition, Maltese law does not permit 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.

In January 2011, Fortuna Entertainment Group N.V. ("FEGNV") increased the share capital in its subsidiary RIVERHILL a.s. by CZK 1,025,000,000 (EUR 40,902,000) with a non-monetary contribution of a receivable from ALICELA a.s. RIVERHILL a.s. increased the share capital in its subsidiary ALICELA a.s. by CZK 1,025,000,000 (EUR 40,902,000) by offsetting a receivable from ALICELA a.s. with its payable from the share capital increase. All changes have been recorded in the Commercial Register.

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 2011 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 2011, the state of affairs during the six months of 2011 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 the 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, 24 August 2011

Jiří Bunda

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

Wilfred Thomas Walsh

Vice-chairman of the Management Board of Fortuna Entertainment Group N.V.

Janka Galáčová

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

Richard van Bruchem

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

8. Interim Consolidated Financial Statements of Fortuna Entertainment Group NV for the six months ended 30 June 2011

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
FORTUNA ENTERTAINMENT GROUP N.V.

For the six months ended 30 June 2011



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF FORTUNA ENTERTAINMENT GROUP N.V.

For the six months ended 30 June 2011

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Report on the 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 2011 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the interim consolidated statement of financial position as at 30 June 2011, the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the six-month period then ended and explanatory 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 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 24 August 2011

Ernst & Young Accountants LLP

Signed by S.D.J. Overbeek - Goeseije

	Notes	30 June 2011 Unaudited € 000	31 December 2010 Audited € 000
ASSETS			
Non-current assets			
Goodwill		52,288	50,796
Intangible assets	10	7,998	7,953
Property, plant and equipment	10	5,300	4,919
Deferred tax assets		221	272
Restricted cash		4,447	3,743
Other non-current assets		693	628
Total non-current assets		70,947	68,311
Current assets			
Current receivables		1,204	1,007
Income tax receivable		153	239
Other current assets		1,306	912
Cash and cash equivalents	11	13,512	25,335
Total current assets		16,175	27,493
TOTAL ASSETS		87,122	95,804
EQUITY AND LIABILITIES			
Share capital		520	520
Share premium		25,942	25,942
Statutory reserve		3,293	3,004
Foreign currency translation reserve		2,480	1,647
Retained earnings		13,826	20,894
Total Equity		46,061	52,007
Non-current liabilities			
Provisions		52	53
Long-term bank loans		23,112	24,115
Deferred tax liabilities		5	5
Other non-current liabilities	13	1	29
Total non-current liabilities		23,170	24,202
Current liabilities			
Trade and other payables		11,319	12,223
Income tax payable		137	499
Provisions		5	208
Current portion of long-term bank loans		5,128	5,021
Derivatives	14	651	919
Other current liabilities		651	725
Total current liabilities		17,891	19,595
EQUITY AND LIABILITIES		87,122	95,804

	Notes	30 June 2011 Unaudited € 000	30 June 2010 Unaudited € 000
Amounts staked	6	209,022	191,558
Revenue	6	41,895	39,341
Governmental taxes and levies	6	(3,606)	(3,340)
Personnel Expenses		(13,213)	(13,063)
Depreciation and amortisation	6	(1,494)	(1,285)
Other operating income		194	451
Other operating expenses	15	(13,380)	(11,779)
Operating profit		10,396	10,325
Finance income		1,256	1,090
Finance cost		(1,528)	(2,857)
Profit before tax from continuing operations		10,124	8,558
Income tax expense	8	(1,495)	(1,323)
Net profit for the period from continuing operations		8,629	7,235
Discontinued operations			
Loss after tax for the period from discontinued operations		-	(1,286)
Profit on disposal of discontinued operations		-	4,171
Net profit for the period		8,629	10,120

Attributable to:			
Owners of the parent		8,629	10,120

Earnings per share		2011	2010
		€	€
Weighted average number of ordinary shares for basic earnings per share		52,000,000	50,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		0.166	0.202
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent		0.166	0.145

	Notes	30 June 2011 Unaudited € 000	30 June 2010 Unaudited € 000
Profit for the period		8,629	10,120
Net gain/(loss) on revaluation of cash flow hedges	9	237	(389)
Income tax	9	(45)	75
		192	(314)
Exchange differences on translation of foreign operations		833	354
Other comprehensive income for the period, net of tax		1,025	40
Total comprehensive income for the period, net of tax		9,654	10,160

Attributable to:			
Owners of the parent		9,654	10,160

	Notes	30 June 2011 Unaudited € 000	30 June 2010 Unaudited € 000
Cash flows from operating activities			
Profit before tax from continuing operations		10,124	8,558
Loss after tax from discontinued operations		-	(1,301)
Profit before tax		10,124	7,257
Adjustments for:			
Depreciation and amortisation		1,494	1,285
Changes in provisions		(204)	94
(Gain) / Loss on disposal of property, plant and equipment		(29)	(3)
Interest expense, net		516	989
Change in fair value of derivatives		(43)	190
Operating profit before working capital changes		11,858	9,812
(Increase) / Decrease in other current assets		(380)	(126)
(Increase) / Decrease in receivables		138	(804)
(Decrease) / Increase in payables and other liabilities		(1,819)	(17,908)
(Increase) / Decrease in restricted cash		(616)	(9)
Cash generated from operating activities		9,181	(9,035)
Corporate income tax paid		(1,764)	(1,495)
Net cash flows provided by / (used in) operating activities		7,417	(10,530)
Cash flows from investing activities			
Interest received		118	483
Related party loans receivable (granted)/repaid		-	28,257
Acquisition of a subsidiary, net of cash acquired		-	(233)
Derecognition / (Acquisition) of other financial assets		-	893
Repayment of liabilities for purchase of subsidiary		(59)	-
Purchase of buildings, equipment and intangible assets		(1,636)	(1,424)
Net outflow from sale of a subsidiary, net of cash disposed		-	(1,770)
Proceeds from sale of buildings and equipment		44	9
Net cash flows provided by / (used in) investing activities		(1,533)	26,215
Cash flows from financing activities:			
Net proceeds from long-term borrowings		77	17,244
(Repayments of) long-term borrowings		(1,567)	(11,365)
Net proceeds from short-term borrowings		90	10,536
(Repayments of) short-term borrowings		(80)	(18,798)
Related party loans received / (repaid)		(361)	286
Cash contribution by shareholder to acquire subsidiary companies		-	81,876
Payment to acquire subsidiary companies		-	(78,868)
Return of capital		-	(19,000)
Incurred transaction costs capitalized		-	(926)
Dividends paid	12	(15,600)	-
Interest paid		(636)	(1,472)
Net cash flows provided by / (used in) financing activities		(18,077)	(20,487)
Net effect of currency translation in cash		370	(619)
Net decrease in cash and cash equivalents		(11,823)	(5,421)
Cash and cash equivalents at the beginning of the period		25,335	21,566
Cash and Cash Equivalents at the end of the period		13,512	16,145

	Share capital	Share premium	Statutory reserves	Retained earnings	Foreign exchange translation reserve	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2011	520	25,942	3,004	20,894	1,647	52,007
Profit for the period	-	-	-	8,629	-	8,629
Other comprehensive income	-	-	-	192	833	1,025
Total comprehensive income	-	-	-	8,821	833	9,654
Dividend 2010 paid-out to shareholders	-	-	-	(15,600)	-	(15,600)
Statutory reserve movement	-	-	289	(289)	-	-
30 June 2011 (un-audited)	520	25,942	3,293	13,826	2,480	46,061

	Share capital	Share premium	Net assets attributable to combined entities' shareholder	Statutory reserves	Retained earnings	Foreign exchange translation reserve	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2010	45	21,779	16,611	2,144	(420)	324	40,483
Profit for the period	-	-	-	-	10,120	-	10,120
Other comprehensive income	-	-	-	-	(314)	354	40
Total comprehensive income	-	-	-	-	9,806	354	10,160
Capital paid in and funding for acquisitions	-	81,884	-	-	-	-	81,884
Return of capital to shareholder	-	(19,000)	-	-	-	-	(19,000)
Acquisition of Fortuna SK, a.s., Fortuna Real, s.r.o. and Fortuna Zakłady Bukmacherskie Sp. Z o.o. accounted for using pooling of interest method	-	(64,162)	(16,611)	2,033	(136)	-	(78,876)
30 June 2010 (un-audited)	45	20,501	-	4,177	9,250	678	34,651

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements for the six months ended 30 June 2011 of Fortuna Entertainment Group N.V. ("FEGNV", "Company"), comprise the interim consolidated statements of financial position as at 30 June 2011 and 31 December 2010, 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 2011 and 30 June 2010, 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 2011 were authorized for issue in accordance with the resolution of the directors on 24 August 2011.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. As at 30 June 2011 Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus held 67.26% of the shares of the Company and was controlling shareholder; the remaining 32.74% of shares are publically traded at the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

Description of business

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and since May 2011 also 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 and since May 2011 also Croatia.

In May 2011 FORTUNA sázková kancelář a.s. started the commercial sale of scratch tickets in the territory of the Czech Republic. The company also started numerical lottery games in July 2011.

FEGNV has the following members of the Management and Supervisory Board as at 30 June 2011:

Management Board		Supervisory Board	
Chairman:	Jiří Bunda	Chairman:	Jozef Janov
Vice Chairman:	Wilfred Walsh	Member:	Marek Rendek
Member:	Richard van Bruchem	Member:	Václav Brož
Member:	Janka Galáčová	Member:	Michal Horáček

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2011 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 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 2010.

FEGNV was incorporated on 4 November 2009 in order to transfer all subsidiaries of Penta forming the betting business (the subsidiaries) to FEGNV with the intention of an initial public flotation of Fortuna Entertainment Group N.V. 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 flotation of FEGNV shares on the Warsaw and Prague Stock exchange was 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 where 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 2011.

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 2011 and include the following entities ("Fortuna Group"):

Fortuna Entertainment Group N.V.

RIVERHILL a.s.

ALICELA a.s.

FORTUNA sázková kancelář 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 zaklady 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 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The group is not subject to minimum funding requirements. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRS (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only NCI components that constitute a present ownership interest that entitles the holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 14.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 9.
- IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The Group illustrated those amendments in Note 14.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations – Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005).
- IFRS 3 Business Combinations – Unreplaced and voluntarily replaced share-base payment awards and its accounting treatment within a business combination.
- IAS 27 Consolidated and Separate Financial Statements – applying the IAS 27 (as revised 2008) transition requirements to consequentially amended standards.
- IFRIC 13 Customer Loyalty Programmes – in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme.

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

4. TRANSFER PRICING

Interim condensed consolidated financial statements as at 30 June 2011 include recharge of the costs for the period of 6 months in 2011 within the FEG group.

The items included in transfer pricing comprise bookmaking services, general management services, software development services and cash deposit services that are primarily borne by Czech entities FORTUNA sázková kancelář a.s., FORTUNA GAME a.s. and FORTUNA software s.r.o. Transfer pricing transactions are guided by the arm's length principle.

5. INFORMATION ABOUT PRODUCTS AND SERVICES

The group's operating results 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 operating results 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 2010 the FIFA World Cup in South Africa took place and significantly contributed to volumes of accepted bets. Despite the absence of a major sporting event such as the World Cup in 2011, Fortuna performed well and has surpassed its 2010 record figures.

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 can 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.

6. OPERATING SEGMENT INFORMATION

Identification of reportable segments

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

Czech Republic

Slovakia

Poland

Other countries

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

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

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

The following tables present revenue and profit information regarding the Group's operating segments and revenue streams for the six months ended 30 June 2011 and 2010 respectively.

Six months ended 30 June 2011 (unaudited)	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Other countries	TOTAL Continuing operations
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
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)
Non-current assets	10,616	-	10,616	772	1,523	387	13,298
Operating segment assets	22,149	-	22,149	8,031	3,477	1,177	34,834
Operating segment liabilities	7,829	-	7,829	2,224	1,633	498	12,184

Six months ended 30 June 2010 (unaudited)	Czech Republic sports betting	Slovakia	Poland	Other countries	TOTAL Continuing operations
	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue	21,149	11,708	6,473	11	39,341
Taxation of earnings from betting/ gaming	(3,340)	-	-	-	(3,340)
Depreciation and amortisation	(602)	(320)	(340)	(23)	(1,285)
Segment result	4,681	5,343	328	(27)	10,325
Capital expenditure	(692)	(171)	(273)	(441)	(1,577)
31 December 2010					
Non-current assets	9,864	945	1,615	448	12,872
Operating segment assets	21,780	11,875	3,361	7,992	45,008
Operating segment liabilities	8,263	2,964	1,800	715	13,742

Segment results for each operating segment exclude net finance costs of € 272 thousand and € 1,767 thousand for the 6 months ended 30 June 2011 and 2010, profit on disposal of subsidiaries of € 0 thousand and € 4,171 thousand for the 6 months ended 30 June 2011 and 2010, and income tax expense of € 1,495 thousand and € 1,323 thousand for the 6 months ended 30 June 2011 and 2010.

Segment assets excludes goodwill of € 52,288 thousand and € 50,796 thousand for the periods ended 30 June 2011 and 31 December 2010 respectively, as these assets are managed on a group basis.

Segment liabilities exclude bank loans of € 28,240 thousand and € 29,136 thousand for the periods ended 30 June 2011 and 31 December 2010, respectively, and derivatives of € 651 thousand and € 919 thousand for the periods ended 30 June 2011 and 31 December 2010 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 on product and services

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

Period ended 30 June 2011 (unaudited)	Czech Republic sports betting € 000	Czech Republic lottery € 000	Czech Re- public total € 000	Slovakia € 000	Poland € 000	Malta € 000	TOTAL € 000
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 - Bets	-	776	776	-	-	-	776
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	-	426	426	-	-	-	426
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 bet- ting/gaming	(3,533)	(73)	(3,606)	-	-	-	(3,606)
Gross profit from betting	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	-	353	353	-	-	-	353
Gross profit margin – Sports betting (%)	17%	-	17%	18%	25%	4%	18%
Gross profit margin – Lottery (%)	-	45%	45%	-	-	-	45%

Period ended 30 June 2010 (unaudited)	Czech Republic sports betting € 000	Slovakia € 000	Poland € 000	Malta € 000	TOTAL € 000
Total amounts staked	100,453	61,341	29,689	75	191,558
-of which: Sports betting - Bets	95,788	58,761	26,621	75	181,245
-of which: Sports betting - Commissions	4,665	2,580	3,068	-	10,313
Paid out prizes	(79,495)	(46,787)	(19,840)	(64)	(146,186)
Gross win	20,958	14,554	9,849	11	45,372
-of which: Sports betting - Online	5,810	4,638	-	11	10,459
-of which: Sports betting - Retail	15,148	9,916	9,849	-	34,913
Withholding tax paid	-	(2,934)	(3,572)	-	(6,506)
Other revenues	191	88	196	-	475
Revenue	21,149	11,708	6,473	11	39,341
Taxation of earnings from betting	(3,340)	-	-	-	(3,340)
Gross profit	17,618	11,620	6,277	11	35,526
-of which: Sports betting - Online	5,001	3,568	-	11	8,580
-of which: Sports betting - Retail	12,617	8,052	6,277	-	26,946
Gross profit margin – Sports betting (%)	18%	19%	21%	15%	19%

7. IMPAIRMENTS

Goodwill and intangible assets

Goodwill and intangible assets with indefinite lives are annually tested for impairment (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 2010.

The Group considers there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2011.

8. INCOME TAX

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

	30 June 2011 (unaudited) € 000	30 June 2010 (unaudited) € 000
Current income tax:		
Current income tax charge	1,489	1,256
Deferred tax:		
Relating to origination and reversal of temporary differences	6	67
Income tax expense reported in the statement of income	1,495	1,323

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	30 June 2011 (unaudited) € 000	30 June 2010 (unaudited) € 000
Movements of other comprehensive income before tax		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	237	(389)
Total effect on other comprehensive income resulting from cash flow hedges (before tax)	237	(389)
Tax effect of components of other comprehensive income		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	(45)	75
Total tax effect on other comprehensive income resulting from cash flow hedges	(45)	75

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Fortuna Group acquired non-current assets with a cost of € 1,678 thousand (30 June 2010: € 1,577 thousand).

11. CASH AND CASH EQUIVALENTS

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

	30 June 2011 (unaudited) € 000	31 December 2010 (audited) € 000
Cash at bank	11,320	23,140
Cash in hand and in transit	2,192	2,195
Cash and cash equivalents	13,512	25,335

Cash and Indebtedness

The total amount of bank debt as of 30 June 2011 was EUR 28.2 million, 3.1 % less in comparison with the 31 December 2010. Cash and cash equivalents as of 30 June 2011 amounted to EUR 13.5 million, 46.7% less than as of 31 December 2010 and were impacted by the dividend payment in June 2011. The total balance of those two items resulted in a Company net debt position of EUR 14.7 million as of 30 June 2011, 287.5% higher than as of 31 December 2010.

12. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 25 May 2011 in Amsterdam approved the Management Board's proposal to pay-out a gross dividend of € 0.30 in cash per share for the financial year 2010.

Actual payment of dividend occurred on 24 June 2011. The dividend pay-out for 2010 represented approximately 90% of the net profit from continuing operations (consolidated accounts) and was in accordance with the communicated dividend policy - the dividend payout ratio is 70 - 100% of the net profit from continuing operations (consolidated accounts).

Declared and paid during the year:	2011 € 000	2010 € 000
Dividend for 2009 paid in 2010	-	-
Dividend for 2010 paid in 2011	15,600	-
Total	15,600	-

13. OTHER NON-CURRENT LIABILITIES

During the six months ended 30 June 2011, the long-term liability arising from acquisition of a subsidiary (FORTUNA software s.r.o. acquired in March 2010) was paid according the agreed payment schedule and the remaining part of the liability is classified as short-term.

14. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives

As of 30 June 2011, Fortuna Group held interest rate swaps with a notional amount of € 30,119 thousand (31 December 2010: € 33,519 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	30 June 2011 (unaudited) € 000 Liabilities	31 December 2010 (audited) € 000 Liabilities
Cash flow hedges	(272)	(509)
Held for trading	(379)	(410)
Total cash flow hedges	(651)	(919)

Fair value hierarchy

As at 30 June 2011, the Fortuna Group had derivative contracts measured at fair value of EUR 651 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 2011, the Group held the following financial instruments measured at fair value:

Financial instruments	30 June 2011 € 000	Level 1 € 000	Level 2 € 000	Level 3 € 000
Interest rate swaps	(651)	-	(651)	-

There is no change in the classification of the interest rate swaps occurring since the previous 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 2011 the Group was in compliance with syndicated bank loan covenants.

15. OTHER OPERATING EXPENSES

	30 June 2011 (unaudited) € 000	30 June 2010 (unaudited) € 000
Operating lease expense	(4,427)	(4,269)
Franchise fees	(822)	(753)
Materials and office supplies	(914)	(861)
Marketing and advertising	(2,359)	(2,023)
Telecommunication costs	(911)	(678)
Energy and utilities	(866)	(851)
Repairs and maintenance	(367)	(477)
Taxes and fees paid to authorities	(262)	(398)
Bad debt expense	(54)	(131)
IT services	(589)	(224)
Travelling and entertainment costs	(346)	(296)
Others	(1,463)	(817)
	(13,380)	(11 779)

Since 2011, expenses of the Czech companies are charges to the statement of income including VAT. In the year 2010 amounts were included to the expenses without VAT and related VAT receivables were fully provided for with effect to other operating expenses. The comparatives of other operating expenses were adjusted for VAT related to Czech companies. The change in 2011 has no effect on total other operating expenses, there is only a classification difference between Bad debt expense and other cost categories within other operating expenses.

As at 31 December 2010 VAT receivable of FORTUNA sázková kancelář a.s., arising from deduction of certain input VAT, had been challenged by the financial authority, followed by the several legal proceedings initiated by FORTUNA sázková kancelář a.s. The disputed VAT amount had been already paid by Fortuna sázková kancelář a.s. and was fully provided for in the Consolidated Financial Statements as at 31 December 2010.

In the first half of the year 2011 the Constitutional Court rejected the legal proceedings and FORTUNA sázková kancelář a.s. wrote-off the receivable and related impairment. This transaction did not have influence on total Other operating expenses.

The „Others” expenses include the fees for stream (on-line coverage of sports events), which was launched in January 2011.

16. SHARE-BASED PAYMENT

The General Meeting of Fortuna Entertainment Group N.V. held in Amsterdam on 25 May 2011 authorized the Company to adopt the stock option plan (hereinafter referred to as the “Plan”). The Plan is valid from 30 June 2011 and grants the option (right) to acquire shares at the exercise price of CZK 115 per share for employees in the betting divisions of the main subsidiaries of Fortuna Entertainment Group NV (i.e. Fortuna Entertainment Group NV, Fortuna Sázková kancelář a.s., Fortuna Zaklady Bukmacherskie sp z o.o., Fortuna SK a.s. and FortunaWin Ltd., Fortuna software s.r.o), which were employed by the company on or before 31 December 2010. Options granted in 2011 will vest as of 1 March 2012. Options granted in 2011 can be exercised at anytime for a period of one year, i.e. until 28 February 2013. Due to timing of the introduction of the plan no expenses of share based payment transactions were recognized during the six months period ended 30 June 2011.

17. 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 sázková kancelář a.s.	Czech Republic	Sports betting
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 entered into with related parties, which were included in the Penta portfolio of companies for the six months ended 30 June 2011 and 2010:

Consolidated statement of financial position	30 June 2011 (unaudited) € 000	30 June 2010 (unaudited) € 000
Receivables from related parties		
FORTUNA SPORTSKA KLADIONICA, d.o.o.	291	200
Digital Park Einsteinova, a.s.	34	3
AERO Vodochody, a.s.	1	-
Total receivables from related parties	326	203
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s..	13	12
Digital Park Einsteinova, a.s.	8	1
Antonin Las (management)	-	1
Penta Investment Limited, Cyprus	1	-
Total payables to related parties	22	14
Cash in related parties		
Privatbanka, a.s.	2,291	2,424
Total cash in related parties	2,291	2,424

Consolidated statement of income	30 June 2011 (unaudited) € 000	30 June 2010 (unaudited) € 000
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.	14	5
Penta Investment Limited, Cyprus	-	424
Total sales to related parties	14	429
	8	1
Interest expense from related parties		
Privatbanka, a.s.	1	4
Equinox Investments B.V.	-	31
Penta Investment Limited, Cyprus	-	133
Total interest from related parties	1	168
Purchases from related parties		
Penta Investment Limited, Cyprus	-	2
Žabka, a.s.	3	-
AERO Vodochody, a.s.	1	1
DÔVERA zdravotná poisťovňa, a.s..	56	51
MobilKom, a.s.	-	1
Digital Park Einsteinova, a.s.	80	11
FORTUNA PARK spol. s r.o. v likvidaci	-	3
Total purchases from related parties	140	69

Shares Held by Management

As of 30 June 2011 members or persons discharging managerial responsibilities within an issuer held 10,908 shares of FEGNV, representing 0.02% of aggregate voting rights.

18. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2011 FORTUNA sázková kancelář a.s. started with numerical lottery game "Loto" in the territory of the Czech Republic.

In September 2010, FEG entered into an agreement with Equinox Investments B.V., under which it had a call option for all shares in Fortuna HR held by Equinox Investments B.V. The option could be exercised within the three-year period starting from 1 July 2011, provided that Fortuna HR reported positive recurring EBITDA for three consecutive quarters. The purchase price was set at EUR 1 and the net debt (un-

derstood as interest bearing debts, including any shareholder loans, minus cash and cash equivalents, excluding restricted cash) at the date of transfer of the shares in Fortuna HR should not exceed EUR 12 million. In case the net debt exceeds EUR 12 million at the date of exercise of the option, Equinox Investments B.V. should capitalize Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, FEG had a right of first refusal which entitles it to purchase shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case FEG does not acquire shares in Fortuna HR for the indicated amount, Equinox Investments B.V. may sell the shares in Fortuna HR to such a third party and the call option expires with respect to the shares sold to the third party.

The fair value of option was nil and was included on Fortuna's statement of financial position. The option was revalued on a quarterly basis and potential movements in the fair value of the option flew through the statement of income of FEG.

On 3 August 2011, the Management Board of Fortuna Entertainment Group NV received a notice from Equinox Investments B.V. inviting FEG to exercise its right to purchase shares in Fortuna HR pursuant to offer from an unnamed third party. The Management Board of Fortuna Entertainment Group NV decided not to exercise the option and informed Equinox Investments B.V. accordingly. As a result of that, FEG is no longer entitled to purchase shares in Fortuna HR and the option ceased to be included on Fortuna's statements.

Amsterdam, 24 August 2011

Jiří Bunda

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

Wilfred Thomas Walsh

Vice-chairman of the Management Board of Fortuna Entertainment Group N.V.

Janka Galáčová

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

Richard van Bruchem

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

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Defined Terms

“Alicela”

ALICELA, a.s., a joint stock company (akciová společnost), having its registered office at Praha 10, Na Výsluní 201/13, 100 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476

“Company”, “FEG”, „Group”

Fortuna Entertainment Group N.V. a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, 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, the 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, registered with the Commercial Court in Zagreb in the register of companies under number 080396593

"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, registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455

"Fortuna REAL"

FORTUNA Real, s.r.o., a limited liability company (spoločnosť s ručením obmedzeným), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic and registered in the Commercial Register of the District Court of Bratislava I in Section Sro, under number 40783/B

"Fortuna RENT"

FORTUNA RENT, s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630

"Fortuna SazKan"

FORTUNA sázková kancelář, a.s., a joint stock company (akciová společnost), having its registered office at Praha 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60

"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, registered in 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 Semina, 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 Semina, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48340

“Loto”

Loto is a brand name of Fortuna's numerical lottery which was launched in July 2011

“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, registered with the Registry of Companies Cyprus, Nicosia under number 158996