



## FORTUNA ENTERTAINMENT GROUP N.V.

a limited liability company (Naamloze Vennootschap), having its registered office at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands and registered with Register of the Chamber of Commerce under number 34364038

**Offering of up to 15,830,000 Shares (subject to the Over-allotment Option as defined below to increase such amount by up to 2,370,000 Shares) with a nominal value of EUR 0.01 and admission to trading on the main markets of the Warsaw Stock Exchange and the Prague Stock Exchange of all the Shares issued in the share capital of Fortuna Entertainment Group N.V.**

This document (the "Prospectus") has been prepared for the purpose of (i) the offering (the "Offering") of up to 15,830,000 ordinary registered shares (subject to the Over-allotment Option as defined below to increase such amount by up to 2,370,000 shares) in the share capital, consisting of ordinary registered shares, each with a nominal value of EUR 0.01 (the "Shares"), in Fortuna Entertainment Group N.V. (the "Issuer"), and (ii) the admission of the entire issued share capital of the Issuer (i.e., up to 52,000,000 Shares) to trading on the main markets of *Giełda Papierów Wartościowych w Warszawie S.A.* (the Warsaw Stock Exchange, the "WSE") and of *Burza cenných papírů Praha, a.s.* (the Prague Stock Exchange, the "PSE"). Up to 2,000,000 newly issued Shares (the "New Shares") to be issued by the Issuer will be offered for subscription and for sale up to 13,830,000 existing Shares (the "Sale Shares") held by the Issuer's sole shareholder Penta Investments Limited (the "Selling Shareholder"), a company organised under the law of Cyprus. Such New Shares and Sale Shares are referred to as the offer shares (the "Offer Shares"). The Issuer will only receive the net proceeds from the sale of the New Shares, whereas the Selling Shareholder will receive the net proceeds from the sale of the Sale Shares and the additional Shares to be offered in connection with the Over-allotment Option as described below (the "Over-allotment Shares"), if any. The Offer Shares offered in this Offering constitute a minority interest in the Issuer. Prior to the Offering, the Selling Shareholder owns 100 % of the issued share capital of the Issuer.

The Offering consists of (i) a public offering in Poland, (ii) a public offering in the Czech Republic, (iii) a public offering in Slovakia, and (iv) an international offering by way of private placements to certain institutional investors outside Poland, the Czech Republic and Slovakia, in each case in accordance with applicable securities laws.

**The Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act"). The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("Regulation S") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act (see "Selling Restrictions").**

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

This Prospectus constitutes a prospectus for the purposes of Article 3 of European Union (EU) Directive 2003/71/EC (the "Prospectus Directive") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the Dutch Financial Supervision Act). The *Autoriteit Financiële Markten* (the "AFM") in its capacity as the competent authority in the Netherlands under the Dutch Financial Supervision Act, has approved this document as a prospectus. The Issuer has requested that the AFM provide the competent authority in Poland, *Komisja Nadzoru Finansowego* (Polish Financial Supervision Authority, the "PFSA"), in the Czech Republic, *Česká národní banka* (Czech National Bank, the "CNB") and in Slovakia, *Národná banka Slovenska* (National Bank of Slovakia, the "NBS") with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive. See "Risk Factors" for a discussion of certain considerations to be taken into account when deciding whether to invest in the Offer Shares.

Prior to the Offering, there was no public market for the Shares. Based on this Prospectus, the Issuer intends to apply for the entire issued share capital as at the Settlement Date as defined below (i.e., up to 52,000,000 Shares), including the Offer Shares, to be admitted to listing and trading on the main market of the WSE and the PSE (the "Admission"). The conditional trading in the Offer Shares is expected to commence on the PSE on 22 October 2010. There will be no conditional trading on the WSE. The Issuer expects that the date on which trading in the Shares on the PSE will commence on or around 27 October 2010 (the "PSE Listing Date") and expects that the date on which trading in the Shares on the WSE will commence on or around 28 October 2010 (the "WSE Listing Date"). Settlement of the Offering is expected to be made on 26 October 2010 (the "Settlement Date"). Prospective retail and institutional investors in the Czech Republic, Poland and Slovakia as well as selected prospective institutional investors (other than "US persons" as defined in Regulation S) may subscribe for or purchase the Offer Shares during a period which is expected to commence on 11 October 2010 and is expected to end on 21 October 2010. The final Offer Price and the final number of the Offer Shares offered will be determined jointly by the Issuer and the Selling Shareholder in agreement with the Sole Global Coordinator and Sole Bookrunner on 21 October 2010 (the "Pricing and Allotment Date"), based on interest from investors and will, in accordance with Art. 5:18 of the Dutch Financial Supervision Act, Art. 36d of the Czech Capital Markets Act and Art. 122 of the Slovak Securities Act be filed with the AFM, the PFSA, the CNB and the NBS and published in the same manner as this Prospectus and by way of a press release. If the Offering is cancelled prior to the Settlement Date, all subscriptions for the Offer Shares will be disregarded, any allotments made will be deemed null and void, and any subscription payments made will be returned without interest or other compensation. All dealings in the Offer Shares prior to settlement and delivery of the Offer Shares and during conditional trading on the PSE are at the sole risk of the parties concerned.

The Offer Shares will be accepted for settlement through Clearstream Banking (the "Clearstream"), *Krajowy Depozyt Papierów Wartościowych S.A.* (the Polish National Depository for Securities, the "NDS") and *Centrální depozitář cenných papírů, a.s.* (the Czech Central Securities Depository, the "CDCP"). Delivery of the Offer Shares is to be made through the facilities of these clearing systems, and is expected to take place on or about 27 October 2010 for participants of the CDCP (the "CDCP Delivery Date") and on or about 27 October 2010 for participants of the NDS (the "NDS Delivery Date").

In connection with the Offering, the Selling Shareholder has granted to the Sole Global Coordinator and Sole Bookrunner an option (the "Over-allotment Option"), exercisable for 30 calendar days after the announcement of the Offer Price, i.e. 30 calendar days after the Pricing and Allotment Date, to make available additional 2,370,000 existing Shares or representing up to 15 % of the aggregate number of Offer Shares available in the Offering, i.e. the Over-allotment Shares at the Offer Price to cover over-allotments, if any, made in connection with the Offering and to cover short positions resulting from stabilisation transactions, if any. Such stabilisation shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003, implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments (the "Stabilisation Regulation").

**Offer Price: To be determined in EUR and announced on or around 22 October 2010**

UniCredit CAIB Poland S.A. will act as the offeror and listing agent for the Offering and listing of the Shares on the WSE (the "Polish Retail Manager"). Česká spořitelna, a.s. will act as the offeror and listing agent for the Offering in the Czech Republic and listing of the Shares on the PSE ("Czech Retail Manager"). Slovenská sporiteľňa, a.s. will act as the offeror for the Offering in the Slovak Republic (the "Slovak Retail Manager"). UniCredit Bank AG (London Branch) is the Sole Global Coordinator and Sole Bookrunner of the Offering. Erste Group Bank AG is the Joint Lead Manager.

**Sole Global Coordinator and Sole Bookrunner**

**UniCredit Bank AG (London Branch)**

**Joint Lead Manager**

**Erste Group Bank AG**

The date of this Prospectus is 6 October 2010

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## SUMMARY

*The following constitutes the summary of the essential characteristics and risks associated with the Issuer, its Group and the Shares. This summary should be read only as an introduction to this Prospectus and contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive and does not contain all information which is of importance to prospective investors. Reading this summary should, in no way, be considered a substitute for reading this Prospectus in its entirety. Prospective investors should read this Prospectus thoroughly and completely, including the "Risk Factors", any supplements to this Prospectus required under applicable laws, the Combined Financial Statements and Interim Condensed Consolidated Financial Statements and other financial information and related notes, before making any decision with respect to investing in the Offer Shares. No civil liability will attach to the Issuer in respect of this summary (including the Summary Financial and Operating Information) or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

### Introduction of the Fortuna Group

Fortuna Group is the leading fixed-odds betting operator with retail and on-line presence in Central and Eastern Europe (in terms of turnover) with EUR 84,694 thousand Gross Win in the year ended 31 December 2009. As at 30 June 2010, the Group had 1,311 retail betting outlets in the Czech Republic, Slovakia and Poland and since 2007 and 2009 it has offered on-line betting services in Slovakia and in the Czech Republic, respectively. In June 2010 the Group launched FortunaWin betting and gaming on-line platform that currently targets Hungary.

The Group offers a comprehensive range of on-line 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. Management believes that Slovakia and the Czech Republic are relatively well developed sports betting markets, while Poland has further potential for growth. The Management intends to broaden its product portfolio, including lottery in the Czech Republic, virtual sports betting and the expansion of on-line betting and gaming platforms.

The Group's bookmaking activities extend back to 1990 when one of the Group Companies, Fortuna SazKan, was founded. From its incorporation, Fortuna SazKan's primary business was sports fixed-odds betting. Through the years, betting entities from other Central and Eastern European countries were acquired by the Selling Shareholder to operate under the Fortuna brand. For the financial year ended 31 December 2009, the Group was a top-two retail player in each of the three core markets in which it operates in terms of amounts staked.

The Issuer has a call option to repurchase all shares in Fortuna HR held by Equinox Investments B.V., a subsidiary of the Selling Shareholder, which the Management has decided to sell back to Equinox Investments B.V. in March 2010 (see "*The Issuer – Call option for Fortuna HR*").

### Strengths

Management believes that the Group benefits from the following competitive strengths:

#### ***One of the leading betting companies in the Czech, Slovak and Polish markets***

Fortuna Group is the leading sports fixed-odds betting company operating a land network in Central and Eastern Europe (in terms of turnover). In 2009 the Group was the second largest betting operator in the Czech Republic, Poland and Slovakia in terms of the total amounts staked.<sup>1</sup>

As at 30 June 2010, the Group had 1,063 betting shops and 248 "Partner" betting outlets, making it one of the largest operators of betting shops in Central and Eastern Europe. The Group is one of the leading locally licensed on-line betting operators in the Czech Republic and Slovakia.

Management believes that the size, scale and breadth of the Group's customer base provide the Group with a competitive advantage, particularly over some of the smaller local players in the betting industry in terms of brand recognition, cost optimisation and economies of scale.

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<sup>1</sup> According to H2GC and the Group's estimations.

### ***Presence in the growing markets of Central and Eastern Europe***

The economies of the principal markets in which the Group operates have experienced above average real GDP growth rates in comparison to average EU GDP growth rates over the same period in recent years. In 2008 Poland and Slovakia recorded GDP growth rates that were among the highest in the EU, amounting to 5.0% and 6.2%, respectively, while the Czech Republic's GDP grew by 2.5% over the same period. Despite the impact of the global financial crisis, in 2009 the Polish economy recorded GDP growth of 1.7%<sup>2</sup> compared with an EU average of minus 4.2%.

Based on available market data, Management believes that the economies of the countries in which the Group operates will continue to grow at a faster pace than more mature Western European economies in the near future allowing for an increase in the average wage level and an associated increase in the average level of disposable income of consumers in those countries, which will translate into increasing consumer spending on leisure and entertainment. The Group is well positioned to benefit from the aforementioned anticipated economic growth in those countries and the associated increase in the average levels of disposable income.

Management believes that betting is becoming increasingly socially acceptable due to a number of factors, including the broadening of the product offering, and the improvement of standards in retail betting networks, including more attractive premises and a general shift to more popular sites, such as shopping malls, making betting and gaming part of mainstream commerce and entertainment. The proliferation of on-line services, supported by positive changes in the legal framework, have also contributed to the growing acceptance of betting and gaming.

The Group is also well placed to take advantage of increased levels of broadband penetration in the countries in which it operates because of its on-line experience in the Czech Republic and Slovakia and a recognisable brand. Between 2006 and 2008, the broadband penetration ratio increased from 17% to 30% in the Czech Republic, from 22% to 32% in Poland, from 11% to 30% in Slovakia and from 22% to 37% in Hungary.<sup>3</sup>

### ***Trusted brand***

The Group's operating history and the strength of its brand in its core markets provide it with a competitive advantage in an industry where attracting and maintaining customers is crucial to developing the business. Over recent years the Group has introduced a unified corporate design for all of its products and services which Management believes has resulted in the public recognition of "Fortuna" brand as a professional and stable betting operator.<sup>4</sup> Management believes that the brand is a key asset in retaining loyal customers and attracting new ones. The Group continues to invest in marketing activities to build awareness of its brand and to engage in market research to monitor the perception of its image.

Management believes that the Group's sponsorship of sports teams including Slovak national football team, AC Sparta Prague, FC Banik Ostrava, FC Slovan Liberec, Bohemians 1905, FK Mlada Boleslav, 1.FC Brno. will contribute to the growth of the Group's business.

### ***Attractive and innovative product offering and a track record of innovation***

Management believes that the Group is one of the leading local betting operators in terms of the provision of innovative betting products and continuously strives to offer new products to its customers to improve their betting experience. By way of example, the Group was the first locally licensed operator to launch on-line live betting in the Czech Republic. The total amounts staked on live betting in the Czech Republic and Slovakia represented approximately 17% of the total amounts staked on-line in the Czech Republic and Slovakia in the financial year ended 31 December 2009.

Other examples of market-leading innovations include "safe bet", an accumulated betting game where a customer has the opportunity to win a nominal amount of money even when the customer has lost one of the bets, and "goal storm", a combination of number game and sports betting with a growing jackpot.

In addition, the Group seeks to make its products and services more attractive to customers through its loyalty programme, Fortuna Klub Plus. Members of Fortuna Klub Plus are entitled to discounts and additional services, to participate in competitions and prize draws, and to gain points based on the amounts they have staked and the frequency of their bets. The points can be exchanged for Fortuna's betting magazine, Fortuna-branded promotional merchandise or special offers. The programme allows members to use discounts on certain products

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<sup>2</sup> Information on the GDP's growth is based on the data published by Eurostat.

<sup>3</sup> According to H2GC.

<sup>4</sup> According to surveys made by Ipsos Tambor in Slovakia in 2005-2007 and in the Czech Republic in 2008 and in 2005-2007.

and services. There are currently approximately 147 thousand members of Fortuna Klub Plus. Each Fortuna Klub Plus member's details are stored on the Group's databases. The Group is able to use this information to actively develop its relationship with each member through the CRM system.

The Group has a track record of adapting promptly and effectively to changes in regulations, such as the introduction of on-line services in Slovakia and the Czech Republic (see "*Business Overview - Strengths - Early-mover advantage in the on-line market*").

#### ***Comprehensive risk management system and long-standing odds compilation experience***

Effective risk management and profit protection is of the highest importance to the Group. Management believes that having more than 20 years experience in risk management and bookmaking procedures and being supported by a team of experienced bookmakers, well-qualified risk management professionals and state of the art IT systems gives the Group a strong competitive advantage.

The Group has a multilayered risk management system, divided into four phases: odds compilation, odds adjusting, bet acceptance and payment management. Management believes that the Group's risk management system gives the Group a comprehensive overview of all of the Group's ongoing exposures relating to particular events. In addition, by offering a broad range of betting products to its customers on a wide variety of events the Group is able to spread its risk over a large number of events. The risks are also diversified by operating in various countries, because betting preferences differ in each of the countries in which the Group operates. The Group has further enhanced its risk management system by installing software which calculates probability during live betting.

For the purpose of odds compilation, the Group cooperates with a total of 38 experienced bookmakers with excellent analytical skills and deep insight into local sports betting markets. Each bookmaker is responsible for compiling the odds for a particular region, sport discipline or a particular league. Management believes that as a result of its risk management system and the skill of its bookmakers who are responsible for odds compilation, the Group is able to manage its risk profile, ensure profit protection, and offer its customers competitive and comparatively attractive odds.

#### ***Early-mover advantage in the on-line market***

The Group was one of the first locally licensed operators to begin offering on-line betting in Slovakia in 2007. In addition, in 2009, following regulatory changes in the Czech Republic, the Group took the opportunity to capitalise on its existing experience in Slovakia and began offering on-line betting in the Czech Republic. The Group quickly established a major presence in the Czech on-line betting market and plans to further utilise its experience as and when new opportunities appear in Poland. In addition, the Group has successfully broadened the range of products that it offers by introducing new on-line products, such as live betting.

In Slovakia and the Czech Republic, Fortuna offers its on-line sports betting products on the basis of local betting licenses and Management believes that the Group's retail networks in those countries, which for example enable on-line customers to receive prizes in cash, contribute to the trustworthiness of the Fortuna brand and represent a clear competitive advantage over offshore betting and gaming companies operating without local licenses in countries in which the Group offers its products both on-line and through its retail network.

The Group's experience of entering the on-line betting market in two countries means that it is well placed to expand its on-line operations into new markets. The on-line betting business model is highly scalable – by expanding its on-line betting operations the Group will be able to establish its presence in new markets at comparably low cost, without investing in retail betting outlets, for example through a Maltese on-line betting and gaming platform.

#### ***High cash generation and moderate financial leverage***

Management believes that the Group is a highly cash generative business. For the financial years ended 31 December 2009, 2008 and 2007 respectively, the operating cash flows of the Group were EUR 20,105 thousand, EUR 23,347 thousand and EUR 14,204 thousand respectively which translated into 94%, 99% and 111% conversion ratios (calculated as net cash flows from operating activities divided by operating profit). In the financial years ended 31 December 2009, 2008 and 2007 respectively, EBITDA was EUR 23,536 thousand, EUR 25,215 thousand and EUR 14,141 thousand. In addition, as of 30 June 2010 the Group's net debt was EUR 21,293 thousand, and the Issuer's overall level of indebtedness, expressed by net debt as of 30 June 2010 to twelve months EBITDA was 0.86.



Management believes that high cash generation and moderate financial leverage provides the Group with the ability to fund its development from its own cash flows and ensure substantial dividend payouts (see “Shareholders - Dividend policy”).

## **Strategy**

### ***Capitalising on growth opportunities in on-line betting and leveraging on beneficial regulatory changes***

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

Having already launched on-line betting operations in Slovakia in 2007, the Group was able to leverage on its experience to quickly and successfully launch its on-line betting operations in the Czech Republic in 2009. In anticipation of beneficial changes in Polish legislation, the Group is preparing to launch local on-line operations as and when the new legislation comes into force.

In addition, the Group has recently finished building up its on-line betting and gaming platform, which offers a wide range of products, including betting on sports and other events, live betting, number betting, lottery and on-line casino. To improve its competitiveness, the FortunaWin business is located in Malta. The on-line betting and gaming platform went live in June 2010 and currently covers Hungary.

### ***Strengthening the retail network and increasing revenue per shop***

The Group aims to maximise the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimise the betting experience, the Group monitors its retail network and adjusts the number and location of retail betting shops where Fortuna's products are offered on a regular basis. In 2009, the Group opened 119 shops, closed 110 shops and relocated 10 shops. The Group also continuously upgrades the location, facilities, equipment and size of its retail betting shops. Management targets reaching the total number of 800 shops in the Czech Republic, 450 in Slovakia and 500 in Poland by 2012. The Group plans to further increase the number of its betting shops in Poland, Slovakia and the Czech Republic. The Group also intends to increase the number of its “Partner” betting outlets in order to decrease its fixed costs. The Group has opened a few pilot “Partner” outlets in Poland and Management is considering further development of a “Partner” system in Poland.

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

### ***Broadening the product offering***

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

In July 2010 Fortuna SazKan obtained a license to offer lottery products in the Czech Republic. The Management assumes total costs of the lottery of approximately EUR 13 million in 2010 and 2011 and intends to start offering lottery products in 2011. The Group executed cooperation agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project.

The lottery business is attractive since the Gross Win margin is stable and higher than the sports betting Gross Win margin. The Group has already gained experience with launching new products and with similar games, namely number games, and it can leverage its brand, customer base and land network in the Czech Republic where there is only one lottery operator despite the absence of a state monopoly.

### ***Promotion of brand loyalty***

The Group seeks to promote brand loyalty amongst its customers. In 2005, the Group introduced a large scale Fortuna Klub Plus loyalty programme in betting shops in all of the countries in which it operates. Through this loyalty programme, customers can accumulate points for the amount that they stake through any channel

(whether a shop, the Internet, telephone, or SMS) and then redeem those points for free bets, bonuses that enhance their odds and Fortuna-branded merchandise.

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 further plans to improve the Fortuna Klub Plus members' service through the introduction of a new CRM system which will allow for individually tailored and targeted communication, including flagging customers that have not placed a bet for a specified period of time. It expects to introduce the new CRM system in the second half of 2010. The system is intended to improve customer relationships with the Group while building higher brand loyalty and to provide a targeted customer communication plan with a focus on activating and tracking customer spend.

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

### ***Entering new markets***

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

As part of the process for monitoring market opportunities, the Group regularly reviews land based greenfield and acquisition opportunities across the Central and Eastern European region.

### ***Compliance with local regulations where the Group operates land networks***

The Group strategy is to comply with local regulations concerning the provision of on-line betting services in the countries where it has land-based operations. The Group intends to utilise its experience and to offer on-line betting as and when new opportunities appear in Poland. Currently the Polish government is working on a new bill that will permit on-line betting. As soon as the new law is introduced, the Group intends to apply for a license to provide on-line betting in Poland. Management believes that operating the business under a local license in Poland will give the Group a competitive advantage over offshore betting organisations.

### ***Fortuna Group***

#### ***Acquisition of Croatian subsidiary and subsequent sale***

On 7 January 2008 Equinox Investments B.V., a Selling Shareholder's subsidiary, acquired shares in Fortuna HR. In 2009 and 2010 the Issuer entered into several transactions upon which it acquired the operating companies, including among others Fortuna HR, and ancillary companies that were under common control of the Selling Shareholder (see "*Business Overview – Material Contracts - Related Party Transactions - Acquisition of shares in Group Companies by the Issuer*"). However, due to the pending restructuring of Fortuna HR and a regulator's delay in introduction of on-line betting in Croatia there was an uncertainty if and when Fortuna HR's profitability would be restored. Therefore the Issuer decided on a subsequent exclusion of Fortuna HR from the Group and all shares in Fortuna HR held by the Issuer were sold back to Equinox Investments B.V. on 26 March 2010 for the consideration of EUR 1.

On 7 September 2010 the Issuer entered into an agreement with Equinox Investments B.V., a subsidiary of the Selling Shareholder, under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V. The option may be exercised within the three-year period starting from 1 July 2011 provided that Fortuna HR reports positive recurring EBITDA for three consecutive quarters. The purchase price is 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 exercise of the option, Equinox Investments B.V. should capitalise Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, the Issuer has a right of the first refusal which entitles it to purchase the shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case the Issuer does not acquire shares in Fortuna HR for the indicated amount, Equinox Investments B.V. may sell the shares in Fortuna HR to such third party and the call option will expire with respect to the shares sold to the third party. The call option and the right of first refusal shall automatically expire on 1 July 2014 provided that it will not be exercised on or before such date.

Fortuna HR was incorporated on 5 June 2001 in Zagreb as a limited liability company under Croatian law and currently offers fixed-odd betting in its land network and on-line.

## Fortuna Group's subsidiaries

The most significant subsidiaries of the Issuer are the operating companies:

*Fortuna SazKan* was incorporated on 29 March 1990 in Prague as a joint stock company under Czech law. From its beginnings the company was involved in the betting business. The current license was issued in November 2008 and is valid until 2018. In 2007 Fortuna SazKan started to operate fixed-odds betting via telephone (Telekonto) and in 2008 obtained a license to operate fixed-odds betting via Internet valid until December 2018. On 30 November 2009 the company obtained a license for the operation of a new type of the game named “goal storm”, valid until 2019. In July 2010 the company obtained a license for the operation of lottery games valid until 8 July 2013.

*Fortuna GAME* was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law. At the beginning, Fortuna GAME owned a warehouse in Brandýs nad Labem that was rented to Fortuna SazKan. In 2009, as a result of transfer of part of operations of Fortuna SazKan, the company started to offer sports betting in accordance with its license issued on 19 May 2009, valid until 2019.

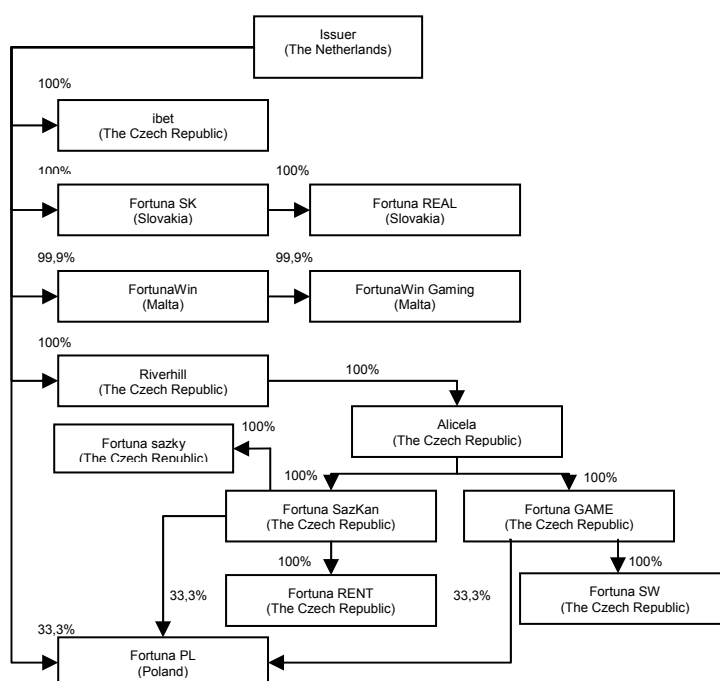
*Fortuna SK* was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. In 2006, the company was renamed to Fortuna SK. Currently, Fortuna SK offers fixed-odds betting (both land and on-line) under a license issued in 2005, valid until November 30, 2010.

*Fortuna PL* was incorporated on 29 December 1995 in Ustroń as a limited liability company under Polish law. From its beginnings, the company was operating in the betting sector. In recent years, the company offered fixed-odds betting and, until 2009, bets on results of number games. The current operations are conducted in accordance with a number of betting permissions issued for particular shops in years 2005 – 2009 that will expire in years 2011 – 2015. On 30 November 2009 Fortuna PL obtained permission for a virtual horseracing organisation for six years.

*FortunaWin Ltd.* was incorporated on 4 December 2009 in Ta'Xbiex as a limited liability company under Maltese law. On 26 February 2010 it obtained three letters of intent (kinds of temporary licenses), entitling it to organize betting as well as hosting and managing two Microgaming platforms. In June 2010 the company started its on-line operations.

*FortunaWin Gaming Ltd.* was incorporated on 4 December 2009 in Ta'Xbiex as a limited liability company under Maltese law. On 26 February 2010 it obtained a letter of intent, entitling it to organize betting. In June 2010 the company started its on-line operations.

The chart below presents the Group's structure.



## **Summary of risk factors**

### *Risks relating to the industry*

- Political, economic and regulatory changes could negatively impact the Group;
- The Group operates in a highly regulated sector and there can be no assurance that changes in the regulatory environment would not have an adverse effect on the Group's revenues;
- Taxation of betting services and other products offered by the Group may change;
- The Group is dependent on its licenses;
- The Group's ability to advertise is restricted in some of the countries in which it operates and it could face additional restrictions in the future;
- EU member states may impose additional restrictions on the betting and gaming sector;
- Crime and fraud could disrupt the Group's ability to conduct its business;
- The Group is dependent on its ability to provide security in betting and gaming operations;
- Failure of the Group's risk management system may have a significant impact on the Group's operations and financial results;
- The reputation of the betting and gaming industry as a whole may affect the Group's revenue;
- Demand for betting and gaming services may fluctuate over time;
- The Group may be subject to material losses with respect to betting and gaming outcomes and individual events;
- Cancellation or changes in the planned schedules of sporting events may influence the Group's operations.

### *Risks relating to the Issuer*

- Increased competition could reduce the Group's revenue and profits and constrain the Group's growth;
- The Group is dependent on its key personnel;
- Expansion through acquisitions entails certain risks, which could have adverse consequences for the Group's business;
- The Group may fail to recognize market opportunities in new countries;
- The Group may fail to introduce new and attractive products;
- The Group does not and may not be able to offer on-line services in Poland;
- A cannibalisation effect may occur when new distribution channels or products are introduced;
- The majority of the Group's revenues come from sports betting;
- The Group relies on the strength of its brands;
- The Group may infringe third party IP rights;
- High fixed costs base constitute a significant proportion of the Group's revenues;
- Financial risks

- Historical combined financial statements of the Group may not be representative of its historic or future results and may not be comparable across periods, which may make it difficult to evaluate the Group's results and future prospects;
- Currency fluctuations may affect the accurate interpretation of financial statements;
- The valuation of the call option for shares in Fortuna HR may have a negative impact on the Issuer's statement of income;
- Operating companies from the Group may fail to sustain good relationship with organisers of sport events in Poland;
- Disruptions in services of the Group's IT network and payment processing may have a material adverse impact on the Group's revenues and Fortuna brand reputation;
- The Group may be dependent on a limited number of third parties;
- The Group is subject to regulations regarding the personal data;
- There is a risk of additional good cause payments in the Czech Republic;
- Transfer pricing proceedings risk; Restriction on execution of certain shareholders rights in the Group;
- Shares in Czech and Slovak operating companies are pledged in favour of Česká spořitelna, a.s.;
- Trademark "Fortuna Sazkova Kancelar" is pledged in favour of Česká spořitelna, a.s.
- Cooperation between Fortuna PL and Fortuna sp. z o.o. may involve some risks.

#### *Risks relating to securities*

- The Offering may be delayed, suspended or cancelled;
- The market value of the Shares may be adversely affected by future sales or issues of substantial amounts of the Shares;
- Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares;
- There is no guarantee that the Issuer will pay dividends in the future;
- Existing shareholders will continue to exert significant influence on Management following the Offering;
- The Issuer is established and organised under Dutch law;
- Investors in the Shares will be subject to obligations resulting from various national laws;
- Investors may have problems enforcing judgments against the Issuer;
- Tax treatment for non-Dutch investors in a Dutch company may vary.

#### *Risks relating to listing and market*

- The price of the Issuer's Shares may fluctuate;
- Securities or industry analysts may cease to publish research or reports about Issuer's business or may change their recommendations regarding the Issuer's Shares;
- There can be no assurance regarding the future development of the market for the Shares and its liquidity;
- The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Issuer's operating performance and decline below the Offer Price;

- The Issuer may be unable to list the Issuer's Shares on the WSE and the PSE or the Shares may be delisted from the WSE and/or the PSE;
- Trading in the Issuer's Shares on the WSE and the PSE may be suspended;
- Dual listing of the Shares will result in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares will be listed. These and other factors may hinder the ability of Shares to move between the two exchanges;
- The Issuer will have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares;
- The Issuer has no experience in complying with requirements for publicly-listed companies.

## Summary of the Offering

<b>The Issuer</b> .....	Fortuna Entertainment Group N.V., a limited liability company ( <i>Naamloze Vennootschap</i> ) under Dutch law, incorporated on 4 November 2009, registered with the Trade Register of the Chamber of Commerce of the Amsterdam, the Netherlands, as at 6 November 2009. The statutory seat of the Issuer is Amsterdam, the Netherlands and the registered office of the Issuer is at Strawinskylaan 809 WTC T.A/L 8,1077XX Amsterdam, the Netherlands.
<b>The Selling Shareholder</b> .....	Penta Investments Limited, a Cypriot entity, with its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2 <sup>nd</sup> floor, 3803 Limassol, Cyprus. As at the date of this Prospectus, the Selling Shareholder holds 100% of the outstanding share capital of the Issuer. The Selling Shareholder belongs to a Central and Eastern European investment group, specialising in private equity and real estate. After the Offering, the Selling Shareholder will continue to own not less than 65% of the Shares in the Issuer.
<b>The Offering</b> .....	The Issuer and the Selling Shareholder are offering the Offer Shares: (i) to investors other than U.S. persons (as defined in Regulation S) in a public offering in the Czech Republic, Poland and Slovakia; and (ii) in private placements to selected Institutional Investors other than U.S. persons (as defined in Regulation S) elsewhere outside the Czech Republic, Poland and Slovakia and outside the United States, in each case in reliance on the Regulation S under the US Securities Act.
<b>Offer Shares</b> .....	The Offer Shares comprise up to 15,830,000 ordinary registered shares of the Issuer with a nominal value EUR 0.01. The Offer Shares will consist of up to 2,000,000 New Shares and up to 13,830,000 Sale Shares. The number of Offer Shares offered may be increased of up to 2,370,000 Over-allotment Shares pursuant to the Over-allotment Option described below. The final number of the Offer Shares offered will be determined by the Issuer and the Selling Shareholder in agreement with the Sole Global Coordinator and Sole Bookrunner on the Pricing and Allotment Date on or about 21 October 2010, based on interest from investors and will be announced on or about 22 October 2010 in a manner required by applicable laws, as well as market practice in the Netherlands, the Czech Republic, Poland and Slovakia, <i>i.e.</i> , in the same manner as the Prospectus has been published and by way of a press release.

<b><i>The Maximum Price</i></b> .....	<p>The Maximum Price per Offer Share will be determined by the Issuer and the Selling Shareholder, upon agreement with the Sole Global Coordinator and Sole Bookrunner, not later than on 11 October 2010, based on (i) the current and anticipated situation on the Czech, Polish, Slovak and international capital markets, and (ii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.</p> <p>The Issuer will announce the Maximum Price, not later than on 11 October 2010 through a press release in the Czech Republic, Poland and Slovakia and in a manner compliant with applicable regulations as well as market practice in the Netherlands, the Czech Republic, Poland and Slovakia.</p> <p>The Maximum Price per Offer Share will be set in connection with placing orders by Retail Investors. The Maximum Price will not necessarily reflect the Offer Price in the Offering.</p>
<b><i>Offer Price</i></b> .....	<p>The final Offer Price will be determined by the Issuer and the Selling Shareholder in agreement with the Sole Global Coordinator and Sole Bookrunner at the Pricing and Allotment Date on or about 21 October 2010 based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the bookbuilding process, (ii) the current and anticipated situation on the Czech, Polish, Slovak and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities contained in this Prospectus. The Offer Price for Retail Investors will not exceed the Maximum Price. The Offer Price for Institutional Investors may exceed the Maximum Price.</p> <p>The Offer Price will be announced on or about 22 October 2010 in a manner required by applicable laws, as well as market practice in the Netherlands, the Czech Republic, Poland and Slovakia, <i>i.e.</i>, in the same manner as the Prospectus has been published and by way of a press release.</p>
<b><i>Allotment</i></b> .....	<p>Allotment will occur promptly following the book-building process and subscription period for Retail Investors, and is expected to take place on or about 22 October 2010, subject to acceleration or extension of the timetable for the Offering at the discretion of the Issuer and the Selling Shareholder in agreement with the Sole Global Coordinator and Sole Bookrunner.</p>
<b><i>Over-allotment Option</i></b> .....	<p>The Selling Shareholder will grant to the Sole Global Coordinator and Sole Bookrunner the Over-allotment Option, exercisable for 30 days after the announcement of the Offer Price, to purchase up to an additional 2,370,000 Shares or 15 per cent of the aggregate number of Offer Shares available in the Offering at the Offer Price to cover over-allotments, if any, made in connection with the Offering and to cover short positions resulting from stabilisation transactions (see "<i>Placing and Underwriting</i>").</p>
<b><i>Settlement and Delivery of the Offer Shares</i></b> .....	<p>All of the Shares are in registered form. Shareholders in the Issuer may hold them, either by being directly entered into the share register kept in the Netherlands at the Issuer's registered office, or in book entry form with a bank or professional securities depository or other qualified financial intermediary, which will hold them through Clearstream, either directly as a participant of such system or indirectly through such a participant or through the CDCP and its participants or the NDS and its participants. Delivery of the Shares is expected to be made upon payment of the total Offer Price on or about 27 October 2010 through the facilities of the CDCP, and on or about 28 October upon through the NDS and their existing links with Clearstream (see "<i>The Offering</i>").</p>
<b><i>Listing and Trading</i></b> .....	<p>Trading of the Shares on the PSE is expected to commence on or about 27 October 2010. Trading of the Shares on the WSE is expected to commence on or about 28 October 2010. The Issuer intends to apply for the conditional trading of the Shares on the PSE, which is expected to commence on or about 22 October 2010. Prior to the Offering, there was no public market for the Shares.</p>

<b>Dividends</b> .....	All Shares, including the Offer Shares, carry full dividend rights if and when declared, from the date the holder acquires such Shares. For more information, please refer to “ <i>The Issuer – Rights attached to Shares</i> ” and “ <i>Shareholders – Dividend policy</i> ” sections.
<b>Voting Rights</b> .....	Each Share entitles its holder to one vote at the General Meeting.
<b>Use of Proceeds</b> .....	<p>The proceeds from the subscription of the New Shares shall be attributable to the Issuer while all proceeds from the sale of the Sale Shares shall accrue to the Selling Shareholder. Please refer to “<i>Use of Proceeds</i>” section.</p> <p>The net proceeds from the sale of the New Shares will be used for the purpose of launching the Czech lottery business. Any proceeds from the Offering that could remain as a result of lower costs of the lottery business will be used to increase cash resources of the Issuer.</p>
<b>Underwriting</b> .....	The Issuer and the Selling Shareholder plan to enter, on or about the date of publication of this Prospectus, i.e. on or about 11 October 2010, into an underwriting agreement (the “Underwriting Agreement”) pursuant to which the Underwriter and the Joint Lead Manager will undertake, subject to certain other conditions, to subscribe for the Offer Shares, which were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter (and were initially allocated the Offer Shares by the Issuer and the Selling Shareholder in accordance with the recommendation), and to pay the amount equal product of the Offer Price and the number of the Offer Shares that were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter (see “Placing and Underwriting”).
<b>Lock-up</b> .....	<p>Except for the issue of the New Shares in the Offering and the issue of securities linked to the Issuer’s share capital under any share / management incentive plan to be implemented by the Issuer, the Issuer has agreed that for the period of 12 months from the Settlement Date, the Issuer will not, except the issue of securities linked to the Issuer’s share capital under any share / management incentive plan to be implemented by the Issuer, without the prior written consent of the Managers, which consent shall not be unreasonably withheld, propose or otherwise support an offering of any of the Issuer’s Shares, announce any intention to offer new Shares and/or to issue any securities convertible into the Issuer’s Shares or securities that in any other manner represent the right to acquire the Issuer’s Shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Issuer’s Shares.</p> <p>The Selling Shareholder has agreed that, save for the sale of the Sale Shares and the Over-allotment Shares in the Offering, for a period of 12 months from the Settlement Date it shall not: (i) sell or announce an intention to sell any of the Issuer’s Shares (except for the Sale Shares and the Over-allotment Shares in the Offering), (ii) issue any securities exchangeable into the Issuer’s Shares, (iii) issue any securities that in any other manner represent the right to acquire the Issuer’s Shares, and also (iv) conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Issuer’s Shares, without the prior consent of the Managers, which consent shall not be unreasonably withheld. In addition, the Selling Shareholder has undertaken not to propose, vote in favour of or otherwise support: (i) any increase of the Issuer’s share capital, (ii) any issuance of securities convertible into the Issuer’s Shares or (iii) any issuance of any other securities that in any other manner represent the right to acquire the Issuer’s Shares, and also (iv) to conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of causing the Issuer to issue such instruments except the issue of securities linked to the Issuer’s share capital under any share / management incentive plan to be implemented by the Issuer.</p>



<b>Securities Code</b> .....	ISIN Code: NL0009604859
<b>Sole Global Coordinator and Sole Bookrunner</b> .....	UniCredit Bank AG (London Branch)
<b>Joint Lead Manager</b> .....	Erste Group Bank AG
<b>Underwriter</b> .....	UniCredit Bank Austria AG
<b>Czech Retail Manager</b> .....	Česká spořitelna, a.s.
<b>Polish Retail Manager</b> .....	UniCredit CAIB Poland S.A.
<b>Slovak Retail Manager</b> .....	Slovenská sporiteľňa, a.s.
<b>Selling Agent</b> .....	brokerjet České spořitelny, a.s.
<b>Polish Selling Agents</b> .....	Centralny Dom Maklerski Pekao S.A. and Dom Maklerski Pekao S.A.
<b>Managers</b> .....	UniCredit Bank AG (London Branch), Erste Group Bank AG, UniCredit CAIB Poland S.A.
<b>Selling Restrictions</b> .....	The Offer Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, the Offer Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S). The Offer Shares may be offered and sold in other jurisdictions only in compliance with applicable laws and regulations (see " <i>Selling Restrictions</i> ").

### Summary of financial and operating information

The historical financial information presented below refers to the financial years ended on 31 December 2007, 2008 and 2009 respectively and the first half of the financial year 2010 that ended on 30 June 2010 with comparable data for 2009. It was based on the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements. The investors should take into account that in general there are differences between consolidated and combined financial statements that are described in "Additional Information - Presentation of Financial and Other Information". Moreover, the Combined Financial Statements present the results of the Group together with Fortuna HR that was sold on 26 March 2010. The Issuer is a holding company which does not have any operating assets, except for shares in its subsidiaries.

#### Summary of the statement of income data for six months ended 30 June 2010 and 2009

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Amounts staked	191,558	171,022
<b>Revenue</b>	<b>39,341</b>	<b>35,902</b>
Governmental taxes and levies	(3,340)	(3,383)
Personnel Expenses	(13,063)	(11,895)
Depreciation and Amortisation	(1,285)	(987)
Other Operating Income	451	400
Other Operating Expenses	(11,779)	(10,544)
<b>Operating profit</b>	<b>10,325</b>	<b>9,493</b>
Finance Income	1,090	1,125
Finance Expense	(2,857)	(2,193)
<b>Net finance costs</b>	<b>(1,767)</b>	<b>(1,068)</b>
<b>Profit before tax from continuing operations</b>	<b>8,558</b>	<b>8,425</b>
Income Tax Expense	(1,323)	(1,082)

<b>Net profit for the period from continuing operations</b>	<b>7,235</b>	<b>7,343</b>
<b>Discontinued operations</b>		
Gain / (loss) after tax for the period from discontinued operations	(1,286)	(2,859)
Profit on disposal of discontinued operations	4,171	
<b>Net profit for the period</b>	<b>10,120</b>	<b>4,484</b>
<b>EBITDA</b>	<b>11,610</b>	<b>10,480</b>

*Summary of the statement of income data for the years ended 31 December 2009, 2008 and 2007*

	<b>With Fortuna HR</b>			<b>Without Fortuna HR</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
Amounts staked	379,459	367,454	252,894	337,876	322,369	252,894
<b>Revenue</b>	<b>80,348</b>	<b>85,624</b>	<b>58,043</b>	<b>74,624</b>	<b>78,219</b>	<b>58,043</b>
Governmental taxes and levies	(6,965)	(5,885)	(3,651)	(6,965)	(5,885)	(3,651)
Personnel Expenses	(28,001)	(29,569)	(20,505)	(23,499)	(25,283)	(20,505)
Depreciation and Amortisation	(2,589)	(2,010)	(1,369)	(2,138)	(1,618)	(1,369)
Goodwill impairment	-	(4,366)	-	-	-	-
Other Operating Income	1,034	353	126	910	255	126
Other Operating Expenses	(26,461)	(27,015)	(19,872)	(21,534)	(22,091)	(19,872)
<b>Operating profit</b>	<b>17,366</b>	<b>17,132</b>	<b>12,772</b>	<b>21,398</b>	<b>23,597</b>	<b>12,772</b>
Finance Income	2,315	1,700	351	2,593	1,741	351
Finance Expense	(4,850)	(5,269)	(4,192)	(4,642)	(5,260)	(4,192)
<b>Net finance costs</b>	<b>(2,535)</b>	<b>(3,569)</b>	<b>(3,841)</b>	<b>(2,049)</b>	<b>(3,519)</b>	<b>(3,841)</b>
<b>Profit before Tax</b>	<b>14,831</b>	<b>13,563</b>	<b>8,931</b>	<b>19,349</b>	<b>20,078</b>	<b>8,931</b>
Income Tax Expense	(2,422)	(3,595)	(715)	(2,415)	(4,023)	(715)
<b>Net profit for the period</b>	<b>12,409</b>	<b>9,968</b>	<b>8,216</b>	<b>16,934</b>	<b>16,055</b>	<b>8,216</b>
<b>EBITDA</b>	<b>19,955</b>	<b>23,508</b>	<b>14,141</b>	<b>23,536</b>	<b>25,215</b>	<b>14,141</b>

*Summary of the statement of financial position data as at 30 June 2010 and 31 December 2009*

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>ASSETS</b>		
Total non - current assets	67,368	96,428
Total current assets	18,724	24,278
<b>TOTAL ASSETS</b>	<b>86,092</b>	<b>120,706</b>
<b>EQUITY AND LIABILITIES</b>		
Total Equity	34,651	40,483
Total non-current liabilities	24,917	29,414
Total current liabilities	26,524	50,809
<b>EQUITY AND LIABILITIES</b>	<b>86,092</b>	<b>120,706</b>

*Summary of the statement of financial position data as at 31 December 2009, 2008 and 2007*

	With Fortuna HR				Without Fortuna HR			
	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000	1 January 2007 € 000	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000	1 January 2007 € 000
<b>ASSETS</b>								
Total non - current assets	96,428	89,489	63,376	61,263	91,958	85,328	63,376	61,263
Total current assets	24,278	23,761	21,886	12,046	29,132	23,910	21,886	12,046
<b>TOTAL ASSETS</b>	<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>	<b>121,090</b>	<b>109,238</b>	<b>85,262</b>	<b>73,309</b>
<b>EQUITY AND LIABILITIES</b>								
Total Equity	40,483	28,108	12,336	5,290	43,208	26,287	12,336	5,290
Total non - current liabilities	29,414	52,547	32,651	31,112	28,962	51,981	32,651	31,112
Total current liabilities	50,809	32,595	40,275	47,487	48,920	30,970	40,275	47,487
<b>EQUITY AND LIABILITIES</b>	<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>	<b>121,090</b>	<b>109,238</b>	<b>85,262</b>	<b>73,309</b>

*Summary of the cash flow data for six months ended 30 June 2010 and 2009*

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Net cash flows from operating activities	(10,530)	3,369
Net cash flows provided by / (used in) investing activities	26,215	(11,013)
Net cash flows provided by / (used in) financing activities	(20,487)	2,097
Net effect of currency translation in cash	(619)	613
Net increase in cash and cash equivalents	(5,421)	(4,934)
Cash and Cash Equivalents at the beginning of the period	21,566	17,804
<b>Cash and Cash Equivalents at the end of the period</b>	<b>16,145</b>	<b>12,870</b>

*Summary of the cash flow data for the years ended 31 December 2009, 2008 and 2007*

	With Fortuna HR			Without Fortuna HR		
	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000
Net cash flows from operating activities	17,886	20,786	14,204	20,105	23,347	14,204
Net cash flows used in investing activities	(12,583)	(31,914)	(6,903)	(11,501)	(32,818)	(6,903)
Net cash flows (used in) / provided by financing activities	(2,532)	8,295	2,973	(5,450)	5,808	2,973
Net effect of currency translation in cash	991	360	684	939	388	684
Net increase in cash and cash equivalents	3,762	(2,473)	10,958	4,093	(3,275)	10,958
Cash and Cash Equivalents at the beginning of year	17,804	20,277	9,319	17,002	20,277	9,319
<b>Cash and Cash Equivalents at the end of year</b>	<b>21,566</b>	<b>17,804</b>	<b>20,277</b>	<b>21,095</b>	<b>17,002</b>	<b>20,277</b>

## RISK FACTORS

*Prospective investors in the Offer Shares should carefully consider the following risks and uncertainties, as well as other information contained in this Prospectus before deciding to invest in any of the Offer Shares. The Issuer's business, financial condition and results of operations have been, and could be, materially adversely affected by the following risks. If any of the following risks actually occurs, the value and trading price of the Shares could decline and investors could lose all or part of their investment. Described below are the risks and uncertainties the Issuer believes are material, but these risks and uncertainties may not be the only ones faced by the Issuer.*

### **Risks relating to the betting and gaming industry**

*Political, economic and regulatory changes could negatively impact the Group*

The Group operates in the Czech Republic, Poland, Slovakia and other European jurisdictions. The economic, regulatory and administrative situation in each of the countries in which the Group operates is developing continuously, mainly as a result of transformation and accession or application to the EU. The Group has no or limited influence on these changes. Changes and developments in economic, regulatory, administrative or other policies in the countries in which the Group operates, over which the Group has no control, could significantly affect the Group's business, prospects, financial conditions and results of operations in a manner that could not be predicted.

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

*The Group operates in a highly regulated sector and there can be no assurance that changes in the regulatory environment would not have an adverse effect on the Group's revenues*

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

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on discretion of regulators or interpretations that could be changed at any moment. Besides, the legal framework is currently under review in many European countries what results in various amendments and proposals for amendments. Furthermore, some steps may be undertaken on the European Union level or may result from judgments of the European Court of Justice. New law may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. The Group Companies may be unable to implement new regulations in the prescribed period or to do it at all. Consequently, the Group's operations in particular countries may change. Inability to use common solutions or implement common strategy may lead to additional expenses.

Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business, especially in situations when the acceptance of new products and their distribution conditions depend on the discretion of a regulator.

### **Changes in Polish regulations**

A new bill was initially adopted by the Polish government on 19 January 2010. The bill envisaged, among other things, the possibility to provide on-line betting services from a Polish top level domain. According to the proposals in the bill, payments would have to be processed through banks operating in Poland and the organisation of and participation in on-line betting and gaming without a license would be directly prohibited and on-line betting and gaming services provided in Poland would be governed by Polish law and subject to penalties provided by Polish regulations. Payments relating to illegal on-line betting and gaming would be tracked and could be blocked. However, after consultation with the European Commission, the European Commission has made the

decision that the proposed draft should be corrected as it did not correspond with the EU law. Consequently, it is impossible to predict whether the bill will be passed to the Polish parliament for its approval and what provisions the final legislation would include.

#### Changes in Czech regulations

There are various proposals, all of them at the early stage of legislative process, to amend the Czech Gambling Act, these changes may materially impact the Group, however it is difficult to forecast future development of legislation in betting and gaming sector in the Czech Republic.

All of these factors mentioned above, especially adverse changes in the laws or their interpretation in any of the countries, where the Group currently operates, impairment of relationships with local regulators due to actions or omission on the part of the Group or negative publicity concerning the Group or the betting and gaming sector and/or fines or criminal prosecutions resulting from violation of regulations, may have a material adverse effect on the business of the Group or create obstacles to further expansion in these countries.

#### *Taxation of betting services and other products offered by the Group may change*

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

#### *The Group is dependent on its licenses*

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

#### *The Group's ability to advertise is restricted in some of the countries in which it operates and it could face additional restrictions in the future*

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. For example, in Poland, where the advertising of betting and gaming services is restricted, planned marketing related to the Offering should be also limited. 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 loss of licenses. In addition, the Group's advertisements may be accessed via the Internet by customers in countries where such activities may be illegal and the Group may face criminal or civil proceedings as a result.

#### *EU member states may impose additional restrictions on the betting and gaming sector*

The European Court of Justice in a ruling of 8 September 2009 (Liga Portuguesa de Futebol Profissional and Bwin International Ltd vs. Departamento de Jogos de Santa Casa de Misericórdia de Lisboa) ruled each Member State is free to set the objectives of their policy on betting and gaming and to define the level of protection sought. However, the restrictions imposed should be in compliance with EU treaties. There is a risk that this ruling will inspire the Member States to introduce additional restrictions regarding entities entitled to conduct betting or

gaming activities which in turn, may prevent the Group from entering or developing its presence in particular EU countries.

*Crime and fraud could disrupt the Group's ability to conduct its business*

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various pressures as a result of criminal activity, including organised crime, fraud, robbery, petty crime and theft. As the Group expands its operations, both in the markets in which it currently operates as well as into new markets, the Group expects criminal activity to continue to be present certain challenges, especially in new countries where the Group may not initially fully understand or be familiar with local criminal threats.

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

*The Group is dependent on its ability to provide security in betting and gaming operations*

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

*Failure of the Group's risk management system may have a significant impact on the Group's operations and financial results*

The success of the Group depends on its risk management system. As part of the Group's risk management system, the Group compiles odds in order to assure their competitiveness and secure the Group's profit and monitors the bets proposed by customers to avoid any material exposures towards a particular sporting event or to eliminate suspicious bets. In addition, the Group monitors the output of particular sporting events and payout of prizes. The risk management is based on experienced employees of bookmaking department with a proper knowledge, experience and expertise and supported by tailored software. Any failure in the Group's risk management system could materially adversely affect the Group's business, financial condition, results of operations or prospects.

*The reputation of the betting and gaming industry as a whole may affect the Group's revenue*

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

*Demand for betting and gaming services may fluctuate over time*

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by public opinion of the betting and gaming industry, negative or positive publicity surrounding the betting and gaming industry and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in the demand for the Group's products which cannot be explained by the Group's operating performance or the condition of the economy in general.

*The Group may be subject to material losses with respect to betting and gaming outcomes and individual events*

A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events. There is an inherently high level of variation in Gross Win percentage event-by-event and day-by-day. In the long term, the Group's Gross Win percentage has historically remained fairly constant. In the short term there is less certainty of generating a positive Gross Win and the Group has, from time to time, experienced significant losses with respect to individual events or betting outcomes. Although the Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a Gross Win basis, there can be no assurance that these systems and controls will be effective in reducing the Group's exposure to this risk. The effect of future fluctuations and single-event losses could have a material adverse effect on the Group's cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

*Cancellation or changes in the planned schedules of sporting events may influence the Group's operations*

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

**Risks relating to the Issuer**

*Increased competition could reduce the Group's revenue and profits and constrain the Group's growth*

The Group faces competition from other on-line and off-line 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 on-line betting companies, each competing for the same customers. Further, the gaming sector in the Czech Republic and Slovakia, from which the Group derived 84% of its revenue in 2009, is a competitive market and may contain limited potential for increased market share. Moreover, the Group may face difficulties in competing with some betting and gaming organisers that offer their products without local licenses since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and do not pay taxes in countries in which the Group 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 onshore and offshore bases in 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 its competitors.

*The Group is dependent on its key personnel*

The Group's success depends to a significant extent upon the contributions of a limited number of the Group's key senior management and personnel, especially bookmakers and local managers. The risk management and product portfolio are the most crucial areas in which these people significantly contribute to the success of the Group. There can be no certainty that the Group will be able to retain its key personnel. Factors critical to retaining the Group's present staff and attracting and motivating additional highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel like bookmakers, either at the Issuer level or within a local management team, could have a material adverse effect on the business, financial condition or results of operations of the Group.

*Expansion through acquisitions entails certain risks, which could have adverse consequences for the Group's business*

The Group may consider growing through acquisitions in the near future. In particular, the Group may want to enter into or strengthen its presence in certain markets through the acquisition of other betting or gaming businesses. If the Group made an acquisition it would need to integrate new operations, products, services and personnel into the Group's business. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not be profitable or generate anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of 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 review by 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 its continued growth and profitability.

*The Group may fail to recognise market opportunities in new countries*

In the past the Group has shown that it is able to successfully adapt to changing market conditions, such as changes to the regulatory framework of gaming laws and regulations in countries in which it operates. Consequently, some of the Group's companies have occupied leading positions in countries in which the Group operates. There is no guarantee that, in the future, the Group will be able to successfully adapt to changing market conditions and an inability to adapt to changing market conditions may have an adverse impact on the Group's business, financial condition or results of operations.

*The Group may fail to introduce new and attractive products*

Sports betting is the main product offered by the Group. In order to attract and retain customers, the Group regularly introduces new betting opportunities for its customers. Furthermore, the Group plans to start a new business line in the Czech Republic, the lottery. In case the Group fails to rollout the lottery, this may have material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horseracing and other gaming products. Introduction of particular products requires additional spending and marketing efforts. However, there is no guarantee that new products will meet the customers' expectations. Therefore, the growth of the Group's revenues may not be sustained or may be lower than expected, which may adversely affect the Group's financial standing and the valuation of the Shares.

*The Group does not and may not be able to offer on-line services in Poland*

Although some of the Group's operating companies have successfully introduced on-line services next to their off-line operations in Slovakia and the Czech Republic, the Group's products are still only offered through the Group's traditional land network of betting shops and betting points in Poland. As a result, some of the Group's products cannot be offered in Poland. It may result in the perception that Fortuna PL is not as attractive and innovative as other entities that offer their products on-line without local licenses. Moreover, the Group cannot introduce a unified business and marketing strategy in all markets where it operates. Besides, although the Group may use its Czech and Slovak experience, introduction of on-line services in Poland may face some difficulties, especially in the fields of marketing, risk management and ongoing management, resulting from traditional models of operations. Consequently, the Group's financial results and prospects may be adversely affected.

*A cannibalisation effect may occur when new distribution channels or products are introduced*

When Fortuna SK and Fortuna SazKan started to offer on-line betting, the like for like revenues of their off-line operations decreased. It is possible that when the Group launches a new channel or a new product, this will result in a decrease of revenues from older channels or products. And the financial results from introduction of new products or channels may not offset the decrease in revenues.

Consequently, this may have an adverse affect on overall financial results.

*The majority of the Group's revenues come from sports betting*

97% of the total revenues of the Group come from sports betting. The Group has introduced or plans to introduce new products such as virtual horseracing or "goal storm", however sports betting will remain its major source of revenue. If sports betting becomes less popular, or customers lose their interest in sport in general, the revenues of the Group may be significantly adversely affected.

*The Group relies on the strength of its brands*

The Group's revenues from operations depend largely on the strength of the Group's brands (see "*Business Overview – Intellectual Property*"). Management believes that the "Fortuna" brand is perceived as a stable and trustworthy brand. Accordingly, any errors in the Group's marketing planning, the ineffective use of marketing expenditures or the loss of the customers' trust may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

*The Group may infringe third party IP rights*

The Group deals with two major groups of intellectual property rights relating to: software and trademarks. Some software was developed or adjusted to the Group's activities and is used by Group Companies. It is possible that



IT solutions were implemented in a particular operating company without first obtaining all of the necessary licenses. Furthermore, rights to use trademarks designed for the Group by particular operating companies may not be properly secured. There is also a risk that the Group may violate third parties' rights to trademarks and other IP rights when informing on sport events and their participants or presenting competitions and their results. If action is taken by a third party against the Group as a result of its alleged infringement of IP rights, this may have a material adverse impact on the operations, financial results and prospects of the Group.

*High fixed costs base constitutes a significant proportion of the Group's revenues*

Staff and rental costs associated with the land networks where Fortuna products are offered constituted around 44% of the Group's revenues in the financial year ended 31 December 2009; this is a significant number in comparison to the Group's competitors which do not operate a land based network. Furthermore, there is no guarantee that the Group's Management will be able to manage this risk in the near future. Conversely, in the event of expansion of the retail network the fixed costs/revenues ratio could worsen. The same situation will be the case when a new product or service is introduced that would generate fixed costs. Therefore, any decrease in the Group's revenues may have a greater impact on the profit than in comparison to entities with a more flexible costs base. Any decrease in the Group's profitability could have a material adverse effect on the Group's business, financial condition and result of operations.

*Financial risks*

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

Moreover, the Group's operations require ongoing expenditures, mostly related to software, IT infrastructure and betting outlets equipment and refurbishing. The expenditures are funded from cash flows and facility agreements. However, there can be no assurance that availability of financial resources to finance capital spending will be secured in the future. In addition, the Group may be unable to control its costs due to various reasons, such as currency rates, inflation and other factors beyond the Group's control. Any failure in securing financing of capital spending or cost controlling may adversely impact the Group's financial condition, business and results of operations.

*Historical combined financial statements of the Group may not be representative of its historic or future results and may not be comparable across periods, which may make it difficult to evaluate the Group's results and future prospects*

The Issuer was incorporated in late 2009. The legal restructuring aimed at transferring certain existing legal entities to the Issuer was not completed before 31 December 2009 due to regulatory approvals required for transferring some of the legal entities. As a result, the Issuer did not have control over all the Group Companies as of 31 December 2009 and was not permitted by IAS 27, Consolidated and Separate Financial Statements, to present consolidated financial statements for the whole Group. Therefore, the Issuer decided to prepare combined financial statements. The equity of the entities which were not legally transferred under the control of the Group is presented as "Net assets attributable to combined entities' shareholder" to reflect the fact the Group did not have control over those entities as at 31 December 2009. Subsequent to year end the Issuer decided to dispose Fortuna HR. As shares in Fortuna HR were legally acquired by the Issuer before 31 December 2009, Fortuna HR forms part of the combined financial statements as of that date and could not be excluded. In the note 'Events after the balance sheet date' to the combined financial statements, financial information is presented without Fortuna HR to show the impact on the historical financial information. In the Interim Condensed Consolidated Financial Statements Fortuna HR is presented as discontinued operations. As of the date of this Prospectus, Fortuna HR no longer forms part of the Group and will not be included in financial information going forward. This factor may make it difficult to evaluate the Group's results of operations and future prospects.

*Currency fluctuations may affect the accurate interpretation of financial statements*

The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. Each operating entity generates a majority of expenses and revenues in the currency of the country where it operates. The Group reports its financial results in Euros. The Group also has

expenses, assets and liabilities denominated in currencies other than Euros due to its international operations, in particular, Czech koruna and Polish zloty. The Group does not hedge risk of operating companies profit translation. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results. Increases and decreases in the value of the Euro versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of financial position even if its results or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity and its ability to pay dividends in the future. Only with respect to Slovakia, where the Euro was adopted as the national currency, the influence of the foreign exchange rates fluctuations in the financial statements is very limited. However, the risk of comparability of financial results is still applicable for the period prior to adoption of the Euro in 2009 by Slovakia.

*Valuation of call option for shares in Fortuna HR may have a negative impact on the Issuer's statement of income*

On 7 September 2010 the Issuer entered into agreement with Equinox Investments B.V., a subsidiary of the Selling Shareholder, under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V. (see "The Issuer – Call option for Fortuna HR"). The option needs to be included on the Issuer's statement of financial position against fair value. The option will be revalued on a quarterly basis; hence the volatility of the Issuer's earnings may be impacted by movements of the option value. Potential movements in the fair value of the option will flow through the statement of income of the Issuer. Negative revaluation of the option may have a material adverse impact on the Issuer's results recorded in the statement of income.

*Operating companies from the Group may fail to sustain a good relationship with organisers of sport events in Poland*

In general, marketing activities of the Group are focused on sport events, especially football. The Group sponsors sports teams and particular sporting events which could constitute the sole legal form of advertisement in particular jurisdictions such as Poland. If the Group fails to sustain its good relationships with organisers of sports events or sports teams it may face difficulties in marketing its products and combating competitors which could impact on the Group's operations, financial results and prospects.

Furthermore, according to Polish law, Fortuna PL is required to obtain consent of Polish organisers of sports events to use their results. The law does not stipulate on what conditions such consent should be given or whether it could be withheld. Using results of Polish Ekstraklasa, the country's primary football competition, and other popular sport competitions is of significant importance for Fortuna PL. Therefore, Fortuna PL has to enter into respective agreements on terms and conditions which are not always favourable to Fortuna. In case the consent is withheld, Fortuna PL could not offer some of its products. The last agreement with Ekstraklasa was terminated and currently Fortuna PL has no right to offer bets on the top Polish football league. This event as well as withholding consents for other events or entering into agreements on unfavourable terms and conditions could have a material adverse impact on Fortuna PL's revenues and financial results as well on Fortuna's brand in Poland.

*Disruptions in services of the Group's IT network and payment processing may have a material adverse impact on the Group's revenues and Fortuna brand reputation*

The Group's operations are highly dependent on the IT network that provides links between premises where Fortuna's products are offered and the headquarters where the operations are accepted. Furthermore, the IT solutions are of key importance for on-line services offered by the operating companies. Any disruption of services in the IT network may result in inability to operate business in a particular operating company. Consequently, depending on the duration of such disruptions, the Group's revenues may be adversely impacted by such failure and the Fortuna brand's perception may deteriorate.

Moreover, increasingly payment for the Group's products, especially in on-line services, is made by payment cards. Card-issuing institutions sometime impose restrictions on the use of cards for particular on-line transactions, including betting and gaming. In addition, Internet payments for the Group's products are processed by banks. Therefore the Group's business will be increasingly dependent on financial institutions and other entities and organisations which ensure service payments made by and to customers. Any disruptions in payment systems or negative assessment of payments made for betting and gaming products could have a material adverse effect on the Group's business, financial condition and operations.

*The Group may be dependent on a limited number of third parties*

The operations of the Group require continuous investment in its IT infrastructure and software. In 2010, the Group secured provisions of betting software through acquisition of a software developer, Fortuna SW. However, the Group cooperates with other IT entrepreneurs, in particular with respect to introduction of on-line gaming, and

will cooperate in the future. In case the Group fails to commence cooperation or is unable to continue current cooperation with IT suppliers, it may have a material adverse impact on the Group's product portfolio and financial results.

In Slovakia a significant number of premises leased by Fortuna SK are owned by a small group of retail chains, namely Tesco, Kaufland and Hypernova. 26 of Fortuna SK shops are leased from Tesco, 15 shops from Kaufland, and 12 shops from Hypernova. The lease agreements relate to particular premises and there are no master or framework agreements with these chains. There is a similar situation in the Czech Republic, where 32 shops are leased from DP hl. m. Prahy and 25 from Tesco. However, the possibility cannot be excluded that these chains may decide to end cooperation with Fortuna SK or Fortuna SazKan and all agreements will be terminated. In such a case Fortuna SK and Fortuna SazKan would lose the aforesaid locations what could have material adverse impact on the competitive position, operations, financial results and prospects of the Group.

#### *The Group is subject to regulations regarding the personal data*

The Group collects and processes personal data when providing its services and developing the loyalty program Fortuna Klub Plus. Therefore, it has to comply with personal data protection regulations in all jurisdictions where the Fortuna products are offered. The Group does not use third party contractors to collect or process the personal data and the Group's employees involved in collection and processing of personal data are trained accordingly. However, in the event that the employees fail to comply with regulations or the security systems protecting transmission and storage of information happen to be unreliable, the Group could be deemed liable for breach of these regulations. This could result in the imposition of fines and obligations to introduce new security systems or training what could have impact on the financial results of the Group. In addition, the Fortuna brand could be perceived as less reliable which could have a material adverse impact on the Group's operations and financial results.

#### *There is a risk of additional good cause payments in the Czech Republic*

In 2009, a part of the operations of Fortuna SazKan (other than Prague operations and on-line betting) was transferred to Fortuna GAME in order to optimise the structure and operational performance of the Fortuna Group in the Czech Republic. There is a certain risk that the transfer may be perceived by Czech authorities as an effort to achieve more favourable treatment. According to Czech regulations, the amount of compulsory good cause payments to culture, sport and charity is determined as a percentage of the betting proceeds (all deposited amounts, including stakes as well as all accepted charges and fees, reduced by the amount of winnings, administration fee, local fee, state surveillance costs and operation costs directly connected with the operation of games and betting) with a progressive scale. Although Fortuna SazKan obtained a prior approval of the Ministry of Finance acting as a supervisor of the transfer, if its approach is questioned and the combined betting proceeds of Fortuna SazKan and Fortuna GAME exceed amount of CZK 1 billion, it would trigger obligation of higher good cause payment contribution amounting to 20% of the combined betting proceeds of Fortuna SazKan and Fortuna GAME.

The coalition parties which formed the current government in August 2010 have agreed to introduce a unified levy of 20% on betting proceeds. It is impossible to predict if and when the bill will be adopted and what provisions the final legislation would include. Should amendments to the Czech Gambling Act be adopted resulting in increased levies on betting proceeds they may have a material adverse impact on the Group's operations and financial results.

#### *Transfer pricing proceedings risk*

A unified policy with respect to products, operations and branding has been introduced throughout all operating companies within the Group to the extent allowed by law. Consequently, particular Group Companies provide services or products to other Group Companies. The Group intends to allocate costs on an arms length basis, however, there is a risk that not all relationships between the Group Companies are established in a way that would secure the provision of such services or products in accordance with this principle. If any action is taken by the relevant authorities against the Group as a result of its alleged violation of transfer pricing regulations or improper cost allocation, this may have a material adverse impact on the operations, financial results and prospects of the Group.

#### *Restriction on execution of certain shareholders rights in the Group*

Fortuna SK, Fortuna SazKan and Fortuna GAME have entered into three financing agreements with Česká spořitelna, a.s. which may restrict the rights of shareholders in the aforementioned Group Companies to make certain decisions regarding the operations of the Group Companies. The restrictions are mainly connected with the financial indicators, dividend distributions, certain corporate actions, assets or share disposal. Due to the fact that the financing agreements stipulate for a specific order of application of the proceeds of Fortuna SK, Fortuna SazKan and Fortuna GAME the aforementioned Group Companies may not be able to distribute dividends to the

Alicela and consequently to the Issuer and Alicela. For more information please refer to “*Business Overview – Material contracts – Financing agreements*”.

*Shares in Czech and Slovak operating companies are pledged in favour of Česká spořitelna, a.s.*

Fortuna SK, Fortuna SazKan and Fortuna GAME have entered into three financing agreements with Česká spořitelna, a.s. Upon occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including acceleration of the outstanding loans and foreclosure of security. 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., as described in “*Business Overview – Material contracts*”), Česká spořitelna, a.s. may foreclose on the pledged shares, as a result of which the Issuer may cease to own Fortuna SazKan, Fortuna GAME, Fortuna SK, Riverhill and Alicela which may result in permanent or temporary inability of the Group to conduct business in the Czech Republic and/or Slovak Republic. For more information please refer to “*Business Overview – Material contracts – Financing agreements*”.

*Trademark “Fortuna Sazkova Kancelar” is pledged in favour of Česká spořitelna, a.s.*

The combined trademark “Fortuna Sazkova Kancelar” registered in the Czech Republic with the Czech Industrial Property Office is pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Loan Facility Agreements with Fortuna SazKan and Fortuna GAME. In case that Česká spořitelna, a.s. forecloses on the aforementioned trademark which may have placed upon occurrence of an event of default, Fortuna SazKan and Fortuna GAME may cease to own such trademark and may not be able to use such trademark in their operations, which may have material adverse effect on the business of the Group. For more information on the Loan Facility Agreements please refer to “*Business Overview – Material contracts – Financing agreements*”. *Cooperation between Fortuna PL and Fortuna sp. z o.o. may involve some risks*

Since the Fortuna trade mark had been historically registered in Poland to a third party, Fortuna sp. z o.o., the Group was forced to enter into an agreement with the owner of the trademark in order to implement common strategy and unified corporate design. Under the agreement concluded between Fortuna PL and Fortuna sp. z o.o. in 2007 exclusive rights to use the Fortuna trade mark, with respect to betting services, was transferred from Fortuna sp. z o.o. to Fortuna PL. Both parties also agreed to lease contracts constituting the base for introduction of Fortuna sp. z o.o.’s gaming machines in Fortuna PL’s shops. Consequently, there is a risk that this cooperation may lead to some misunderstandings as to the scope of activities of each Fortuna entity in Poland. The Group’s customers and investors may also be misled by announcements and news relating to Fortuna sp. z o.o.. Such issues may have a material adverse impact on the Fortuna brand reputation, the Group’s prospects and operations as well as the Share price.

In addition, it is possible that cooperation between Fortuna PL and Fortuna sp. z o.o. may end in the future and, due to the fact that the “Fortuna” trademark is co-owned by these two entities, Fortuna PL’s rights to it may be questioned. Accordingly, actions undertaken by Fortuna sp. z o.o. may lead to a situation when Fortuna PL would not be entitled to use the Fortuna trademark in Poland. This may have a material adverse impact on the financial situation of the Group, its operations and prospects.

## **Risks relating to securities**

*The Offering may be delayed, suspended or cancelled*

Public offerings are subject to various circumstances independent from the Issuer and the Selling Shareholder. In particular, the demand for the Shares is shaped by, among others, investors’ sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have an adverse impact on the results of the Offering, the Selling Shareholder and the Issuer may decide to delay, suspend or cancel the Offering. Consequently, the investors may be unable to successfully subscribe for the Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

*The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares*

There can be no assurance as to whether or not issues or sales of substantial amounts of the Shares will take place on the market in the foreseeable future. In connection with the Offering certain lock-up arrangements will be made with respect to the issue of new Shares by the Issuer and the sale of the Shares by the Selling Shareholder (see “*Shareholders - Lock-up agreements*”). The Selling Shareholder may sell the existing Shares. Once the lock-ups have expired or have been terminated, new Shares may be issued without any restrictions.

The Issuer cannot predict what effect such future sales of the existing Shares held by the Selling Shareholder or issues of new Shares by the Issuer, if any, may have on the market value of the Shares. However, there can be no assurance that sales of Shares by the Selling Shareholder or by other shareholders in the Issuer, or issue of

new Shares by the Issuer or the perception that such sales or issues could occur, would not adversely affect, even if temporarily, the market value of the Shares and would not adversely affect the Issuer's ability to raise capital through future capital increases.

*Holders of the Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of shares*

Holders of the Shares generally will have a pre-emptive right with respect to any issue of shares or the granting of rights to subscribe for shares, unless explicitly provided otherwise in a resolution by the General Meeting or other corporate body having the right to exclude pre-emptive rights. The Management Board acting with the approval of the Supervisory Board is authorised to limit or exclude pre-emptive rights of existing shareholders until 9 September 2015. The authority of the Management Board, acting with the approval of the Supervisory Board, to exclude pre-emptive rights may be extended by a majority vote at each annual shareholders meeting beginning with the annual meeting held in the year 2010, for a further period of five years ending on the fifth anniversary of the relevant shareholders meeting at which shareholders approve such extension. As a result of an issuance of additional Shares with exclusion of pre-emptive rights shareholding and voting rights in the Issuer and the earnings per Share may be diluted (see "*Shareholders - Dilution*").

*There is no guarantee that the Issuer will pay dividends in the future*

The Issuer is under no continuous obligation to pay regular dividends to its shareholders. Any payment of dividends in the future will depend upon decisions of the Management Board and the General Meeting (at which the Selling Shareholder may represent a majority of voting rights). Payment of (future) dividends may be made only if the Issuer's net assets exceed the sum of the amount of the paid and called up part of the capital and any reserves required to be maintained by law or by the Articles of Association and the respective articles of association of the Group Companies. Furthermore, for the decision to pay dividend the following factors (among others) shall also be taken into account: the Group Companies' business prospects, future results of operations, cash flows, financial position, reinvestment needs, expansion plans, contractual restrictions, and other factors the Management Board and/or the General Meeting deem relevant, which do not necessarily have to coincide with the short-term interests of all the Issuer's shareholders.

In addition, distribution of dividends from particular operating companies (determining the level of the Issuer's freely distributable reserves) may be delayed, depending on the particular operating company position in the structure of the Group. With respect to some of the operating companies, the delay may reach up to two financial years. Consequently, in a particular year the Issuer's level of freely distributable reserves will depend on the operating companies' profits distributed to the Issuer from different financial years. Therefore, the amount of freely distributable reserves at the Issuer's level may not reflect the consolidated net profit of the Group for the last financial year.

There can be no assurance that the Issuer will make any dividend payments in the future. As at the date hereof, the Issuer expects to pay dividends in the future, however it will depend on approvals at the General Meeting (see "*Shareholders - Dividend policy*"). Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

*Existing shareholders will continue to exert significant influence on the Management following the Offering*

Following completion of the Offering, and assuming no exercise of the Over-allotment Option, the Selling Shareholder will continue to own an aggregate of approximately 69.56% of the Issuer's outstanding shares. As a result, the Selling Shareholder will be in a position to exert significant influence over the outcome of matters submitted to a vote of the Issuer's shareholders, including matters such as approval of the annual financial statements, declarations of dividends, the election and removal of the members of the Supervisory Board and the Management Board, capital increases and amendments to the Articles of Association.

*The Issuer is established and organised under Dutch law*

The Issuer is a company organised and existing under the laws of the Netherlands. Accordingly, the Issuer's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Czech companies listed on the PSE and in Polish companies listed on the WSE and the Slovak companies. The exercise of certain shareholders' rights for Czech, Polish and Slovak investors in a Dutch company may be more difficult and costly than the exercise of rights in a Czech, Polish or Slovak company. Resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Czech, Polish or Slovak companies. Actions with a view to declaring a resolution invalid must be filed with, and will be reviewed by a Dutch court, in accordance with the law of the Netherlands.

*Investors in the Shares will be subject to obligations resulting from various national laws*

The Issuer is a company organised and existing under the laws of the Netherlands and it is expected that the Shares will be listed on regulated markets in the Czech Republic and Poland. The EU directives provide different competencies for home Member State and host Member States with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in the proper manner at a national level. Consequently, the investors in the Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising its rights or when fulfilling obligations. In case an investor fails to fulfil its obligations or violates law when exercising rights from or regarding Shares, he or she may be fined or sentenced for such non-compliance or be unable to exercise rights from the Shares.

*Investors may have problems enforcing judgments against the Issuer*

The Issuer is a holding company organised and existing under the laws of the Netherlands with virtually no assets except for shares in its subsidiaries. The Group assets are located in the Czech Republic, Malta, Poland and Slovakia. For this reason and despite the fact that the Netherlands are subject to the Regulation no 44/2001 of the European Council of 22 December 2000 on the Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, investors may encounter difficulties in service of process and the conduct of proceedings with respect to any other entities within the Group. For the same reason it may be more difficult for investors to enforce a judgment of their home country courts issued against the entities within the Group than if those entities were located in that home country.

*Tax treatment for non-Dutch investors in a Dutch company may vary*

The Issuer is a company organised and existing under the laws of the Netherlands and as such Dutch tax regime applies to distribution of profit and other payments from the Issuer to its investors. The taxation of incomes from such payments as well as other incomes, from sale of shares, for instance, may vary depending on tax residence of particular investors as well as on provision of double tax treaties with the Netherlands in force. Provisions applying to particular investors may be unfavourable or may change adversely.

**Risks relating to listing and market**

*The price of the Issuer's Shares may fluctuate*

The market price of shares listed on a regulated market is determined by supply and demand, which depends on a number of factors (including changes in Issuer's financial results, differences between the financial results and market expectations, changes in the profit estimates made by analysts, comparison of the perspectives of various sectors of the economy, the overall economic situation, changes in laws applicable to the sector in which the Group Companies and Issuer operate and other events and factors which are independent of the Issuer), as well as reactions of investors that are difficult to predict. In the event of significant price fluctuations, the shareholders may fail to achieve their planned gains or incur losses. Furthermore, consideration should be given to the fact that the market value of the Issuer Shares may differ significantly from the expected Offer Price. This is possible, in particular, as a result of periodic changes in the Issuer's financial results, the liquidity of the stock market, the conditions prevailing on the WSE and the PSE, the conditions prevailing on world markets, as well as changes in economic and political factors.

*Securities or industry analysts may cease to publish research or reports about Issuer's business or may change their recommendations regarding the Issuer's Shares*

The market price and/or trading volume of the Issuer's Shares may be influenced by the research and reports that industry or securities analysts publish about the Group Companies' and Issuer's business. There can be no guarantee of continued and sufficient analyst research coverage for the Issuer, as the Issuer has no influence on analysts who prepare such researches and reports. If analysts fail to publish reports on the Issuer regularly or cease publishing such reports at all, the Issuer may lose the visibility in the capital markets, which in turn could cause the Issuer's Shares price and/or trading volume to decline. Furthermore, analysts may downgrade the Issuer's Shares or give negative recommendations regarding the Issuer's Shares, which could result in a decline of the Share price.

*There can be no assurance regarding the future development of the market for the Shares and its liquidity*

There was no prior market for the Shares and therefore, there can be no assurance regarding the future development of such market and future demand for the Issuer's Shares. The lack of a primary and/or developed and liquid public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may be able to sell their Shares. Moreover, if a market for the Shares on

the WSE or the PSE were to develop, the Shares could trade at prices that may be higher or lower than the Offer Price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the Shares or that the Shares will be actively traded on the WSE or the PSE, which may limit or prevent the Issuer's shareholders from readily selling their Shares.

*The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Issuer's operating performance and decline below the Offer Price*

The Issuer cannot assure that the marketability of the Issuer's Shares will improve or remain consistent. The Offer Price in the Offering may not be indicative of the market price for the Issuer's Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE and the PSE, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Issuer's Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group Companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Issuer's Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Issuer's Shares which may decline disproportionately to the Group Companies' operating performance. The market price of the Issuer's Shares is also subject to fluctuations in response to further issuance of shares by the Issuer, sales of Shares by the Issuer's major shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Issuer as well as investor perception. As a result of these or other factors, there can be no assurance that the public trading market price of the Issuer's Shares will not decline below the Offer Price.

*The Issuer may be unable to list the Issuer's Shares on the WSE and the PSE or the Issuer may be delisted from the WSE and/or the PSE*

The admission of the Issuer's Shares to trading on the WSE requires inter alia that (i) the Issuer's Shares are registered with the clearing and settlement system of the NDS and (ii) the management board of the WSE approves the listing and trading of the Issuer's Shares on the WSE. To obtain the WSE management board's approval the Issuer has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Issuer's Shares (ii) no restriction on transferability of the Issuer's Shares (iii) preparation and publication of the audited financial statements for the past three accounting years. Furthermore, while examining the Issuer's application for admission of the Issuer's Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Issuer's financial situation and its economic forecasts, (ii) the Group's development perspectives, in particular, the chances for successful completion of its investment plans, (iii) experience and qualifications of the members of the Issuer's Management Board and (iv) security of public trading on the WSE. Some of the conditions mentioned above are of a discretionary nature and, therefore, the Issuer cannot assure that the management board of the WSE will conclude that the Issuer meets all of them.

The rules of the WSE require the Issuer to file an application for the introduction of Shares to trading on the WSE within a period of six months from the date on which the Issuer's Shares have been admitted to such trading. If the Issuer fails to comply with this obligation, the decision of the management board on the admission of the Issuer's Shares to trading on the WSE could be annulled.

The admission of the Issuer's Shares to trading on the PSE requires inter alia that (i) the Issuer's Shares are registered with the clearing and settlement system of the CDCP and (ii) the Listing Committee of the PSE approves the listing and trading of the Issuer's Shares on the PSE. To obtain the approval of the Listing Committee of the PSE the Issuer has to meet certain requirements provided for in the respective regulations of the PSE and other applicable laws. Such requirements include, but are not limited to: (i) the securities to be admitted must be fully paid and must be tradable without any restrictions; (ii) the minimum issue value must be at least EUR 1 million; (iii) the minimum free float must be at least 25%; (iv) the issuer shall have published its financial statements for at least three preceding years or, if shorter, the period of its existence and (v) there are no circumstances under which the listing could harm the investors, their interest and public interest. The PSE's Listing Committee decides whether to admit a security to trading, and has some discretion to deviate from the admission requirements described above. The application for admission of a security to trading on the PSE can be filed by an issuer or, in certain cases, by a member of the PSE. The application must provide certain basic data with regard to the issuer and the issue. The Listing Committee reviews and approves the application.

The Issuer intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE and the PSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the

aforementioned conditions will be met and that the Issuer's Shares will be admitted to trading on the WSE or the PSE on the Listing Date as expected or at all.

Moreover, if the Issuer fails to fulfil certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Polish Public Offerings Act and Trading in Financial Instruments Act or the Czech Capital Markets Act, the PFSA or the CNB could impose a fine on the Issuer or delist its Shares from trading on the WSE and the PSE.

The WSE management board shall delist the Issuer's Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Issuer's Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interest. The mandatory delisting will be also effected by the WSE management board where: (i) transferability of Shares has become restricted, (ii) Shares are no longer in book entry form, (iii) the PFSA has requested so, (iv) the Issuer's Shares have been delisted from another regulated market by a competent supervisory authority over such market, provided that the Issuer's Shares were traded on another regulated market.

The WSE management board may also delist the Issuer's Shares where, (i) the Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Issuer persistently violates the regulations of the WSE; (iii) the Issuer has requested so; (iv) the Issuer has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Issuer's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Issuer; (vii) no trading was effected in the Shares within a period of three previous months; (viii) the Issuer has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Issuer is in liquidation proceedings.

Moreover, the PSE must delist the Shares from trading if (i) the Shares no longer comply with the applicable rules specified in the Czech Capital Markets Act, (ii) the Issuer was dissolved, bankruptcy was declared over its assets or a reorganisation of the Issuer was authorised by the court, (iii) if the Issuer or the Shares have ceased to fulfil the requirements established by generally binding legislation, the Exchange Rules of the PSE or the conditions set by the Exchange Chamber of the PSE, (iv) if the Issuer does not comply with its reporting obligations in respect of the Shares, or (iv) for other, extraordinary reason. The PSE may take such step only if it does not threaten to cause significant damage to investors' interests or the orderly functioning of the market.

The Issuer believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE and/or PSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Issuer's Shares in the future. Delisting of the Issuer's Shares from the WSE and/or the PSE could have an adverse effect on the liquidity of the Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

#### *Trading in the Issuer's Shares on the WSE and the PSE may be suspended*

The WSE management board has the right to suspend trading in the Issuer's Shares for up to three months (i) at the request of the Issuer, (ii) if the Issuer fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board shall suspend trading in Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Issuer's Shares is carried out in circumstances which may impose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interest.

Moreover, the PSE must suspend trading in Shares if (i) the Shares no longer comply with the applicable rules specified in the Czech Capital Markets Act, (ii) the Issuer was dissolved, goes bankrupt, bankruptcy is declared over its assets or a reorganisation of the Issuer was authorised by the court, (iii) if the Issuer or the Shares has ceased to fulfil the requirements established by generally binding legislation, the Exchange Rules of the PSE or the conditions set by the Exchange Chamber of the PSE, (iv) if the Issuer does not comply with its reporting obligations in respect of Shares, or (iv) for other, extraordinary reasons. The PSE may take such step only if it does not threaten to cause significant damage to investors' interests or the orderly functioning of the market.

With respect to PSE, the CNB may also suspend the trading in the Shares for a period of maximum 6 months if there is no other feasible way to avoid large economic losses or significant damage to the investors' interests. CNB may suspend the trading repeatedly. Such a decision of CNB may contain a binding request addressed to the PSE to examine whether the conditions for delisting of the Shares from trading are fulfilled.



The Issuer will use all endeavours to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Issuer's Shares will not be suspended. Any suspension of trading could adversely affect the Issuer's Share price.

*Dual listing of the Shares will result in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares will be listed. These and other factors may hinder the ability of Shares to move between the two exchanges*

Application will be made to list the Shares on the PSE and the WSE. Therefore trading and liquidity of the Shares will be split between those two exchanges. Furthermore, the price of the Shares may fluctuate and can at any time be lower on the PSE than the price for which the Shares are traded on the WSE and vice versa.

Differences in settlement and clearing systems, trading currencies, transaction costs and other factors may hinder the ability of Shares to move between the two exchanges. In addition, it is uncertain which exchange will be the principal trading place of the Shares by value or volume. This could adversely affect the trading of the Shares on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the Shares on these exchanges.

The Shares will be quoted and traded in CZK on the PSE and PLN on the WSE. The shares traded on the PSE will be settled and cleared through CDCP. The shares traded on the WSE will be settled and cleared through NDS. However, due to the fact that no direct settlement link exists between the CDCP and the NDS and the transfer of the Shares between the PSE and the WSE must be executed via an intermediary. Both the CDCP and the NDS have accounts with Clearstream, which will serve as a link between the NDS system and the CDCP system.

Although the Polish and Czech settlement systems operated by the NDS and the CDCP, respectively, and Clearstream have agreed, or are expected to agree, to establish the settlement procedures allowing transfers of Shares between the NDS and the CDCP participants, they are under no obligation to perform or to continue to perform such procedures and such procedures may be discontinued at any time. Such a situation may limit the liquidity and have a negative impact on the efficiency of the pricing mechanisms of the secondary market of the Shares.

*The Issuer will have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares*

Prior to the Offering, the Selling Shareholder owns 100% of the Issuer's outstanding Shares and immediately after the Offering the Selling Shareholder will own 69.56%, provided that all Offer Shares are placed with investors and assuming no exercise of the Over-allotment Option. Consequently, the free float of Shares held by the public will be limited.

In addition, the WSE requires that the share capital of a company to be listed on the main market of the WSE must be adequately diluted, i.e. part of the capital must be held by minority shareholders holding individually less than 5% of that company's share capital. If the Offer Shares are acquired by a limited number of large investors, there is a risk that the share capital would not be adequately diluted and as a result the WSE would not approve the Shares for listing on the main market of the WSE and, consequently, the Shares would be listed on the parallel market of the WSE.

The PSE requires, according to the Czech Capital Markets Act that (i) 25% of the shares to be listed on the market are in the ownership of the public of the member states of the European Union or (ii) there is at least such portion of the shares in the ownership of the public of the member states of the European Union which guarantees non-problematic trading in the shares on the PSE market. This condition does not need to be met if the ownership of the public shall be ensured by the trading and the PSE comes to a conclusion that the needed free float will be achieved in a short time after the admission to trading or if the required free float was already achieved on a similar official market of a non-member state of the European Union.

*The Issuer has no experience in complying with requirements for publicly-listed companies*

A public company is subject to a number of obligations mostly relating to disclosure of information, in particular the current and periodic reports as well as making public the notifications on large shareholdings of investors. The Issuer has never been subject to such obligations and may fail to fulfil such obligations. As a consequence, the investors may not be provided on time or at all with price-sensitive information or the content of materials made public may be of unsatisfactory quality. In addition, the Issuer may be fined or punished otherwise for non-compliance with regulations relating to public company what may have adverse impact on the Issuer's financial results, Share price and demand for the Shares.

## CURRENCY AND FOREIGN EXCHANGE RATES

The Combined Financial Statements and the Interim Condensed Consolidated Financial Statements are prepared in Euros. Unless otherwise indicated, all references in this Prospectus to “EUR”, “Euro” or “€” are to the lawful currency of the European Economic and Monetary Union, of which the Netherlands and Slovakia are members. References to “PLN”, “Polish zloty” and “zloty” are to the lawful currency of Poland. References to “Czech koruna” or “CZK” are to the lawful currency of the Czech Republic. References to “Slovak koruna” or “SKK” are to the lawful currency of Slovakia prior to adoption of Euro in 2009.

The following table sets forth the exchange rates for one Euro in effect for the average of the period noted that were used to prepare the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements.

	<b>H1 2010</b>	<b>2009</b>	<b>H1 2009</b>	<b>2008</b>	<b>2007</b>
CZK	25.73	26.45	27.14	24.94	27.77
SKK	NA	NA	NA	31.25	33.77
PLN	3.99	4.33	4.47	3.50	3.79

*Source: the Issuer*

## SELECTED FINANCIAL INFORMATION

*The historical financial information presented below refers to the financial years ended on 31 December 2007, 2008 and 2009 respectively and the first half of the financial year 2010 that ended on 30 June 2010 with comparable data for 2009. It was based on the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements. The investors should take into account that in general there are differences between consolidated and combined financial statements that are described in "Additional Information – Presentation of Financial and Other Information". Moreover, the Combined Financial Statements present the results of the Group together with Fortuna HR that was sold on 26 March 2010. The Issuer is a holding company which does not have any operating assets, except for shares in its subsidiaries.*

*Statement of income for six months ended 30 June 2010 and 2009*

	30 June 2010 Unaudited € 000	30 June 2009 Unaudited € 000
Amounts staked	191,558	171,022
<b>Revenue</b>	<b>39,341</b>	<b>35,902</b>
Governmental taxes and levies	(3,340)	(3,383)
Personnel Expenses	(13,063)	(11,895)
Depreciation and amortisation	(1,285)	(987)
Other operating income	451	400
Other operating expenses	(11,779)	(10,544)
<b>Operating profit</b>	<b>10,325</b>	<b>9,493</b>
Finance income	1,090	1,125
Finance expense	(2,857)	(2,193)
<b>Profit before tax from continuing operations</b>	<b>8,558</b>	<b>8,425</b>
Income tax expense	(1,323)	(1,082)
<b>Net profit for the period from continuing operations</b>	<b>7,235</b>	<b>7,343</b>
<b>Discontinued operations</b>		
Gain / (loss) after tax for the period from discontinued operations	(1,286)	(2,859)
Profit on disposal of discontinued operations	4,171	
<b>Net profit for the period</b>	<b>10,120</b>	<b>4,484</b>

*Statement of income for the years ended 31 December 2009, 2008 and 2007*

	With Fortuna HR			Without Fortuna HR		
	2009	2008	2007	2009	2008	2007
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Amounts staked	379,459	367,454	252,894	337,876	322,369	252,894
<b>Revenue</b>	<b>80,348</b>	<b>85,624</b>	<b>58,043</b>	<b>74,624</b>	<b>78,219</b>	<b>58,043</b>
Governmental taxes and levies	(6,965)	(5,885)	(3,651)	(6,965)	(5,885)	(3,651)
Personnel Expenses	(28,001)	(29,569)	(20,505)	(23,499)	(25,283)	(20,505)
Depreciation and amortisation	(2,589)	(2,010)	(1,369)	(2,138)	(1,618)	(1,369)
Goodwill impairment	-	(4,366)	-	-	-	-
Other operating income	1,034	353	126	910	255	126
Other operating expenses	(26,461)	(27,015)	(19,872)	(21,534)	(22,091)	(19,872)
<b>Operating profit</b>	<b>17,366</b>	<b>17,132</b>	<b>12,772</b>	<b>21,398</b>	<b>23,597</b>	<b>12,772</b>
Finance income	2,315	1,700	351	2,593	1,741	351
Finance costs	(4,850)	(5,269)	(4,192)	(4,642)	(5,260)	(4,192)
<b>Profit before Tax</b>	<b>14,831</b>	<b>13,563</b>	<b>8,931</b>	<b>19,349</b>	<b>20,078</b>	<b>8,931</b>
Income tax expense	(2,422)	(3,595)	(715)	(2,415)	(4,023)	(715)
<b>Net profit for the period</b>	<b>12,409</b>	<b>9,968</b>	<b>8,216</b>	<b>16,934</b>	<b>16,055</b>	<b>8,216</b>

Statement of financial position as at 30 June 2010 and 31 December 2009

	30 June 2010 Unaudited € 000	31 December 2009 Audited € 000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	49,545	50,426
Intangible assets	7,602	7,272
Property, plant and equipment	4,662	5,567
Deferred tax assets	325	776
Related party loans	-	28,257
Restricted cash	3,678	3,584
Other non-current assets	1,556	546
<b>Total Non - Current Assets</b>	<b>67,368</b>	<b>96,428</b>
<b>Current assets</b>		
Current receivables	1,588	802
Related party loans	-	-
Income tax receivable	121	202
Other current assets	870	953
Bank deposits	-	755
Cash and cash equivalents	16,145	21,566
<b>Total current assets</b>	<b>18,724</b>	<b>24,278</b>
<b>TOTAL ASSETS</b>	<b>86,092</b>	<b>120,706</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	45	45
Share premium	20,501	21,779
Statutory reserve	4,177	2,144
Net assets attributable to combined entities' shareholder	-	16,611
Foreign currency translation reserve	678	324
Retained earnings	9,250	(420)
<b>Total Equity</b>	<b>34,651</b>	<b>40,483</b>
<b>Non-current liabilities</b>		
Provisions	86	438
Long-term bank loans	24,726	18,848
Related party loans	-	7,550
Other non-current liabilities	105	2,578
<b>Total non-current liabilities</b>	<b>24,917</b>	<b>29,414</b>
<b>Current liabilities</b>		
Trade and other payables	11,407	27,507
Income tax payable	151	408
Provisions	1	94
Related party loans	-	617
Current portion of long-term bank loans	12,712	20,681
Derivatives	1,337	746
Other current liabilities	916	756
<b>Total current liabilities</b>	<b>26,524</b>	<b>50,809</b>
<b>EQUITY AND LIABILITIES</b>	<b>86,092</b>	<b>120,706</b>

Statement of financial position as at 31 December 2009, 2008 and 2007

	With Fortuna HR				Without Fortuna HR			
	31	31	31	1 January	31	31	31	1 January
	December	December	December	January	December	December	December	January
	2009	2008	2007	2007	2009	2008	2007	2007
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
<b>ASSETS</b>								
<b>Non-current assets</b>								
Goodwill	50,426	49,603	52,125	50,466	47,671	46,848	52,125	50,466
Intangible assets	7,272	6,594	6,381	6,016	7,079	6,568	6,381	6,016
Property, plant and equipment	5,567	4,401	3,318	3,253	4,619	3,594	3,318	3,253
Deferred tax assets	776	912	557	634	242	374	557	634
Related party loans	28,257	24,216	-	-	28,257	24,216	-	-
Restricted cash	3,584	2,978	673	654	3,584	2,978	673	654
Other non-current assets	546	785	322	240	506	750	322	240
<b>Total Non – Current Assets</b>	<b>96,428</b>	<b>89,489</b>	<b>63,376</b>	<b>61,263</b>	<b>91,958</b>	<b>85,328</b>	<b>63,376</b>	<b>61,263</b>
<b>Current assets</b>								
Current receivables	802	1,749	688	1,288	915	803	688	1,288
Related party loans	-	2,110	-	49	6,201	5,144	-	49
Income tax receivable	202	386	294	388	139	219	294	388
Other current assets	953	966	627	1,002	782	742	627	1,002
Bank deposits	755	746	-	-	-	-	-	-
Cash and cash equivalents	21,566	17,804	20,277	9,319	21,095	17,002	20,277	9,319
<b>Total current assets</b>	<b>24,278</b>	<b>23,761</b>	<b>21,886</b>	<b>12,046</b>	<b>29,132</b>	<b>23,910</b>	<b>21,886</b>	<b>12,046</b>
<b>TOTAL ASSETS</b>	<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>	<b>121,090</b>	<b>109,238</b>	<b>85,262</b>	<b>73,309</b>
<b>EQUITY AND LIABILITIES</b>								
Share capital	45	-	-	-	45	-	-	-
Share premium	21,779	-	-	-	24,380	-	-	-
Net unrealised gains reserve	-	-	-	-	(296)	-	-	-
Statutory reserve	2,144	-	-	-	2,144	-	-	-
Net assets attributable to combined entities' shareholder	16,611	28,167	11,929	(5,290)	16,611	10,329	11,929	(5,290)
Foreign currency translation reserve	324	(59)	407	-	324	(97)	407	-
Retained earnings	(420)	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	16,055	-	-	-
<b>Total assets attributable to combined entities shareholder</b>	<b>40,483</b>	<b>28,108</b>	<b>12,336</b>	<b>(5,290)</b>	<b>43,208</b>	<b>26,287</b>	<b>12,336</b>	<b>(5,290)</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>	<b>40,483</b>	<b>28,108</b>	<b>12,336</b>	<b>(5,290)</b>	<b>43,208</b>	<b>26,287</b>	<b>12,336</b>	<b>(5,290)</b>
<b>Non-current liabilities</b>								
Provisions	438	569	29	-	-	33	29	-
Long-term bank loans	18,848	38,931	989	-	18,834	38,901	989	-
Deferred tax liabilities	-	-	-	1	-	-	-	1
Related party loans	7,550	-	5,324	-	7,550	-	5,324	-
Other non-current liabilities	2,578	13,047	26,309	31,111	2,578	13,047	26,309	31,111
<b>Total non-current liabilities</b>	<b>29,414</b>	<b>52,547</b>	<b>32,651</b>	<b>31,112</b>	<b>28,962</b>	<b>51,981</b>	<b>32,651</b>	<b>31,112</b>
<b>Current liabilities</b>								
Trade and other payables	27,507	20,709	15,389	15,334	26,367	19,486	15,389	15,334
Income tax payable	408	2,434	531	66	408	2,434	531	66
Provisions	94	529	-	579	35	470	-	579
Related party loans	617	2,424	8,791	14,903	-	2,424	8,791	14,903
Short-term bank loan and overdrafts	-	271	14,415	13,725	-	-	14,415	13,725
Current portion of long-term bank loans	20,681	5,281	422	2,175	20,656	5,257	422	2,175
Derivatives	746	-	-	-	746	-	-	-
Other current liabilities	756	947	727	705	708	899	727	705
<b>Total current liabilities</b>	<b>50,809</b>	<b>32,595</b>	<b>40,275</b>	<b>47,487</b>	<b>48,920</b>	<b>30,970</b>	<b>40,275</b>	<b>47,487</b>
<b>EQUITY AND LIABILITIES</b>	<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>	<b>121,090</b>	<b>109,238</b>	<b>85,262</b>	<b>73,309</b>

*Statement of cash flow for six months ended 30 June 2010 and 2009*

	30 June 2010 Unaudited € 000	30 June 2009 Unaudited € 000
<b>Cash flows from operating activities</b>		
Profit before tax from continuing operations	8,558	8,425
Loss before tax from discontinued operations	(1,301)	(2,859)
Profit before tax	7,257	5,566
Adjustments for:		
Depreciation and amortisation	1,285	987
Changes in provisions	94	(477)
(Gain) / Loss on disposal of property, plant and equipment	(3)	8
Interest expense, net	989	882
Change in fair value of derivatives	190	-
Operating profit before working capital changes	9,812	6,966
(Increase) / Decrease in other current assets	(126)	(611)
(Increase) / Decrease in receivables	(804)	1,335
(Decrease) / Increase in payables and other liabilities	(17,908)	(987)
(Increase) / Decrease in restricted cash	(9)	(373)
Cash generated from operating activities	(9,035)	6,330
Corporate income tax paid	(1,495)	(2,961)
<b>Net cash flows provided by / (used in) operating activities</b>	<b>(10,530)</b>	<b>3,369</b>
<b>Cash flows from investing activities</b>		
Interest received	483	1,122
Related party loans receivable (granted)/repaid	28,257	(1,805)
Acquisition of a subsidiary, net of cash acquired	(233)	-
Derecognition / (Acquisition) of other financial assets	893	1,112
Repayment of liabilities for purchase of subsidiary	-	(9,109)
Purchase of buildings, equipment and intangible assets	(1,424)	(2,333)
Net outflow from sale of a subsidiary, net of cash disposed	(1,770)	-
Proceeds from sale of buildings and equipment	9	-
<b>Net cash flows provided by / (used in) investing activities</b>	<b>26,215</b>	<b>(11,013)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from / (Repayments of) long term borrowings	5,879	876
Net proceeds from / (Repayments of) short-term borrowings	(8,262)	(1,880)
Related party loans received / (repaid)	286	5,515
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 capitalised	(926)	-
Dividends paid	-	(410)
Interest paid	(1,472)	(2,004)
<b>Net cash flows provided by / (used in) financing activities</b>	<b>(20,487)</b>	<b>2,097</b>
Net effect of currency translation in cash	(619)	613
Net decrease in cash and cash equivalents	(5,421)	(4,934)
Cash and cash equivalents at the beginning of the period	21,566	17,804
<b>Cash and Cash Equivalents at the end of the period</b>	<b>16,145</b>	<b>12,870</b>

*Statement of cash flow for the years ended 31 December 2009, 2008 and 2007*

	With Fortuna HR			Without Fortuna HR		
	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000
<b>Cash flows from operating activities</b>						
Profit before tax	14,831	13,563	8,931	19,349	20,078	8,931
Adjustments for:						
Depreciation and amortisation	2,589	2,010	1,369	2,138	1,618	1,369
Goodwill impairment		4,366	-	-	-	-
Changes in provisions	(575)	352	(415)	(474)	366	(415)
Gain on disposal of property, plant and equipment	(1)	(5)	(24)	(1)	(5)	(24)
Interest expense, net	2,355	3,424	3,907	2,009	3,324	3,907
Change in fair value of derivatives	381	26	-	381	-	-
Operating profit before working capital changes	19,580	23,736	13,768	23,402	25,381	13,768
(Increase) / Decrease in other current assets	(298)	39	393	(279)	137	393
(Increase) / Decrease in receivables	1,160	(1,407)	550	219	(458)	550
(Decrease) / Increase in payables and other liabilities	2,103	3,072	(480)	1,526	2,557	(480)
(Increase) / Decrease in restricted cash	(568)	(2,408)	-	(568)	(2,408)	-
Cash generated from operating activities	21,977	23,032	14,231	24,300	25,209	14,231
Corporate income tax paid	(4,091)	(2,246)	(27)	(4,195)	(1,862)	(27)
<b>Net cash flows from operating activities</b>	<b>17,886</b>	<b>20,786</b>	<b>14,204</b>	<b>20,105</b>	<b>23,347</b>	<b>14,204</b>
<b>Cash flows from investing activities</b>						
Interest received	2,315	1,700	285	2,594	1,791	285
Related party loans receivable (granted)/repaid	(1,931)	(25,302)	-	(1,931)	(25,302)	-
Cash acquired on acquisition of subsidiaries	-	1,638	-	-	-	-
Payment of deferred instalments related to purchase of subsidiary	(9,109)	(6,604)	(5,753)	(9,109)	(6,604)	(5,753)
Proceeds / (Acquisition) of other financial assets	374	(1,158)	-	377	(397)	-
Purchase of buildings, equipment and intangible assets	(4,778)	(3,260)	(1,753)	(4,000)	(2,579)	(1,753)
Proceeds from sale of buildings and equipment	546	1,072	318	568	273	318
<b>Net cash flows used in investing activities</b>	<b>(12,583)</b>	<b>(31,914)</b>	<b>(6,903)</b>	<b>(11,501)</b>	<b>(32,818)</b>	<b>(6,903)</b>
<b>Cash flows from financing activities:</b>						
Proceeds from long-term borrowings	-	48,471	948	-	48,471	948
Repayments of long term borrowings	(17,816)	(10,288)	-	(17,800)	(10,016)	-
Net proceeds from / (Repayments of) short-term borrowings	15,071	(9,907)	(1,551)	15,343	(10,208)	(1,551)
Related party loans received / (repaid)	5,293	(12,618)	(1,235)	2,020	(15,724)	(1,235)
Proceeds from shareholder's contributions	-	-	9,003	-	-	9,003
Cash contribution by shareholder to acquire subsidiary companies	64,599	-	-	-	-	-
Payment to acquire subsidiary companies	(64,599)	-	-	-	-	-
Dividends paid	(410)	(2,239)	-	(410)	(1,600)	-
Interest paid	(4,670)	(5,124)	(4,192)	(4,603)	(5,115)	(4,192)
<b>Net cash flows (used in) / provided by financing activities</b>	<b>(2,532)</b>	<b>8,295</b>	<b>2,973</b>	<b>(5,450)</b>	<b>5,808</b>	<b>2,973</b>
Net effect of currency translation in cash	991	360	684	939	388	684
Net increase / (decrease) in cash and cash equivalents	<b>3,762</b>	<b>(2,473)</b>	<b>10,958</b>	<b>4,093</b>	<b>(3,275)</b>	<b>10,958</b>
Cash and cash equivalents at the beginning of the year	17,804	20,277	9,319	17,002	20,277	9,319
<b>Cash and Cash Equivalents at the end of the year</b>	<b>21,566</b>	<b>17,804</b>	<b>20,277</b>	<b>21,095</b>	<b>17,002</b>	<b>20,277</b>



## CAPITALISATION AND INDEBTEDNESS

The table below presents a statement of capitalisation and indebtedness as at 31 August 2010:

Total Current debt	€ 000
Guaranteed	-
Secured <sup>5</sup>	8,318
Unguaranteed/ Unsecured	-
Total Non-Current debt (excluding current portion of long – term debt)	-
- Guaranteed <sup>1</sup>	-
- Secured <sup>2</sup>	25,312
- Unguaranteed/ Unsecured	-
Shareholder's equity:	-
Share capital	45
Legal Reserve	4,317
Other Reserves	30,420
<b>Total</b>	<b>34,782</b>
 A. Cash	 11,773
B. Cash equivalent (Detail)	-
C. Trading securities	-
<b>D. Liquidity (A) + (B)+(C)</b>	<b>11,773</b>
<b>E. Current Financial Receivable</b>	<b>-</b>
<b>F. Current Bank debt</b>	<b>-</b>
G. Current portion of non current debt	8,318
H. Other current financial debt	-
<b>I. Current Financial Debt (F)+(G)+(H)</b>	<b>8,318</b>
<b>J. Net Current Financial Indebtedness (I)-(E)-(D)</b>	<b>-3,455</b>
K. Non current Bank loans	25,312
L. Bonds Issued	-
M. Other non current loans	-
<b>N. Non current Financial Indebtedness (K)+(L)+(M)</b>	<b>25,312</b>
<b>O. Net Financial Indebtedness (J)+(N)</b>	<b>21,857</b>

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<sup>5</sup> Description of the Group's assets secured is included in "Business Overview - Material contracts – Financing agreements".

## OPERATING AND FINANCIAL REVIEW

*Certain information contained in the section set forth below includes forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and assumptions about the Group. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.*

*The following review relates to the Group's historical financial condition and results of operations in the financial years ended on 31 December 2007, 2008 and 2009 respectively and in the first half of the financial year 2010 that ended on 30 June 2010 with comparable data for 2009. The "Operating and Financial Review" section was based on the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Combined Financial Statements and the Interim Condensed Consolidated Financial Statements. The investors should take into account that in general there are differences between consolidated and combined financial statements that are described in "Additional Information – Presentation of Financial and Other Information". Furthermore, the Combined Financial Statements present the results of the Group together with Fortuna HR that was sold on 26 March 2010.*

### Overview of business

Fortuna Group is the leading fixed-odds betting group operating a land network in Central and Eastern Europe (in terms of turnover) with an equivalent of approximately EUR 85 million Gross Win in the year ended 31 December 2009. As at 30 June 2010, it had 1,311 retail betting outlets in the Czech Republic, Slovakia and Poland and since 2007 and 2009 it has offered on-line betting services in Slovakia and in the Czech Republic, respectively. In June 2010 the Group launched the FortunaWin betting and gaming on-line platform that currently targets Hungary.

The Group offers a comprehensive range of on-line and land network-based betting products, including pre-match betting on an extensive range of sporting events, live betting for major televised matches and number games. Management believes that Slovakia and the Czech Republic are relatively well developed sports betting markets, while Poland has further potential for growth. The Management intends to broaden its product portfolio, including lottery in the Czech Republic, virtual sports betting and the expansion of on-line betting and gaming platforms.

The Group's bookmaking activities extend back to 1990 when one of the Group Companies, Fortuna SazKan, was founded. From its incorporation, Fortuna SazKan's primary business was sports fixed-odds betting. Over a number of years, betting entities from other Central and Eastern European countries were acquired by the Selling Shareholder to operate under the Fortuna brand. For the financial year ended 31 December 2009, the Group was a top-two retail player in each of the three core markets in which it operates in terms of amounts staked. The Management has decided to sell back the Croatia subsidiary due to further restructuring. However, Fortuna Entertainment Group has a call option to re-purchase all of the shares in Fortuna HR from the Penta Group in certain circumstances (see "*The Issuer – Call option for Fortuna HR*").

### Key factors affecting the Group's results of operations and significant market trends

Management believes that the following factors and significant market trends have considerably affected the results of the operations for the periods under review, and expects that such factors and trends will continue to have a considerable impact on the Issuer's results of operations in the future.

#### *Disposal of Fortuna HR*

On 7 January 2008 Equinox Investments B.V., the Selling Shareholder's subsidiary, acquired shares in Fortuna HR. In 2009 and 2010 the Issuer entered into several transactions upon which it acquired the operating companies, including among others Fortuna HR, and ancillary companies that were under common control of the Selling Shareholder (see "*Business Overview – Material Contracts – Related Party Transactions – Acquisition of shares in Group Companies by the Issuer*"). However, due to the pending restructuring of Fortuna HR and a regulator's delay in introduction of on-line betting in Croatia there was an uncertainty if and when Fortuna HR's profitability would be restored.

Following the Issuer's decision on a subsequent exclusion of Fortuna HR from the Group, all shares in Fortuna HR held by the Issuer were sold back to the Penta Group, namely Equinox Investments B.V., on 26 March 2010 for the consideration of EUR 1.

On 7 September 2010 the Issuer entered into an agreement with Equinox Investments B.V., a subsidiary of the Selling Shareholder, under which it has a call option for all shares in Fortuna HR held by Equinox Investments

B.V. (which as the date of this Prospectus constitute 90% of share capital in Fortuna HR) The option may be exercised within the three-year period starting from 1 July 2011 provided that Fortuna HR reports positive recurring EBITDA for three consecutive quarters. The purchase price should be 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 exercise of the option, Equinox Investments B.V. should capitalise Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, the Issuer has a right of the first refusal which entitles it to purchase the shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case the Issuer does not acquire shares in Fortuna HR for the indicated amount, Equinox Investments B.V. may sell the shares in Fortuna HR to such third party and the call option will expire with respect to the shares sold to the third party. The call option and the right of first refusal shall automatically expire on 1 July 2014 provided that it will not be exercised on or before such date (see “*The Issuer – Call option for Fortuna HR*”). Since Fortuna HR was under common control of Penta Group starting from 2008 and its financial results have been included in the Combined Financial Statements of the Issuer for years 2008 and 2009 and in the Interim Condensed Consolidated Financial Statements, therefore goodwill in the amount of EUR 7,121 thousand has been recognised upon acquisition of Fortuna HR. As a result of Fortuna HR’s negative financial performance the one-off impairment charge of EUR 4,366 thousand was recognised in the Combined Financial Statements for the financial year 2008.

#### *General macroeconomic factors*

The Group’s results of operations are directly affected by customer demand for the Group’s products and services. Customer’s demand is influenced in part by general economic trends, including evolution of disposable income in a long term.

The business of the Issuer for the period under review was conducted in the Czech Republic, Poland and Slovakia and Croatia.<sup>6</sup> Over the last years economies of discussed countries witnessed significant growth, higher than the average Western European level. However, due to global crisis in 2009 the economies, except for Poland, faced a downturn. The Czech Republic recorded 6.1% and 2.5% GDP growth in years 2007 and 2008, however in 2009 Czech economy decreased by 4.8%. Poland’s GDP grew by 6.8%, 5.0% and 1.7% in 2007, 2008 and 2009 respectively, while Slovakia achieved GDP at the following rates 10.6%, 6.2% and -4.7% over the same period. The Croatian economy grew by 5.5% and 2.4% of GDP in years 2007 and 2008 to drop 5.8% in 2009.

For more information on the macroeconomic situation of the discussed countries, please refer to “*Industry Overview – General information on relevant markets*”.

#### *Regulatory environment*

The Group is subject to various laws and regulations in a number of jurisdictions. The legal frameworks applicable to betting and gaming activities vary considerably amongst these jurisdictions, and betting and gaming operators and their services are supervised by various regulators. The product portfolio the Group is allowed to offer in a given jurisdiction is dependent on applicable regulations and varies country by country.

Changes to the laws and regulations relevant to the betting and gaming industry in the jurisdictions in which the Group operates and changes in interpretations of current law could have a material impact on the Group’s results of operations. The legal framework for betting and gaming services was and is under review in many countries, however changes implemented or envisaged do not necessarily take into account the ability to offer services on-line. The Group incurs costs to ensure compliance with these laws as well as implements solutions that could take advantage of new regulations or at least minimise their adverse impact.

#### *Taxation of betting and gaming services*

Like many of its competitors, the Group is subject to significant taxation and duties in countries where it has local operations. Changes in levels of taxation or duties or changes in tax policy could have a material impact on the Group.

In general, the Group is subject to taxation on its betting and gaming services as well as on its profits. The Issuer’s profit is taxable in the Netherlands. The operating companies pay taxes on earning from betting and gaming services as well as income taxes on a local level.

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<sup>6</sup> Fortuna HR was sold on 26 March 2010 and now does not form part of the Group. However this section discusses the historical results of the Group, therefore references to Croatia and Fortuna HR appear.

In the Czech Republic, the company is obliged to pay on publicly beneficial purposes the amount of 6% to 20% of the difference between the amounts staked including any manipulation fees and wins paid to the bettors, administration fees, local fees and expenses of state supervision. The amount of tax is recognised in "Government taxes and levies".

Since 1 January 2010 in Poland, the company is obliged to pay gaming tax calculated as 12% of amounts staked as compared to 10% of amounts staked paid in previous years. The amount paid by a customer is deducted by 12% and only the remaining 88% of the ticket amount is used to calculate the potential winning prize (the potential winning prize = 88% of ticket (paid) amount \* betting rate). Revenues are stated net of the amount of this tax.

In Slovakia, the company is obliged to pay gaming tax calculated as 5% of total amounts staked, out of which 0.5% is paid to municipalities and the remaining 4.5% is paid to the state. Revenues are stated net of the amount of this tax.

In Croatia, a monthly fee is imposed upon the operator amounting to 5% of the amounts staked including the manipulation fee. Revenues are stated net of the amount of this tax.

#### *Variable-margin betting*

Sports betting, which constitutes the major part of the Group's revenues, primarily consists of variable margin products. Variable margin products provide Gross Win percentages that may vary in the short term. There is an inherently high level of variation in Gross Win percentage event-by-event and day-by-day. The Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a Gross Win basis but there can be no assurance that these will be effective in reducing the Group's exposure to this risk. As a result, 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. However, over the long term variability of the Gross Win percentage for the Group decreases.

Number games and virtual sports betting provide the possibility to receive pre-established margins. However, since their share in the total gross margin is not significant, they do not have a stabilising effect on the fluctuations of Gross Win.

#### *Development of on-line betting services*

Since 2007 launch, the Group's on-line betting Gross Win has increased as a proportion of the total betting Gross Win. The Group strives to develop its on-line services subject to regulatory limitations. On-line betting is the most dynamically developing distribution channel which allows leveraging of the Group's existing customer base and attracting new customers. On-line business model is characterised by lower commissions, lower Gross Win margins and relatively higher amounts staked, while having lower fixed costs than a land network, and requires one-off expenses on the infrastructure.

The growth of on-line betting is attributed, amongst other things, to increasing broadband penetration, which allows for further development of the betting offering. Live betting is one of such products that has gained significant popularity and is the fastest growing product in terms of amounts staked.

#### *Changes in perception and image of betting and gaming*

Management believes that in the period under review, the increase in level of customer spending on betting and gaming combined with acquisition of new clients has resulted partly from a wider product offering, growth of betting on favourite sporting events, and changing social attitudes to betting and gaming.

The changing social attitudes towards betting and gaming may be linked to a number of factors. One of the most effective factors is marketing, including sponsorship of sporting events and teams, and improved customer experience through remodelled outlets with better locations. Furthermore the proliferation of on-line services, supported by positive changes in the legal framework, have also contributed to the growing acceptance of on-line betting and gaming.

#### *Seasonality*

The Group's results of operations are affected by the schedule of sporting events on which the Group accepts bets. The football tournaments in Europe and around the world that account for significant share of the Group's revenue and Gross Win are reflected in the financial results in spring and autumn months. The Group has historically recorded higher revenue in these months, which recently has been moderated by on-line betting that is less exposed to seasonality.

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

#### *Decreased interest in particular events or event cancellation*

The Group's results may be materially affected due to failure of certain teams or athletes to qualify for major sporting tournaments resulting in narrower media coverage of particular sporting events leading to the decreased general interest of customers.

#### *High fixed costs base*

Staff and operating lease expenses associated with land networks constitute significant (around 44% of the Group's revenues in the financial year ended 31 December 2009) share of total costs. Due to its relatively significant fixed cost base, the financial results of the Group are exposed to a short term decrease revenue. The Group has been increasingly growing its retail operations through its "Partner" network, which is characterised by primarily variable costs.

#### *Finance costs*

The Group's net finance costs reflect the level of the Group's indebtedness and terms of its financing facilities, including the applicable interest rate, amortisation of finance fees, the effect of the Group's derivative instruments as well as the effect of foreign exchange fluctuations and returns from financial investments.

#### *Competition*

The Group faces competition from both on-line and land network operators. In order to retain and gain new customers the Group implements attractive odds compilation and pricing policies as well as incurs marketing expenses. The Group continuously adjusts its distribution channels to regulatory framework and market conditions. The first objective is achieved through introduction of on-line services as soon as provisions of law allow and the latter – through constant monitoring of shops and outlets and subsequent reshaping of the network.

#### *Currency translation*

The presentation currency of the Group is EUR. Functional currencies of the subsidiaries are Czech crown ("CZK"), Polish zloty ("PLN") and Slovak crown ("SKK") (until 31 December 2008) then EUR from 1 January 2009. Most of costs and revenues of the operating companies are incurred and achieved in local currencies presenting no material currency translation effect with respect to operating activities on a local level. However, part of the current bank loans are EUR denominated that is not always a local currency of indebted entity.

The currency translation also affects the financial statements of the Group. In the Combined Financial Statements the assets and liabilities of the subsidiaries and the combined entities are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the transaction are taken directly to a separate component of equity.

#### *Integration of the Group's IT network*

In years 2006-07 a new IT network connecting betting shops was introduced. The new network improved the overall operations and allowed the offering of new products like live betting. It also provides the possibility to collect live stakes information, allowing the Group to set more competitive odds and streamlining its risk management.

#### *Rebranding and refurbishing*

The Group incurred expenses related to refurbishment of betting shops and rebranding of its operations. In the last three-year period the process of rebranding and refurbishing of shops was conducted in Poland and Croatia. It has started in 2007 and is ongoing. The rebranding process also related to additional spending on marketing activities that started in 2008. The combination of marketing initiatives and better layout of shops attracted new customers and increased revenues.

## **Critical accounting policies**

### ***Judgements***

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

In the process of applying the Issuer's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognised in the combined financial statements:

#### ***Recognition of gross versus net revenues***

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

#### ***Estimates***

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

#### ***Indefinite life intangible assets and goodwill***

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

#### ***Betting transactions***

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

#### ***Deferred tax***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

As of 31 December 2009, the Issuer has incurred tax losses arising in Croatia of EUR 5,823 thousand that are available for set-off against future taxable profits of the Issuer incurring the losses (i.e. Fortuna HR) for 5 years. Of these tax losses of EUR 5,823 thousand only EUR 2,147 thousand are recognised as deferred tax assets as there is insufficient certainty that there will be sufficient tax profits to realise the full amount.

The deferred tax asset arising from Croatian operations would not be further created as the Group disposed Fortuna HR in March 2010. Deferred tax assets were excluded from the statement of financial position of the Group at the day of sale.

### Recoverable amount of receivables

Where there are indicators that any receivable is impaired at a balance sheet date, Management makes an estimate of the asset's recoverable amount.

### Key line items

*Amounts staked* represent the gross takings received from customers in respect of the betting activities.

*Revenue* represents the amounts staked less pay out of prizes, net of withholding tax, including other revenues.

*Gross profit from betting* represents betting revenue (revenue minus other revenue) minus taxation of earnings from betting.

*Commissions* represents fixed amounts paid by the customers for bets received and not included in the calculation of win.

*Other revenues* represents revenues from related activities such as sales of professional magazines, gaming strategies and royalties from other games offered not operated on the company's account (number games, virtual horseracing etc.).

*Personnel expenses* represents salaries paid and related social and health insurance, directors remuneration and other short-term employee benefits.

*Other Operating Income* represents revenue from sub-lease of the premises, reversal of provisions and gain on sale of fixed assets.

*Other operating expenses* represents mainly operating lease expenses for the premises and vehicles, advertising and marketing expenses and various material and office supplies.

*Finance Income* represents mainly interest income on related party borrowings and bank current accounts and deposits.

*Finance Expense* represents mainly interest expense on bank loans, related party borrowings, other borrowings and revaluation of financial derivatives.

*Income Tax Expense* represents amount paid on the corporate income tax according to local tax legislation (applicable mainly in Poland and Slovakia) and deferred tax charge on origination and reversal of temporary differences.

### Analysis of the results of the Group together with Fortuna HR for the financial years ended 31 December 2009, 2008 and 2007

The table below presents the Group's results for the financial years ended 31 December 2009, 2008 and 2007:

	With Fortuna HR			Without Fortuna HR		
	2009 € 000	2008 € 000	2007 € 000	2009 € 000	2008 € 000	2007 € 000
Amounts staked	379,459	367,454	252,894	337,876	322,369	252,894
<b>Revenue</b>	<b>80,348</b>	<b>85,624</b>	<b>58,043</b>	<b>74,624</b>	<b>78,219</b>	<b>58,043</b>
Governmental taxes and levies	(6,965)	(5,885)	(3,651)	(6,965)	(5,885)	(3,651)
Personnel expenses	(28,001)	(29,569)	(20,505)	(23,499)	(25,283)	(20,505)
Depreciation and amortisation	(2,589)	(2,010)	(1,369)	(2,138)	(1,618)	(1,369)
Goodwill impairment	-	(4,366)	-	-	-	-
Other operating income	1,034	353	126	910	255	126
Other Operating expenses	(26,461)	(27,015)	(19,872)	(21,534)	(22,091)	(19,872)
<b>Operating profit</b>	<b>17,366</b>	<b>17,132</b>	<b>12,772</b>	<b>21,398</b>	<b>23,597</b>	<b>12,772</b>
Finance income	2,315	1,700	351	2,593	1,741	351
Finance expense	(4,850)	(5,269)	(4,192)	(4,642)	(5,260)	(4,192)

Net finance costs	(2,535)	(3,569)	(3,841)	(2,049)	(3,519)	(3,841)
<b>Profit before Tax</b>	<b>14,831</b>	<b>13,563</b>	<b>8,931</b>	<b>19,349</b>	<b>20,078</b>	<b>8,931</b>
Income tax expense	(2,422)	(3,595)	(715)	(2,415)	(4,023)	(715)
<b>Net profit for the period</b>	<b>12,409</b>	<b>9,968</b>	<b>8,216</b>	<b>16,934</b>	<b>16,055</b>	<b>8,216</b>
<b>EBITDA</b>	19,955	23,508	14,141	23,536	25,215	14,141
<b>Recurring EBITDA</b>	21,331	23,450	12,675	24,912	24,431	12,675

Source: the Issuer based on the Combined Financial Statements

Due to sale of Fortuna HR following the date of the last Combined Financial Statements, the Management Board discusses certain items of the financial statements without Fortuna HR. Such a presentation, in the opinion of Management, reflects the actual operations of the Group as of the Prospectus date.

The table below presents revenues with additional items in order to reveal components of revenues as well as the significance of particular distribution channels. Due to varying tax regimes, the table presents further disclosure in terms of Gross Win from betting and gross profit from betting for comparability purposes.

	With Fortuna HR					Without Fortuna HR				
	EUR'000	%	EUR'000	%	EUR'000	EUR'000	%	EUR'000	%	EUR'000
	2009	change yoy	2008	change yoy	2007	2009	change yoy	2008	change yoy	2007
Total amounts staked	379,459	3%	367,454	45%	252,894	337,876	5%	322,369	27%	252,894
- thereof: Bets	357,222	5%	340,846	47%	232,225	317,502	19%	297,889	28%	232,225
- thereof: Commissions	22,237	-16%	26,608	29%	20,669	20,373	-17%	24,480	18%	20,669
Paid out prizes	(287,986)	7%	(269,252)	44%	(187,248)	(253,182)	8%	(233,541)	25%	(187,248)
Gross Win from betting	91,473	-7%	98,202	50%	65,646	84,694	-5%	88,828	35%	65,646
- thereof: on-line betting	16,916	325%	3,976	262%	1,098	16,916	325%	3,976	262%	1,098
- thereof: land network betting	74,557	-21%	94,226	46%	64,548	67,778	-20%	84,852	31%	64,548
Withholding tax paid	(13,312)	-4%	(13,805)	66%	(8,313)	(11,180)	-3%	(11,536)	39%	(8,313)
Other revenues	2,187	78%	1,227	73%	710	1,110	20%	927	31%	710
<b>Revenue</b>	<b>80,348</b>	<b>-6%</b>	<b>85,624</b>	<b>48%</b>	<b>58,043</b>	<b>74,624</b>	<b>-5%</b>	<b>78,219</b>	<b>35%</b>	<b>58,043</b>
Taxation of earnings from betting	(6,965)	18%	(5,885)	61%	(3,651)	(6,965)	18%	(5,885)	61%	(3,651)
Gross profit from betting	71,196	-9%	78,512	46%	53,682	66,549	-7%	71,407	33%	53,682
- thereof: on-line betting	13,576	369%	2,897	269%	786	13,576	369%	2,897	269%	786
- thereof: land network betting	57,620	-24%	75,615	43%	52,896	52,973	-98%	68,510	30%	52,896

Source: the Issuer based on the Combined Financial Statements

Below are discussed the results in each country.

	Czech Republic	Czech Republic	Czech Republic
	EUR'000	EUR'000	EUR'000
	2009	2008	2007
Total amounts staked	168,050	155,565	133,449
- thereof: Bets	158,569	142,624	121,327
- thereof: Commissions	9,480	12,941	12,122
Paid out prizes	(127,090)	(112,281)	(100,086)
Gross Win from betting	40,960	43,284	33,363
- thereof: online betting	8,183	-	-
- thereof: retail betting	32,777	43,284	33,363
Withholding tax paid	-	-	-
Other revenues	489	567	335
<b>Revenue</b>	<b>41,449</b>	<b>43,851</b>	<b>33,698</b>



Taxation of earnings from betting	(6,965)	(5,885)	(3,651)
Gross profit from betting	33,995	37,399	29,712
- thereof: online betting	6,564	-	-
- thereof: retail betting	27,431	37,399	29,712
Gross Profit margin – betting (%)	20%	24%	22%

Source: the Issuer based on the Combined Financial Statements

The total amounts staked were EUR 168,050 thousand in the financial year ended 31 December 2009, an increase of EUR 12,485 thousand, or 8%, from EUR 155,565 thousand in the financial year ended 31 December 2008. This increase was principally due to launch of the on-line services, which more than compensated the decrease in amounts staked in the land network and the overall negative translation of CZK into EUR effect. The relative decrease in commissions was primarily due to changes in the operating company's product mix and the pricing policy, i.e. introduction of commission-free Profibet and live betting.

The Gross Win was EUR 40,960 thousand in the financial year ended 31 December 2009, a decrease of EUR 2,324 thousand, or 5%, from EUR 43,284 thousand in the financial year ended 31 December 2008. The Gross Win margin was 24% in the financial year ended 31 December 2009, a decrease of 4 percentage points from the Gross Win margin for the financial year ended 31 December 2008. The decrease in the Gross Win margin was primarily attributable to changes in the product mix and the pricing policy.

The gross profit from betting was EUR 33,995 thousand in the financial year ended 31 December 2009, a decrease of EUR 3,404 thousand, or 9%, from EUR 37,399 thousand in the financial year ended 31 December 2008. The gross profit margin was 20% in the financial year ended 31 December 2009, a decrease of 4 percentage points from the gross profit margin for the financial year ended 31 December 2008. The decrease in the gross profit margin was attributable to net increase of taxes which in turn was primarily attributable to the introduction of the good cause payment on commissions.

The total amounts staked were EUR 155,565 thousand in the financial year ended 31 December 2008, an increase of EUR 22,116, or 17%, from EUR 133,449 thousand in the financial year ended 31 December 2007. This increase was principally due to organic growth combined with attractive sporting events in the odd year (the summer Olympics and the UEFA European Football Championship) that generated additional interest and provided numerous betting opportunities. For the total amounts staked, the drop in proportion of commissions was primarily due to changes in pricing policy of Fortuna SazKan.

The Gross Win was EUR 43,284 thousand in the financial year ended 31 December 2008, an increase of EUR 9,921, or 30%, from EUR 33,363 thousand in the financial year ended 31 December 2007. The Gross Win margin was 28% in the financial year ended 31 December 2008, an increase of 3 percentage points from the Gross Win margin of 25% for the financial year ended 31 December 2007. The increase in the Gross Win margin was primarily attributable to changes of product mix and pricing policy.

The gross profit from betting was EUR 37,399 thousand in the financial year ended 31 December 2008, an increase of EUR 7,687 thousand, or 26%, from EUR 29,712 thousand in the financial year ended 31 December 2007. The gross profit margin was 24% in the financial year ended 31 December 2008, an increase of 2 percentage points from the gross profit margin of 22% for the financial year ended 31 December 2007. The increase in the gross profit margin was in line with growth of Gross Win margin. The increase was despite of the change in tax regime (taxation on commissions) and application of higher tax rate to earning from betting in the financial year ended 31 December 2008.

	<b>Slovakia</b> <b>EUR'000</b> <b>2009</b>	<b>Slovakia</b> <b>EUR'000</b> <b>2008</b>	<b>Slovakia</b> <b>EUR'000</b> <b>2007</b>
Total amounts staked	112,234	98,203	69,140
- thereof: Bets	107,163	93,524	65,624
- thereof: Commissions	5,071	4,679	3,516
Paid out prizes	(85,525)	(74,917)	(52,821)
Gross Win from betting	26,709	23,286	16,319
- thereof: online betting	8,733	3,976	1,098
- thereof: retail betting	17,976	19,310	15,221
Withholding tax paid	(5,359)	(4,676)	(3,282)
Other revenues	-	-	-

<b>Revenue</b>	<b>21,350</b>	<b>18,610</b>	<b>13,037</b>
Taxation of earnings from betting	-	-	-
Gross profit from betting	21,350	18,610	13,037
- thereof: online betting	7,012	2,897	786
- thereof: retail betting	14,338	15,713	12,251
Gross Profit margin – betting (%)	19%	19%	19%

Source: the Issuer based on the Combined Financial Statements

The total amounts staked were EUR 112,234 thousand in the financial year ended 31 December 2009, an increase of EUR 14,031 thousand, or 14%, from EUR 98,203 thousand in the financial year ended 31 December 2008. This increase was principally due to further development of the on-line services, which more than compensated the decrease in amounts staked in the land network. The relative decrease in proportion of commissions was primarily due to changes in Fortuna SK's product mix and the pricing policy, i.e. introduction of commission-free Profibet and live betting.

In Slovakia only the amounts of tax calculated on the total amounts staked are recognised as commissions in the Combined Financial Statements.

The Gross Win was EUR 26,709 thousand in the financial year ended 31 December 2009, an increase of EUR 3,423 thousand, or 15%, from EUR 23,286 thousand in the financial year ended 31 December 2008. The Gross Win margin was 24% in the financial year ended 31 December 2009 and remained at the same level as compared to the Gross Win margin for the financial year ended 31 December 2008.

The gross profit from betting was EUR 21,350 thousand in the financial year ended 31 December 2009, an increase of EUR 2,740 thousand, or 15%, from EUR 18,610 thousand in the financial year ended 31 December 2008. The gross profit margin was 19% in the financial year ended 31 December 2009 and remained at the same level as compared to the gross profit margin for the financial year ended 31 December 2008.

The total amounts staked were EUR 98,203 thousand in the financial year ended 31 December 2008, an increase of EUR 29,063 thousand, or 42%, from EUR 69,140 thousand in the financial year ended 31 December 2007. This increase was principally due to organic growth and development of on-line services combined with attractive sporting events in the odd year (the summer Olympics and the UEFA European Football Championship) that generated additional interest and provided numerous betting opportunities as well as positive currency translation effect.

The Gross Win was EUR 23,286 thousand in the financial year ended 31 December 2008, an increase of EUR 6,967 thousand, or 43%, from EUR 16,319 thousand in the financial year ended 31 December 2007. The Gross Win margin was 24% in the financial year ended 31 December 2008 and remained at the same level as compared to the Gross Win margin for the financial year ended 31 December 2007.

The gross profit from betting was EUR 18,610 thousand in the financial year ended 31 December 2008, an increase of EUR 5,573 thousand, or 43%, from EUR 13,037 thousand in the financial year ended 31 December 2007. The gross profit margin was 19% in the financial year ended 31 December 2008 and remained at the same level as compared to the gross profit margin for the financial year ended 31 December 2007.

	<b>Poland</b>	<b>Poland</b>	<b>Poland</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total amounts staked	57,592	68,601	50,305
- thereof: Bets	51,770	61,741	45,274
- thereof: Commissions	5,822	6,860	5,031
Paid out prizes	(40,567)	(46,343)	(34,341)
Gross Win from betting	17,025	22,258	15,964
- thereof: online betting	-	-	-
- thereof: retail betting	17,025	22,258	15,964
Withholding tax paid	(5,821)	(6,860)	(5,031)
Other revenues	621	360	375
<b>Revenue</b>	<b>11,825</b>	<b>15,758</b>	<b>11,308</b>

Taxation of earnings from betting	-	-	-
Gross profit from betting	11,204	15,398	10,933
- thereof: online betting	-	-	-
- thereof: retail betting	11,204	15,398	10,933
Gross Profit margin – betting (%)	19%	22%	22%

Source: the Issuer based on the Combined Financial Statements

The total amounts staked were EUR 57,592 thousand in the financial year ended 31 December 2009, a decrease of EUR 11,009 thousand, or 16%, from EUR 68,601 thousand in the financial year ended 31 December 2008. This decrease was principally due to the currency translation effect and when expressed in local currency the total amounts staked remained at similar level despite discontinuation of number games due to regulatory reasons.

In Poland only the amounts of withheld tax are recognised as commissions in the Combined Financial Statements.

The Gross Win was EUR 17,025 thousand in the financial year ended 31 December 2009, a decrease of EUR 5,233 thousand, or 24%, from EUR 22,258 thousand in the financial year ended 31 December 2008. The Gross Win margin was 30% in the financial year ended 31 December 2009, a decrease of 2 percentage points from the Gross Win margin for the financial year ended 31 December 2008. The decrease in the Gross Win margin was primarily attributable to ban on offering bets on number games that provided attractive stable margins.

The gross profit from betting was EUR 11,204 thousand in the financial year ended 31 December 2009, a decrease of EUR 4,194 thousand, or 27%, from EUR 15,398 thousand in the financial year ended 31 December 2008. The gross profit margin was 19% in the financial year ended 31 December 2009, a decrease of 3 percentage points from the gross profit margin for the financial year ended 31 December 2008. The decrease in the gross profit margin reflects the dynamics of Gross Win margin adjusted by withholding tax paid on the total amounts staked.

The total amounts staked were EUR 68,601 thousand in the financial year ended 31 December 2008, an increase of EUR 18,296 thousand, or 36%, from EUR 50,305 thousand in the financial year ended 31 December 2007. This increase was principally due to successful rebranding of operations and refurbishing of shops that attracted more customers combined with attractive sporting events in the odd year (the summer Olympics and the UEFA European Football Championship) that generated additional interest and provided numerous betting opportunities as well as positive currency translation effect.

The Gross Win was EUR 22,258 thousand in the financial year ended 31 December 2008, an increase of EUR 6,294 thousand, or 39%, from EUR 15,964 thousand in the financial year ended 31 December 2007. The Gross Win margin was 32% in the financial year ended 31 December 2008 and remained at similar level as compared to the financial year ended 31 December 2007.

The gross profit from betting was EUR 15,398 thousand in the financial year ended 31 December 2008, an increase of EUR 4,465 thousand, or 41%, from EUR 10,933 thousand in the financial year ended 31 December 2007. The gross profit margin was 22% in the financial year ended 31 December 2008 and remained at the same level as the gross profit margin for the financial year ended 31 December 2007.

Excluding Fortuna HR, the Group's total amounts staked were EUR 337,876 thousand in the financial year ended 31 December 2009, an increase of EUR 5,507 thousand, or 2%, from EUR 332,369 thousand in the financial year ended 31 December 2008. The Group's total amounts staked increased by EUR 79,475, or 31% in the financial year ended 31 December 2008 from EUR 252,894 thousand in the financial year ended 31 December 2007.

Excluding Fortuna HR, the Group's Gross Win was EUR 84,694 thousand in the financial year ended 31 December 2009, a decrease of EUR 4,134 thousand, or 5%, from EUR 88,828 thousand in the financial year ended 31 December 2008. The Gross Win margin was 25% in the financial year ended 31 December 2009, a decrease of 2 percentage points from the Gross Win margin for the financial year ended 31 December 2008. The Group's Gross Win decreased by EUR 23,182 thousand, or 35%, in the financial year ended 31 December 2008 from EUR 65,646 thousand in the financial year ended 31 December 2007. The Gross Win margin was 27% in the financial year ended 31 December 2008, an increase of 1 percentage point from the Gross Win margin of 26% for the financial year ended 31 December 2007.

Excluding Fortuna HR, the Group's gross profit from betting was EUR 66,549 thousand in the financial year ended 31 December 2009, a decrease of EUR 4,858 thousand, or 7%, from EUR 71,407 thousand in the financial year ended 31 December 2008. The gross profit margin was 20% in the financial year ended 31 December 2009, a decrease of 1 percentage point from the gross profit margin for the financial year ended 31 December 2008. The Group's gross profit from betting increased by EUR 17,725 thousand, or 33%, in the financial year ended 31

December 2008 from EUR 53,682 thousand in the financial year ended 31 December 2007. The gross profit margin was 21% in the financial year ended 31 December 2008 and remained fairly stable as compared to the gross profit margin for the financial year ended 31 December 2007.

The changes in the total amounts staked, Gross Win from betting and gross profit from betting resulted from the reasons described above.

### Operating Costs

The table below presents operating costs in the last three financial years ended 31 December 2009, 2008 and 2007 respectively.

	With Fortuna HR			Without Fortuna HR		
	2009 € 000	2008 € 000	2007 € 000	2009 € 000	2008 € 000	2007 € 000
Gross profit from betting	71,196	78,512	53,682	66,549	71,407	53,682
Personnel Expenses	(28,001)	(29,569)	(20,505)	(23,499)	(25,283)	(20,505)
Depreciation and Amortisation	(2,589)	(2,010)	(1,369)	(2,138)	(1,618)	(1,369)
Goodwill impairment	-	(4,366)	-	-	-	-
Other Operating Income	1,034	353	126	910	255	126
Other Operating Expenses	(26,461)	(27,015)	(19,872)	(21,534)	(22,091)	(19,872)
<b>Total operating costs without Czech taxation of earning from betting</b>	<b>(56,017)</b>	<b>(62,607)</b>	<b>(41,620)</b>	<b>(46,261)</b>	<b>(48,737)</b>	<b>(41,620)</b>
Taxation of earnings from betting	(6,965)	(5,885)	(3,651)	(6,965)	(5,885)	(3,651)
<b>Total operating costs according to IFRS</b>	<b>(62,982)</b>	<b>(68,492)</b>	<b>(45,271)</b>	<b>(53,226)</b>	<b>(54,622)</b>	<b>(45,271)</b>

Source: the Issuer based on the Combined Financial Statements

As of the financial year ended 31 December 2009 the total operating costs decreased to EUR 62,982 thousand as compared to EUR 68,492 thousand in the financial year ended 31 December 2008 by 8%. In the financial year ended 31 December 2008 the total operating costs increased by 51% from EUR 45,271 thousand in the financial year ended 31 December 2007.

Excluding Fortuna HR, in the financial year ended 31 December 2009 the total operating costs decreased to EUR 53,226 thousand compared to the financial year ended 31 December 2008 EUR 54,622 thousand by 3%. In the financial year ended 31 December 2008 the total operating costs increased by 21% as compared to EUR 45,271 thousand in the financial year ended 31 December 2007.

The decrease in operating costs in the financial year ended 31 December 2009 was primarily due to decrease in personnel costs (lower bonuses to the management), decrease of marketing costs and negative currency translation effect. In the financial year ended 31 December 2008, the increase in operating costs was largely attributable to the increase of salaries and widening of land network and positive currency translation effect.

### Personnel Expenses

The personnel expenses amounted to EUR 28,001 thousand in the financial year ended 31 December 2009, constituting a decrease of 5% as compared to EUR 29,569 thousand in the financial year ended 31 December 2008. Comparing to EUR 20,505 thousand in the financial year ended 31 December 2007, the personnel expenses increased in the financial year ended 31 December 2008 by 44%.

Excluding Fortuna HR, the personnel expenses amounted to EUR 23,499 thousand in the financial year ended 31 December 2009, constituting a decrease of 7% as compared to EUR 25,283 thousand in the financial year ended 31 December 2008. Comparing to EUR 20,505 thousand in the financial year ended 31 December 2007, the personnel expenses increased in the financial year ended 31 December 2008 by 23%. As a percentage of revenues, these expenses constituted 31%, 32% and 35% of revenues in the financial years ended 31 December 2009, 2008 and 2007 respectively.

The decrease of personnel expenses in the financial year ended 31 December 2009 reflects mostly currency translation effect, since there were no similar changes in the number of employees or the amount of salaries

expressed in local currencies (except for the Czech Republic where the average monthly salary has decreased slightly). In the financial year ended 31 December 2008 the increase in personnel costs reflected mainly the salaries increase in all three countries, increase in headcount in Slovakia and layoffs in Poland due to adjustment of land network. As a percentage of revenues, personnel costs continuously decreased over the last three years due to increase of revenues from on-line betting that hardly involves workforce.

#### *Depreciation and Amortisation*

Depreciation and amortisation amounted to EUR 2,589 thousand in the financial year ended 31 December 2009, constituting an increase of EUR 579 thousand as compared to EUR 2,010 thousand in the financial year ended 31 December 2008. Comparing to EUR 1,369 thousand in the financial year ended 31 December 2007, the depreciation and amortisation increased in the financial year ended 31 December 2008 by 641 thousand.

Excluding Fortuna HR, depreciation and amortisation amounted to EUR 2,138 thousand in the financial year ended 31 December 2009, constituting an increase of EUR 520 thousand as compared to EUR 1,618 thousand in the financial year ended 31 December 2008. Comparing to EUR 1,369 thousand in the financial year ended 31 December 2007, depreciation and amortisation increased in the financial year ended 31 December 2008 by EUR 249 thousand.

The increase in depreciation and amortisation in the financial year ended 31 December 2009 is attributable to expenditures on replacement of computer hardware in Poland and Slovakia and software.

#### *Goodwill Impairment*

In the financial year ended 31 December 2008 the goodwill impairment of EUR 4,366 thousand was recorded.

Excluding Fortuna HR, there was no goodwill impairment. Since Fortuna HR was loss making and due to lower projections for Croatian operations, Management calculated the recoverable amount of the relevant cash generating unit. As the carrying amount exceeded the recoverable amount Management impaired a portion of the goodwill related to Fortuna HR in the financial year ended 31 December 2008.

#### *Other Operating Expenses*

The table below presents the division of operating expenses for last three financial years.

	With Fortuna HR			Without Fortuna HR		
	31.12.2009	31.12.2008	31.12.2007	31.12.2009	31.12.2008	31.12.2007
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Operating lease expense	(10,832)	(11,107)	(8,592)	(9,037)	(9,588)	(8,592)
Materials and office supplies	(2,653)	(2,520)	(1,752)	(2,338)	(2,171)	(1,752)
Marketing and advertising	(4,052)	(4,211)	(2,617)	(2,840)	(2,883)	(2,617)
Telecommunication costs	(1,561)	(1,464)	(1,041)	(1,214)	(1,108)	(1,041)
Energy and utilities	(1,090)	(979)	(819)	(1,090)	(979)	(819)
Repairs and maintenance	(899)	(766)	(604)	(770)	(665)	(604)
Taxes and fees to authorities	(490)	(534)	(434)	(436)	(488)	(434)
Bad debt expense	(1,202)	(1,247)	(1,627)	(1,201)	(1,247)	(1,627)
Loss on sale of fixed assets	(34)	(5)	(22)	(9)	-	(22)
Others	(3,648)	(4,182)	(2,364)	(2,599)	(2,962)	(2,364)
	<b>(26,461)</b>	<b>(27,015)</b>	<b>(19,872)</b>	<b>(21,534)</b>	<b>(22,091)</b>	<b>(19,872)</b>

Source: the Issuer based on the Combined Financial Statements

Other operating expenses amounted to EUR 26,461 thousand in the financial year ended 31 December 2009, reflecting a decrease of 2% as compared to EUR 27,015 thousand in the financial year ended 31 December 2008. Comparing to EUR 19,872 thousand in the financial year ended 31 December 2007, the other operating expenses increased in the financial year ended 31 December 2008 by 36%.

Excluding Fortuna HR, other operating expenses amounted to EUR 21,534 thousand in the financial year ended 31 December 2009, reflecting a decrease of 3% as compared to EUR 22,091 thousand in the financial year ended 31 December 2008. Comparing to EUR 19,872 thousand in the financial year ended 31 December 2007, other operating expenses increased in the financial year ended 31 December 2008 by 11%.

The main item contributing to total operating expenses are operating lease expenses. The operating lease expenses amounted to EUR 10,832 thousand in the financial year ended 31 December 2009, reflecting a

decrease of 2% as compared to EUR 11,107 thousand in the financial year ended 31 December 2008. Comparing to EUR 8,592 thousand in the financial year ended 31 December 2007, the operating lease expenses increased in the financial year ended 31 December 2008 by 29%.

Excluding Fortuna HR, the operating lease expenses amounted to EUR 9,037 thousand in the financial year ended 31 December 2009, reflecting a decrease of 6% as compared to EUR 9,588 thousand in the financial year ended 31 December 2008. Comparing to EUR 8,592 thousand in the financial year ended 31 December 2007, the operating lease expenses increased in the financial year ended 31 December 2008 by 12%. As a percentage of revenues, these expenses constituted 12% in 2009, 12% in 2008 and 15% of revenues in 2007.

The operating lease expenses do not include costs incurred by the Group relating to the "Partner" betting outlets. Due to currency translation effect in the financial year ended 31 December 2009, continuous minor growth of land network did not have a material impact on the value of operating lease expenses.

The marketing and advertising expenses were the second major item in the operating expenses. The marketing and advertising expenses amounted to EUR 4,052 thousand in the financial year ended 31 December 2009, constituting a decrease of 4% as compared to EUR 4,211 thousand in the financial year ended 31 December 2008. Comparing to EUR 2,617 thousand in the financial year ended 31 December 2007, the marketing and advertising expenses increased in the financial year ended 31 December 2008 by 61%.

Excluding Fortuna HR, the marketing and advertising expenses amounted to EUR 2,840 thousand in the financial year ended 31 December 2009, remaining almost stable as compared to EUR 2,833 thousand in the financial year ended 31 December 2008. Comparing to EUR 2,617 thousand in the financial year ended 31 December 2007, the marketing and advertising expenses increased in the financial year ended 31 December 2008 by 8%. As a percentage of revenues, these expenses constituted 4% in 2009, 4% in 2008 and 5% of revenues in 2007.

Increase of marketing and advertising expenses in local currencies was due to intensified marketing activities related to marketing of on-line services in the Czech Republic in the financial year ended 31 December 2009 and rebranding in Poland in the financial year ended 31 December 2008. The marketing and advertising expenses do not include costs of refurbishing of betting shops that are included in repairs and maintenance costs.

Bad debt expense showed in the breakdown of operating expenses relates to doubtful VAT receivable from financial authorities in the Czech Republic (amounting to EUR 3,754 thousand in the financial year ended 31 December 2009, EUR 2,620 thousand in the financial year ended 31 December 2008 and EUR 1,654 thousand in the financial year ended 31 December 2007) and also to doubtful receivables from former employees for cash desk shortages and thefts.

#### *Net Finance Costs*

Net finance cost was EUR 2,535 thousand for the financial year ended 31 December 2009, a decrease of EUR 1,034 thousand, or 29%, from EUR 3,569 thousand in the financial year ended 31 December 2008. Net finance cost was EUR 3,569 thousand for the financial year ended 31 December 2008, a decrease of EUR 272 thousand or, 7% from EUR 3,841 thousand in the financial year ended 31 December 2007.

Excluding Fortuna HR, net finance cost was EUR 2,049 thousand for the financial year ended 31 December 2009, a decrease of EUR 1,470 thousand, or 42%, from EUR 3,519 thousand in the financial year ended 31 December 2008. Net finance cost was EUR 3,519 thousand for the financial year ended 31 December 2008, a decrease of EUR 322 or, 8% from EUR 3,841 thousand in the financial year ended 31 December 2007.

The decrease in net finance cost in the financial year ended 31 December 2009 was primarily due to refinancing of vendors financing related to Fortuna SazKan and Fortuna SK in the financial year ended 31 December 2008 and lower interest resulting from that, as well as capitalisation of an interest on a loan to the Selling Shareholder. Both more than offset EUR 381 thousand of decrease in fair value of interest rate SWAP related to CZK and related discontinuation of hedge accounting principles. The decrease in net finance cost in the financial year ended 31 December 2008 was due to increase of finance income resulting from granting a loan to the Selling Shareholder, which more than offset increase in finance expense primarily due to higher indebtedness.

#### *Income Tax Expense*

Income tax expense was EUR 2,422 thousand in the financial year ended 31 December 2009, EUR 3,595 thousand in the financial year ended 31 December 2008 and EUR 715 thousand in the financial year ended 31 December 2007. Effective tax rate was 16%, 27% and 8% in the financial years ended 31 December 2009, 2008 and 2007, respectively.

Excluding Fortuna HR, income tax expense was EUR 2,415 thousand in the financial year ended 31 December 2009, EUR 4,023 thousand in the financial year ended 31 December 2008 and EUR 715 thousand in the financial year ended 31 December 2007. Effective tax rate was 12%, 20% and 8% in the financial years ended 31 December 2009, 2008 and 2007, respectively.

Significant changes of tax paid within the discussed three-year period reflect the changes in tax regime in the Czech Republic. For the part of the financial year ended 31 December 2008 commissions were included in the taxation base for the purpose of corporate income tax calculation. Neither in 2007 nor in 2009 commissions were part of the tax base for the corporate income tax.

#### *Net profit*

Net profit achieved in the financial year ended 31 December 2009 was EUR 12,409 thousand, constituting an increase of 24% as compared to EUR 9,968 thousand in the financial year ended 31 December 2008. In the financial year ended 31 December 2008 net profit increased by 21% as compared to EUR 8,216 thousand in the financial year ended 31 December 2007.

Excluding Fortuna HR, net profit achieved in the financial year ended 31 December 2009 was EUR 16,934 thousand, constituting an increase of 5% as compared to EUR 16,055 thousand in the financial year ended 31 December 2008. In the financial year ended 31 December 2008 net profit increased by 95% as compared to EUR 8,216 thousand in the financial year ended 31 December 2007.

The increase of net profit was mainly related to the increase of the amounts staked and the decrease of operating costs in the financial year ended 31 December 2009.

#### *EBITDA*

	With Fortuna HR			Without Fortuna HR		
	2009	2008	2007	2009	2008	2007
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Depreciation and Amortisation	(2,589)	(2,010)	(1,369)	(2,138)	(1,618)	(1,369)
Goodwill impairment		(4,366)				
Operating profit	17,366	17,132	12,772	21,398	23,597	12,772
<b>EBITDA</b>	<b>19,955</b>	<b>23,508</b>	<b>14,141</b>	<b>23,536</b>	<b>25,215</b>	<b>14,141</b>
<b>Recurring EBITDA</b>	<b>21,331</b>	<b>23,450</b>	<b>12,675</b>	<b>24,912</b>	<b>24,431</b>	<b>12,675</b>

Source: the Issuer based on the Combined Financial Statements and Management's accounts

Excluding Fortuna HR, EBITDA for the financial year ended 31 December 2009 was EUR 23,536 thousand, a decrease of EUR 1,679 thousand, or 7%, from EUR 25,215 thousand for the financial year ended 31 December 2008. EBITDA for the financial year ended 31 December 2008 increased by EUR 11,074 thousand, or 78%, from EUR 14,141 thousand for the financial year ended 31 December 2007.

Excluding Fortuna HR, recurring EBITDA, adjusted by currency translation and one-off expenses and events, for the financial year ended 31 December 2009 was EUR 24,912 thousand, an increase of EUR 481, from EUR 24,431 thousand for the financial year ended 31 December 2008. Recurring EBITDA for the financial year ended 31 December 2008 increased by EUR 11,756 thousand, or 93%, from EUR 12,675 thousand for the financial year ended 31 December 2007.

In the financial year ended 31 December 2009 only Fortuna SK positively contributed to the growth of EBITDA (EUR 1.4 million), while Czech (EUR 1.1 million) and Polish (EUR 0.7 million) operating companies as well as foreign currency translation (EUR 1.4 million) lowered the Group's EBITDA, as compared to the financial year ended 31 December 2008.

In the financial year ended 31 December 2008 all segments (the Czech Republic: EUR 3.3 million, EUR 2.9 million, EUR 2.6 million) and foreign currency translation effect (EUR 2.3 million) positively contributed to the growth of EBITDA.

EBITDA is adjusted by the following one-off expenses and events to arrive at recurring EBITDA:

- provisions on VAT by Fortuna SazKan in the amount of EUR +473 thousand in the financial year ended 31 December 2007;

- fees for legal advisory with respect to transactions contemplated in the financial year ended 31 December 2008 in the amount of EUR+ 253,8 thousand that were recorded in the financial year ended 31 December 2009;
- other cost relating to contemplated transactions in the amount of EUR +71 thousand in the financial year ended 31 December 2009;
- rebranding of businesses in Poland and Croatia in the amount of EUR +590 thousand and EUR +726 thousand respectively in the financial year ended 31 December 2008;
- costs of transferring part of Fortuna SazKan's operations onto Fortuna GAME in the amount of EUR +125,5 thousand in the financial year ended 31 December 2009;
- costs of launching on-line betting in the Czech Republic in the amount of EUR +383,8 thousand in the financial year ended 31 December 2009;
- changes in tax regime in the Czech Republic – the adjustments were applied to the results for the financial years ended 31 December 2007 (EUR -1,940 thousand) and 2008 (EUR -1,316 thousand) respectively in order to provide tax treatment comparable with the financial year ended 31 December 2009;
- one off costs incurred in refinancing in 2009 and preparation of sales process in the total amount of +166 thousand EUR in 2009;
- adjustments to marketing spending from sponsorship contracts in 2008 (-57,2 thousand EUR) in 2009 (+376,4 thousand EUR).

**Analysis of the liquidity of the Group (with and without Fortuna HR) for the financial years ended 31 December 2009, 2008 and 2007**

The table below presents liquidity for the financial years ended 31 December 2009, 2008 and 2007:

	With Fortuna HR			Without Fortuna HR		
	31	31	31	31	31	31
	December	December	December	December	December	December
	2009	2008	2007	2009	2008	2007
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Net cash flows from operating activities	17,886	20,786	14,204	20,105	23,347	14,204
Net cash flows used in investing activities	(12,583)	(31,914)	(6,903)	(11,501)	(32,818)	(6,903)
Net cash flows (used in) / provided by financing activities	(2,532)	8,295	2,973	(5,450)	5,808	2,973
Net effect of currency translation in cash	991	360	684	939	388	684
Net increase in cash and cash equivalents	3,762	(2,473)	10,958	4,093	(3,275)	10,958
Cash and Cash Equivalents at the beginning of year	17,804	20,277	9,319	17,002	20,277	9,319
<b>Cash and Cash Equivalents at the end of year</b>	<b>21,566</b>	<b>17,804</b>	<b>20,277</b>	<b>21,095</b>	<b>17,002</b>	<b>20,277</b>

Source: the Issuer based on the Combined Financial Statements

**Net cash flows from operating activities**

Net cash flows from operating activities amounted to EUR 17,886 thousand in the financial year ended 31 December 2009 and constituted 14% decrease as compared to the financial year ended 31 December 2008. Net cash flows from operating activities were EUR 20,786 thousand in the financial year ended 31 December 2008 compared with net cash flows from operating activities amounting to EUR 14,204 thousand in the financial year ended 31 December 2007 (46% increase).

Excluding Fortuna HR, net cash generated from operating activities decreased in the financial year ended 31 December 2009 to EUR 20,105 thousand, after a significant increase to EUR 23,347 thousand in the financial year ended 31 December 2008 as compared to EUR 14,204 thousand in the financial year ended 31 December 2007.



In the financial year ended 31 December 2008 increase in restricted cash due to, among other, obtaining an approval for on-line betting in the Czech Republic and increase in receivables was almost totally compensated by increase in payables and other liabilities. Therefore, the overall increase in cash flows from operating activities was attributable to material growth of operating profit before working capital changes. In the financial year ended 31 December 2009 additional cash inflows were attributable decrease in receivables and increase in payables and other liabilities while cash outflows were insignificant.

#### *Net cash flows used in investing activities*

Net cash flows used in investing activities amounted to EUR 12,583 thousand in the financial year ended 31 December 2009 and constituted 61% decrease as compared to the financial year ended 31 December 2008. Net cash flows used in investing activities were EUR 31,914 thousand in the financial year ended 31 December 2008 compared with net cash flows used in investing activities amounting to EUR 6,903 thousand in the financial year ended 31 December 2007 (362% increase).

Excluding Fortuna HR, net cash flows used in investing activities amounted to EUR 11,501 thousand in the financial year ended 31 December 2009 and constituted 65% decrease as compared to the financial year ended 31 December 2008. Net cash flows used in investing activities were EUR 32,818 thousand in the financial year ended 31 December 2008 compared with net cash flows used in investing activities amounting to EUR 6,903 thousand in the financial year ended 31 December 2007 (375% increase).

Significant changes in the amount of net cash flows used in investing activities over the last three-year period is mostly attributable to a loan granted by Fortuna SK to the Selling Shareholder in the amount of EUR 25,725 thousand (formerly 775 mln SKK), which with the interests was EUR 27,246 thousand, in the financial year ended 31 December 2008 which was repaid in March 2010. Another significant item was amounts spent on repayment of liabilities for purchase of Fortuna SazKan. The impact of continuous increase of cash outflow for purchase of buildings, equipment and intangible assets (generally expenditures on betting shop network) was partially weakened by the increase of interest on the loan granted to the Selling Shareholder.

#### *Net cash flows from/used in financing activities*

Net cash flows used in financing activities amounted to EUR 2,532 thousand in the financial year ended 31 December 2009. Net cash flows provided by financing activities were EUR 8,295 thousand in the financial year ended 31 December 2008 compared with net cash flows provided by financing activities amounting to EUR 2,973 thousand in the financial year ended 31 December 2007 (net cash flows provided by financing activities increased by 179% in 2008).

Excluding Fortuna HR, net cash flows used in financing activities amounted to EUR 5,450 thousand in the financial year ended 31 December 2009. Net cash flows provided by financing activities were EUR 5,808 thousand in the financial year ended 31 December 2008 compared with net cash flows provided by financing activities amounting to EUR 2,973 thousand in the financial year ended 31 December 2007 (net cash flows provided by financing activities increased by 95% in 2008).

Cash flows from financing activities and used in financing activities of the last three year-period differed significantly, except for interest paid that remained at a stable level of EUR 4-5 million. In the financial year ended 31 December 2009 long-term borrowings in the amount of EUR 17,800 thousand were to a great extent reclassified to short term borrowings due to no compliance with loan facility covenants relating to a minimum cash held (as a result of transfer of part of operations of Fortuna SazKan onto Fortuna GAME). In the same year the Group received a loan from related party, namely the Selling Shareholder, in the amount of EUR 2,020 thousand.

In the financial year ended 31 December 2008 the Group changed the structure of its indebtedness. The Group received a EUR 48,471 thousand loan from Česká spořitelna, a.s. and repaid related party loan in the amount of EUR 15,724 thousand as well as short-term borrowings. In addition EUR 1,600 thousand was distributed as a dividend.

In the financial year ended 31 December 2007 the significant cash inflow of EUR 9,003 thousand resulted from increase of the share capital of Riverhill while the cash outflows were attributable to repayment of related party loan (EUR 1,235 thousand) and short-term borrowings (EUR 1,551 thousand).

#### *Minimum level of cash and cash equivalents*

Management considers loan covenants, operating liquidity needs and regulatory requirements among other factors while setting the minimum cash and cash equivalents levels to be maintained by each of the Group's operating companies. In Management's opinion the Czech operating companies require CZK 200 million to comply with covenants in the facility agreements (including CZK 75 million regulatory deposit) and additional CZK

50 million for operating liquidity. In Management's opinion Fortuna SK requires EUR 4 million to comply with covenants in the facility agreement (including EUR 750 thousand regulatory deposit) and additional EUR 1.0 million for operating liquidity. In Management's opinion Fortuna PL requires EUR 1 million for operating liquidity. Management's estimates of operating liquidity depend inter alia on the total amount staked and may increase, depending on the evolution of the amounts staked. In Management's opinion the sum of the minimum cash and cash equivalent levels of each of the three operating companies constitutes the minimum cash and cash equivalents levels for the Group.

At the end of the financial years ended 31 December 2007, 2008 and 2009, respectively, cash and cash equivalents were above levels considered by Management the necessary minimum at those times.

### Analysis of the Group's results for the six-month periods ended 30 June 2010 and 2009

The table below presents the Group's results for the six-month periods ended 30 June 2010 and 2009, respectively:

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Amounts staked	191,558	171,022
<b>Revenue</b>	<b>39,341</b>	<b>35,902</b>
Governmental taxes and levies	(3,340)	(3,383)
Personnel expenses	(13,063)	(11,895)
Depreciation and amortisation	(1,285)	(987)
Other operating income	451	400
Other operating expenses	(11,779)	(10,544)
<b>Operating profit</b>	<b>10,325</b>	<b>9,493</b>
Finance income	1,090	1,125
Finance expense	(2,857)	(2,193)
Net finance costs	(1,767)	(1,068)
<b>Profit before tax from continuing operations</b>	<b>8,558</b>	<b>8,425</b>
Income Tax Expense	(1,323)	(1,082)
<b>Net profit for the period from continuing operations</b>	<b>7,235</b>	<b>7,343</b>
<b>Discontinued operations</b>		
Gain / (loss) after tax for the period from discontinued operations	(1,286)	(2,859)
Profit on disposal of discontinued operations	4,171	
<b>Net profit for the period</b>	<b>10,120</b>	<b>4,484</b>
<b>EBITDA</b>	<b>11,610</b>	<b>10,480</b>

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

The table below presents revenues with additional items in order to reveal components of revenues as well as significance of particular distribution channels. Due to varying tax regimes, the table presents further disclosure in terms of Gross Win from betting and gross profit from betting for comparability purposes.

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Total amounts staked	191,558	171,022
- thereof: Bets	181,245	160,269

- thereof: Commissions	10,313	10,753
Paid out prizes	(146,186)	(129,899)
Gross Win from betting	45,372	41,123
- thereof: on-line betting	10,459	6,964
- thereof: retail betting	34,913	34,159
Withholding tax paid	(6,506)	(5,782)
Other revenues	475	561
<b>Revenue</b>	<b>39,341</b>	<b>35,902</b>
Taxation of earnings from betting	(3,340)	(3,383)
Gross profit from betting	35,526	31,958
- thereof: on-line betting	8,580	5,387
- thereof: retail betting	26,946	26,571
Gross profit margin – betting (%)	19%	19%

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

Below are discussed the results in each country.

	<b>Czech Republic</b>	<b>Czech Republic</b>
	<b>Six-month period ended 30 June 2010 Unaudited</b>	<b>Six-month period ended 30 June 2009 Unaudited</b>
	<b>€ 000</b>	<b>€ 000</b>
Total amounts staked	100,453	83,603
- thereof: Bets	95,788	78,635
- thereof: Commissions	4,665	4,968
Paid out prizes	(79, 495)	(63,755)
Gross Win from betting	20,958	19,848
- thereof: online betting	5,810	3,744
- thereof: retail betting	15,148	16,104
Withholding tax paid	-	-
Other revenues	191	218
<b>Revenue</b>	<b>21,149</b>	<b>20,066</b>
Taxation of earnings from betting	(3,340)	(3,383)
Gross profit from betting	17,618	16,465
- thereof: online betting	5,001	2,994
- thereof: retail betting	12,617	13,471
Gross Profit margin – betting (%)	18%	20%

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

Since on-line betting was available only in part of the discussed period in 2009, the discussed period in 2010 is the first period that fully shows the impact of the introduction of on-line services.

The total amounts staked were EUR 100,453 thousand in the six-month period ended 30 June 2010, an increase of EUR 16,850 thousand, or 20%, from EUR 83,603 thousand in the six-month period ended 30 June 2009. This increase was principally due to: (i) development of the on-line services including live betting, which more than compensated the decrease in amounts staked in the land network partially related to ongoing restructuring of the retail network, (ii) the commencement of the FIFA World Cup 2010, (iii) an increase in number of odds offered per event and (iv) the overall positive translation of CZK into EUR effect. The decrease in commissions was primarily due to changes in the operating companies' product mix, increased contribution of on-line channel and the pricing policy, i.e. growing popularity of live betting (though commissions were partially introduced on live betting in the first half of 2010).

The Gross Win was EUR 20,958 thousand in the six-month period ended 30 June 2010, an increase of EUR 1,110 thousand, or 6%, from EUR 19,848 thousand in the six-month period ended 30 June 2009. The Gross Win margin was 21% in the six-month period ended 30 June 2010, a decrease of 3 percentage points from the Gross Win margin of 24% for the period ended 30 June 2009. The decrease in the Gross Win margin was primarily attributable to changes in the product mix and increased contribution from on-line channel and live betting.

The gross profit from betting was EUR 17,618 thousand in the six-month period ended 30 June 2010, an increase of EUR 1,153 thousand, or 7%, from EUR 16,465 thousand in the six-month period ended 30 June 2009. The gross profit margin was 18% in the six-month period ended 30 June 2010, a decrease of 2 percentage points from the gross profit margin of 20% for the period ended 30 June 2009. The decrease in the gross profit margin was nearly in line with the decrease of the Gross Win margin.

	<b>Slovakia</b>	<b>Slovakia</b>
	<b>Six-month period ended</b>	<b>Six-month period</b>
	<b>30 June 2010</b>	<b>ended 30 June 2009</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>€ 000</b>	<b>€ 000</b>
Total amounts staked	61,341	56,504
- thereof: Bets	58,761	53,807
- thereof: Commissions	2,580	2,697
Paid out prizes	(46,787)	(43,653)
Gross Win from betting	14,554	12,851
- thereof: online betting	4,638	3,220
- thereof: retail betting	9,916	9,631
Withholding tax paid	(2,934)	(2,694)
Other revenues	88	139
<b>Revenue</b>	<b>11,708</b>	<b>10,296</b>
Taxation of earnings from betting	-	-
Gross profit from betting	11,620	10,157
- thereof: online betting	3,568	2,393
- thereof: retail betting	8,052	7,764
Gross Profit margin – betting (%)	19%	18%

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

The total amounts staked were EUR 61,341 thousand in the six-month period ended 30 June 2010, an increase of EUR 4,837 thousand, or 9%, from EUR 56,504 thousand in the six-month period ended 30 June 2009. This increase was principally due to: (i) the growth of the on-line channel, which compensated for the marginal decrease in amounts staked in the land network, (iii) the commencement of the FIFA World Cup 2010 and (iii) an increase in the number of odds offered per event.

In Slovakia only the amounts of tax calculated on the total amounts staked are recognised as commissions in the Interim Condensed Consolidated Financial Statements. However, since Fortuna SK offered commission-free products, the amount of the withholding tax was higher than the amount of collected commissions.

The Gross Win was EUR 14,554 thousand in the six-month period ended 30 June 2010, an increase of EUR 1,703 thousand, or 13%, from EUR 12,851 thousand in the six-month period ended 30 June 2009. The Gross Win margin was stable and remained at the level of 24% in the six-month period ended 30 June 2010. The gross profit from betting was EUR 11,620 thousand in the six-month period ended 30 June 2010, an increase of EUR 1,463 thousand, or 14%, from EUR 10,157 thousand in the six-month period ended 30 June 2009. The gross profit margin was 19% in the six-month period ended 30 June 2010, an increase of 1 percentage point from the gross profit margin of 18% for the period ended 30 June 2009.

	<b>Poland</b>	<b>Poland</b>
	<b>Six-month period ended</b>	<b>Six-month period ended</b>
	<b>30 June 2010 Unaudited</b>	<b>30 June 2009 Unaudited</b>
	<b>€ 000</b>	<b>€ 000</b>
Total amounts staked	29,689	30,915
- thereof: Bets	26,621	27,827
- thereof: Commissions	3,068	3,088
Paid out prizes	(19,840)	(22,491)
Gross Win from betting	9,849	8,424
- thereof: online betting	-	-
- thereof: retail betting	9,849	8,424
Withholding tax paid	(3,572)	(3,088)

Other revenues	196	204
<b>Revenue</b>	<b>6,473</b>	<b>5,540</b>
Taxation of earnings from betting	-	-
Gross profit from betting	6,277	5,336
- thereof: online betting	-	-
- thereof: retail betting	6,277	5,336
Gross Profit margin – betting (%)	21%	17%

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

The total amounts staked were EUR 29,689 thousand in the six-month period ended 30 June 2010, a decrease of EUR 1,226 thousand, or 4%, from EUR 30,915 thousand in the six-month period ended 30 June 2009. This decrease was principally due to discontinuation of number games. The scale of the decrease was partially offset by commencement of the FIFA World Cup 2010 and the positive translation of PLN into EUR effect.

The Gross Win was EUR 9,849 thousand in the six-month period ended 30 June 2010, an increase of EUR 1,425 thousand, or 17%, from EUR 8,424 thousand in the six-month period ended 30 June 2009. The Gross Win margin was 33% in the six-month period ended 30 June 2010, an increase of 5 percentage points from the Gross Win margin of 27% for the period ended 30 June 2009. The increase in the Gross Win margin was primarily attributable to change of product mix (increased share of multiple bets) and pricing policy.

The gross profit from betting was EUR 6,277 thousand in the six-month period ended 30 June 2010, an increase of EUR 941 thousand, or 18%, from EUR 5,336 thousand in the six-month period ended 30 June 2009. The gross profit margin was 21% in the six-month period ended 30 June 2010, an increase of 4 percentage points from the gross profit margin of 17% for the period ended 30 June 2009. The increase in the gross profit margin was primarily attributable to the improvement of Gross Win margin partially offset by an increase in taxation on betting.

In June 2010, the Group launched on-line betting and gaming services based on Maltese platforms under FortunaWin brand. Therefore, the financial results of Maltese companies were included for the first time in the Interim Condensed Consolidated Financial Statements. Due to the short period of time since FortunaWin commercial launch, the results of Maltese segments were immaterial.

The Group's amounts staked were EUR 191,558 thousand in the six-month period ended 30 June 2010, an increase of EUR 20,536 thousand, or 12%, from EUR 171,022 thousand in the six-month period ended 30 June 2009. The Group's Gross Win was EUR 45,372 thousand in the six-month period ended 30 June 2010, an increase of EUR 4,249 thousand, or 10%, from EUR 41,123 thousand in the six-month period ended 30 June 2009. The Gross Win margin was 24% in the six-month period ended 30 June, and was the same as Gross Win margin for the six-month period ended 30 June 2009. The Group's gross profit from betting increased to EUR 35,526 thousand by EUR 3,568 thousand, or 11%, in the six-month period ended 30 June 2010 from EUR 31,958 thousand in the six-month period ended 30 June 2009. The gross profit margin was 19% in the six-month period ended 30 June 2010 and it was the same as the gross profit margin for the six-month period ended 30 June 2009.

The changes in the total amounts staked and gross profit from betting resulted from the reasons described above for each country where the Group operates.

### Operating Costs

The table below presents operating costs in the six-month periods ended 30 June 2010 and 2009 respectively.

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Gross profit from betting	35,526	31,958
Personnel expenses	(13,063)	(11,895)
Depreciation and amortisation	(1,285)	(987)
Other operating income	451	400
Other operating expenses	(11,779)	(10,544)
<b>Total operating costs without Czech taxation of earning from betting</b>	<b>(25,676)</b>	<b>(23,026)</b>

Taxation of earnings from betting	(3,340)	(3,383)
<b>Total operating costs according to IFRS</b>	<b>(29,016)</b>	<b>(26,409)</b>

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

In the six-month period ended 30 June 2010 the total operating costs increased by 10% to EUR 29,016 thousand as compared to EUR 26,409 thousand in the six-month period ended 30 June 2009.

The increase in operating costs in the six-month period ended 30 June 2010 was among others due to positive currency translation effect.

#### Personnel Expenses

The personnel expenses amounted to EUR 13,063 thousand in the six-month period ended 30 June 2010, constituting an increase of 10% as compared to EUR 11,895 thousand in the six-month period ended 30 June 2009. As a percentage of revenues, these expenses constituted 33% of revenues in the six-month period ended 30 June 2010 and 2009.

The personnel expenses in the six-month period ended 30 June 2010 increased as a result of new hirings, particularly of bookmakers, and the reinforcement of the Group's key management.

#### Depreciation and Amortisation

Depreciation and amortisation amounted to EUR 1,285 thousand in the six-month period ended 30 June 2010, constituting an increase of EUR 298 thousand as compared to EUR 987 thousand in the six-month period ended 30 June 2009.

The increase in depreciation and amortisation in the six-month period ended 30 June 2010 is attributable to higher investments in the financial year ended 31 December 2009, mainly in hardware and intangible assets such as development of the website and software.

#### Other Operating Expenses

The table below presents the division of other operating expenses in the six-month periods ended 30 June 2010 and 2009, respectively.

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Operating lease expense	(4,157)	(3,816)
Franchise fees	(726)	(583)
Materials and office supplies	(792)	(728)
Marketing and advertising	(1,854)	(1,702)
Telecommunication costs	(638)	(501)
Energy and utilities	(789)	(731)
Repairs and maintenance	(433)	(378)
Taxes and fees to authorities	(398)	(182)
Bad debt expense	(703)	(718)
IT services	(216)	(93)
Travelling and entertainment costs	(288)	(354)
Others	(785)	(758)
<b>Total</b>	<b>(11,779)</b>	<b>(10,544)</b>

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

Other operating expenses amounted to EUR 11,779 thousand in the six-month period ended 30 June 2010, reflecting an increase of 12% as compared to EUR 10,544 thousand in the six-month period ended 30 June 2009.

The operating lease expenses amounted to EUR 4,157 thousand in the six-month period ended 30 June 2010, reflecting an increase of 9% as compared to EUR 3,816 thousand in the six-month period ended 30 June 2009. This increase was due to ongoing restructuring of the land networks including moving betting outlets from main

street to shopping malls in the Czech Republic and Slovakia. As a percentage of revenues, these expenses constituted almost 11% in the six-month period ended 30 June 2010 and it was equal to a percentage of revenues in the six-month period ended 30 June 2009.

The marketing and advertising expenses amounted to EUR 1,854 thousand in the six-month period ended 30 June 2010, constituting an increase of 9% as compared to EUR 1,702 thousand in the six-month period ended 30 June 2009. As a percentage of revenues, these expenses constituted 5% in the six-month period ended 30 June 2010 and it was equal to a percentage of revenues in the six-month period ended 30 June 2009. Eliminating the translation effect, the marketing and advertising expenses remained fairly stable.

#### *Net Finance Costs*

Net finance cost was EUR 1,767 thousand for the six-month period ended 30 June 2010, an increase of EUR 699 thousand, or 65%, from EUR 1,068 thousand in the six-month period ended 30 June 2009.

The increase in net finance cost in the six-month period ended 30 June 2010 was primarily due to positive currency translation effect, the cost of refinancing of bank loans and revaluation of interest rate SWAPs.

#### *Income Tax Expense*

Income tax expense was EUR 1,323 thousand in the six-month period ended 30 June 2010 and EUR 1,082 thousand in the six-month period ended 30 June 2009. Effective tax rate was 15% and 13% in the six-month periods ended 30 June 2010 and 2009, respectively.

Eliminating currency translation effect, there would be an increase in the income tax expense in the six-month period ended 30 June 2010 attributable to an increase in taxable income of Slovak and Polish operations.

#### *Profit*

Net profit for the period from continuing operations achieved in the six-month period ended 30 June 2010 was EUR 7,235 thousand, constituting a decrease of 1% as compared to EUR 7,343 thousand in the six-month period ended 30 June 2009.

The decrease of net profit for the period from continuing operations was due to higher finance costs and to some extent the higher tax paid.

Net profit for the period achieved in the six-month period ended 30 June 2010, including loss after tax for the period from discontinued operations (EUR 1,286 thousand in 2010 and EUR 2,859 thousand in 2009) and profit on disposal of discontinued operations (EUR 4,171 thousand in 2010) relating to disposal of Fortuna HR, was EUR 10,120 thousand.

#### *EBITDA*

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Depreciation and Amortisation	(1,285)	(987)
Operating profit	10,325	9,493
<b>EBITDA</b>	<b>11,610</b>	<b>10,480</b>
<b>Recurring EBITDA</b>	<b>11,610</b>	<b>11,173</b>

Source: the Issuer based on the Interim Condensed Consolidated Financial Statements

EBITDA for the six-month period ended 30 June 2010 was EUR 11,610 thousand, an increase of EUR 1,130 thousand, or 11%, from EUR 10,480 thousand for the six-month period ended 30 June 2009.

There were no adjustments to EBITDA in the six-month period ended 30 June 2010 therefore recurring EBITDA was equal to EBITDA and amounted to EUR 11,610 thousand, an increase of EUR 437 thousand, or 4%, from EUR 11,173 thousand for the six-month period ended 30 June 2009.

In the six-month period ended 30 June 2010 Fortuna SK (EUR 5,663 million) as well as foreign currency translation effect positively contributed to the growth of EBITDA, while Czech (EUR 5,283 million) and Polish (EUR 668 thousand) operating companies lowered the Group's EBITDA as compared to the six-month period

ended 30 June 2009. The decrease in EBITDA in the Czech Republic was due to increases in personnel costs related to the development of on-line offerings and the reinforcement of the management, while in Poland it was caused by costs associated with the expansion of the retail network and in particular a gap between granting licences for each betting shop and the commencement of respective lease contracts.

EBITDA for the six-month period ended 30 June 2009 is adjusted by the following one-off expenses and events to arrive at recurring EBITDA:

- costs incurred in relation to refinancing and preparation of sales process in the total amount of EUR +237 thousand ;
- costs of transferring part of Fortuna SazKan's operations onto Fortuna GAME in the amount of EUR +35 thousand;
- costs of launching on-line betting in the Czech Republic in the amount of EUR +338 thousand;
- adjustments to marketing spending from sponsorship contracts by EUR +83 thousand.

### **Analysis of the Group's liquidity for the six-month periods ended 30 June 2010 and 2009**

The table below presents the Group's liquidity for the six-month period ended 30 June 2010 and 2009, respectively:

	Six-month period ended 30 June 2010 Unaudited € 000	Six-month period ended 30 June 2009 Unaudited € 000
Net cash flows provided by/ (used in) operating activities	(10,530)	3,369
Net cash flows provided by/ (used in) investing activities	26,215	(11,013)
Net cash flows provided by/ (used in) financing activities	(20,487)	2,097
Net effect of currency translation in cash	(619)	613
Net decrease in cash and cash equivalents	(5,421)	(4,934)
Cash and Cash Equivalents at the beginning of the period	21,566	17,804
<b>Cash and Cash Equivalents at the end of the period</b>	<b>16,145</b>	<b>12,870</b>

*Source: the Issuer based on the Interim Condensed Consolidated Financial Statements*

#### ***Net cash flows provided by/used in operating activities***

Net cash flows used in operating activities amounted to EUR 10,530 thousand in the six-month period ended 30 June 2010 and while net cash flows provided by operating activities amounted to EUR 3,369 thousand in the six-month period ended 30 June 2009.

In the six-month period ended 30 June 2010 the overall decrease of cash flows provided by/used in operating activities was attributable mainly to repayment of vendor loans in amount of EUR 17,451 thousand.

#### ***Net cash flows provided by/used in investing activities***

Net cash flows provided by investing activities were EUR 26,215 thousand in the six-month period ended 30 June 2010 compared with net cash flows used in investing activities amounting to EUR 11,013 thousand in the six-month period ended 30 June 2009.

Significant changes in the amount of net cash flows provided by/used in investing activities are mostly attributable to repayment of a loan granted by Fortuna SK to the Selling Shareholder in the financial year ended 31 December 2008.

#### ***Net cash flows provided by/used in financing activities***

Net cash flows used in financing activities were EUR 20,487 thousand in the six-month period ended 30 June 2010 compared with net cash flows provided by financing activities amounting to EUR 2,097 thousand in the six-month period ended 30 June 2009.



Changes in cash flows provided by financing activities and used in financing activities resulted from restructuring of the Group's debt: repayment of related party loans and both long-term and short-term borrowings as well as corporate reorganisation (transfer of Fortuna PL and Fortuna SK to the Group).

### **Financial risk management objectives and policies**

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

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

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

#### *Market risk*

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2009, 2008 and 2007.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2009.

The following assumptions have been made in calculating the sensitivity analyses:

The statement of financial position sensitivity relates to derivatives.

The sensitivity of the relevant statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2009 and 2008 including the effect of hedge accounting.

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

#### *Interest rate risk*

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

The Group manages the interest rate risk by having a balanced portfolio of fixed and variable rate loans. The Group's policy for the year ended 31 December 2009 was to maintain a minimum of 25% of its borrowings at fixed interest rates. To manage this the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2009, after taking into account the effect of the interest rate swaps eligible for hedge accounting, approximately 55% of the Group's borrowings are at a fixed rate of interest.

#### *Foreign currency risk*

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

The Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies.

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

#### *Credit risk*

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

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

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

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

#### *Liquidity risk*

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

The Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2009, there were undrawn committed borrowing facilities of EUR 6,807 thousand (2008: EUR 3,713 thousand; 2007: EUR 7,513 thousand). Total committed facilities had an average maturity of 5.3 years in 2009 (2008: 5.2; 2007: 4.2 years).

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

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

#### **Recent developments**

After the last date of the Interim Condensed Consolidated Financial Statements the following significant events took place that could affect the financial and trading position of the Group:

- on 7 September 2010 the Issuer entered into agreement with Equinox Investments B.V., a subsidiary of the Selling Shareholder, under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V. (see "*The Issuer – Call Option for Fortuna HR*").

#### **Investments**

The table below sets out the capital expenditures incurred by the Group in the last three years, split by countries. The maintenance capital expenditures relate to regular refurbishment of the retail network such as renewal of hardware equipment, branding of the betting outlets etc. The growth expenditures relate to technological upgrades of hardware and software for the launch of online betting such as development of new web sites, purchase of hardware from IBM and development of operational software (NAVI PRO).

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
The Czech Republic	1,989	1,526	656
maintenance	1,273	1,373	556
growth	716	153	100
Poland	770	585	706
maintenance	324	531	706
growth	446	54	0

Slovakia	1,242	469	391
maintenance	644	400	391
growth	598	69	0
<b>Total</b>	<b>4,001</b>	<b>2,580</b>	<b>1,753</b>
<b>maintenance</b>	<b>2,241</b>	<b>2,304</b>	<b>1,653</b>
<b>growth</b>	<b>1,760</b>	<b>276</b>	<b>100</b>

Source: the Issuer

The main capital expenditures in the financial year ended 31 December 2009 were IBM servers bought by Czech and Slovak operating companies (EUR 487 thousand) and Infokanal bought by Czech, Polish and Slovak operating companies (EUR 738 thousand). In the Czech Republic the Group invested also in betting software (EUR 262 thousand) and number games lottery machines (EUR 78 thousand). In Poland the Group spent on Et netera system for web content management (EUR 63 thousand). Fortuna SK incurred costs of relocation of its headquarter (EUR 89 thousand) and bought videoconference system (EUR 46 thousand).

In the financial year ended 31 December 2008 Polish and Slovak operating companies bought management support SAP software (EUR 53 thousand and EUR 69 thousand respectively) while Czech companies bought software (EUR 126 thousand) and human resources software (EUR 17 thousand) and spent on Infokanal (EUR 10 thousand). There were no other major capital expenditures in the financial year ended 31 December 2008.

In the financial year ended 31 December 2007 the only major investments were in the Czech Republic in betting software (EUR 100 thousand).

In the first half of 2010 the major investments were in on-line betting and gaming platform in Malta (EUR 700 thousand).

Currently the Group's major investments projects include virtual horse racing terminals for a total consideration of EUR 120 thousand.

Management has not made any firm arrangements with respect to any future investments. Management plans to offer lottery products. The estimated total costs of lottery projects to be incurred by the Group until the end of 2011 amount to approximately EUR 13 million.

### Capital resources

As at the Prospectus date, the Issuer has appropriate capital resources to allow it to finance its current operating activity.

Funds for financing of the Group's are derived from cash flows from operating activities of local companies. In addition, financing of investments at the Czech level is provided under one of the tranches from the First Facility Agreement with Česká spořitelna, a.s. The maturity date of the tranche is 30 March 2013.

### Working capital statement

The Issuer states that, in its opinion, the working capital is sufficient for the Group's present requirements in the period of twelve months from the date of the Prospectus.

## BUSINESS OVERVIEW

### Overview

Fortuna Group is the leading fixed-odds betting operator with a retail and on-line presence in Central and Eastern Europe (in terms of turnover) with EUR 84,694 thousand Gross Win in the year ended 31 December 2009. As at 30 June 2010, the Group had 1,311 retail betting outlets in the Czech Republic, Slovakia and Poland and since 2007 and 2009 it has offered on-line betting services in Slovakia and in the Czech Republic, respectively. In June 2010 the Group launched FortunaWin, a betting and gaming on-line platform that currently targets Hungary.

The Group offers a comprehensive range of on-line and retail network-based betting products, including pre-match betting on a range of sporting events, live betting for major televised matches and number games. Management believes that Slovakia and the Czech Republic are relatively well developed sports betting markets, while Poland has further potential for growth. Management intends to broaden its product portfolio, including lottery in the Czech Republic, virtual sports betting and the expansion of on-line betting and gaming platforms.

The Group's bookmaking activities extend back to 1990 when one of the Group Companies, Fortuna SazKan, was founded. From its incorporation, Fortuna SazKan's primary business was sports fixed-odds betting. Over a number of years, betting entities from other Central and Eastern European countries were acquired by the Selling Shareholder to operate under the Fortuna brand. For the financial year ended 31 December 2009, the Group was a top-two retail player in each of the three core markets in which it operates in terms of amounts staked.

The Issuer has a call option to repurchase all shares in Fortuna HR held by Equinox Investments B.V., a subsidiary of the Selling Shareholder, which Management has decided to sell back to Equinox Investments B.V. in March 2010, (see "*The Issuer – Call option for Fortuna HR*").

### Strengths

Management believes that the Group benefits from the following competitive strengths:

#### ***One of the leading betting companies in the Czech, Slovak and Polish markets***

Fortuna Group is the leading sports fixed-odds betting company operating a land network in Central and Eastern Europe (in terms of turnover). In 2009 the Group was the second largest betting operator in the Czech Republic, Poland and Slovakia in terms of the total amounts staked.<sup>7</sup>

As at 30 June 2010, the Group had 1,063 betting shops and 248 "Partner" betting outlets, making it one of the largest operators of betting shops in Central and Eastern Europe. The Group is one of the leading locally licensed on-line betting operators in the Czech Republic and Slovakia.

Management believes that the size, scale and breadth of the Group's customer base provide the Group with a competitive advantage, particularly over some of the smaller local players in the betting industry in terms of brand recognition, cost optimisation and economies of scale.

#### ***Presence in the growing markets of Central and Eastern Europe***

The economies of the principal markets in which the Group operates have experienced above average real GDP growth rates in comparison to average EU GDP growth rates over the same period in recent years. In 2008 Poland and Slovakia recorded GDP growth rates that were among the highest in the EU, amounting to 5.0% and 6.2%, respectively, while the Czech Republic's GDP grew by 2.5% over the same period. Despite the impact of the global financial crisis and, in 2009 only the Polish economy recorded GDP growth of 1.7%<sup>8</sup> compare with an EU average of minus 4.2%. Based on available market data, Management believes that the economies of the countries in which the Group operates will continue to grow at a faster pace than more mature Western European economies in the near future allowing for an increase in the average wage level and an associated increase in the average level of disposable income of consumers in those countries, which will translate into increasing consumer spending on leisure and entertainment. The Group is well positioned to benefit from the aforementioned anticipated economic growth in those countries and the associated increase in the average levels of disposable income.

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<sup>7</sup> According to H2GC and Group's estimations.

<sup>8</sup> Information on the GDP's growth is based on the data published by Eurostat.

Management believes that betting is becoming increasingly socially acceptable due to a number of factors, including the broadening of the product offering, and the improvement of standards in retail betting networks, including more attractive premises and a general shift to more popular sites, such as shopping malls, making betting and gaming part of mainstream commerce and entertainment. The proliferation of on-line services, supported by positive changes in the legal framework, have also contributed to the growing acceptance of betting and gaming.

The Group is also well placed to take advantage of increased levels of broadband penetration in the countries in which it operates because of its on-line experience in the Czech Republic and Slovakia and a recognisable brand. Between 2006 and 2008, the broadband penetration ratio increased from 17% to 30% in the Czech Republic, from 22% to 32% in Poland, from 11% to 30% in Slovakia and from 22% to 37% in Hungary.<sup>9</sup>

### ***Trusted brand***

The Group's operating history and the strength of its brand in its core markets provide it with a competitive advantage in an industry where attracting and maintaining customers is crucial to developing the business. Over recent years the Group has introduced a unified corporate design for all of its products and services which has resulted in the public recognition of "Fortuna" brand as a professional and stable betting operator.<sup>10</sup> Management believes that the brand is a key asset in retaining loyal customers and attracting new ones. The Group continues to invest in marketing activities to build awareness of its brand and to engage in market research to monitor the perception of its image.

Management believes that the Group's sponsorship of sports teams including Slovak national football team, AC Sparta Prague, FC Banik Ostrava, FC Slovan Liberec, Bohemians 1905, FK Mlada Boleslav, 1.FC Brno. will contribute to the growth of the Group's business.

### ***Attractive and innovative product offering and a track record of innovation***

Management believes that the Group is one of the leading local betting operators in terms of the provision of innovative betting products and continuously strives to offer new products to its customers to improve their betting experience. By way of example, the Group was the first locally licensed operator to launch on-line live betting in the Czech Republic. The total amounts staked on live betting in the Czech Republic and Slovakia represented approximately 17% of the total amounts staked on-line in the Czech Republic and Slovakia in the financial year ended 31 December 2009.

Other examples of market-leading innovations include "safe bet", an accumulated betting game where a customer has the opportunity to win a nominal amount of money even when the customer has lost one of the bets, and "goal storm", a combination of number game and sports betting with a growing jackpot.

In addition, the Group seeks to make its products and services more attractive to customers through its loyalty programme, Fortuna Klub Plus. Members of Fortuna Klub Plus are entitled to discounts and additional services, to participate in competitions and prize draws, and to gain points based on the amounts they have staked and the frequency of their bets. The points can be exchanged for Fortuna's betting magazine, Fortuna-branded promotional merchandise or special offers. The programme allows members to use discounts on certain products and services. There are currently approximately 147 thousand members of Fortuna Klub Plus. Each Fortuna Klub Plus member's details are stored on the Group's databases. The Group is able to use this information to actively develop its relationship with each member through the CRM system.

The Group has a track record of adapting promptly and effectively to changes in regulations, such as the introduction of on-line services in Slovakia and the Czech Republic, (see "*Business Overview - Strengths - Early-mover advantage in the on-line market*").

### ***Comprehensive risk management system and long-standing odds compilation experience***

Effective risk management and profit protection is of the highest importance to the Group. Management believes that having more than 20 years experience in risk management and bookmaking procedures and being supported by a team of experienced bookmakers, well-qualified risk management professionals and state of the art IT systems gives the Group a strong competitive advantage.

The Group has a multilayered risk management system, divided into four phases: odds compilation, odds adjusting, bet acceptance and payment management. Management believes that the Group's risk management

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<sup>9</sup> According to H2GC.

<sup>10</sup> According to surveys made by Ipsos Tambor in Slovakia in 2005-2007 and in the Czech Republic in 2008 and in 2005-2007.

system gives the Group a comprehensive overview of all of the Group's ongoing exposures relating to particular events. In addition, by offering a broad range of betting products to its customers on a wide variety of events the Group is able to spread its risk over a large number of events. The risks are also diversified by operating in various countries, because betting preferences differ in each of the countries in which the Group operates. The Group has further enhanced its risk management system by installing software which calculates probability during live betting.

For the purpose of odds compilation, the Group cooperates with a total of 38 experienced bookmakers with excellent analytical skills and deep insight into local sports betting markets. Each bookmaker is responsible for compiling the odds for a particular region, sport discipline or a particular league. Management believes that as a result of its risk management system and the skill of its bookmakers who are responsible for odds compilation, the Group is able to manage its risk profile, ensure profit protection, and offer its customers competitive and comparatively attractive odds.

#### ***Early-mover advantage in the on-line market***

The Group was one of the first locally licensed operators to begin offering on-line betting in Slovakia in 2007. In addition, in 2009, following regulatory changes in the Czech Republic, the Group took the opportunity to capitalise on its existing experience in Slovakia and began offering on-line betting in the Czech Republic. The Group quickly established a major presence in the Czech on-line betting market and plans to further utilise its experience if and when new opportunities appear in Poland. In addition, the Group has successfully broadened the range of products that it offers by introducing new on-line products, such as live betting.

In Slovakia and the Czech Republic, Fortuna offers its on-line sports betting products on the basis of local betting licenses and Management believes that the Group's retail networks in those countries, which for example enable on-line customers to receive prizes in cash, contribute to the trustworthiness of the Fortuna brand and represent a clear competitive advantage over offshore betting and gaming companies operating without local licenses in countries in which the Group offers its products both on-line and through its retail network.

The Group's experience of entering the on-line betting market in two countries means that it is well placed to expand its on-line operations into new markets. The on-line betting business model is highly scalable – by expanding its on-line betting operations the Group will be able to establish its presence in new markets at comparably low cost, without investing in retail betting outlets, for example through a Maltese on-line betting and gaming platform.

#### ***High cash generation and moderate financial leverage***

Management believes that the Group is a highly cash generative business. For the financial years ended 31 December 2009, 2008 and 2007 respectively, the operating cash flows of the Group were EUR 20,105 thousand, EUR 23,347 thousand and EUR 14,204 thousand respectively which translated into 94%, 99% and 111% conversion ratios (calculated as net cash flows from operating activities divided by operating profit). In the financial years ended 31 December 2009, 2008 and 2007 respectively, EBITDA was EUR 23,536 thousand, EUR 25,215 thousand and EUR 14,141 thousand. In addition, as of 30 June 2010 the Group's net debt was EUR 21,293 thousand and the Issuer's overall level of indebtedness, expressed by net debt as of 30 June 2010 to twelve months EBITDA was 0.86.

Management believes that high cash generation and moderate financial leverage provides the Group with the ability to fund its development from its own cash flows and ensure substantial dividend payouts (see "Shareholders - Dividend policy").

### **Strategy**

#### ***Capitalising on growth opportunities in on-line betting and leveraging on beneficial regulatory changes***

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

Having already launched on-line betting operations in Slovakia in 2007, the Group was able to leverage on its experience to quickly and successfully launch its on-line betting operations in the Czech Republic in 2009. In anticipation of beneficial changes in Polish legislation, the Group is preparing to launch local on-line operations as and when the new legislation comes into force.

In addition, the Group has recently finished building up its on-line betting and gaming platform, offering a wide range of products, including betting on sports and other events, live betting, number betting, lottery and on-line casino. To improve its competitiveness, the FortunaWin business is located in Malta. The on-line betting and gaming platform went live in June 2010 and currently covers Hungary.

### ***Strengthening the retail network and increasing revenue per shop***

The Group aims to maximise the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimise the betting experience, the Group monitors its retail network and adjusts the number and location of retail betting shops where Fortuna's products are offered on a regular basis. In 2009, the Group opened 119 shops, closed 110 shops and relocated 10 shops. The Group also continuously upgrades the location, facilities, equipment and size of its retail betting shops. Management targets reaching the total number of 800 shops in the Czech Republic, 450 in Slovakia and 500 in Poland by 2012.

The Group plans to further increase the number of its betting shops in Poland, Slovakia and the Czech Republic. The Group also intends to increase the number of its "Partner" betting outlets in order to decrease its fixed costs. The Group has opened a few pilot "Partner" outlets in Poland and Management is considering further development of a "Partner" system in Poland.

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

### ***Broadening the product offering***

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

In July 2010 Fortuna SazKan obtained a license to offer lottery products in the Czech Republic. Management assumes total costs of the lottery of approximately EUR 13 million in 2010 and 2011 and intends to start offering lottery products in 2011. The Group executed a cooperation agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project.

The lottery business is attractive since the Gross Win margin is stable and higher than the sports betting Gross Win margin. The Group has already gained experience with launching new products and with similar games, namely number games and it can leverage its brand, customer base and land network in the Czech Republic, where there is only one lottery operator despite the absence of a state monopoly.

### ***Promotion of brand loyalty***

The Group seeks to promote brand loyalty amongst its customers. In 2005, the Group introduced a large scale Fortuna Klub Plus loyalty programme in betting shops in all of the countries in which it operates. Through this loyalty programme, customers can accumulate points for the amount that they stake through any channel (whether a shop, the Internet, telephone, or SMS) and then redeem those points for free bets, bonuses that enhance their odds and Fortuna-branded merchandise.

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 further plans to improve the Fortuna Klub Plus members' service through the introduction of a new CRM system which will allow for individually tailored and targeted communication, including flagging customers that have not placed a bet for a specified period of time. It expects to introduce the new CRM system in the second half of 2010. The system is intended to improve customer relationships with the Group while building higher brand loyalty and to provide a targeted customer communication plan with a focus on activating and tracking customer spend.

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

### **Entering new markets**

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

As part of the process for monitoring market opportunities, the Group regularly reviews land based greenfield and acquisition opportunities across the Central and Eastern European region.

### **Compliance with local regulations where the Group operates land networks**

The Group strategy is to comply with local regulations concerning the provision of on-line betting services in the countries where it has land-based operations. The Group intends to utilise its experience and to offer on-line betting as and when new opportunities appear in Poland. Currently the Polish government is working on a new bill that will permit on-line betting. As soon as the new law is introduced, the Group intends to apply for a license to provide on-line betting in Poland. Management believes that operating the business under a local license in Poland will give the Group a competitive advantage over offshore betting organisations.

### **Products**

The Group' offers a variety of betting products to retail, on-line and telephone customers, including pre-match betting on an extensive range of sporting events, live betting for major televised matches and number games.

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

Within each category of products, the Group generally offers three major types of bets:

- SOLO Bet - where a customer makes a single bet, for example, on the outcome of one specific football match;
- AKO BET (accumulator bet) - where a customer can bet on a number of games on one ticket;
- COMBIBET (combination bet) - where a customer can bet on a combination of betting events within one betting slip.

Sports betting remains the most popular category of the Group's products. Each week the Group offers around 6,000 odds on approximately 500 different events in around 20 sport disciplines, subject to seasonal changes. The Group offers a variety of betting opportunities (differing by betting manner) for one event in order to make the offer more interesting and to satisfy more sophisticated customers. For instance, it is possible to bet on a general result, such as the win or loss of a game; on a spread of, for example, the number of goals scored by each team; on a precise result; or to combine different games of different sports on a single ticket. The bets can be placed before the match (pre-match bets) and during the event (live bets).

Live betting was introduced in 2007. As new combinations appear during the event, they result in further betting opportunities and live betting allows customers to react to changing circumstances by making new bets. Since May 2010, Fortuna SazKan has been offering live bets to customers through their mobile phones. Live betting is becoming increasingly popular and accounted for more than 17% (based on the management accounts) of the Group's combined revenues in the financial year ended 31 December 2009.

Number games are offered in three options, Combinator, Variator and Accumulator, depending on the amount of number drawn and bet possibilities. In Combinator three numbers of 21 are drawn and customers can bet on up to three numbers. In Variator nine numbers of 49 are drawn and customers can bet on up to six numbers. In Accumulator 20 numbers of 80 are drawn and customers can bet on up to eight numbers.

The table below presents the betting products available in each country in which the Group operates and their share in the Group's total revenues in each country, save for number games in Poland that ceased to be offered in 2009.

2009	2008	2007
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	<u>Sports betting</u>	<u>Number games</u>	<u>Social events betting</u>	<u>Sports betting</u>	<u>Number games</u>	<u>Social events betting</u>	<u>Sports betting</u>	<u>Number games</u>	<u>Social events betting</u>
	(%)								
Czech Republic .....	97.4	2.5	0.1	97.4	2.5	0.1	97.0	2.9	0.1
Slovakia .....	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0
Poland .....	93.9	5.9	0.1	89.4	10.6	0.0	93.4	6.6	0.0

Source: the Issuer

Although the popularity of sporting events is similar in each country in which the Group operates, there is some local bias towards particular sports disciplines. However, the four favourite sports remain the same in all mentioned countries, namely football, ice hockey, basketball and tennis.

The table below sets out the split of amounts staked in 2009 by sport disciplines in each country where the Group operates.

	<u>Czech Republic</u>	<u>Slovakia</u>	<u>Poland</u>
Football .....	57%	56%	65%
Ice hockey .....	19%	19%	8%
Tennis .....	10%	11%	9%
Basketball .....	5%	6%	6%
Other .....	9%	8%	12%

Source: the Issuer

In each of the three countries, bets on football account for over 50% of the total amounts staked. The most popular leagues are Premier League and Bundesliga. The table below presents the split of amounts staked on football by particular leagues and their share in the total amounts staked on football.

	<u>Czech Republic</u>	<u>Slovakia</u>	<u>Poland</u>
Premier League .....	10%	9%	9%
Bundesliga .....	7%	6%	7%
Champions League .....	6%	5%	5%
UEFA .....	5%	6%	6%
CZ, FR, ESP, ITA .....	4%	4%	5%

Source: the Issuer

Ice Hockey is the second most popular sport discipline. The amounts staked on ice hockey reflect national biases towards particular leagues. The table below presents the split of amounts staked on ice hockey by particular leagues and their share in the total amounts staked on ice hockey.

	<u>Czech Republic</u>	<u>Slovakia</u>	<u>Poland</u>
Czech league .....	16%	9%	9%
NHL .....	14%	21%	8%
KHL .....	10%	8%	11%
Slovak league .....	5%	10%	NA
SWE, GER, AUT .....	6%	6%	16%

Source: the Issuer

## Distribution channels

The Group delivers its betting products to customers through retail betting outlets, on-line and via telephone call centre. The Group offers retail betting through shops operating under its own brand name, counters and betting rooms installed at other retail outlets (such as sports bars, restaurants and pubs) as well as shops operated by third parties under the Group's "Partner" programme. The availability of distribution channels varies between the

countries in which the Group operates, primarily reflecting the legal framework regulating betting services in each jurisdiction.

The following table summarises the types of distribution channels used by the Group in the markets in which it operates.

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Poland</b>
Betting shops	Available	Available	Available
"Partner" betting outlets	Available	Available	Available
On-line	Available	Available	Not available
Telephone	Available	Not available	Not available
SMS	Not available	Available	Not available

Source: the Issuer

Management believes that the distribution channels used by the Group complement each other while serving different groups of customers. Betting shops and especially "Partner" betting outlets operated in bars, appeal to customers who like to discuss bets and prefer watching sporting events in a social setting. The users of the on-line and telephone services are generally younger, better educated, users of social networking sites and the various functionalities of smart phones and mobile phones, who value their independence and expect immediate access to betting products regardless of the time of day. The remote services the Group offers also enable customers to place bets from locations where there are no betting shops.

### **Retail betting outlets**

Retail betting outlets accounted for 80%, 96% and 98% of the Group's combined Gross Win in the years ended 31 December 2009, 2008 and 2007, respectively.

The table below presents changes in the Group's betting shops network in 2009 (including "Partner" betting outlets).

	<b>Total number of shops</b>	<b>Closed</b>	<b>Opened</b>	<b>Relocated</b>
Czech Republic .....	577	70	44	0
Slovakia.....	379	49	59	0
Poland .....	364	0	7	10

Source: the Issuer

As at 30 June 2010, there were 443 shops and 122 "Partner" betting outlets in the Czech Republic, 361 shops and 3 "Partner" betting outlets in Poland, and 259 shops and 123 "Partner" betting outlets in Slovakia.

The table below presents information on the Group's retail network for the years ended 31 December 2009, 2008 and 2007, respectively.

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Poland</b>	<b>Total</b>
<b>2009</b>				
Betting shops	450	270	364	1,084
"Partner" betting outlets	127	109	0	236
<b>Total number in 2009</b>	<b>577</b>	<b>379</b>	<b>364</b>	<b>1,320</b>
<b>2008</b>				
Betting shops	473	267	357	1,097
"Partner" betting outlets	130	102	0	232
<b>Total number in 2008</b>	<b>603</b>	<b>369</b>	<b>357</b>	<b>1,329</b>
<b>2007</b>				

Betting shops	461	270	359	1,090
"Partner" betting outlets	121	54	0	175
<b>Total number in 2007</b>	<b>582</b>	<b>324</b>	<b>359</b>	<b>1,265</b>

Source: the Issuer

### *Betting shops*

The Group has betting shops in the Czech Republic, Poland and Slovakia. Each of the Group's betting shops has been fitted according to the Group's uniform "Fortuna" design.

In general, the Group's betting shops are around 20 to 50 square meters in size, although the Group does have a number of larger, better equipped flagship shops. The betting shops are usually located in high streets, pedestrian subways and shopping centres or are free standing. The network is continuously monitored for profitability and customers' changing preferences for particular types of locations.

The TV service available in each of the Group's shops is called "Infokanal" and provides updated score coverage of sporting events, as well as commentary, odds, last minute bets and results. The information displayed on "Infokanal" is sourced from databases that the Group subscribes to or are edited by the Group.

### *"Partner" betting outlets*

Under the "Partner" programme, the Group's land network is extended by installing point of sale betting outlets in places such as bars or restaurants with high traffic where the owner is willing to offer betting products to its customers. The Group enters into a lease agreement with each of the "Partners", under which the Group agrees to pay a lease for the use of the premises. Part of the lease is linked to the betting revenues and part is fixed. Partners have to provide at least two persons who will be trained by the Group and will be entitled to accept bets. Each "Partner" betting outlet has three-month trial period after which it must generate pre-agreed minimum levels of revenue. If the minimum level of revenue is not met, the Group is entitled to withdraw from the agreement. The financial performance of the "Partner" shop network is being monitored continuously.

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

The Group introduced the "Partner" programme in Poland in June 2010.

"Partner" betting outlets provide an opportunity to widen the Group's land network at a lower cost than its own retail shops. Since initial expenses are limited to equipment costs only, launching a new "Partner" betting outlet is significantly cheaper than opening a new betting shop. Ongoing running costs are limited to the lease payments and commissions and are therefore also lower as they are partly linked to revenues and only part is fixed.

### *On-line business*

The Group started offering on-line betting to its customers in Slovakia in 2007, followed by the introduction of on-line betting in the Czech Republic in 2009. The Internet platforms allow for wider distribution of the Group's products and enable the Group to diversify its product range; for example, the Group successfully launched live betting based on its experience with other on-line products.

Management believes that on-line products form the most dynamic growth sector in the industry.

In anticipation of beneficial changes in Polish legislation, the Group is preparing to launch local on-line operations in Poland. In addition, the Group has recently launched an on-line betting and gaming platform under the FortunaWin brand offering a wide range of products, including sports betting, live virtual betting, number betting, lottery and on-line casino. To exploit the full potential of the Internet and to spread its geographical coverage, the FortunaWin business is located in Malta and targets Hungarian customers. The Group is considering targeting other countries in the region through the FortunaWin platform.

On-line betting accounted for 20%, 4% and 2% of the Group's combined Gross Win in the financial years ended 31 December 2009, 2008 and 2007, respectively, and 23% of the Group's consolidated Gross Win for the first half of the financial year ending 31 December 2010.

### Telephone and SMS business

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

Telephone betting in the Czech Republic (via direct voice contact with an operator) accounted for less than 1% of the Group's combined revenue in the year ended 31 December 2009 while in the financial year ended 31 December 2008 telephone betting accounted for more than 3% of the Group's combined revenue and in the financial year ended 31 December 2007 telephone betting accounted for more than 2% of the Group's combined revenue.

Similarly, telephone betting in Slovakia (via SMS) accounted for less than 1% of the Group's combined revenue in the year ended 31 December 2009 while in the financial years ended 31 December 2008 and 2007, respectively, it was below 1% of the Group's combined revenue.

### Customers

Most of the Group's customers are male. Only 9% of customers are women. In terms of age, the Group's customers are more diversified. The table below presents the division of customers by age.

Age	Share in the total number of customers
18-24	21%
25-34	28%
35-44	24%
45-54	13%
55-64	10%
65<	4%

Source: the Issuer

The table below sets out the Group's registered customers split by countries.

	2008 (in '000)	2009 (in '000)	June 2010 (in '000)
Czech Republic	34	63	90
Slovakia	18	27	32
Poland	12	17	25
<b>Total</b>	<b>64</b>	<b>107</b>	<b>147</b>

Source: the Issuer

### Marketing

Management believes that the strength of its "Fortuna" brand in its core markets provides a competitive advantage in an industry where attracting and maintaining customers is crucial to developing the business. Over recent years, the Group has introduced a unified corporate design and branding for all of its products and services. The Group also promotes its brand through various initiatives. However, since there are varying regulations governing the marketing of betting and gaming services, the scale, form and content of the marketing of the Group's products vary between each country in which the Group operates. Where regulations permit, the Group runs advertising campaigns in various media channels.

The Group sponsors several sports teams and sporting events to gain maximum exposure of the "Fortuna" brand. Fortuna SK is a sponsor of the Slovak national football team, which participated in the FIFA World Cup 2010 in South Africa. The Group has formed partnerships with some of the leading sports teams in the countries in which it operates, such as AC Sparta Prague, FC Banik Ostrava, FC Slovan Liberec, Bohemians 1905, FK Mlada Boleslav, 1.FC Brno. Fortuna SazKan is also a sponsor of the Czech floorball league, Fortuna Extraliga, as well as a sponsor of the Czech floorball national team.

One of the Group's most effective marketing initiatives is the Fortuna Klub Plus loyalty programme. Members of Fortuna Klub Plus are entitled to discounts and additional services, to participate in competitions and prize draws, and to gain points based on the amounts they have staked and the frequency of their bets. The points can be exchanged for Fortuna's betting magazine, Fortuna-branded promotional merchandise or special offers. The programme allows members to use discounts on certain products and services. There are currently approximately 147 thousand members of Fortuna Klub Plus. Management estimates that around 50% of revenues come from members of the programme. Each Fortuna Klub Plus member's details are stored on the Group's databases. The Group is able to use this information to actively develop its relationship with each member through the CRM system.

### **Corporate social responsibility**

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening a corporate brand. The Group is therefore committed to its own corporate social responsibility programme. The Group undertakes some charitable activities in the Czech Republic. In addition, Fortuna SazKan contributes financially to many local football clubs under the "Grant Project", which was organised to improve and cultivate the Czech football environment. Fortuna SazKan also supports handicapped sportsmen and other handicapped people to adapt and return to social life after suffering debilitating injuries. Fortuna SazKan works with organisations such as Paraple, Konto bariery and Sportovní klub vozíčkářů. Fortuna SazKan also donates to selected child support programmes.

### **Risk Management**

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

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

#### ***Odds compilation***

The Group cooperates with a team of 38 experienced bookmakers who are responsible for determining fixed odds. There are seven bookmakers with experience exceeding fifteen years, one bookmaker with experience between ten and fifteen years of experience, seven bookmakers with experience between five and ten years and five bookmakers with experience between three and five years.

Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. The odds also have an imbedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and adjusted for any market information, bookmakers' knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect information on odds from more than 130 companies around the world. The databases help to monitor, assess and compare odds proposed by the Group's competitors. Management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation thus enabling the Group to provide competitive odds to its customers.

#### ***Odds adjusting***

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

In fixed-odds betting, the liability to make payment is, in principle unlimited. However, the Group is not obliged to accept any bets, or may accept bets on certain conditions only (for example, to limit the maximum exposure).

### ***Bet acceptance***

The Group is under no obligation to accept any bet. The procedure of bet acceptance is designed to eliminate suspicious bets and to adjust the odds ratio to generate a positive Gross Win for the Group. In addition, there is a "black list" of customers. For different types of bets, the Group sets limits on stake value and particular leagues. If a particular game is defined as risky, customers are not allowed to make a solo bet for this game; they can only make a combination bet of 3 to 5 games, one of which is the risky game. Each bet request is entered into the centralised system accessible by all shops for an automatic approval. If the bet is not accepted by this automated mechanism, the bet is transferred to the Group's headquarters where a bookmaker may refuse to accept the bet based on his own judgment, propose new odds, or propose new amounts to be staked. Each bookmaker is permitted to accept a bet within particular limits. If a bet exceeds such limits, a bookmaker can ask a more highly qualified bookmaker with bigger limits for permission to approve the bet. In 2009 the proportion of bets referred for authorisation amounted to 0.5% of total bets. Out of this small amount, 11% of bets referred for authorisation were rejected and 7% of bets referred for authorisation had their stakes reduced.

### ***Payout of winnings***

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

### ***Payment management***

The Group has implemented internal procedures to ensure proper cash management. These internal procedures address legal, safety and insurance requirements in the following areas: bet acceptance, cash keeping and carrying, and winnings pay out. The majority of bets are placed upon prior payment. Credit card payments received by the Group mainly relate to on-line operations in Malta. The Group only accepts payment via cash or debit card in the Czech Republic and Slovakia. Internet payments are serviced by SporoPay operated by Slovenská sporiteľňa, a.s. and TatraPay operated by Tatra banka, a.s. in Slovakia, and by Československá obchodní banka, a. s. in the Czech Republic. Management regularly monitors all non-standard card payments and customer behaviour in order to minimise any losses.

The table below presents the maximum amount of winnings that can be paid out to an individual customer.

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Poland</b>
Maximum amount of prizes to be collected at shop	up to CZK 100 thousand	up to EUR 3 thousand	no such limit
Maximum amount of prizes that can be won	CZK 5 million per ticket	EUR 150 thousand per ticket	PLN 4 thousand per ticket for Solo-bet and PLN 55 thousand per ticket for other bets

### ***Information technology solutions***

The Group's servers are managed by specialised entities in each of the countries in which the Group operates. All of the premises offering the Group's products in a particular country are linked via the country network. In addition, the country networks are interconnected. Back-up and continuity of services is assured for each country. Failures in services in a particular outlet should be remedied within 2 hours. The Group maintains considerable IT security services, including firewalls and virus controls.

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

### ***Employees' misconduct***

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

## Holdings

As at the date of the Prospectus the Group does not hold any participating interest in any undertaking likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses other than holdings in Group companies as disclosed elsewhere in the Prospectus.

## Material assets

The Group owns or co-owns some properties in Poland, Czech Republic and Slovakia. The majority of these properties are operated as betting shops. However, in accordance with the general policy of the Group, the Group does not acquire real property for betting shops. Instead, the Group leases a large majority of its betting shops, with average lease tenure of 3 to 5 years and 10-15 years in key cities, such as Prague. In the Czech Republic and Slovakia, the Group has established two special purpose companies, Fortuna Rent and Fortuna Real which allows the Group to benefit from the favourable tax regime for companies operating purely in the property leasing market and it is also advantageous from a regulatory point of view.

Fortuna PL is the holder of the perpetual usufruct right to the Group's property in Cieszyn, Poland, which is used as the Group's headquarters. This property is encumbered with mortgages established for a total amount of PLN 1,940,000 for the benefit of the Polish State Treasury, which is a compulsory security established under the Polish gambling law.

## Intellectual Property

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

The Group has 55 trademarks, including 19 trademarks registered in the Czech Republic, 12 trademarks registered in the Slovak Republic, 20 trademarks registered in Poland and 4 international trademark, which protection is granted to Belarus, Spain, Croatia.

In addition, one trademark is co-owned by Fortuna PL and Fortuna sp. z o.o., a company which is not a related party to the Issuer. For information on the agreement with Fortuna sp. z o.o., (see *"Business Overview - Material contracts – Cooperation agreements"*).

The Group uses 93 registered Internet domains, including "ifortuna.sk", "efortuna.sk", "efortuna.pl", "ifortuna.cz", "ifortuna.eu" and "fortunawin.com".

As the majority of Internet domains are owned by Fortuna SazKan, under some inter-group agreements Fortuna SazKan provides other Group Companies with the right to use certain of the Group's domain names.

In the last three financial years, the Group has not had any material research and development policy. However, the Group intends to extend such activity due to the acquisition of Fortuna SW, a software developer.

## Information Technology

All of the Group's software and hardware are sourced from leading manufacturers and software companies.

### Software

#### *Betting software*

The Group's NAVI PRO betting software is unique and has been tailored to its needs by Fortuna SW. It is used in all countries in which the Group operates to organise and manage the betting process, including the placement of bets, the administration of bets, rate management, and on-line and telephone betting. For more detailed information on the agreement with Fortuna SW, see *"Business Overview - Material contracts – Software agreements – Agreement with Fortuna SW"*.

Fortuna SW was acquired by the Issuer on 19 March 2010. For further details see *"Related Party Transactions - Acquisition of shares in Group Companies by the Issuer"*.

#### *Gaming software*

The main software which is used by FortunaWin Gaming Ltd. is "Microgaming Interactive Gaming System" developed by Microgaming Software Systems Limited ("Microgaming"). This IT system enables it to operate on-

line such games as casino games and jackpot games. For more detailed information on the agreement with Microgaming, see “*Business Overview - Material contracts – Software agreements – Agreement with Microgaming*”.

#### *Lottery software*

The software and terminals which will be used by Fortuna SazKan in connection with operating its lottery business, will be provided by Intralot Holdings Limited, a member of Intralot Group. Intralot Group is engaged in the lottery and wagering business in the national and international markets, supplying gaming information systems and a wide variety of related equipment and services for all kinds of authorised lotteries and wagers. For more detailed information on the agreement with Intralot Holdings Limited, see “*Business Overview - Material contracts – Software agreements – Agreement with Intralot*”.

#### *Betradar Data*

The Group uses the Betradar database for sourcing information on sporting events (statistics, live scores, betting odds of other betting agencies). It is also a risk management and odds setting tool which compares the odds of 138 betting agencies worldwide and sends alerts on the most frequent and largest changes in odds, differences in times and dates and sure bets. The Betradar data enables matches and results to be imported into Fortuna's betting system and provides support information such as lists of injured players in main European football leagues, live scores, information on relegation and promotion of teams in the league, news on matches among other things. Though Betradar database is important for the Group's risk management, it only supports the work of the Group's bookmakers. If the agreement with Sportradar AG terminates, the Group may start cooperation with other data providers, such as Livescore.com. For more detailed information on the agreement with Sportradar AG, see “*Business Overview - Material contracts – Software agreements – Agreement with Sportradar AG*”.

#### *Horse race results*

Reviews of past European horse race results (together with film materials) are provided to Fortuna PL under an agreement with Siam Praha s.r.o. (“Siam”) for the provision of electronic services in the scope of mutual bets. For more detailed information on the agreement with the Siam, see “*Business Overview - Material contracts – Software agreements – Agreement with Siam*”.

#### *Virtual games*

Networked versions of software related to virtual horse and greyhound racing, numbers games, virtual football, motor racing, speedway and tennis are provided to the Group under an agreement between the Issuer and Inspired Gaming (International) Limited (“IVG”). For more detailed information on the agreement with the IVG, see “*Business Overview - Material contracts – Software agreements – Agreement with IVG*”.

#### *Web content management*

In December 2008, the Group entered into an agreement with Et netera, a.s. for the provision of works related to the creation of an information system for the Group. The system is used for web content management, such as the preparation and administration of website presentations, firm portals, intranets and extranets among other things.

#### *SAP Business One Information System*

The main software which is used by the Group to facilitate the ongoing management of business is SAP Business One. This information system is licensed from SOFTIP, a.s., under agreements with Fortuna SK and Fortuna PL. Fortuna CZ is planned to migrate to SAP Business One.

#### **Hardware**

The Group Companies generally purchase their IT equipment and office furniture for use in betting offices in tenders in accordance with their internal guidelines. A supplier that wins a particular tender provides the hardware based on an *ad hoc* order. However, there are a number of financial and operational lease agreements between Group Companies and local subsidiaries of IBM related to hardware, including server computers.

#### **Employees**

Most of the Group's employees work in the Group's betting shops, with an average of slightly more than two employees per shop, with one or two employees per shift. The table below provides information on the number of



the Group's employees of particular categories in the total headcount of the Group as of 30 June 2010 and the dates indicated in the last three financial years:

	30 June 2010	31 December 2009	31 December 2008	31 December 2007
Holding management	3	0	0	0
Regional management	16	15	15	15
Headquarters	242	196	188	172
Betting shop staff	2,504	2,482	2,596	2,700
<b>Total number of employees</b>	<b>2,765</b>	<b>2,693</b>	<b>2,799</b>	<b>2,887</b>

Source: the Issuer

The table below provides a breakdown of persons employed in the Group by geographic location as of as of 30 June 2010 and the dates indicated in the last three financial years:

	30 June 2010	31 December 2009	31 December 2008	31 December 2007
Czech Republic	1,115	1,086	1,193	1,177
Poland	895	857	848	998
Slovakia	740	750	758	712
Other (ibet, FortunaWin)	15	0	0	0

Source: the Issuer

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

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

The compensation of bookmakers is a combination of fixed salary and variable components, while that of other back-office staff is mainly based on a fixed salary. Moreover some employees receive annual bonuses which are related to the financial performance of the Group Company.

The ongoing performance of the Group's staff is monitored and discussed at regular performance appraisals. While these appraisals are carried out at a local level by local managers, performance criteria are established in the Group's head office, and the Group carries out an audit of performance reviews. The Group encourages teamwork and the sharing of knowledge and expertise

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

The Group employs temporary workers, however their number is marginal.

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

As at the date of this Prospectus, the Group's employees do not have any shareholdings in the Issuer, do not hold any stock options or other rights to Shares and do not participate in any other way in the capital of the Issuer. There are no arrangements relating to such participation. However, following a successful Offering the Issuer might put in place an incentive plan based on the Issuer's shares for its key employees.

### **Environmental issues**

The Issuer believes that environmental matters are not of material importance for the Group activities and its financial situation.

### **Legal and arbitration proceedings**

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

Several legal proceedings were initiated by Fortuna SazKan challenging the decisions of the Financial Directorate of Prague regarding the payment assessment for value added tax issued by the Financial Authority of Prague 1, in an aggregate amount of approximately CZK 40 million (approximately EUR 1,543,428). Fortuna SazKan based its claim on its interpretation of Czech VAT legislation, which in Fortuna SazKan's view allows it to deduct certain input VAT. Although Fortuna SazKan has so far been unsuccessful at various stages of the court proceedings, it strongly believes that its claims are justifiable. However, Management believes that any negative final verdict would not adversely affect the financial results of Fortuna SazKan and the Group, due to the fact that the disputed VAT amount has been already paid by Fortuna SazKan and is fully provided for in the Combined Financial Statements.

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

### **Material contracts**

#### ***Financing agreements***

In previous years, the Group Companies were financed by intra-group loans and credit facilities agreements mainly with Česká spořitelna, a.s., a Czech bank (elsewhere in this Prospectus also referred as the Czech Retail Manager). As of 30 June 2010, after debt restructuring, there are the following financing agreements within the Group:

- Loan Facility Agreements with Česká spořitelna, a.s.
- intra-group loans.

#### ***Loan Facility Agreements with Česká spořitelna, a.s***

On 17 March 2010, Fortuna SazKan, Fortuna SK and Fortuna GAME entered into three loan facilities agreements with Česká spořitelna, a.s as a lender, in order to refinance existing obligations from the previous loan facility agreement with Česká spořitelna, a.s, i.e. the CZK 750 million Facility Agreement of 4 February 2008 entered into Fortuna SazKan (the "Czech Facility Agreement") and the Facility Agreement of 3 August 2008 (the "Slovak Facility Agreement") and to finance the acquisition of Fortuna PL and other operating activities.

#### **The First Loan Facility Agreement**

The first loan facility agreement, granted to Fortuna SazKan as a borrower and Fortuna GAME and Fortuna SK as co-debtors (the "First Loan Facility Agreement"), amounts to CZK 400 million and is divided into five tranches:

- Tranche I in the amount up to CZK 84 million, repaid in quarterly instalments of CZK 4.2 million, bearing interest at the interest rate of 3-month PRIBOR + 2.85% p.a. and is due on 30 March 2015.
- Tranche II in the amount up to CZK 26.5 million, bearing interest at the interest rate of 3-month PRIBOR + 3.35% p.a. and is due on 30 September 2015.
- Tranche III in the amount up to EUR 4.1 million, repaid in quarterly instalments of EUR 205,000, bearing interest at the interest rate of 3-month PRIBOR + 2.85% p.a. and is due on 30 March 2015.

- Tranche IV in the amount up to EUR 1.3 million, bearing interest at the interest rate of 3-month PRIBOR + 3.35% p.a. and is due on 30 September 2015.
- Tranche V in the amount up to CZK 150 million, bearing an interest at the interest rate of 1-month PRIBOR + 1.65% p.a. and is due on 30 March 2015.

Tranches I through IV may only be used for the repayment of the outstanding amounts from the Czech Facility Agreement and for acquisition of a 33% share in Fortuna PL. Tranche V may only be used for financing of Fortuna SazKan and Fortuna GAME. All the tranches were fully drawn, except for the Tranche V which is an overdraft facility with the level of drawn amounts changing.

The First Loan Facility Agreement stipulates that Fortuna SazKan undertakes to procure that the profit or any similar resources shall be used in the following order of priority: 1. repayment of the principal of and the interest from the loan, 2. mandatory payments arising from relevant legal regulations, 3. capital and investment expenses, and 4. payment of dividends. Moreover, in accordance with financial covenants stipulated in the First Loan Facility Agreement:

- investments into new long-term assets or their reparation in amount of more than CZK 50 million per calendar year must be approved by bank.
- ratio of (i) operating income minus sales of long term assets plus net book value of sold long term assets plus change in reserves and adjustments in operating field and complex prepaid expenses plus amortisation of long term intangibles and depreciation of long term tangibles plus income from financial operations plus interest expenses plus change in reserves and adjustments in financial field minus due income tax on ordinary and extraordinary activity to (ii) interest expenses plus total ordinary instalments of bank loans and other long term liabilities, all according to then actual financial statements, shall be greater than 1.5.
- minimum cash shall at any time exceed CZK 100 million.

In addition, Fortuna SazKan's and Fortuna Game's combined ratio of priority bank indebtedness to their combined EBITDA in 2010 shall be lower than 3.0, in 2011 lower than 2.5 and from and including 2012 lower than 2.0. Whereas Fortuna SazKan's and Fortuna Game's combined ratio of (i) operating income minus sales of long term assets plus net book value of sold long term assets plus change in reserves and adjustments in operating field and complex prepaid expenses plus amortisation of long term intangibles and depreciation of long term tangibles plus income from financial operations plus interest expenses plus change in reserves and adjustments in financial field minus due income tax on ordinary and extraordinary activity to (ii) interest expenses plus total ordinary installments of bank loans and other long term liabilities, all according to then actual financial statements, shall be greater than 1.5. Fortuna SazKan may only enter into agreements with other group members, which are beyond usual course of business with the foregoing consent of the lender. Further, Fortuna SazKan may enter into any organisational or substantive change only with a prior consent of the lender. Such changes include (without limitation) corporate reorganisation (such as merger, de-merger, change of legal form, change of scope of business), dissolution, decrease in share capital, disposal, acquisition or lease of enterprise or its part.

The First Loan Facility Agreement I is secured by:

- pledge over 100 % of shares of Fortuna SazKan;
- pledge over 100 % of shares of Alicela;
- pledge over 100 % of shares of Riverhill;
- pledge over bank accounts of Fortuna SazKan;
- pledge over registered trademark of Fortuna SazKan;
- blank promissory notes issued by Fortuna SazKan;
- letter of comfort issued by Penta Holding Limited to Česká spořitelna, a.s. (terms of this letter of comfort are described in section "*Material contracts – Financing agreements – Letters of comfort*" below).

### The Second Loan Facility Agreement

The second loan facility agreement, granted to Fortuna GAME as a borrower and Fortuna SazKan and Fortuna SK as co-debtors (the "Second Loan Facility Agreement"), amounts to CZK 300 million and is divided into four tranches:

- Tranche I in the amount up to CZK 100 million, repaid in quarterly installments of CZK 5 million, bearing interest at the interest rate of 3-month PRIBOR + 2.85% p.a. and is due on 30 March 2015.
- Tranche II in the amount up to CZK 33 million, bearing interest at the interest rate of 3-month PRIBOR + 3.35% p.a. and is due on 30 September 2015.
- Tranche III in the amount up to EUR 4.8 million, repaid in quarterly instalments of EUR 240,000, bearing interest at the interest rate of 3-month PRIBOR + 2.85% p.a. and is due on 30 March 2015.
- Tranche IV in the amount up to EUR 1.6 million, bearing interest at the interest rate of 3-month PRIBOR + 3.35% p.a. and is due on 30 September 2015.

Tranches I through IV may only be used for the repayment of the outstanding amounts from the Czech Facility Agreement and for the acquisition of 33% share in Fortuna PL. All the tranches were fully drawn and part of the amounts were repaid according to their schedules.

The Second Loan Facility Agreement stipulates that Fortuna GAME undertakes to procure that the profit or any similar resources shall be used in the following order of priority: 1. repayment of the principal of and the interest from the loan, 2. mandatory payments arising from relevant legal regulations, 3. capital and investment expenses, and 4. payment of dividends. Moreover, in accordance with financial covenants stipulated in the Second Loan Facility Agreement:

- investments into new long-term assets or their reparation in amount of more than CZK 50 million per calendar year must be approved by bank.
- minimum cash shall at any time exceed CZK 100 million.

In addition, Fortuna SazKan's and Fortuna Game's combined ratio of priority bank indebtedness to their combined EBITDA in 2010 shall be lower than 3.0, in 2011 lower than 2.5 and from and including 2012 lower than 2.0. Whereas Fortuna SazKan's and Fortuna Game's combined ratio of (i) operating income minus sales of long term assets plus net book value of sold long term assets plus change in reserves and adjustments in operating field and complex prepaid expenses plus amortisation of long term intangibles and depreciation of long term tangibles plus income from financial operations plus interest expenses plus change in reserves and adjustments in financial field minus due income tax on ordinary and extraordinary activity to (ii) interest expenses plus total ordinary installments of bank loans and other long term liabilities, all according to then actual financial statements, shall be greater than 1.5.

Fortuna GAME may only enter into agreements with other group members, which are beyond usual course of business with the foregoing consent of the lender. Further, Fortuna GAME may enter into any organisational or substantive change only with a prior consent of the lender. Such changes include (without limitation) corporate reorganisation (such as merger, de-merger, change of legal form, change of scope of business), dissolution, decrease in share capital, disposal, acquisition or lease of enterprise or its part.

The Second Loan Facility Agreement is secured by:

- pledge over 100 % of shares of Fortuna GAME;
- pledge over 100 % of shares of Alicela;
- pledge over 100 % of shares of Riverhill;
- pledge over bank accounts of Fortuna GAME;
- pledge over registered trademark of Fortuna GAME
- blank promissory notes issued by Fortuna GAME;

- letter of comfort issued by Penta Holding Limited to Česká spořitelna, a.s. (terms of this letter of comfort are described in section “*Material contracts – Financing agreements – Letters of comfort*” below).

#### The Third Loan Facility Agreement

The third loan facility agreement, granted to Fortuna SK as a borrower and Fortuna SazKan and Fortuna GAME as co-debtors (the “Third Loan Facility Agreement”), amounts to EUR 10 million and is divided into three tranches:

- Tranche I in the amount up to EUR 4.5 million, repaid in semi-annual instalments of EUR 650,000, bearing interest at the interest rate of 6-month EURIBOR + 2.75 % p.a. and is due on 3 September 2013.
- Tranche II in the amount up to EUR 2.3 million, repaid in progressive semi-annual instalments of from EUR 140,000 to EUR 380,000, bearing interest at the interest rate of 6-month EURIBOR + 2.95 % p.a. and is due on 3 September 2014.
- Tranche III in the amount up to EUR 3.2 million, bearing interest at the interest rate of 6-month EURIBOR + 3.35% p.a. and is due on 3 September 2014.

The Third Loan Facility Agreement may only be used for the repayment of the outstanding amount of Slovak Facility Agreement. All the tranches were fully drawn.

The Third Loan Facility Agreement stipulates that Fortuna SK undertakes to procure that the profit or any similar resources shall be used in the following order of priority: 1. repayment of the principal of and the interest from the loan, 2. mandatory payments arising from relevant legal regulations, 3. capital and investment expenses, and 4. payment of dividends. Moreover, in accordance with financial covenants stipulated in the Third Loan Facility Agreement:

- investments into new long-term assets or their reparation in amount of more than EUR 1 million per calendar year must be approved by bank;
- ratio of (i) operating income minus sales of long term assets plus net book value of sold long term assets plus change in reserves and adjustments in operating field and complex prepaid expenses plus amortisation of long term intangibles and depreciation of long term tangibles plus income from financial operations plus interest expenses plus change in reserves and adjustments in financial field minus due income tax on ordinary and extraordinary activity to (ii) interest expenses plus total ordinary instalments of bank loans and other long term liabilities, all according to then actual financial statements, shall be greater than 1.1;
- minimum cash shall at any time exceed EUR 4 million;
- ratio of priority bank indebtedness to EBITDA in 2010 shall be lower than 3.5, in 2011 lower than 3.0 and from and including 2012 lower than 2.5.

Fortuna SK may only enter into agreements with other group members, which are beyond the usual course of business with the foregoing consent of the lender. Further, Fortuna SK may enter into any organisational or substantive change only with a prior consent of the lender. Such changes include (without limitation) corporate reorganisation (such as merger, de-merger, change of legal form, change of scope of business), dissolution, decrease in share capital, disposal, acquisition or lease of enterprise or its part.

The Third Loan Facilities Agreement is secured by:

- pledge over 100 % of shares of Fortuna SK;
- pledge over bank accounts of Fortuna SK;
- blank promissory notes issued by Fortuna SK;
- letter of comfort issued by Penta Holding Limited to Česká spořitelna, a.s. (terms of this letter of comfort are described in section “*Material contracts – Financing agreements – Letters of comfort*” below).

#### Letters of comfort

There are three letters of comfort issued by Penta Holding Limited to Česká spořitelna, a.s. In each of them Penta Holding Limited undertakes to

- use its best efforts to ensure the borrower (Fortuna SazKan, Fortuna GAME and Fortuna SK) is managed according to its financial standing, taking due regard to the obligations of the borrower towards the Česká spořitelna, a.s, and, if necessary, to use its reasonable endeavours to arrange for the provision of sufficient funds to the borrower from an independent third party, which is neither under its direct or indirect control nor in which it holds, directly or indirectly, a shareholding interest, in order to enable the discharge of the borrower's obligations towards Česká spořitelna, a.s in a due and timely manner; and
- not reduce its current indirect equity interest in the borrower below 50 per cent and not to approve the sale or splitting off of any of the borrower's operations other than in accordance with and subject to the terms and condition specified in the letter of comfort.

Prior to disposing of its equity in the borrower below 50% Penta Holding Limited is obliged to enter into negotiations with Česká spořitelna, a.s in order to reach an agreement on the settlement of the existing financing provided by Česká spořitelna, a.s pursuant to the relevant Loan Facilities Agreement and any other documents related to the relevant Loan Facilities Agreement and continuing the business relation in general.

Should the equity interest of Penta Holding Limited in the borrower be reduced below 50% without Česká spořitelna, a.s's explicit prior written consent, or without a mutual agreement on a restructuring of the financing provided by Česká spořitelna, a.s to the borrower as mentioned above, Penta Holding Limited shall use its best efforts to arrange for the issuance of a letter of guarantee in favour of Česká spořitelna, a.s by an independent third party which is neither under its direct or indirect control nor in which it holds, directly or indirectly, a shareholding interest, covering all claims of the Lender against the borrower out of the documents related to the relevant Loan Facilities Agreement, and/or the then existing business relation.

#### *Intra-group Loan Agreements*

The Group Companies are also financed by the following intra-group loans:

- Loan Agreement dated 19 March 2010 between Fortuna SK as lender and the Issuer as borrower, based on which a loan was granted in the amount up to EUR 10 million, bearing interest at the interest rate of 7% p.a., and due on 30 September 2015;
- Loan Agreement dated 22 March 2010 between Fortuna PL as lender and the Issuer as borrower, based on which a loan was granted in the amount up to EUR 2 million, bearing interest at the interest rate of 7% p.a., and due on 30 September 2015;
- Loan Agreement dated 22 March 2010 between the Issuer as lender and Alicela as borrower, as amended on 1 April 2010, based on which a loan was granted in the amount up to CZK 1.025 million, bearing interest at the interest rate of 6.75% p.a., and due on 30 September 2015;
- Loan Agreement dated 24 March 2010 between Fortuna SazKan as lender and the Issuer as borrower, based on which loans were granted in the amounts up to EUR 6 million and CZK 450 million, both bearing interest at the interest rate of 7.25% p.a., and due on 30 September 2015;
- Loan Agreement dated 24 March 2010 between Fortuna GAME as lender and the Issuer as borrower, based on which loans were granted in the amounts up to EUR 7 million and CZK 150 million, both bearing interest at the interest rate of 7.25% p.a., and due on 30 September 2015; and
- Loan Agreement dated 22 March 2010 between the Issuer as lender and Ibet as borrower, based on which a loan was granted in the amount up to CZK 11 million, bearing interest at the interest rate of 7% p.a., and due on 30 September 2015.

#### **Software agreements**

##### *Agreement with Intralot*

On 4 October 2010 Fortuna SazKan signed a ten year cooperation agreement with Intralot International Limited, the largest full service lottery technology provider. Under this agreement, Intralot will supply Fortuna SazKan with all software, terminals and systems related to operating lottery games in the Czech Republic. Moreover, to ensure in-depth understanding of the new lottery system and a successful operation, Fortuna SazKan selected personnel will be provided with all required training.

#### *Agreements with Fortuna SW*

On 23 August 2005 Fortuna SazKan entered into agreement with Fortuna SW which sets out the terms for development, licensing and maintenance of the NAVI PRO betting software. On 8 January 2007, Fortuna SazKan entered into another agreement with Fortuna SW for provision of a new component of the betting software, Telekonto, which is used for placing telephone bets. The NAVI PRO betting software is also used by some of the Group Companies under relevant agreements.

#### *Agreement with Microgaming*

On 26 January 2010 FortunaWin Gaming Ltd. entered into an agreement with Microgaming Software Systems Limited to which Microgaming granted FortunaWin Gaming Ltd. a non-exclusive and non-transferable license in respect of "Microgaming Interactive Gaming System" for use in operating an interactive gaming business. Under this agreement FortunaWin Gaming Ltd. undertakes not to use the Microgaming software for gaining money from customers located within the United States of America.

#### *Agreements with Sportradar AG*

The Group accesses the Betradar databases under two agreements concluded on 19 June 2008 between Fortuna SazKan and Sportradar AG. Under these agreements, Sportradar AG accumulates archives and analyses data for bookmakers and sport information and provides this data, news and information to Fortuna SazKan. All data is either illustrated on interactive web interface or is automatically transferred to the Group through XML or other protocols. Sportradar AG also provides an e-mail service informing Fortuna SazKan about major changes in rates. Under the related agreements Fortuna SazKan provides the Betradar content or services to some of the Group Companies.

#### *Agreement with Siam*

On 27 March 2009 Fortuna PL entered into an agreement with Siam for the provision of electronic services in the scope of mutual bets. Under this agreement Siam provides to Fortuna PL the reviews of horse races results (together with film materials) that took place in Europe in the past. Additionally Siam is obliged to provide Fortuna PL with organisational and technical support in introduction of horse races bets at some betting shops operated by Fortuna PL. Siam also provides constant updates on the races' results. Fortuna PL undertook to introduce the offer for horse races bets in at least 200 of its betting points, as well as to provide the hardware and displays necessary to enable introduction of horse races bets.

#### *Agreement with IVG*

On 17 December 2009 the Issuer entered into a License Agreement with IVG regarding virtual betting and gaming software. Under this agreement IVG will provide networked versions of software related to virtual horse and greyhound racing, numbers game, virtual football, motor racing, speedway and tennis. These products may be offered in the territory of Croatia, the Czech Republic and Slovakia.

#### *Agreement with SOFTIP, a.s.*

Under the Contract on Assignment of Software License and on Software Maintenance No. 3027152 dated 24 August 2007, SOFTIP, a.s. assigned to FORTUNA SK a license to use SAP Business One information system. The similar agreement was concluded between Fortuna PL and SOFTIP, a.s. on 1 October 2007.

#### **Marketing and advertising agreements**

In Slovakia and the Czech Republic, the Group has entered into several agreements related to marketing and advertising projects.

#### *Agreement on Cooperation on Marketing Projects with Mediaedge:cia Czech Republic, s.r.o.*

On 8 January 2009 Fortuna SazKan has entered into an Agreement on Cooperation with Realization of Marketing Projects with Mediaedge:cia Czech Republic, s.r.o. This agreement has been entered into for a definite period until 30 June 2010. Based on this agreement, Mediaedge:cia Czech Republic, s.r.o. shall realize "Projekt Fotbal" which is a partnership of Fortuna SazKan with certain football clubs (including AC Sparta Praha, SK Slavia Praha, FC Banik Ostrava, Bohemians 1905, FC Slovan Liberec, FC Viktoria Plzen, 1. FC Brno, Dynamo Ceske Budejovice and FK Mlada Boleslav). Mediaedge:cia Czech Republic, s.r.o., shall *inter alia* negotiate the scope of partnerships with individual clubs and enter in its own name into these agreements, ensure the production of commercial banners and their placement at football stadiums, monitor fulfilment of obligations of individual football clubs and produce evidence that the clubs have fulfilled their advertising duties.

On 4 September 2008 Fortuna SK has entered into an Agreement on Promotion and Advertising with Mediaedge:cia Czech Republic, s.r.o. This agreement has been entered into for a definite period until 30 June 2010. Based on this agreement, Mediaedge:cia Czech Republic, s.r.o. shall promote and advertise of Fortuna SK via the Slovak national football A-team and the team of under-21 players.

#### *Agreements on advertising cooperation with Publicist Knut, s.r.o.*

Publicist Knut, spol. s r.o. provides marketing services to Fortuna SazKan and Fortuna SK including marketing research and strategic planning, marketing and promotion activities, coordination of public relations activities and evaluation of advertising campaigns.

#### *Agreement on promotion with Sport Bohemia, a.s.*

On 1 October 2008 Fortuna SazKan and Sport Bohemia, a.s. have entered into the Agreement on Promotion. Under this agreement Sport Bohemia, a.s. should promote Fortuna SazKan in connection with the "Fortuna Extraliga Muzu" (which is the men's floorball extra league) during seasons 2008/2009 and 2009/2010. Fortuna SazKan is the league's general sponsor and was main sponsor of World Floorball Championship in 2008. The promotion shall take place among others on Czech TV's (Nova, TV Prima and Czech TV) in the magazine Sport, on the internet server iDnes, in Czech Radio, in the sport arenas where floorball matches take place as well as in other media.

#### **Agreements with organisers of Polish national competitions**

Companies engaged in sports betting in Poland are required to obtain a permit to use the results of sport games. Permits are generally obtained on the basis of agreements concluded with national organisers of competitions.

Fortuna PL has entered into the following agreements for use of the results of matches in Poland:

- agreement with Polski Związek Piłki Nożnej dated 30 July 2009 for use of the results of matches of the First and Second League, Puchar Polski and the Polish national football team;
- agreement with Profesjonalna Liga Piłki Siatkowej S.A. dated 11 September 2008 for use of the results of matches of the Polish Volleyball League (Plus Liga) and of Puchar Polski (both men and women);
- agreement with Związek Piłki Ręcznej w Polsce dated 15 July 2009 for use of the results of matches in the first league (ekstraklasa) and Puchar Polski in man and women handball;
- agreement with Polska Liga Koszykówki Kobiet sp. z o.o. dated 11 September 2008 for use of the results of matches of the Polish Women Premier Basketball League and Women's *Puchar Polski*.

#### **Cooperation agreements**

There are a few cooperation agreements entered into between Fortuna PL with Totalizator Sportowy sp. z o.o., Stergame sp. z o.o. and Fortuna sp. z o.o. with respect to subleasing the premises of the betting points for the gambling machines (Stergame, Fortuna) or acting as an agent for Totalizator Sportowy sp. z o.o. as well as with Fortuna SK and Tipos, a.s. regarding carrying on of lotteries. Moreover Fortuna SazKan cooperates with Rio Games, a.s. with respect to subleasing the premises of the betting points for virtual horse racing terminals.

#### *Agreement with Fortuna sp. z o.o*

One of the Group's trademarks is co-owned by Fortuna PL and Fortuna sp. z o.o., a company which is not a related party to the Issuer, on the basis of an agreement entered into on 25 October 2007. The purpose of the agreement was to transfer a part of the exclusive rights of use to the Fortuna trademark from Fortuna sp. z o.o. to Fortuna PL and thus to regulate the common use of this trademark by these two entities in order to eliminate the risk of potential conflicts. As a consequence of this agreement, Fortuna sp. z o.o. as a co-owner of the trademark is entitled to use the trademark to operate premises for gambling and games (especially gaming machines) except for "bookmaker's mutual wagers"; such purpose is reserved for Fortuna PL. In addition, Fortuna sp. z o.o. unconditionally and irrevocably agreed to the use of the name "FORTUNA" and "Fortuna Zakłady Bukmacherskie" in the company name of Fortuna PL as well as for the registration of "Fortuna Zakłady Bukmacherskie" as a word and graphic-word trademark by Fortuna PL. The agreement provides for a contractual penalty due to Fortuna sp. z o.o. in case Fortuna PL terminates its cooperation with Fortuna sp. z o.o. for reasons other than those caused by Fortuna sp. z o.o. Fortuna PL also subleases parts of its betting points for the gambling machines operated by Fortuna sp. z o.o. As of 30 June 2010 there are 106 betting points jointly used by Fortuna PL and Fortuna sp. z o.o.



#### *Agreements with SterGame sp. z o.o.*

Under a few agreements with SterGame sp. z o.o., Fortuna PL subleases parts of its betting points for the gambling machines operated by SterGame sp. o.o. As of 30 June 2010 there are 3 betting points jointly used by Fortuna PL and SterGame sp. z o.o.

#### *Agreement with Totalizator Sportowy sp. z o.o.*

On 15 January 2004 Fortuna PL entered into the Cooperation Agreement with Totalizator Sportowy sp. z o.o., the Polish leader in organisation of lotteries. In accordance with this agreement, Totalizator Sportowy sp. z o.o. may establish its lottery outlets in betting points of Fortuna PL. Establishment of each lottery outlet in betting points indicated by Fortuna PL should be preceded by conclusion of agency agreement in which Fortuna PL as an agent is obliged and entitled to enter into random games agreements on behalf of Totalizator Sportowy sp. z o.o..

#### *Agreement with TIPOS, a.s.*

Under the Mandate Agreement with Tipos, a.s. Fortuna SK provides certain services in its betting points for TIPOS, a.s. for agreed consideration. The services include activities with regard to carrying on of lotteries and certain business activities other than lotteries (for example, the sale of lottery tickets and mobile recharging vouchers). TIPOS, a.s. undertakes to provide to Fortuna SK all necessary information, assistance and to cooperate with Fortuna SK and provide to Fortuna SK necessary technical equipment, provide for maintenance and repairs thereof.

#### *Agreement with Rio Games, a.s.*

Under a few agreements with Rio Games, a.s. Fortuna SazKan subleases parts of its betting points for the virtual horse racing terminals operated by Rio Games, a.s. As of 30 June 2010 there are 320 betting points jointly used by Fortuna SazKan and Rio Games, a.s..

### **Related Party Transactions**

In the ordinary course of business the Issuer, the Group Companies and other related parties thereof, enter into transactions with related parties as defined in Regulation (EC) no 1606/2002 (IAS 24). All of the Group's related party transactions are carried out on arms' length terms. The related party transactions are presented in the Combined Financial Statements of the Group in the note No. 28 and in the Interim Condensed Consolidated Financial Statements in notes No. 12 and 21.

For information on the agreements on internet domain use, please refer to *"Business Overview - Intellectual Property"*.

The summary of the agreements related to the Group structure is presented below:

#### *Agreement on Cooperation of Companies in Holding Structure*

Under the Agreement on Cooperation of Companies in Holding Structure, dated 12 April 2007, the Selling Shareholder undertakes to coordinate the areas of activities of Fortuna SK such as best practices and rules, human resources, financing and accounting, IT, procurement management, etc., and to provide Fortuna SK with its experience and knowledge in the above mentioned areas. All activities are performed free of charge.

#### *Acquisition of shares in Group Companies by the Issuer*

The Group Companies operated under common control of the Selling Shareholder prior to the incorporation of the Issuer in November 2009. The current structure of the Group is a result of the following corporate reorganisation performed in 2009 and 2010 after the Issuer's incorporation:

- On 17 December 2009, the Issuer entered into a Share Purchase Agreement with Gratio Holdings Ltd related to shares in Riverhill. In accordance with this agreement, Gratio Holdings Ltd transferred to the Issuer shares representing 100% of the share capital in Riverhill. The purchase price was EUR 64,359,000.
- On 27 January 2010, the Issuer entered into a Share Purchase Agreement with the Selling Shareholder related to shares in Fortuna SK. In accordance with this agreement, the Selling Shareholder transferred to the Issuer shares representing 100% of the share capital in Fortuna SK. The purchase price was EUR 70 million.

- On 12 May 2010, the Issuer, Fortuna SazKan and Fortuna Games as buyers (each of them acquiring shares representing 33 1/3 % of the share capital in Fortuna PL) entered into a Share Purchase Agreement with the Selling Shareholder, Massarosa Holdings Ltd. and Lunga Enterprises Ltd. as sellers. The purchase price was EUR 3 million and CZK 154.640 thousand.
- On 18 December 2009 the Issuer acquired 90% of shares in Fortuna HR, however the company was sold back on 26 March 2010. The purchase price for Fortuna HR was EUR 1. For more information on acquisition and disposal of Fortuna HR, please refer to section “*The Issuer – Call option for Fortuna HR*”.

## INDUSTRY OVERVIEW

### General information on relevant markets

The Group operates in the Czech Republic, Slovakia, Poland and Hungary. Since May 2004 the Czech Republic, Slovakia, Poland and Hungary are members of the EU. These countries have seemingly prospered by their EU membership and have enjoyed a period of political and economic stability. In 2008 Poland and Slovakia recorded GDP growth rates that were among the highest in the EU, 5.0% and 6.2 % respectively, while the average GDP growth rate in “old” 15 members of EU was 0.5 %. Due to the global financial crisis the macroeconomic indicators in these five countries were negatively impacted in 2009 and only the Polish economy has recorded the 1.7 % GDP growth.<sup>11</sup>

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

	Czech Republic	Hungary	Poland	Slovakia
Population (million, 2009)	10.5	10	38.1	5.4
GDP (billion EUR, 2008)	130.5	101.7	326.6	58.3
GDP per capita (EUR, 2008)	14 200	10 500	9 500	12 000 (expected)
HICP (all items, annual average inflation rate, 2009)	0.6 %	4.0 %	4.0 %	0.9 %

Source: Eurostat

The Group operates in the betting and gaming sector. Management also intends to enter into the lottery business in 2011 in the Czech Republic.

Betting is mainly focused on sporting events while gaming services include *inter alia* the following: on-line casino games such as poker, black jack, roulette and skill games.

Betting is the biggest, after gaming and lottery, subsector in the EU total betting and gaming market. The substantial growth in the European betting market has been driven by regulatory change and the growth of on-line betting. Currently, legal frameworks for betting services providers in many European jurisdictions are under review. Some countries contemplate liberalisation of the betting market, partly due to inefficiency of various limitations and bans, partly in order to increase taxes or impose taxes on new areas of commerce. For information on the regulatory environment where the Group operates, see “Regulatory Overview”.

Gaming is the most significant subsector with further prospects of growth, resulting mainly from rapid development of on-line services. This trend is supported by cooperation between various entities in the betting and gaming sector: land operators start to cooperate with on-line services providers, betting organisers enter into agreements with gaming operators.

### Local markets<sup>12</sup>

Compared with the Western countries, the Central and Eastern Europe betting markets are still relatively underdeveloped and poses an opportunity for future growth.

Apart from Tipsport, the competitive landscape consists largely of a small number of single country operators. However due to the growth in on-line betting industry, country operators have started to compete not only at a local level but also with offshore on-line operators.

<sup>11</sup> Information on the GDP's growth is based on the data published by Eurostat.

<sup>12</sup> Information on the relevant markets in this section, unless stated otherwise, is based on the data prepared by H2GC and all the numbers from H2GC are converted by one exchange rate for all the years in accordance with exchange rates indicated in the section: “Currency and Foreign Exchange Rates”.

In terms of retail operations, potential new market entrants encounter significant barriers to entry, including requirements to obtain local licenses, high marketing spend to build brand recognition, high retail establishment costs.

The table below presents the amount of gross win from betting activities (in millions EUR) broken down by country, where the Group locally provides betting services:

	2009	2008	2007
	EUR million	EUR million	EUR million
Czech Republic	119	95	72
Poland	93	84	80
Slovakia	73	70	63

Source: H2GC

### Local Czech market

The Czech market is one of the most attractive in the region with total gross win of EUR 1,140 million in 2008. Gaming machines (save for those located in casinos) are the most popular sub-sector, accounting for ca. 46% of the market in terms of 2008 gross win, followed by bingo and the lottery. While sports betting has been the second fastest growing segment with an average growth of 15% between 2002 and 2008, increasing its market share to 8% of total 2008 gross win.

The Czech sports betting spend per capita, as measured by 2008 gross win per adult population, was ca. EUR 11 as compared to European average of EUR 26 implying significant potential for growth.

The table below presents market shares based on total amounts staked of main competitors in the Czech betting sector:

	2009	2008	2007	2006
Fortuna SazKan and Fortuna GAME	32%	30%	28%	25%
Tipsport	43%	39%	41%	44%
Chance	12%	14%	14%	15%
Other	13%	17%	17%	16%

Source: H2GC. Information on market shares in 2009 is based on the Group's estimations.

The competitive landscape in the betting sector is composed primarily of five major bookmakers: Tipsport, Fortuna, Chance, Sazka and SynotTip. The leading position on the market in terms of number of shops has Tipsport with a significant part being "partner" shops in bars. Fortuna SazKan together with Fortuna GAME has a solid second position with improving market share. The third largest operator is Chance, which is continuously losing market position to other operators. Alternative bookmakers are Synottip and Sazka, the core activities of which are slot machines and lottery.

### Local Slovak market

The Slovak market is very promising with one of the most transparent regulatory environment in countries where the Group currently operates. In 2008, the total gross win amounted to around EUR 810 million. In terms of 2008 gross win, sports betting represented around 9% of the total Slovak market, but was overtaken by gaming machines (outside casino), the most popular segment with a 2008 gross win of representing almost 47% Slovak market share. Between years 1999 – 2008 average gross win growth from betting activities reached 29%.

In 2008 sports betting gross win per adult population in Slovakia was EUR 15 in comparison to the European average of EUR 26.

The table below presents the amount of market shares based on total amounts staked of main competitors in Slovak betting sector:

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Fortuna SK	32%	29%	28%	18%
Nike	52%	50%	50%	31%
Doxxbet	-	9%	9%	10%
Formule	-	-	-	29%
Other	16%	12%	13%	12%

Source: H2GC. Information on market shares in 2009 is based on the Group's estimations.

The Slovak betting market is currently structured as a duopoly with the leading role of Niké followed by Fortuna SK which significantly strengthens its position. The deregulation of Internet betting also allowed further growth of the market through this new sale channel. Besides these two players there are also Tipos and Tipsport which do not have a full portfolio of sales channels, either retail or on-line. Doxxbet, which previously sold its shops network to Tipsport SK and continued to offer only on-line betting, currently does the business based on Maltese licenses.

### Local Polish market

In Poland, where the legislation is very restrictive, the total 2008 gross win from betting, gaming and lottery activities amounted to around EUR 874 million. In 2008, non-casino gaming machines were the most popular in Poland in terms of gross win, representing almost 46% of the market and were followed by lottery with 37% of the market share. Sports betting is the second fastest growing segment with a gross win of EUR 84 million in 2008 or 10% of the total Polish betting and gaming market. Between 1999 and 2008 average gross win growth from betting activities was about 21%.

The Polish spend per capita, as measured by 2008 gross win per adult population, was EUR 3 as compared to EU average of EUR 26 implying significant potential for growth.

The table below presents the amount of market shares based on total amounts staked of main competitors in Polish betting sector:

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Fortuna PL	28.5%	27%	22%	27%
STS	28%	31%	35%	37%
Totolotek	29.5%	28%	27%	26%
Millenium	9%	9%	8%	5%
Other	5%	5%	8%	5%

Source: H2GC.

There are three strong competitors on the Polish betting market: Totolotek (owned by Intralot and partly by the state), STS owned by Stanleybet and Fortuna PL. These companies hold similar market shares and are followed by smaller operators such as Betako and Millenium. They constantly differentiate their services and distributing channels in order to be competitive.

### Information on offshore on-line market

Since the inception of on-line betting and gaming some 15 years ago, the vast majority of the activity has straddled international borders creating headaches for governments. Initially, on-line betting and gaming developed in the Caribbean targeting the North American market, then the European and so on. The Internet provided first entrepreneurs and then established operators the means of targeting markets where regulation regarding certain or all types of betting and gaming were either grey or in some cases prohibitive.

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

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

## REGULATORY OVERVIEW

*This section represents a summary of material regulation of betting and gaming business in countries where the operating companies are based and where they are licensed to provide betting and gaming services, namely in the Czech Republic, Malta, Poland and Slovakia in force as of the date hereof. This section is not meant to be a comprehensive or complete description of the entire regulatory framework accompanying and/or pertaining to the main determinants of betting and gaming business, but to underline the main regulatory requirements necessary to be fulfilled in order to operate betting and gaming activity.*

### EU

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

The ECJ holds that the member states have a broad discretion, not only to determine the level of consumer protection and to maintain public order in relation to the sector, but also in relation to the arrangements for organising them. For instance, a member state has power to prohibit a game in its territory, but it may also grant an exclusive right to organise a game to a single entity or to a limited number of operators in order to channel the provision of games into a controlled system and to protect consumers from being exposed to improper encouragement. On the other hand, it should be determined whether the restrictive measures are appropriate to attain the objectives pursued and proportionate and whether they are justified by those aims. In addition, they should not be discriminatory. This position was repeated on 8 September 2009 in a case brought by Liga Portuguesa de Futebol Profissional and Bwin International Ltd against the Portuguese state-controlled monopoly, Departamento de Jogos de Santa Casa de Misericórdia de Lisboa. The ECJ ruled that while Portuguese legislation, which prohibits other companies from organising betting in Portugal (including via the Internet) was inconsistent with the principles of freedom of establishment and free movement of services, this was not, in the particular circumstances of that case, inconsistent with EU law, since the member states have the right to impose limitations on organising betting, with some conditions.

The arguments presented by the parties, the Advocate Generals and the ECJ regarding gambling and betting regulations touch various points that generally concern the limits of the restrictions imposed by member states. In particular, it relates to on-line services provided by entities from other member states, equivalence of home and host member state supervision where restrictions serve to attain the same objectives, the proportionality of undertaken measures, and the consistency and systemisation of restrictions (especially with respect to advertising).

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

### Czech Republic

The general terms and conditions for the operation of lotteries (as well as betting games, horse racing bookmaking and similar gambling games) are defined in Act No. 202/1990 Coll., the Lottery Act ("Czech Gambling Act").

According to the Czech Gambling Act, a lottery or a similar game ("Lottery Game") is defined as a game where an unidentified group of individuals, who voluntarily decide to participate, make a certain contribution, i.e. pay a stake, the reimbursement of which is not guaranteed. Winning is based on chance, or an event or occurrence which is not known to the participant in advance, but which is specified by the operator of the Lottery Game in the gaming rules. According to Section 1(2) of the Czech Gambling Act, the circumstance which determines the winning (the result of a draw, sporting match, race, competition or other future event) must not be known to anybody in advance, and must be of such kind so that it cannot be influenced by the operator or the bettor. The Czech

Gambling Act lists particular types of the Lottery Games, including, *inter alia*, numeric lotteries, gambling games, betting games, casino operating etc. In addition, the Ministry of Finance may also approve a Lottery Game that is not specifically recognised in the Czech Gambling Act where the license for such game will contain all terms and conditions for the operation of such game.

Although Lottery Games operated via the Internet are not explicitly recognised in the Czech Gambling Act, the Ministry of Finance issued the licenses for operation of on-line fixed-odds betting on the basis of Section 50 (3) of the Czech Gambling Act in 2008. All operators of Lottery Games must adopt measures to ensure that minors cannot participate in the Lottery Game. The current practice is that the operation of fixed-odds betting via internet is possible when the identity of each participant is verified in a betting shop before the first bet is accepted.

An operator that intends to organise a Lottery Game must obtain the license for operation of Lottery Games depending on the type of game operated and is responsible for fulfilment of all the statutory requirements related to that operation. In addition, other activities aimed at bringing Lottery Games into operation, including mediation, organisational, financial, technical and other services in relation to assurance of operation of the Lottery Games and their due termination and accounting, as well as performance of other activities imposed on the operator by the applicable laws, are also considered as operation of a Lottery Game that may be conducted only on the basis of a license. The Ministry of Finance may issue the license for the fixed-odds betting for a maximum period of 10 years.

The Czech Gambling Act explicitly prohibits (i) operating foreign Lottery Games including, *inter alia*, the sale of foreign lots in the Czech Republic, (ii) participating in foreign bookmaking where stakes are paid abroad, (iii) collecting stakes for Lottery Games operated abroad; and (iv) mediating stakes for Lottery Games operated abroad. Given the foregoing, mediation of foreign Lottery Games and offering of participation in Lottery Games operated by a foreign based company is prohibited according to Czech law.

The statutory requirements for obtaining the license vary for each type of Lottery Game operated. Generally, the organiser must prove compliance of the character of the game and operating conditions with legal regulations and the operator must also prove that the Lottery Game does not disturb public order and that its proper operation using appropriate technical equipment is guaranteed.

A license for operation of a Lottery Game may be granted only to a legal entity with its seat in the Czech Republic. Moreover, some types of Lottery Games (e.g. betting games, fixed-odds betting) may be operated only by a joint-stock company which has all its shares registered and that was founded to operate such games. In certain cases, the Czech Gambling Act also requires that the operator of a particular Lottery Game must have a certain minimal registered capital, amount of which varies for each type of Lottery Game operated. Except for the Lottery Games operated in specially determined premises (casino games), the license cannot be granted to a Czech company if interests in it are held by foreign entities or entities, whose direct parent entity is a foreign entity. Payments to the state, municipalities and winnings of the participants are, with respect to most types of Lottery Games, secured by a security deposit in the amount determined by the Czech Gambling Act placed by the operator to a special bank account.

Moreover, the operator must ensure that the portion of the betting proceeds (all deposited amounts, including stakes as well as all accepted charges and fees, reduced by the amount of winnings, administration fee, local fee, state surveillance costs and operation costs directly connected with the operation of games and betting) will be used for the benefit of the public according to the requirements of the Czech Gambling Act. Particular portions of betting proceeds which must be used for the public benefit range from 6% to 20% depending on the amount of proceeds as follows:

The amount of proceeds in millions CZK:	up to 50	50-100	100-500	500-1,000	above 1,000
Percentage of betting proceeds used for public benefit:	6%	8%	10%	15%	20%

The authority which approved the particular Lottery Game (i.e. granted a license for a certain lottery) shall cancel such license if it subsequently comes to light that such Lottery Game should not have been approved or if it is subsequently proven that the information data on which the issue of the license was based was false. The authority which issued a license for a Lottery Game may cancel such license or temporarily suspend operation of such Game if any of the conditions stipulated in the license are not met or if the provisions on operating Lottery Games are not complied with. In addition to suspension or cancellation of the license to operate a Lottery Game, the authority is also authorised to impose a fine on the operator for the breach of the terms of the license and/or applicable law.

Apart from the Czech Gambling Act, certain provisions of Act No. 253/2008 Coll., Money Laundering Act are also relevant in relation to operators of Lottery Games.



Czech regulations concerning advertising do not stipulate any special rules related to advertising of Lottery Games, therefore the general rules for advertising of any goods or services apply. In particular, advertising of goods, services or other activities, the sale, supply or dissemination of which is in breach of legal regulations, is prohibited. Thus, only advertising of Lottery Games operated legally on the basis of a duly issued license is allowed under applicable Czech law.

According to publicly available information, the Ministry of Finance, the Senate and individual political parties are working on draft amendments to the current Czech Gambling Act or, in some cases, on entirely new lottery law. However, it is difficult to forecast future development of legislation in this area because this industry is typical for many contradicting interests of relevant parties (i.e. the state, operators and consumers).

## **Malta**

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

The regulatory regime in place covers any type of gaming activities using a means of distance communication, which may include internet, digital TV, mobile phone technology, telephones and fax and the like. Accordingly, any remote game which can be securely managed by the LGA will be considered for licensing in Malta.

In order to provide remote betting/gaming services in Malta, one needs to obtain a license in respect of the class which would apply to the particular operations intended to be provided. Under the Regulations there are four classes under which an operator may be licensed. Licenses are granted by the LGA for an initial period of five (5) years, following which they may be renewed thereafter for further periods of five (5) years each, always subject to the continued compliance by the licensee with all terms and conditions applicable to such license, and at the discretion of the LGA. The Regulations clearly and firmly provide that the core part of the online gaming operations must be located physically in Malta.

In order to qualify for a license, an applicant must be a limited liability company registered in Malta. All applications for a license are to be made in writing on forms provided by the LGA and must include information concerning the applicant's: (i) personal background information, (ii) financial information, (iii) participation in legal activities, including but not limited to, any interest or equity in any other commercial activity, (iv) criminal record information, (v) pecuniary, equity and other interests, and (vi) any other information required by the LGA in respect of every director, key official and chief executive officer of the applicant, and for every shareholder with five per cent (5%) or more ownership of, or controlling interest in, the applicant. Furthermore, the LGA may, at its sole discretion, require that all beneficial owners of shares in the applicant provide the same information. In granting a license, the LGA may subject said license to such conditions as it may deem appropriate, which conditions may subsequently be varied or revoked by the LGA from time to time, or new conditions may be imposed.

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

Additional to the above, the LGA may require all applicants to pay the actual costs incurred in conducting investigations into their backgrounds, suitability and qualifications to obtain a license.

Other financial requirements are imposed on license holders in terms of the Regulations. More specifically, said Regulations stipulate that a licensee shall pay to the LGA on behalf of the Government of Malta specified rates of tax based on (i) a fixed amount per month in the case of online gaming, (ii) the total amount of bets made in the case of online betting and (iii) the aggregate winning bets in the case of betting exchanges. In all cases, the total amount of tax payable per annum by one licensee in respect of any one license shall not exceed €466,000.

As one of such requirements, every licensee operating from Malta must have one key official designated to the LGA whose role is to personally supervise the operations of the licensee and, particularly, to ensure that the said licensee complies with all applicable laws, regulations, license conditions and directives at all times during the currency of the license. The key official must be a member of the board of directors of the licensee company, and must be resident in Malta.

In so far as limitations on the registration of players are concerned, no person under eighteen (18) years of age may be registered as a player and any funds deposited, or any money won, by any such persons shall be forfeited to the LGA. Furthermore, a licensee shall not permit a person to participate as a player in an authorised game conducted by the licensee unless that person is registered as a player and holds an account with the licensee. As a general condition emanating from the principal Act, it is to be noted that there is a general prohibition against any person in Malta from playing any games offered directly or indirectly from abroad or from Malta to persons in Malta through a means of distance communication.

The Regulations also place limits on advertising, whereby licensees are prohibited from engaging in advertising, or permitting anyone involved in their operations from engaging in advertising, that; (i) implies that remote gaming promotes or is required for social acceptance, personal or financial success or the resolution of any economic, social or personal problems, (ii) contains endorsements by well-known personalities that suggest remote gaming contributed to their success, (iii) is specifically directed at encouraging individuals under eighteen (18) years of age to engage in remote gaming, or (iv) exceeds the limits of decency. Additionally, licensees are not to engage in any activity that involves sending of unsolicited electronic mail, whether through their own operation or by the intervention of third parties.

The suspension or cancellation of a license may be ordered by the LGA in line with specified provisions listed in the Regulations which, inter alia, include; (i) any person who has an interest in the licensee, or any key official in relation to the license, is convicted in any territory of an offence which is punishable in that territory by imprisonment, (ii) the licensee has failed, without reasonable cause being shown, to comply with any material term or condition of the remote gaming license, (iii) the licensee has failed to discharge financial commitments for the license holder's operations or the LGA has reason to believe that such failure is imminent, (iv) the license holder has failed to meet commitments to players, (v) the LGA, in its sole discretion, has determined that there is material and sufficient reason for suspending or revoking the license, or (iv) the LGA is reasonably satisfied that the licensee presents a danger to the reputation of gaming in Malta.

The Regulations also make provision for offences and penalties by providing that any contravention of the said Regulations is considered an offence against the principal Act and any person so guilty of an offence shall, on conviction, be liable to a fine ranging between €7,000 and €235,000, or to imprisonment for a maximum term of two (2) years, or to both a fine and imprisonment. Where the person so found guilty is the director, manager, secretary or other similar officer of the company in question, the said person shall be deemed to be vested with the legal representation of the same company, which shall, accordingly, be liable in solidum with the person found guilty for the payment of the said fine.

The Regulations also contemplate the imposition of administrative fines by virtue of which the LGA may, with the concurrence of a licensee who contravenes a condition of his license or any directive issued by the LGA, impose an administrative fine or sanction upon such licensee not exceeding €235,000, which fine may be imposed as an alternative to proceedings in court.

Licensees are not only expected to conduct their operations in compliance with the ad hoc laws and regulations relating to the gaming industry, but also with specific legislation on anti-money laundering, electronic commerce, as well as other relative laws operative in Malta.

## **Poland**

Starting from 1 January 2010 new gambling law has come into force. However, in most cases the previous law will apply with respect to entities conducting gambling activities under permissions and licenses issued under the previous law. Generally, the new gambling law provides similar provisions regarding betting services as the old gambling law. The material differences are indicated below.

Under Polish law, the organisation of gambling is subject to regulations, limitations and supervision. Old gambling law as well as new gambling law enlists activities constituting gambling (divided into three groups: games of chance, betting and playing on gambling machines). The provision of these three categories of gambling services is licensed with some services reserved to state monopolies.

An entity that intends to organise betting is obliged to apply for permission of a ministry responsible for public finances. The permission is issued for 6 years for a specified number of betting shops that may be amended. After the expiry of the permission, an entity may apply for permission only once for consecutive six years. This is a novelty resulting from the new gambling law. The old gambling law did not provide such limitations. An entity organising betting should be organised as a limited liability company or joint-stock company with share capital of at least 2 million zloty and have its registered office in Poland. Any changes in the capital structure or corporate bodies of such an entity require prior approval of a ministry responsible for public finances.

The fee for betting permission is 2,000% of the base amount and 50% of base amount for each betting shop. The base amount is the total average monthly gross wages and salaries excluding payments from profit in the second

quarter of previous year as published by the Central Statistical Office. In the second quarter of 2009 the base amount was 3,195.35 zloty which makes the permission fee 63,907 zloty and around 1,598 zloty for each betting shop. (The old gambling law did not provide fees for each betting shop). In addition, a betting company is obliged to establish collateral securing interests of its customers and the fiscal obligations. The amount of collateral is determined on the number of betting shops. The base amount is 40,000 zloty. The amount of collateral for 40 betting shops is six times the base amount and increases by one base amount for each next 10 betting shops (i.e. in case of 100 betting shops = 240,000 zloty + 6 x 40,000 zloty = 480,000 zloty). The collateral may be in a form of banking or insurance guarantee, cash deposit or mortgage.

The acceptance of bets is permissible only in betting shops. A betting company should present betting rules, information on planned bets as well as the description of the organisation and functioning of the betting shops. A betting company is also subject to other obligations. Persons accepting bets and persons holding supervisory positions have to obtain professional certificates. The betting companies may also conclude agency agreements for accepting bets.

In order to accept bets for the results of particular competitions, a betting company should obtain consents of Polish organisers of such competitions for accepting bets.

Regulations also impose some limitations. Persons under the age of 18 are not allowed to participate in betting. Advertising of betting companies is forbidden and the advertising activities are defined quite broadly. In general, it is also forbidden to advertise sponsorship activities. The only acceptable form of advertising sponsorship activities is presentation of the sponsor's name or other sponsor-related sign, such as the company's logo.

An entity's betting permission may be withdrawn partly or in full in the following situations: (i) failure to cure in the indicated period a breach of regulations concerning betting or terms and conditions of the permission; (ii) gross violations of terms and conditions of the permission or regulations concerning betting; (iii) the share capital is decreased below 2 million zloty; (iv) non-conducting or stopping to conduct betting operations for a period longer than 6 months unless it results from a force majeure; (v) a shareholder or a member of a corporate body is sentenced for activity described in article 299 of Polish Penal Code (in general, helping in money laundering); (vi) when for the second time in the same betting shop it is determined that a person under age of 18 was involved in betting.

The total amount of money paid for bets is subject to taxation. A 2.5% tax is imposed on sums paid for bets concerning the results of animal competition in case the permission is issued only for this kind of bets and 12% tax is imposed on sums paid for bets concerning results of other events. (Under the old gambling law it was 2% and 10% respectively.)

The regulations provide penalties for organising gambling services without or in breach of terms and conditions of permission or license; organisers could be sentenced to fines or jail. In such a case, participants in gambling services organised without, or in breach of terms and conditions of a permission or license, could also be liable for fines. In addition, the participants in gambling activities organised by foreign gambling services could also be liable for a fine or imprisonment. The following activities are also subject to fines: advertising of gambling or illegal advertising of sponsorship activities, enabling a person under the age of 18 to participate in gambling activities, and failing to supervise when this leads to other prohibited activity.

Currently, there are no regulations with regards to on-line betting. It may be assumed that since there is no possibility to obtain permission for on-line betting and betting as such is forbidden unless an organiser has respective permission, any on-line betting services would be illegal. However, there is no public information on any prosecution of an organiser or a participant in on-line betting.

Furthermore, the Polish government has adopted a bill that would allow on-line betting for Polish companies. At the same time, any betting services provided in the territory of Poland on the Internet would be governed by Polish law, which would result in penalising foreign betting services providers, especially on-line betting organisers registered abroad. The ban would be enforced, among other, by blocking web sites of illegal betting services, tracking wire transfers to the prohibited web sites as well as prosecuting customers of illegal betting organisers. The bill has to be adopted by the parliament.

## **Slovakia**

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

Betting games are a distinct category of gambling games recognised by the Slovak Gambling Act. Betting games are gambling games in which the winning depends on guessing the result of a sports betting event or a non-

sports betting event or a related circumstance. Betting games include in particular totalizators, fixed-odds betting and horse racing betting.

Betting games may be operated solely on the basis of a so-called individual license for operation of betting games issued by the Slovak Ministry of Finance. Separate consent of the municipality has to be obtained for operation of a betting shop in its territory. The term of validity of the betting license is limited to 5 years. A betting license may be issued only to joint stock companies or limited liability companies having the registered office in the Slovak Republic with a minimum amount of its registered capital of EUR 331,939. In case of legal entities with "foreign property participation", a betting license may be issued only to legal entities with "foreign property participation" of entities that have their registered office or the address of their permanent residence in an EU or OECD Member State. Betting licenses are not transferable to another person, and they do not pass onto the legal successor of the holder of the betting license. Slovak gambling legislation does not regulate the issue of on-line betting. Yet, in practice the betting licenses do contain the authorisation to operate on-line betting.

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

The betting company has to provide, among others, a description of the technical equipment, devices, appliances and software to be used in the operation of the betting game, and a business and financial plan. The amount of the handling charge (if any) that is not a part of the bet has to be indicated. In the case of bets relating to horse races taking place in the Slovak Republic, consent of the Slovak Ministry of Agriculture of the Slovak Republic is required. Operators of betting games are required to calculate the accepted bets/stakes and the paid-out winnings on a daily basis, provided that in operation of the betting games bets/stakes are accepted and winnings are paid out on a daily basis.

In general, it is prohibited to operate betting games on Good Friday, December 24 and December 25, on days of national mourning and outside the operating hours set out in the game plan. Persons under 18 years of age are not allowed to participate in betting games. The operator of a betting game has to adopt measures to ensure that these individuals cannot take part in betting games. Only betting games for which a betting license has been granted can be promoted (advertised) in the Slovak Republic.

The operator of betting games is not allowed to enter into contracts with domestic or foreign individuals or legal entities relating to the exclusive right to make bets for certain competitions, races or matches. The operator of betting games is not allowed to accept bets for races in which an animal, vehicle etc. takes part that is owned or co-owned by the operator. This prohibition also applies to cases where the owner or co-owner is a person authorised to accept bets, or a person in an employment or similar legal relationship with the operator of the betting games, or a spouse of such a person.

The Slovak Ministry of Finance may withdraw the issued betting license if the betting game is operated in violation of the conditions stipulated in the Slovak Gambling Act or set out in the betting license. The Ministry is obliged to withdraw the betting license (i) upon request of the operator of the betting game; (ii) if facts, for which the betting license could not have been issued, occur or later transpire; or (iii) if it is established that information and documents on the basis of which the betting license was issued are not true.

The operator of a betting game is required to maintain a certain minimum amount of funds as a financial guarantee in a bank account only for the purposes of settlement of obligations of the operator of the betting game, these obligations being in particular license fees and payment of winnings to the punters. In case of fixed-odds betting, the financial guarantee amounts to EUR 750,000; for other types of betting games the financial guarantee is EUR 33,200. The operator of a betting game is required to maintain the financial guarantee during the entire term of validity of the betting license, as well as after the expiration of the validity of the license until all the above-referred obligations are settled and an annual settlement of the license fees is submitted to the Slovak Ministry of Finance.

The operator of a betting game is further under the obligation to pay license fees to the state and/or municipal budget. In case of fixed-odds betting, the fee is 5 % of the sum of bets/stakes and in case of horse racing betting it is 1 % of the sum of bets/stakes.

Authorities vested with supervisory powers in the area of gambling games are the Slovak Ministry of Finance and the respective Tax Offices and municipalities. If these authorities find out that an operator of a betting game has violated gambling regulations or the terms and condition of the betting license, has breached obligations resulting from the game plan or the gambling rules, or has failed to observe obligations imposed in a decision issued by the authorities. The authorities may, *inter alia*: (a) impose a fine upon the operator in the amount of EUR 3,319.39 to EUR 16,596.95 (while operation of a betting game without a betting license is subject to a fine of EUR 16,596.95) to EUR 99,581.75); or (b) temporarily suspend the operation of a betting game until the deficiencies are remedied; or (c) decide on cessation of an unlicensed gambling activity. Operation of foreign gambling games in the territory

of the Slovak Republic is prohibited. The Slovak Gambling Act outlaws also individual sale of tickets/lots, acceptance of bets and payout of winnings in the territory of the Slovak Republic in gambling games operated by a foreign entity in which the stakes are paid abroad. Unlicensed operation of gambling games is a criminal offence punishable under criminal law.

As for skill games (i.e., games where the outcome is determined mainly by mental and/or physical skill, rather than by pure chance), they are exempted from the application of the Slovak Gambling Act and no official license or authorisation is needed for their operation.

The current draft amendments to the Slovak gambling legislation published on the website of the Slovak Parliament do not anticipate significant changes to Slovak gambling legislation in the area of betting games.

## THE ISSUER

### History and development

The Issuer was incorporated on 4 November 2009 as Fortuna Entertainment Group N.V., a limited liability company (*Naamloze Vennootschap*) under the Dutch law and founded by the Selling Shareholder (see “Shareholders – Selling Shareholder”). The Issuer is registered under number 34364038 with the Trade Register of the Chamber of Commerce of the Amsterdam, the Netherlands, as at 6 November 2009. The statutory seat of the Issuer is Amsterdam, the Netherlands and the registered offices of the Issuer is at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands. The telephone number of the registered office is 0031 614832711 and the fax number is 0031 203331160.

The Issuer is a holding company and does not conduct any operational activity. According to article 2 of the Articles of Association, its objects are:

- to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises;
- to render administrative, technical, financial, economic or managerial services to other companies, persons or enterprises;
- to acquire, dispose of, manage and exploit real and personal property, including patents, trademarks, licenses, permits and other industrial property rights;
- to borrow and/or lend moneys, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or on behalf of others;

the foregoing whether or not in collaboration with third parties and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all this in the broadest sense of the terms.

In the last months of 2009 and in the beginning of 2010 the Issuer became an owner of the following companies:

- on 17 December 2009 the Issuer acquired 100% shareholding interest in Riverhill,
- on 27 January 2010 the Issuer acquired 100% shareholding interest in Fortuna SK, and
- on 12 May 2010 the Issuer acquired 33.33% shareholding interest in Fortuna PL, while the remaining 33.33% and 33.33% shareholding interests were acquired by Fortuna SazKan and Fortuna Game.

These companies were portfolio companies of the Selling Shareholder, acquired in years 2005 – 2008, that did not constitute a legal group previously, however their operations were intertwined and common solutions were used.

On 18 December 2009 the Issuer acquired Fortuna HR, an operating company in Croatia, however the company was sold on 26 March 2010. For more information on acquisition and disposal of Fortuna HR, please refer to section “*The Issuer – Call option for Fortuna HR*”.

On 17 February 2010 the Issuer incorporated ibet, a company that provides call center services, customer support, and HW/SW solutions.

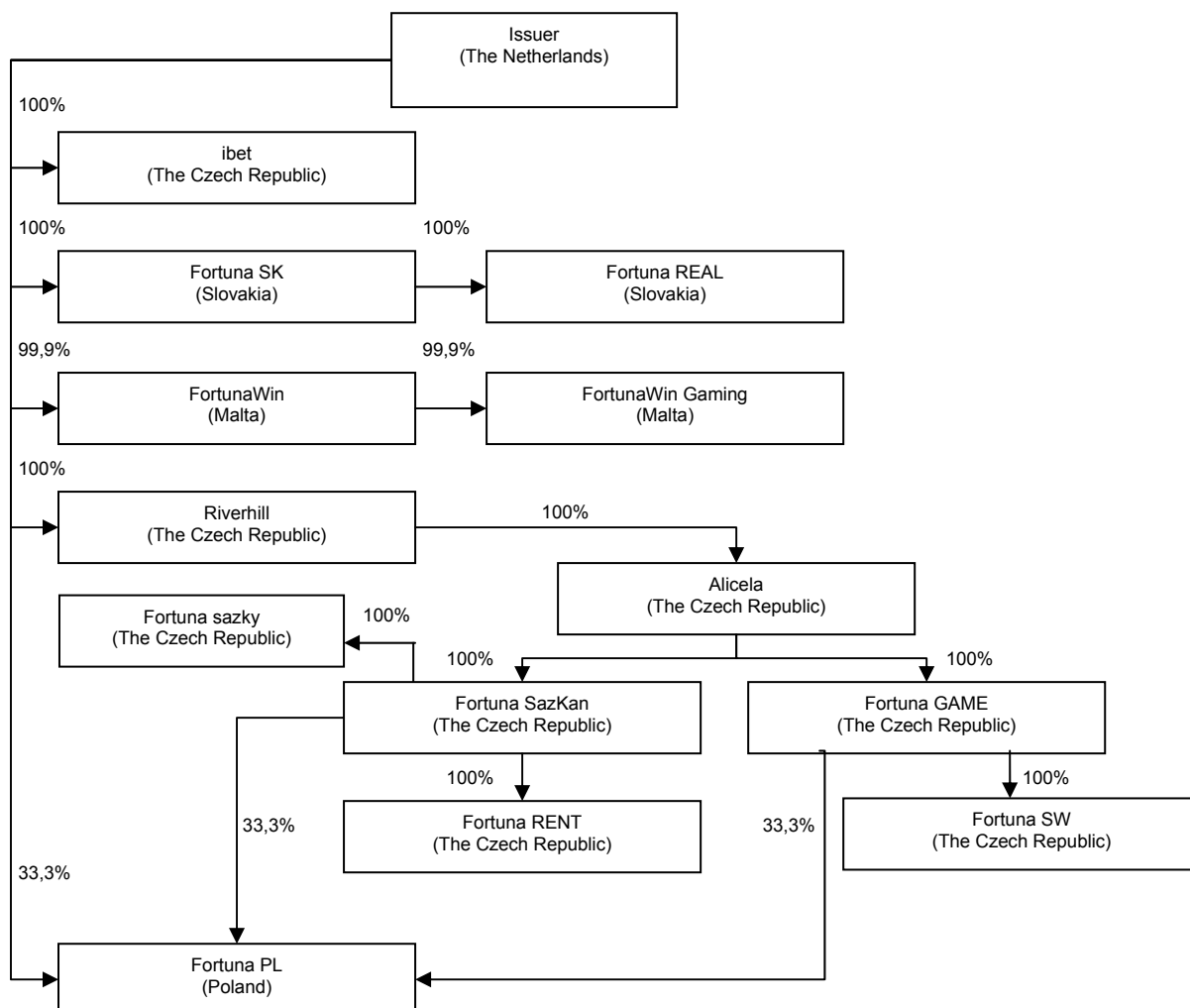
On 19 March 2010, Fortuna GAME entered into an Agreement on Transfer of Participation Interest with Mr. D. Motycka, Mr. M. Cerny and Mr. M. Hruby (each of them owning 1/3 of the shareholding interest in Fortuna SW) related to shareholding interest in Fortuna SW. In accordance with this agreement, Mr. D. Motycka, Mr. M. Cerny and Mr. M. Hruby transferred to Fortuna GAME 100% shareholding interest in Fortuna SW. The total purchase price was CZK 12 million (EUR 453 thousand), where CZK 6 million (EUR 226 thousand) was paid in equal portion to the sellers at signature of the Agreement on Transfer of Participation Interest and the rest of the CZK 6 million (EUR 226 thousand) will be paid to the sellers in the 25 installments each month starting March 2010 in the amount of CZK 80 thousand (EUR 3 thousand) per month.

The Group is composed of operational companies acting in local markets in Central Europe and some ancillary entities. Usually, there is one operational company in each country with a country manager responsible for development of operations on a regional level. However, in the Czech Republic there are two operational entities.

In 2009, a part of the operations of Fortuna SazKan (other than Prague operations and on-line betting) was transferred to Fortuna Game in order to optimise the structure and functioning of Fortuna Group in the Czech Republic. In contrast to other operating companies, Maltese companies established in 2009 will not focus their efforts on the development on the local market but are envisaged to gain substantial importance in the expansion on new markets.

### Description of a group

The chart below presents the group structure.



Riverhill and Alicela are holding companies whose sole activity is holding interests in Czech operational companies. Such structure results from Czech regulations that do not allow foreign entities or entities, the direct parent entity of which is a foreign entity, to hold interests in a Czech betting company.

Similarly, a shareholder of a Polish betting company may not hold more than one third of share capital. Therefore, the Issuer, Fortuna Game and Fortuna SazKan hold shares in Fortuna PL.

Fortuna sazky a.s. is a dormant company, a 100% owned subsidiary of Fortuna SazKan.

In addition, Maltese law does not provide the possibility to hold the whole 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 – managing partner for Poland in the Selling Shareholder.

### Selected subsidiaries

**Fortuna SazKan** was incorporated on 29 March 1990 in Prague as a joint stock company under Czech law. It was founded by the following founders: Jiří Balcar, Petr Bouma, Michal Horáček, Josef Kurka, Ladislav Vostárek, Antonín Horák and Petr Pečený. Alicela acquired the shares in Fortuna SazKan in 2005. From its beginnings the

company was involved in the betting business. The first company's betting office in the Czech Republic was opened on 1 May 1990. The current license was issued in November 2008 and is valid until 2018. In 2007 Fortuna SazKan started to operate the fixed-odds betting via telephone (Telekonto) and in 2008 obtained a license to operate fixed-odds betting via Internet valid until December 2018. On 30 November 2009 the company obtained a license for the operation of a new type of the game *goal storm*, valid until 2019. In July 2010 the company obtained a license for the operation of a lottery game valid until 8 July 2013.

**Fortuna GAME** was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law. In 2005 all shares in the company were acquired by Alicela. At the beginning, Fortuna GAME owned a warehouse in Brandýs nad Labem that was rented to Fortuna SazKan. In 2009, as a result of transfer of part of operations of Fortuna SazKan, the company started to offer sports betting in accordance with a license issued on 19 May 2009, valid until 2019.

**Fortuna SK** was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. It was established as T E R N O, a.s. by Fortuna, a.s. and Messrs. Richard Müller and Igor Nosko. In 1992, Fortuna, a.s., sold all its shares to Messrs. Igor Nosko and Ján Nosko. In 1999/2000, in addition to the existing shareholders, Messrs. Peter Nosko and Bronislav Chudyba became further shareholders by acquiring shares from the existing shareholders. In 2005, all the shares in Fortuna SK were acquired by Penta First Fund Limited. In the same year, all shares were transferred onto the Selling Shareholder. The Issuer acquired 100% of all shares in Fortuna SK in January 2010. In 2006, the company was renamed Fortuna SK. Currently, Fortuna SK offers fixed-odd betting (both land and on-line) under a license issued in 2005, valid until November 30, 2010.

**Fortuna PL** was incorporated on 29 December 1995 in Ustroń as a limited liability company under Polish law. In 2001 the seat was transferred to Warsaw and then, in 2007, to Cieszyn. In 2005 all shares were sold to Penta Investments Limited (an entity that subsequently changed its name to Penta First Found Limited), Lunga Enterprises Limited and Massarosa Holdings Limited (the two later being special purpose vehicles from Penta group). In 2006 the stake owned by Penta First Found Limited was transferred onto the Selling Shareholder. In 2007 the name of the company was changed from Profesional to the current name. From its beginnings, the company was operating in the betting sector. At first, it developed its operation in the Silesia region, where the company still has strong presence. In recent years, the company offered fixed-odd betting and bets on results of numerological games. The Ministry of Finance questioned the right to provide bets on results of numerological games, and Fortuna PL ceased to accept these bets in 2009. The current operations are conducted in accordance with a number of betting permissions issued for particular shops in years 2005 – 2009 that will expire in years 2011 – 2015. On 30 November 2009 Fortuna PL obtained permission for virtual horseracing organisation for six years. The Issuer acquired 33 1/3 % of shares in Fortuna PL in May 2010. The remaining shares were purchased by Fortuna SazKan (33 1/3%) and Fortuna GAME (33 1/3%).

**FortunaWin Ltd.** was incorporated on 4 December 2009 in Ta'Xbiex as a limited liability company under Maltese law. On 26 February 2010 it obtained three letters of intent (temporary licenses), entitling it to organise betting as well as hosting and managing two Microgaming platforms. In June 2010 the company started its on-line operations.

**FortunaWin Gaming Ltd.** was incorporated on 4 December 2009 in Ta'Xbiex as a limited liability company under Maltese law. On 26 February 2010 it obtained a letter of intent (a temporary license), entitling it to organise betting. In June 2010 the company started its on-line operations.

**ibet** was incorporated on 17 February 2010 in Prague as a limited liability company under Czech law. The company provides support services such as a call centre in the Czech Republic.

**Fortuna SW** was incorporated on 16 November 2004 in Prague as a limited liability company under Czech law. As NAVI PRO, s.r.o., it developed software, including betting software for some of the Group Companies. On 19 March 2010 the company was acquired by Fortuna Game and on 19 April 2010 it was renamed to Fortuna software, s.r.o.

**Fortuna Rent** was founded on 12 November 2004 and incorporated on 29 January 2005 in Prague as a limited liability company under Czech law. From the beginning Fortuna SazKan was the sole shareholder of the company. The main objective of the company is managing the sites portfolio. The lease agreements with VAT charges regarding betting shops operated by Fortuna SazKan and Fortuna Game were transferred onto Fortuna RENT. Separation of the sites management company was made in order to have a favourable VAT treatment.

**Fortuna REAL** was incorporated on 27 May 2006 in Bratislava as a limited liability company under Slovak law. The sole purpose of the company is leasing premises in Polus City Centre, a shopping and business centre in Bratislava. Since Fortuna SK is not a VAT taxpayer it was refused renting premise in Polus City Centre. Therefore, the site in Polus City Centre is leased by Fortuna REAL and further by Fortuna SK.



## Call option for Fortuna HR

On 7 January 2008 Equinox Investments B.V., the Selling Shareholder's subsidiary, acquired shares in Fortuna HR. In 2009 and 2010 the Issuer entered into several transactions upon which it acquired the operating companies, including among others Fortuna HR, and ancillary companies that were under common control of the Selling Shareholder (see "*Business Overview – Material Contracts - Related Party Transactions - Acquisition of shares in Group Companies by the Issuer*"). However, due to the pending restructuring of Fortuna HR and a regulator's delay in the introduction of on-line betting in Croatia there was an uncertainty if and when Fortuna HR's profitability would be restored. Therefore the Issuer decided on a subsequent exclusion of Fortuna HR from the Group and all shares in Fortuna HR held by the Issuer, constituting 90% of share capital in Fortuna HR, were sold back to Equinox Investments B.V. on 26 March 2010 for the consideration of EUR 1. On the date of sale the indebtedness of Fortuna HR amounted to approximately EUR 8.6 million.

On 7 September 2010 the Issuer entered into an agreement with Equinox Investments B.V., a subsidiary of the Selling Shareholder, under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V., which as the date of this Prospectus constitute 90% of share capital in Fortuna HR. The option may be exercised within the three-year period starting from 1 July 2011 provided that Fortuna HR reports positive recurring EBITDA for three consecutive quarters. The purchase price is 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 exercise of the option, Equinox Investments B.V. should capitalise Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, the Issuer has a right of first refusal which entitles it to purchase the shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case the Issuer 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 with respect to the shares sold to the third party. The call option and the right of first refusal shall automatically expire on 1 July 2014 provided that it will not be exercised on or before such date. Moreover, the option will expire if the minority shareholder of Fortuna HR, Mr. Velimir Čerkez exercises "buy-you-buy-me option".

The option of the Issuer to reacquire Fortuna HR needs to be included on the Issuer's statement of financial position against fair value. Potential movements in the fair value of the option will flow through the statement of income of the Issuer. The option will be revalued on a quarterly basis, hence the volatility of the Issuer's earnings may be impacted by movements of the option value.

Fortuna HR was incorporated on 5 June 2001 in Zagreb as a limited liability company under Croatian law. The founders were Messrs. Jure Kvesić, Jakov Pinjuh and Velimir Čerkez. In its early years the company as Favorit d.o.o. offered betting. In 2008 it became part of the Penta Group. Currently, 90% of shares are held by Equinox Investments B.V., the Selling Shareholder's subsidiary, and 10% of shares are held by Mr. Velimir Čerkez. Mr. Velimir Čerkez, as minority shareholder has the right to sell his entire shareholding interest in the Fortuna HR to the same purchaser and on the same terms and conditions exercisable if and when Equinox Investments B.V. decides to sell its shares to a purchaser outside the Penta group. Moreover, under the "buy-you-buy-me option" he is entitled to – subject to condition precedent that Fortuna HR has achieved profit in the preceding financial year – deliver a notice to Equinox Investments B.V., in which he shall stipulate the price for the shares and Equinox Investments B.V., may then choose to request Mr. Velimir Čerkez to sell his entire shareholding interest in Fortuna HR under the same conditions or instead he shall purchase the entire Equinox Investments B.V., stake in Fortuna HR. After the acquisition of Fortuna HR by Penta, in 2008 the Fortuna unified corporate design was introduced along with some of the Group's elements of pricing and product policy. It complicated the product from the local customers' perspective as well as making it less competitive. This coincided with an outbreak of price war on the local market what led to the loss of part of the customer base. Management and Penta believe that introduction of on-line betting in Croatia in mid 2010 will improve the results of Fortuna HR.

Fortuna HR offers sports betting and number games in its land network (247 betting shops at the end of 2009). Since June 2010 Fortuna HR has been offering on-line betting. There are 6 major betting operators in Croatia with one (SuperSport) keeping significant part of the market. Only Fortuna HR and SuperSport offer on-line betting based on a local licence in Croatia.

## Share capital

Upon the Issuer's incorporation on 4 November 2009, its issued and fully paid-up share capital amounted to EUR 45,000, consisting of 4,500 ordinary registered shares, and was fully paid up.

On 27 September 2010, pursuant to the resolutions adopted by the extraordinary General Meeting on 9 September 2010:

- the existing 4,500 shares with of a nominal value of EUR 10 were converted and split into 4,500,000 Shares with nominal value of EUR 0.01.

- the Issuer's share capital was further increased through the issue to the Selling Shareholder of 45,500,000 new shares with a nominal value of EUR 0.01 each, having the same rights and obligations as the then existing shares.
- the Management Board has been authorised to issue or grant rights to subscribe for up to 2,000,000 New Shares, with the power to limit or exclude pre-emptive rights of the existing shareholders.
- In connection with the Offering, the Management Board will issue up to 2,000,000 New Shares, while pre-emptive rights of the existing shareholders will be excluded, for the benefit of the Issuer. For information on resolutions adopted for the purpose of the Offering and Admission, see "*The Offering—General information*".

Consequently, as at the date of this Prospectus, the authorised share capital of the Issuer amounts to EUR 2,500,000, divided into 250,000,000 Shares, with a nominal value of EUR 0.01 each. The issued and paid-up share capital of the Issuer, as at the date of this Prospectus, amounts to EUR 500,000 and is divided into 50,000,000 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 authorised. No depositary receipts for Shares in the capital of the Issuer have been issued with the agreement of the Issuer, and the Issuer has not been informed that depositary receipts for Shares in the capital of the Issuer have been issued without its agreement.

All Shares (including the Offer Shares) have been or will be issued under Dutch law.

The table below shows the current Issuer's issued and paid-up share capital and the Issuer's issued and paid-up share capital after the New Shares have been issued:

Issued ordinary share capital	Cumulative number of shares	Nominal value (Euro per share)
Current shares issued as at the date hereof.....	50,000,000	0.01
New Shares to be issued for the Offering .....	2,000,000	0.01
<b>Total issued shares post-Offering .....</b>	<b>52,000,000</b>	0.01

## Rights attached to Shares

### *General Meeting*

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

An extraordinary General Meeting may be convened, whenever the Issuer's interests so require, by the Management or Supervisory Board. A single shareholder or those representing in aggregate at least 10% of issued and outstanding share capital may also call an extraordinary General Meeting with an agenda to be determined by the shareholders calling the meeting.

Under Dutch law, valid shareholders' resolutions can be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such meeting.

### *Voting at General Meeting*

Shareholders may participate in the General Meeting and exercise their voting right personally or by proxy. Each share in the capital of the Issuer confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. subject to and with due observance of the relevant provisions of the Articles of Association regarding the acquisition of own shares, as set forth hereafter in this chapter under "Acquisition of Own Shares by

the Issuer". The Issuer considers other solutions which in future may facilitate shareholders to participate in the meeting.

Every holder of shares and every other party entitled to attend the General Meeting who derives his rights from such shares, is entitled to attend the General Meeting in person, or be represented by a person holding a written proxy, to address the General Meeting and, in as far as he has voting rights, to vote at the meeting, if he has lodged documentary evidence of his voting rights. For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such record date is fixed at the 28<sup>th</sup> day before said General Meeting. The convocation to the General Meeting shall state the record date, the place where and the manner in which registration shall take place.

Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted by absolute majority of votes. The Issuer must record the voting results for each resolution adopted at the General Meeting. These results must be posted on the Issuer's website no later than on the 15<sup>th</sup> day following the day of the General Meeting and should be available on the website for at least one 1 year.

Detailed information regarding participation and voting at General Meetings will be included in the notice of the General Meeting published in accordance with relevant regulations in the Netherlands, Poland and the Czech Republic.

#### *Challenging Resolutions of General Meetings*

Under Dutch law the conflict of law rules, a resolution of the general meeting of shareholders of a Dutch company may only be appealed to a Dutch court in accordance with the Dutch company and civil proceedings law.

Pursuant to Dutch law, a resolution of the general meeting of shareholders may be appealed by each shareholder regardless of the number of shares held by him, if the resolution is (i) in conflict with the statutory law, provisions of the articles of association on the proceedings for taking resolutions, (ii) in conflict with principles of reasonableness and fairness as set forth in Art. 2.8 of the Dutch Civil Code; or (iii) in conflict with the internal regulation of the company itself (inter alia the articles of association). Art. 2.8 of the Dutch Civil Code includes a general clause which appeals for the exercise of corporate rights and obligations in compliance with principles of reasonableness and fairness.

The appeal should be filed with a district court having jurisdiction over the relevant company's seat within the period of one year starting from the day of publication of such a resolution. In the case of the Issuer the competent court is the District Court of Amsterdam, the Netherlands. The plaintiff should show a legal interest in appealing against the resolution. Under Dutch civil proceedings rules, the appeal should be filed in the Dutch language and should be signed by an attorney qualified to practice in the Netherlands. Generally, the appeal will be subject to court fees. If the court finds in favour of the appealing shareholder than the resolution will be nullified (*vernietigd*).

Similarly, under Dutch law each shareholder also has a right to appeal any action of other governing bodies (i.e. the Management Board) on the same grounds as specified above. The same appeal procedure will apply.

#### *Annual Accounts*

Annually, within four months after the end of the financial year, the Management Board shall prepare the annual accounts and shall make them available free of charge for inspection by the Shareholders at the offices of the Issuer. The annual accounts shall be signed by the members of the Management Board and the Supervisory Board. The Issuer shall further make the annual accounts, together with the auditor's statement and the annual report, available to the public and shall keep such information available for at least five years. The Management Board shall furthermore publish the annual accounts in a public register of the AFM following adoption thereof by the General Meeting and issue a press release announcing the publication of the annual accounts. The annual accounts must be accompanied by an auditor's statement, the annual report and certain other information required under Dutch law.

The AFM shall submit to the Chamber of Commerce of Amsterdam the adopted annual accounts, auditor's statement, annual report and other information required under Dutch law within three days after receipt thereof. Within two months after the end of the first six months of the financial year, the Management Board shall prepare the semi-annual financial reporting and shall make it publicly available. If the semi-annual financial reporting is audited, the auditor will make the auditors statement publicly available as well, along with the semi-annual financial reporting.

### *Distribution of Profits*

The company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the company's shareholders equity exceeds the aggregate nominal value of all of the company's issued and outstanding shares plus the amount of any reserves that the company is required to maintain pursuant to the articles of association or the provisions of applicable law.

Any distribution of profits will be made after the adoption of the annual accounts showing that such distribution of profits is permitted. Each shareholder is entitled to dividends pro rata to the number of shares held by such shareholder. The Management Board, with prior approval of the Supervisory Board, shall determine which portion of the profits shall be reserved. The profit remaining less such reserved portion, if any, shall be at the disposal of the General Meeting. The General Meeting may resolve to partially or totally reserve such remaining profit. Subject to the prior approval of the Supervisory Board, the Management Board may resolve to pay interim dividends or to make distributions to shareholders from share premium or other reserves. The General Meeting decides what part of profits for any year will be distributed as a dividend and which portion of profits for such year will be added to reserves.

Dividends not claimed by shareholders within five (5) years of the date they are payable are forfeited and will be retained by the Issuer. Under Dutch law and the Articles of Association, there is no restriction on the ability of the Issuer to pay dividends to non-Dutch shareholders and there are no special procedures applicable to the payment of dividends to non-Dutch shareholders. For information on taxation on dividends, see "*Tax Section*".

### *Dividend payments*

Dividend payments and other payments made by the Issuer, through ABN AMRO Bank N.V. acting as principal paying agent, and relating to the Shares held with the CDCP and/or the NDS shall be in the amount transferred by the Issuer to the accounts of the respective participants or sub participants in the Clearstream system, for the purpose of their further payment to the owners of accounts with the CDCP and/or the NDS on which the Shares will be held, in accordance with the rules and practices of the CDCP and/or the NDS, respectively.

### *Issuance of Shares*

The Issuer may only issue shares pursuant to a resolution of the General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five years. Such designation must specify the maximum number of shares that may be issued pursuant to the designation. The designation may be extended for a further period of up to five years. The designation may not be revoked, unless the designation provides otherwise.

### *Pre-emptive Right*

Each holder of the Issuer's shares has a pre-emptive right in respect of all share issuances or grants of the right to acquire shares, in proportion to the number of shares held by such holder. Shareholders, however, have no pre-emptive right in respect of the issuance of shares, or the grant of the right to acquire shares, which are issued or granted for a consideration other than cash, which are issued or granted to employees of the company or of a group company of the company, or in respect of the issuance of shares to any person who exercises a previously existing right to subscribe for shares. Pre-emptive rights may be restricted or excluded by a resolution of the General Meeting. Pre-emptive rights may also be excluded or restricted by the corporate body to which the power to exclude or restrict pre-emptive rights has been granted by a resolution of the General Meeting for a fixed period not exceeding five years.

### *Transfer of Shares*

Bearer shares are transferred by way of delivery of the share certificate.

Registered shares may be transferred by execution of a private deed and acknowledgement of the same to the Issuer provided the shares in the capital of the Issuer are traded on (i) a regulated market or a multilateral trading facility as defined in Art. 1.1 of the Dutch Financial Supervision Act, (ii) or on a market similar to a regulated market or multilateral trading facility as defined in art. 1.1 of the Dutch Financial Supervision Act, or (iii) are expected to be traded on one of the described markets.

However, bearer or registered shares that are listed on a regulated stock exchange are transferred by delivery through the clearing and deposit system operating in accordance with the law of the jurisdiction in which the stock exchange is located.

### *Acquisition of Own Shares by the Issuer*

The Issuer may acquire fully paid shares in its own share capital at any time for no consideration. Furthermore, subject to certain provisions of Dutch law and the Articles of Association, the Issuer may repurchase fully paid shares in its own capital if (i) such repurchase would not cause the issuer's shareholders equity to fall below an amount equal to the aggregate nominal value of all the Issuer's issued and outstanding shares plus the amount of reserves the Issuer is required to maintain pursuant to applicable law or the Articles of Association and (ii) the Issuer would not as a result of such repurchase hold more than 50% of its own share capital.

Other than shares acquired for no consideration, shares may only be acquired following a resolution of the Management Board, acting pursuant to a general authorisation for the repurchase of shares granted by the General Meeting but subject in all cases to the prior approval of the Supervisory Board for each specific repurchase of shares. A general authorisation by the General Meeting for the repurchase of shares is valid for a maximum period of 18 months. Such authorisation must specify the number of shares to be acquired, the manner in which these shares may be acquired and the price range within which the shares may be acquired. No authorisation of the General Meeting is required if shares are acquired by the Issuer with the intention of transferring them to one or more employees of the Group.

The Issuer may not cast votes in respect of own shares held by the Issuer or own shares on which the Issuer has a right of usufruct or pledge. Nor may any votes be cast by the pledgee or usufructuary of own shares held by the Issuer if the right has been created by the Issuer. No votes may be cast in respect of the shares whereof depositary receipts are held by the Issuer. The provisions of this paragraph shall also apply to shares or depositary receipts held by any subsidiary or in respect of which any Group Company owns a right of usufruct or pledge.

### *Reduction of Share Capital*

The General Meeting may, subject to Dutch law and the Articles of Association, resolve to reduce issued share capital by cancellation of shares or reduction of the nominal value of shares by amendment of the Articles of Association. A resolution of the General Meeting to reduce the issued share capital must designate the shares to which the resolution applies and must contain provisions for the implementation of such resolution. A resolution to cancel shares in the capital may only be adopted in relation to shares the Issuer holds in its own capital. A partial repayment of the capital may only be made pro rata, in respect of all outstanding shares. For a resolution to reduce the capital, a majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is represented at the General Meeting.

### *Inquiry Right*

One or more shareholders, individually or jointly representing at least 1/10<sup>th</sup> of the issued capital, or entitled to an amount of shares up to a nominal value of Euro 225,000 may assert an inquiry right. This means that they may request the Enterprise Chamber of the Court of Appeals in Amsterdam in writing that it appoint one or more persons to conduct an inquiry into the policies and the course of affairs of a legal entity (either entirely, or with regard to a part of a certain time period). The Enterprise Chamber only honours the request if it finds well-founded reasons for questioning a correct policy (for example, an impasse in the decision-making process, a conflict between the managing directors and the company and a failure to provide information or to supply correct information).

The following sanctions may be imposed by the Enterprise Chamber, after taking notice of the findings reported by the inquirers, in the event of improper policy: (a) suspension or nullification of a resolution of the Management Board member, the Supervisory Board members, the General Meeting or of any other constituent or corporate body of a legal person; (b) suspension or dismissal of one or more Management Board member or Supervisory Board members; (c) temporary appointment of one or more Management Board member or Supervisory Board members; (d) temporary deviation from such provisions in the articles as shall be specified by the Enterprise Chamber; (e) temporary transfer of shares to a nominee; (f) the winding up of the legal person.

### *Statutory Merger and Statutory Demerger*

Following a proposal of the Management Board, subject to the prior approval of the Supervisory Board, the General Meeting may resolve that the Issuer enters into a statutory merger or demerger.

### *Dissolution and Liquidation*

The Issuer may only be dissolved pursuant to a resolution of the General Meeting, in accordance with a proposal by the Management Board, which proposal is subject to prior approval of the Supervisory Board. The Issuer's

remaining equity after payment of debts and liquidation costs will be distributed among the shareholders in proportion to the number of shares that each shareholder holds.

#### *Amendment of Articles of Association*

The General Meeting can resolve to amend the Articles of Association upon the proposal of the board of managing directors, which proposal has been approved by the board of supervisory directors. Such resolution to be taken by an absolute majority of votes cast.

If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

#### **Auditor**

The Combined Financial Statements presented in the Prospectus were audited by Ernst & Young Accountants LLP, with its seat in Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands. Ernst & Young Accountants LLP also reviewed the Interim Condensed Consolidated Financial Statements included in the Prospectus. Ernst & Young Accountants LLP have given, and have not withdrawn, their written consent to the inclusion of their report and the reference to themselves herein in the form and context in which they are included. Ernst & Young Accountants LLP has no interest in the Issuer. The signatory of the independent auditors' report on the Combined Financial Statements is a member of the Royal Dutch Institute of Chartered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*).

## THE MANAGEMENT

Set out below is a summary of relevant information concerning the Management Board, the Supervisory Board, senior management well as a brief summary of certain significant provisions of Dutch corporate law, the Issuer's Articles of Association and particular issues from the corporate governance codes in respect of the Management Board and Supervisory Board.

### Management Structure

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

#### *Management Board*

The Management Board is responsible for the day-to-day management of the Issuer's operations under the supervision of the Supervisory Board. The Management Board is required to keep the Supervisory Board informed, and to consult with the Supervisory Board, on important matters and to submit certain important decisions to the Supervisory Board for its approval, as more fully described below. The chairman of the Management Board shall be elected by the General Meeting. The General Meeting determines the exact number of members of the Management Board.

A member of the Management Board is appointed for a maximum period of four years, provided that, unless a member of the Management Board resigns before, his term of appointment will end at closing of the first General Meeting to be held in the fourth year following the year of his appointment. A member of the board of managing directors may be reappointed subject to the provisions set out in the previous sentence. The articles of Association do not include any nomination rights in connection with the appointment of members of the Management Board. The General Meeting may suspend or dismiss Management Board members at any time. The Supervisory Board may also suspend Management Board members at any time, for a maximum period of up to three months. The suspension may at all times be revoked by a majority vote of the General Meeting.

Under the Articles of Association, all resolutions of the Management Board must be adopted by an absolute majority of the votes cast. Resolutions of the Management Board require approval of the General Meeting when these relate to an important change in the identity or character of the Issuer or its business.

Under the Articles of Association, the Supervisory Board may resolve that specific actions of the Management Board must be approved by the Supervisory Board. The actions of the Management Board that are subject to this veto right by the Supervisory Board must be clearly specified and communicated to the Management Board in writing.

#### *Supervisory Board*

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Management Board and for supervising the Issuer's business generally. In performing its duties, the Supervisory Board is required to take into account the interests of the Issuer's business. The members of the Supervisory Board are not authorised to represent the Issuer in dealings with third parties, unless explicitly appointed by the Supervisory Board in the event of a conflict of interest of the Managing Board members.

A member of the Supervisory Board is appointed for a maximum period of four years, provided that, unless a member of the Supervisory Board resigns before, his term of appointment will end at closing of the first General Meeting to be held in the fourth year following the year of his appointment. A member of the board of supervisory directors may be reappointed subject to the provisions set out in the previous sentence. After holding office for four years, supervisory directors are eligible for re-election only twice for a full period of four years. The articles of Association do not include any nomination rights in connection with the appointment of members of the Supervisory Board. The General Meeting may suspend or dismiss Supervisory Board members at any time.

The Supervisory Board must have at least three members. The exact number of members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will appoint a chairperson, and may appoint a vice-chairperson, from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members. The Articles of Association provide that the terms of office of the Supervisory Board members will expire periodically in accordance with a rotation plan drawn up by the Supervisory Board.

The Supervisory Board has prepared a profile (*profielchets*) of its size and composition, which takes into account the character of the business, its activities and the desired expertise and background of the Supervisory Board members.

Under the Articles of Association, the Supervisory Board can only adopt resolutions by an absolute majority of the entire number of members of the Supervisory Board. Each member of the Supervisory Board is entitled to one vote.

## **Members of the Management and Supervisory Boards and Senior Management**

### *Management Board*

As at the date of this Prospectus, the Management Board is composed of four members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Management Board.

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>	<b>Expiration of the office term</b>
Jiří Bunda	Chairman of the Management Board	9 September 2010	at the General Meeting held in 2014
Wilfred Thomas Walsh	Vice chairman of the Management Board	9 September 2010	at the General Meeting held in 2014
Jana Galacova	Member of the Management Board	9 September 2010	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	9 September 2010	at the General Meeting held in 2014

The business address of the members of the Management Board is the Issuer's principal place of business at Strawinskyalaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

A brief description of qualifications and professional experience of the members of the Management Board is presented below.

### *Jiří Bunda*

Jiří Bunda has held the position of the chairman of Issuer's Management Board since September 2010. In the years 1997 - 2002, he was employed in GE Capital Czech Republic and Slovakia, starting as a sales trainer and then, after promotion was sales finance manager. Furthermore, in the years 2006 - 2009, Jiří Bunda was associated with Zepter International, where he held post of general manager in the both Czech Republic and Slovakia and then in Russia.

As a part of increasing his professional qualifications, Jiří Bunda took part in numerous trainings and professional courses, including courses Six Sigma – Black Belt (2000), Project Management Process and Leadership organised by Team Technologies and numerous trainings for top management in years 2007-2009 by Business Success.

### *Wilfred Thomas Walsh*

Wilfred Thomas Walsh has been a vice chairman of the Management Board since September 2010. He started his career in 1994 in HMV Group Limited, where he was a managing director in Germany and operation director in the United Kingdom. In years 2000-2007 he held managerial position in Gala Coral Group, Bookmaker Afternoon Greyhound Services Limited (2002-2007) and Tote Direct Limited (2003-2005). Moreover, in December 2009 he was appointed as a non executive director in British Horseracing Association (Racing For Change). Since April 2009, he has been a partner in Predict (Performance Improvement Limited). He started to cooperate with the Group in 2009 as external strategic advisor.

Wilfred Thomas Walsh has a university degree, gained at the Law Faculty of University of Leeds in 1983. Subsequently, in 1985, he became a Chartered Fellow of the Institute of People Development in Thames Valley University.

### *Richard van Bruchem*

Richard van Bruchem has been a member of the Issuer's Management Board since September 2010. He possesses a large amount of experience in accounting and management gained through work at key positions in numerous companies from the late 1980's. Richard van Bruchem's recent track record includes work as a financial director at, *inter alia*, ING Management B.V., Orangefield Trust B.V. and, eventually, at Avis Financial Corporation where has been a Member of the management committee and the managing director since 2008.



Richard van Bruchem holds Bachelor degrees in Business Administration from Amsterdam's Hogeschool Markus Verbeek and Business Economics from Breda's Hogeschool Brabant and a Master degree in Accounting and Controlling from Nyenrode Business University in Breukelen. He also obtained a certificate of Executive Programme in Strategic Management from RSM Erasmus University of Rotterdam.

#### *Jana Galacova*

Jana Galacova was appointed to the Issuer's Management Board in September 2010. She worked as an accountant for the most renowned and prestigious international and domestic consulting companies including Dutch branches of Deloitte and Touche, Ernst & Young and Finsens. Between 2006 and 2010 Ms. Galacova was Senior Business Consultant at Atos Consulting in Utrecht. In February 2010 she founded her own ChanceOn Interim company based in Zwaag.

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

<b>Name</b>	<b>Positions held</b>
Jiří Bunda	<p><i>Current directorships:</i></p> <p>Fortuna SazKan - member of the management board (from 2010)</p> <p>Fortuna GAME - member of the management board (from 2010)</p>
Richard van Bruchem	<p><i>Former directorships:</i></p> <p>General Continental Properties B.V. - member of the management board (2007-2008)</p> <p>General Continental Netherlands B.V. - member of the management board (2007-2008)</p> <p>Canandaigua B.V. - member of the management board (2007-2008)</p> <p>PR Ventures B.V. - member of the management board (2007-2008)</p> <p>General Continental Netherlands II B.V. - member of the management board (2007-2008)</p> <p>Daiwa Securities SMBC Asia Holding B.V. - member of the management board (2007-2008)</p> <p>Protoned B.V. - member of the management board (2007-2008)</p> <p>Uralita Holding B.V. - member of the management board (2007-2008)</p> <p>Coöperatieve Peacefield UA - member of the management board (2007-2008)</p> <p>Peacefield Holdings N.V. - member of the management board (2007-2008)</p> <p>Afrosi Holdings B.V. - member of the management board (2007-2008)</p> <p><i>Current directorships:</i></p> <p>Avis Corporate Services B.V. – member of the management board (from 2009)</p> <p>Avis Accounting B.V. - member of the management board (from 2009)</p> <p>Avis Trust Group B.V. - member of the management board (from 2009)</p> <p>Avis Holding B.V. - member of the management board (from 2009)</p> <p>BPO Solutions B.V. - member of the management board (from 2008)</p> <p>R2 Holding B.V. - member of the management board (from 2008)</p> <p>BV Investeren Sinds 1391 - member of the management board (from 2008)</p> <p>Stichting Kunstbezit 's-Graveland - member of the management board (from 2008)</p> <p>Trust Company Amsterdam B.V. – managing director (from 2010)</p>
<i>Wilfred Thomas Walsh</i>	<p><i>Current directorships:</i></p> <p>Gala Coral Group – non-executive director of the board of directors (from 2010)</p>

#### *Supervisory Board*

As at the date of this Prospectus, the Supervisory Board is composed of four members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Supervisory Board.

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>	<b>Expiration of the office term</b>
Jozef Janov	Chairman of the Supervisory Board	27 September 2010	at the General Meeting held in 2014
Václav Brož	Member of the Supervisory Board	27 September 2010	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	27 September 2010	at the General Meeting held in 2014
Martin Kúšik	Member of the Supervisory Board	27 September 2010	at the General Meeting held in 2014

The business address of the members of the Supervisory Board is the Issuer's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

A brief description of qualifications and professional experience of the members of the Supervisory Board is presented below.

#### *Jozef Janov*

Jozef Janov has been a chairman of the Supervisory Board since September 2010. He has been working for the Selling Shareholder since 2003, starting as investment manager and then investment director. Currently as a managing partner in Poland, he coordinates the Selling Shareholder's investments in this market.

In 2003, Jozef Janov graduated from University of Economics in Bratislava and Martin-Luther University Halle-Wittenberg specialising in international finance and banking. As a part of increasing his professional qualifications, Jozef Janov took part in numerous financial and accounting courses organised by Euromoney, Societe Generale, Martin-Luther University Halle-Wittenberg.

#### *Václav Brož*

Václav Brož has been a member of the Supervisory Board since September 2010. In 2001, he commenced his professional activity in Komise pro cenné papíry, where he worked till 2004. He has been with the Selling Shareholder's group since 2004, previously as an investment analyst and then investment manager.

Václav Brož has a university degree gained at University of Economics in Prague in 1999.

#### *Michal Horáček*

Michal Horáček has been a member of the Supervisory Board since September 2010. He started to cooperate with the Group as chairman of the Fortuna SazKan management board. He held this position from 1990 to 2004. Subsequently he held various lecturers positions at Charles University in Prague and Masaryk University in Brno and regularly contributed to Business Daily. He is also an author of lyrical "Kudykam". He is an owner of Kudykam s.r.o. and a member of the supervisory board in Knihovna Václava Havla.

Michal Horáček graduated from the Charles University Prague, Faculty of Humanities, and from Macalester College, St. Paul, Minnesota, USA (American Studies). Currently, he is a doctoral student in anthropology at the Faculty of Humanities, the Charles University Prague.

#### *Martin Kúšik*

Martin Kúšik was appointed to the Supervisory Board in September 2010. He is one of the founders of the Selling Shareholder group and since 1999 he has been responsible for different projects. Currently he holds a position in management boards in PFSE, a.s. and WFSE, a.s., as well as in supervisory board of Penta Reality a.s. He is also a shareholder of Penta Holding Limited and Belet Holdings Limited.

In 1992 Martin Kúšik graduated from the law faculty in Charles University Prague, after which, in 1995 he gained a PhD in law.

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

<b>Name</b>	<b>Positions held</b>
Jozef Janov	<i>Former directorships:</i>

Fortuna SK - member of the supervisory board (2005 – 2006)  
 Fortuna PL - member of the management board (2005 – 2007)  
 Fortuna SazKan- member of the management board (2005)  
 Zabka, a.s. – chairman of the management board (2007 -2010)  
 Severomoravské vodovody a kanalizace Ostrava a.s. - member of the management board (2004-2006)  
 Novoker, a.s. - chairman of the management board (2005 -2007)  
 Riverhill - member of the management board (2004 - 2005)  
 Helatia, a.s. - member of the management board (2004 - 2005)  
 Alicela - member of the management board (2004 - 2005)  
 El Rancho, a.s. - member of the management board (2005)  
 Mediclinic, a.s. – chairman of the supervisory board (2007-2008)  
 Letiště Vodochody, a.s. - chairman of the supervisory board (2007-2008)  
 Clanton, a.s.- member of the management board (2004 - 2005)

*Current directorships:*

Zabka Polska S.A. - chairman of the supervisory board (from 2007)  
 Zabka, a.s. - chairman of the supervisory board (from 2010)  
 Okna Rąbień S.A. - chairman of the supervisory board (from 2009)  
 Noves okna, s.r.o. - chairman of the supervisory board (from 2009)  
 Oakfield, a.s. - member of the management board (from 2005)  
 Keladone, a.s. - chairman of the supervisory board (from 2010)

Václav Brož

*Former directorships:*

Helatia, a.s.- member of the management board (2005 – 2009)  
 Medireco, a.s. - member of the management board (2006 – 2008)  
 Helatia, a.s.- member of the management board (2005 - 2009)  
 Davonet Ltd - member of the management board (2007 - 2008)  
 Tes Vsetín, s.r.o. - executive director (2008 – 2009)  
 MobilKom, a.s. - member of the supervisory board (2006 - 2008)  
 Steelco, a.s. - member of the supervisory board (2005 - 2009)  
 Keladone, a.s. - member of the supervisory board (2009 - 2010)

*Current directorships:*

Tes Vsetín, a.s. - member of the management board (from 2008)  
 Vinipreg, a.s. - member of the management board (from 2009)  
 MobilKom, a.s. - member of the management board (from 2008)  
 Inovatel sp.z o.o. - member of the management board (from 2006)  
 Alicela - member of the management board (from 2005)  
 Riverhill - member of the supervisory board (from 2009)

Michal Horáček

*Current directorships:*

Knihovna Václava Havla – member of the supervisory board (from 2007)

Martin Kúšik

*Former directorships:*

Penta Investments, a.s. - member of the supervisory board (2007)  
 Elban, a.s. - chairman of the supervisory board (2002 - 2006)

*Current directorships:*

PFSE, a.s. - member of the management board (from 2003)  
 WFSE, a.s. - member of the management board (from 2002)  
 Penta Reality, a.s. - chairman of the supervisory board (from 2007)

The Management Board is supported by the following members of the management team (“Senior Management”):

<b>Name</b>	<b>Position</b>
Marek Biely	General manager Fortuna SK, Chairman of the management board in Fortuna SK
Aleš Dobeš	General manager Fortuna PL
Michal Hanak	Head of Bookmaking Department
Oldřich Hollmotz	Chief Information Officer
Ladislav Lála	Chief Operations Officer
Antonin Laš	Advisor to management of FortunaWin
Martin Todt	General manager Fortuna SazKan and Fortuna GAME, Head of Risk Department
Michal Vepřek	Chief Financial Officer

Members of the Senior Management are country managers and heads of Group’s crucial departments subordinated to the Issuer’s chairman of the Management Board. Moreover, they communicate with the following departments: betting services and products, sales, finance, marketing, projects, IT, legal, back office, human resources and PR & investor relations, Issuer’s chairman of the Management Board

Local managers report to both the country managers and product supervisor at head office.

The business address of Marek Biely is the Fortuna SK’s principal place of business at Einsteinova 23-25, Bratislava 851 01, Slovakia.

The business address of Aleš Dobeš is the Fortuna PL’s principal place of business at Bielska 47, 43-400 Cieszyn, Poland.

The business address of Antonin Laš is the FortunaWin’s principal place of business at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta’ Xbiex XBX1011, Malta.

The business address of Michal Hanak, Oldřich Hollmotz, Ladislav Lála, Martin Todt and Michal Vepřek is the Fortuna SazKan’s principal place of business at Praha 7, Jankovcova 1596/146, Post Code 170 00, the Czech Republic.

A brief description of qualifications and professional experience of the Senior Management is presented below.

#### *Marek Biely*

Marek Biely is a general manager and chairman of the management board of Fortuna SK. He started his career in Všeobecná úverová banka, a.s., as a business analyst (1993-1994) and risk manager (1997-2001). In the meantime (1994-1996), he cooperated with Poštová banka where he was responsible for internal audit and risk analysis. He was associated with the Selling Shareholder from 2001 to 2006 working as an investment analyst. Marek Biely has been with Fortuna SK since 2006.

Marek Biely gained a university degree in 1993 from the Economic University in Bratislava.

#### *Aleš Dobeš*

Aleš Dobeš is a general manager of Fortuna PL. In the years 2003-2006 he cooperated with Tchas, spol. s r. o., závod Ingstav Ostrava, firstly as an economist and then deputy commercial director specialising in tenders. Since 2006, he has been associated with Fortuna PL, and since February 2010 he has been a member of the supervisory board in Fortuna SK.

Aleš Dobeš is a graduate from Vysoká škola báňská – Technická univerzita Ostrava (2001) and he is currently preparing his doctorate at the same university.

#### *Michal Hanak*

Michal Hanak has been a head of Group bookmaking department since 2005. He started his work in Fortuna in 1996 as a trader. In years 1991 – 1998 Michal Hanak worked with different betting companies, such as Pari,

Tipsport and PSK (Croatia) and also on the basis of self-employment provide odds-compilation services to a few customers in Eastern Europe and Austria. In 2003, he held the post of head trader in Millenium (Poland).

In 1998, Michal Hanak graduated from the Electrotechnical Institute in Meziboří, the Czech Republic.

#### *Oldřich Hollmotz*

Oldřich Hollmotz has been Chief Information Officer since 2009. He started his career in Fortuna as IT specialist in 2000. In years 2005 – 2009 Oldřich Hollmotz worked as IT team leader. Before joining the Issuer's team, in years 1995 – 2000 Mr. Hollmotz had been gaining experience working as DTP and pre-press technical advisor at Macron System s. r. o.

#### *Ladislav Lála*

Ladislav Lála has been Chief Operations Officer since 2010. Mr. Ladislav Lála started his career in 1995 as security specialist at ČSOB, a.s. In years 1999-2004 he worked at GE Money Bank as infrastructure systems manager. In years 2004 -2006 Ladislav Lála gained experience at Postova banka, where he held position of Chief Information Officer. In years 2006 – 2008 he was associated with DELTAX Systems. Ladislav Lála also worked for KIT digital, Inc. as business development manager (2008 – 2010).

Ladislav Lála gained a MBA degree from the Open University in 2005.

#### *Antonin Laš*

Antonin Laš is an advisor to the management of FortunaWin. Before joining the Group, from 2000 to 2003 he worked as a project assistant in Agentura pro informace a marketing, s.r.o. Between 2003 and 2006 he worked with AIM.CZ as a project manager. Between 2008 and 2010 Antonin Laš was operational manager and a member of the management board in Fortuna HR.

Antonin Laš has a Masters Degree in Economics (2008), gained in 2008 in the Business School Ostrava.

#### *Martin Todt*

Martin Todt is a general manager of Fortuna SazKan and Fortuna GAME and head of risk department. He started to work with Fortuna SazKan in 1991, as a manager and then director of the betting department. Before joining Fortuna SazKan, he worked as a designer in the Czechoslovak Academy of Science (1982-1990)..

In 1982, Martin Todt graduated from the Czech Technical University in Prague, Faculty of Nuclear Sciences and Physical Engineering.

#### *Michal Vepřek*

Michal Vepřek has been a Chief Financial Officer of the Groupsince April 2010. In years 2005-2006 he was employed in Deloitte as a business analyst. Then, he joined the Selling Shareholder and worked as an investment analyst (2008-2010). Since April 2010, he has been a chief financial officer in Fortuna SazKan.

In 2008, Michal Vepřek graduated from University of Economics in Prague specialising in international trade and financial management. He has also participated in the CEMS International Management programme in the Norwegian School of Economics and Business Administration in Bergen (2006) and Financial Markets in the London School of Economics (2007).

The following table sets out past and current directorships held by the Senior Management in the past five years:

<b>Name</b>	<b>Positions held</b>
Marek Biely	<i>Former directorships:</i>  Fortuna SK – member of the management board (2006 - 2010)  Sideria zdravotná poisťovňa, a.s. – member of the management board (2005 – 2006)  <i>Current directorships:</i>  Fortuna SK – chairman of the management board (from 2010)  Fortuna REAL – member of the management board (from 2006)  Fortuna PL – chairman of the supervisory board (from 2010)

Aleš Dobeš	<p><i>Former directorships:</i></p> <p>Fortuna PL - chairman of the management board (2007 - 2010)</p> <p><i>Current directorships:</i></p> <p>Fortuna SK - member of the supervisory board (from 2010)</p>
Michal Hanak	<p><i>Former directorships:</i></p> <p>Fortuna HR - chairman of the management board (2008 - 2009)</p> <p><i>Current directorships:</i></p> <p>Fortuna SazKan - member of the management board (from 2010)</p> <p>Fortuna GAME - member of the management board (from 2010)</p> <p>Alicela - member of the management board (from 2010)</p>
Oldřich Hollmotz	<p><i>Current directorships:</i></p> <p>Alicela - member of the supervisory board (from 2010)</p> <p>Riverhill - member of the supervisory board (from 2010)</p> <p>Fortuna HR - member of the supervisory board (from 2010)</p> <p>Fortuna software– managing director (from 2010)</p>
Antonín Laš	<p><i>Former directorships:</i></p> <p>Fortuna HR - member of the management board (2009 - 2010)</p>
Ladislav Lála	<p><i>Former directorships:</i></p> <p>KIT digital a.s. - member of the management board (2009 - 2010)</p>
Martin Todt	<p><i>Former directorships:</i></p> <p>Fortuna SK - member of the supervisory board (2006 - 2010)</p> <p><i>Current directorships:</i></p> <p>Fortuna SazKan - member of the management board (from 2005)</p> <p>Fortuna sázky, a.s. - member of the management board (from 2009)</p> <p>Fortuna GAME - member of the management board (from 2009)</p> <p>Riverhill - chairman of the management board (from 2010)</p>
Michal Vepřek	<p><i>Former directorships:</i></p> <p>Fortuna SK - chairman of the management board (2009-2010)</p> <p>Fortuna SazKan - chairman of the management board (2009-2010)</p> <p>Fortuna GAME - chairman of the management board (2009-2010)</p> <p>Fortuna sázky, a.s. - chairman of the management board (2009-2010)</p> <p>Alicela – member of supervisory board (2009-2010)</p> <p>Riverhill – member of management board (2009-2010)</p> <p>FortunaWin Ltd. – member of the board of directors (2009 - 2010)</p> <p>FortunaWin Gaming Ltd. – member of the board of directors (2009 - 2010)</p> <p>Mediclinic, a.s. - member of the supervisory board (2009 - 2010)</p> <p><i>Current directorships:</i></p> <p>Alicela - member of the management board (from 2010)</p> <p>Riverhill - member of the supervisory board (from 2010)</p>

## Committees

As at the date of this Prospectus, the Supervisory Board has established from among its members the Audit Committee.

## *Audit Committee*

The Audit Committee will assist the Supervisory Board in supervising the activities of the Management Board with respect to:

- operation of internal risk management and control systems, including supervision of the enforcement of relevant legislation and regulations, and supervising the operation of codes of conduct;
- provision of financial information by the Issuer (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial accounts, forecasts, work of internal and external auditors, etc.);
- compliance with recommendations and observations of internal and external auditors;
- the role and functioning of the Issuer's audit department;
- the Issuer's tax planning policy;
- the Issuer's relations with the external auditor, including, in particular, its independence, remuneration and non-audit services for the Issuer;
- the financing of the Issuer; and
- the Issuer's ICT applications.

The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties are set out in regulations for the Audit Committee, as drawn up by the Supervisory Board. The Audit Committee regulations and its composition will be placed on the Issuer's website. The members of the Audit Committee are currently Michal Horáček and Jozef Janov. None of the current members of the Audit Committee are considered to be the financial expert, as referred to in the Dutch Corporate Governance Code and the Dutch Act on Supervision on Audit organisations. A new member of the Supervisory Board being such a financial expert will be proposed to the new shareholders for appointment after the Offering. The Audit Committee meets as often as one or more members of the Audit Committee deems necessary, but in any event will meet at least once a year with the Issuer's external accountant, without the Management Board being present.

## **Contracts and Remuneration**

### *Remuneration and terms of service agreements of members of the Management Board*

The remuneration of the members of the Management Board is determined by the Supervisory Board, in accordance with remuneration policy adopted by the General Meeting.

The remuneration of members of the Management Board is paid by the Issuer (with the exception to Jiří Bunda whose remuneration is paid by the Issuer and by the Fortuna SazKan).

Due to the fact that the current members of the Management Board are appointed in the financial year 2010, the Issuer did not pay any remuneration to them. Thus, the remuneration to the members of the Management Board was paid only by the Group Companies.

The total remuneration, paid to the members of the Management Board in the financial year ended 31 December 2009 by the Group was approximately EUR 21 thousand.

The members of the Management Board are not granted any pensions, retirement or similar benefits by the Issuer or the Group Companies.

All members of the Management Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of 4 years but may be terminated earlier in accordance with provisions included thereof and relevant regulations. The members of the Management Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board. During the term of their appointments they have also agreed to refrain from undertaking, holding or accepting any appointments, sidelines or additional posts at other listed companies which are competitors to the Issuer or the Group Companies without prior written consent of the Supervisory Board.

They have also undertaken not to disclose any confidential information received in connection with, or related to, the Issuer or Group Companies, their business and affairs.

#### *Remuneration and terms of service agreements of members of the Supervisory Board*

The remuneration of the members of the Supervisory Board is determined by the General Meeting, in accordance with remuneration policy.

Due to the fact that the current members of the Supervisory Board are appointed in the financial year 2010, the Issuer did not pay any remuneration to them.

The total remuneration, paid to the members of the Supervisory Board in the financial year ended 31 December 2009 by the Group was approximately EUR 2 thousand.

The members of the Supervisory Board are not granted any pensions, retirement or similar benefits by the Issuer or the Group Companies.

All members of the Supervisory Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of 4 years but may be terminated earlier in accordance with provisions included thereof and relevant regulations. The members of the Supervisory Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board and refrain from undertaking or holding any sidelines or additional posts at other listed companies without prior written consent of the Issuer. They have also undertaken not to disclose any confidential information received in connection with, or related to, the Issuer or Group Companies, their business and affairs.

#### *Remuneration of Senior Management*

The remuneration of Senior Management is paid by Group Companies. It is divided into the fixed and variable component (bonus). A specific business plan is determined for each region and/or for Fortuna Group (as a whole or any part thereof) before the respective financial year and includes revenues, gross profit and EBITDA or gross win. The variable part is a percentage of the total remuneration and is due when the business plan is fulfilled at least at 80% or 90%. Bonuses are paid in cash after confirmation of the annual results by the auditor.

The total remuneration, paid to the Senior Management in the financial year ended 31 December 2009 by the Group was EUR 850 thousand.

The members of Senior Management are not granted any pensions, retirement or similar benefits by the Issuer or the Group Companies.

#### *Indemnity agreements*

Aleš Dobeš entered into an Indemnification Agreement, dated 2 May 2007 with the Selling Shareholder, pursuant to which the Selling Shareholder, will be obliged to indemnify Aleš Dobeš for his actions or failure to act in connection with his work for the Fortuna PL on the conditions described in the Indemnification Agreement.

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

#### *Non-compete compensation and employment termination compensation*

After termination of the employment relationship with the Fortuna SazKan, Michal Hanak is obligated to maintain his non-competition duty for 12 months following termination of his employment relationship. He is entitled to a non-compete compensation in the amount equal to 100% of his monthly average salary for each month of the non-compete compliance.

Michal Hanak is entitled to an extraordinary bonus payable to him by Fortuna SazKan if Fortuna SazKan is sold to a third party during his employment or in the period of 3 months following termination of his employment (for reasons other than misconduct or breach of obligations by Michal Hanak or termination by Michal Hanak) with Fortuna SazKan, i.e. if: (i) a person outside Penta Group (group of companies controlled by the Selling Shareholder) becomes controlling person of Fortuna SazKan; or (ii) a person outside Penta Group acquires majority of Fortuna SazKan's property; or (iii) a person outside Penta Group becomes controlling person of a person owning majority of Fortuna SazKan's property.



Michal Hanak is entitled to a severance payment payable to him by Fortuna SazKan if his employment relationship with Fortuna SazKan terminates prior to 31 July 2013 for reasons other than misconduct or breach of obligations by Michal Hanak or termination by Michal Hanak. The severance payment is calculated as a multiple of monthly wage of Michal Hanak and number of full calendar months in the period between the date of termination of his employment relationship with Fortuna SazKan and 31 July 2013.

After termination of the employment relationship with the Fortuna SazKan, Martin Todt is obligated to maintain non-competition duty for 12 months following termination of his employment relationship. He is entitled to a non-compete compensation in the amount equal to 100% of his monthly average salary for each month of the non-compete compliance.

Martin Todt is entitled to an extraordinary bonus payable to him by Fortuna SazKan if Fortuna SazKan is sold to a third party during his employment or in the period of 3 months following termination of his employment (for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) termination by Martin Todt) with Fortuna SazKan, i.e. if: (i) a person outside Penta Group becomes controlling person of Fortuna SazKan; or (ii) a person outside Penta Group acquires majority of Fortuna SazKan's property; or (iii) a person outside Penta Group becomes controlling person of a person owning majority of Fortuna SazKan's property.

Martin Todt is entitled to a severance payment payable to him by Fortuna SazKan if his employment relationship with Fortuna SazKan terminates prior to 31 July 2013 for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) termination by Martin Todt. The severance payment is calculated as a multiple of monthly wage of Martin Todt and number of full calendar months in the period between the date of termination of his employment relationship with Fortuna SazKan and 31 July 2013.

Jiří Bunda is entitled to extraordinary bonus payable to him by Fortuna SazKan if Fortuna SazKan is sold to a third party during his employment or in the period of 3 months following termination of his employment (for reasons other than: a) misconduct or breach of obligations by Jiří Bunda or b) termination by Jiří Bunda) with Fortuna SazKan, i.e. if: (i) a person outside Penta Group becomes controlling person of Fortuna SazKan; or (ii) a person outside Penta Group acquires majority of Fortuna SazKan's property; or (iii) a person outside Penta Group becomes controlling person of a person owning majority of Fortuna SazKan's property. After termination of the employment agreement with Fortuna PL Aleš Dobeš is obligated to maintain his non-competition duty for 12 months following termination of his employment relationship. He is entitled to a non-compete compensation in the amount equal to 25% of his annual remuneration received from the Issuer.

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

### **Shareholdings and stock options**

Amongst the members of the Management Board, the Supervisory Board and the Senior Management only Martin Kúšik indirectly, through the Selling Shareholder and Penta Holding Limited holds Shares of the Issuer. His shareholding in Penta Holding Limited includes 26393 shares held directly and representing 26.39% of its share capital and 30 shares shares held indirectly and representing 0.03% of its share capital.

The transfer of Mr. Kúšik shares in Penta Holding Limited is restricted by the memorandum and articles of association of Penta Holding Limited. Such restrictions include, inter alia, a requirement for consent of all current shareholders for any transfer, transmission, assignment, sale or other disposition, of his shares in the company, of interest in such shares, entering into agreement in respect of the votes attached to his shares, or provision for pre-emptive rights of the current shareholders. Shall Mr. Kúšik decide to dispose with his shares, the other shareholders have pre-emptive rights to purchase his shares. If the pre-emptive right is not exercised, Mr. Kúšik is entitled to sell the shares to a third person. Mr. Kúšik may also request the court to cancel his participation in the company, provided it is not fair to require him to remain in the company.

Apart from Mr. Kúšik, no other member of the Management Board, the Supervisory Board and the Senior Management owns any shares or stock options in the Issuer.

### **Other information on the Management**

In the event of a conflict of interest between the Issuer and a member of the Management Board, the Issuer will be represented by such member of the Management Board as the Supervisory Board shall designate for this purpose. Pursuant to Dutch law and the Articles of Association, the General Meeting will at all times be authorised to designate one or more other persons for this purpose.

The Management Board must at least once a year submit to the Supervisory Board for approval the strategy designed to achieve the Issuer's operational and financial objectives and, if necessary, the parameters to be applied in relation to that strategy.

Václav Brož, Martin Kúšik and Jozef Janov are associated with the Selling Shareholder. Therefore, due to the fact that interests of the Group are not always in line with the interests of the Selling Shareholder, the conflict of interest may occur from time to time.

Other members of the Management Board, the Supervisory Board and Senior Management have no conflicts of interests with respect to their duties to the Issuer and their private interests and or other duties.

There are no family relationships among the members of the Management Board, the Supervisory Board and Senior Management.

Aleš Dobeš, as a member of the management board in Fortuna PL was accused of breaching Polish Fiscal Criminal Code. According to the fiscal office, Fortuna PL has violated the limitations on advertising betting activity by broadcasting on Polish television channels a TV-spot regarding the rebranding of the company's previous name ("Profesjonal") into the current one: "Fortuna Zakłady Bukmacherskie". However, the Polish court formally closed the proceedings against Aleš Dobeš on 4 June 2009 due to the fact that this activity was not deemed a crime.

When Václav Brož was a member of the management board in Helatia, a.s. this company was the subject of a voluntary liquidation. Helia a.s. ceased to exist in 2009.

When Václav Brož was a member of the supervisory board in Steelco, a.s. this company was subject of a voluntary liquidation. Steelco a.s. ceased to exist in 2009.

When Václav Brož was a member of the management board in Davonet Ltd the voluntary liquidation proceedings that were started with respect to this company and are still pending.

Václav Brož holds the position of a member of the Supervisory Board pursuant to his employment agreement with the Selling Shareholder, concluded in 2004.

Jozef Janov holds the position of chairman of the Supervisory Board pursuant to the employment agreement with the Selling Shareholder, concluded in 2003.

Martin Kúšik holds the position of member of the Supervisory Board pursuant to his employment agreement with the Selling Shareholder, concluded in 2005.

Except as stated above, there are no arrangements or understandings with the Selling Shareholder of the Issuer, customers, suppliers or others pursuant to which any member of the Management Board, Supervisory Board or Senior Management was selected as a member of member of the Management Board, Supervisory Board or Senior Management.

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

### **Corporate governance**

Although the Issuer will be listed on the WSE and the PSE, it will be still required to apply the Dutch Corporate Governance Code since the Code applies to all Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere. However, the application of the Dutch Corporate Governance Code is not compulsory and is subject to "comply or explain" principle.

Such Dutch companies are required under the laws of the Netherlands to disclose in their annual reports whether or not they apply those provisions of the Dutch Corporate Governance Code that are addressed to the managing board or, if any, supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The Code recognises that non-application of its Best Practice Provisions is not in itself objectionable and indeed may be justified under certain circumstances.

Both regulated markets on which the Shares will be listed have their own corporate governance codes. In the Czech Republic it is a codex of corporate governance based on the Organisation for Economic Co-operation and Development ("PSE Corporate Governance Code") principles. In Poland, it is Code of Best Practices for WSE Listed Companies ("WSE Corporate Governance Code"). With respect to both codes the "comply or explain" principle is applied. In the Czech Republic, the PSE Corporate Governance Code recommends to include a statement on application of the PSE Corporate Governance Code principles into Issuer's annual reports. In Poland, the Issuer will be obliged to provide notification in a current report on each non-compliance together with justification of such non-compliance and should include summary information on non-compliance with the WSE Corporate Governance Code in the annual report.

The Issuer acknowledges the importance of good corporate governance and intends to apply with Czech, Polish and Dutch corporate governance codes as wide as it is practicable. Notwithstanding, the Issuer will not comply with the following rules:

a) Dutch Corporate Governance Code:

Best Practice Provision III.2.1 according to which all supervisory board members, with the exception of not more than one person, shall be independent. Currently, there is only one independent member in the Supervisory Board. However, the Issuer does not exclude that after the Offering the number of independent members will increase upon new shareholders decision. It is rather unlikely that this rule will be complied with as long as the Selling Shareholder will be entitled to majority of votes.

Best Practice Provision II.2.8 states that severance payments may not exceed the annual salary. Employment contracts of the members of the Management Board, which were entered into before the Code was developed, provide severance payments that exceed the annual salary. The employment contracts are considered to be in line with standard company policy and the Supervisory Board intends to honour this contractual commitment and is of the view that a deviation from the Code is justified.

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

Principle III.5 according to which if the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. - The Issuer decided to establish only an audit committee. Since the remuneration and appointment of current directors and key executives are typical for the private-own companies, establishment of two additional committees would be pointless. After the Offering new shareholders may decide to establish additional committees.

Best Practice Provision III.5.1 according to which a maximum of one member of each committee may not be independent. - The current composition of the audit committee is not in compliance with this rule, since there is only one independent member in the Supervisory Board being a member of the Audit Committee. However, the composition of the committee will change after the Offering and an independent member to be appointed by new shareholders will be asked to become the chairman of the Audit Committee.

Best Practice Provision III.5.7 according to which at least one member of the Audit Committee shall be a financial expert within the meaning of best practice provision III.3.2. Currently none of the members of the Audit Committee is considered the financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on Supervision on Audit organisations. A member of the Audit Committee being a financial expert will be proposed to the new shareholders for appointment after the Offering.

b) PSE Corporate Governance Code:

Chapter IV comment 15 according to which at least the majority of members of the audit committee should be independent. The current composition of the audit committee is not in compliance with this rule, since there is only one independent member in the Supervisory Board being a member of the audit committee. However, the composition of the audit committee may change after the Offering and an independent member appointed by new shareholders will be asked to become the chairman of the committee.

Chapter VI comment 18 according to which the Issuer should establish three separate committees responsible for the independent audit, the remuneration and nomination of directors and key executives and majority of members of these committees should be independent persons. The Issuer decided to establish only the audit committee.

Since the remuneration and nomination of current directors and key executives are typical for privately-owned companies, the establishment of two additional committees would be pointless. After the Offering, new shareholders may decide to establish additional committees.

Annex 3 according to which the supervisory board should contain a proportion of suitable independent members with a minimum of three or twenty five percent of the total for larger companies and two or one-quarter of the total for smaller companies. Currently, there is only one independent member in the Supervisory Board. However, the Issuer does not exclude that after the Offering the number of independent members will increase upon new shareholders decision.

c) WSE Corporate Governance Code:

Rule I.9, according to which there should be ensured a balanced proportion of women and men in management and supervisory functions in company. Currently, there is only one woman in governing bodies of the Issuer, Jana Galacova, member of the Management Board. However, the Selling Shareholder entirely supports this rule and does not exclude the possibility that such recommendation will be implemented in the future.

## SHAREHOLDERS

### Selling Shareholder

As at the date of this Prospectus, 100% of the outstanding share capital of the Issuer is held by Penta Investments Limited. Penta is a Cypriot entity, with its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2<sup>nd</sup> floor, 3803 Limassol, Cyprus, that belongs to a Central and Eastern European investment group, specialising in private equity and real estate. The Selling Shareholder also owns other companies that together with the Issuer constitutes its investment portfolio. Most of the Group Companies were directly controlled by the Selling Shareholder until the restructuring that took place in 2009/2010 and led to the establishment of the Group.

### Change of control

As at the date of this Prospectus, so far as the Issuer is aware, there is no arrangement that might result in the change of control over the Issuer. However, since the Selling Shareholder is an investment vehicle it cannot be ruled out that the Selling Shareholder may sell the rest of its shares in the Issuer in the future.

### Dilution

The tables below indicate the Issuer's shareholding structure as at the date of this Prospectus and after the Offering:

Shareholder	Shares owned prior to the Offering			Shares owned after the Offering <sup>(1)</sup>			Shares owned after the Offering <sup>(2)</sup>	
	Number of shares	%		Number of shares	%		Number of shares	%
Penta.....	50,000,000	100.00		36,170,000	69.56		33,800,000	65.00
Public .....	--	--		15,830,000	30.44		18,200,000	35.00
<b>Total .....</b>	<b>50,000,000</b>	<b>100.00</b>		<b>52,000,000</b>	<b>100.00</b>		<b>52,000,000</b>	<b>100.00</b>

(1) Assuming complete subscription for and sale of the Offer Shares in the Offering;

(2) Assuming complete subscription for and sale of the Offer Shares in the Offering and full exercise of the Over-allotment Option.

The voting rights of the Selling Shareholder with respect to its Shares do not differ in any respect from the rights attaching to any other Shares. The Selling Shareholder will not have other voting rights from other shareholders, other than the greater or lesser voting power inherent in their percentage ownership in the Issuer's share capital.

### Dividend policy

Payment of (future) dividends may be made only if its net assets exceed the sum of the amount of the paid and called up part of the capital and any reserves required to be maintained by law or by the Articles of Association of the Issuer. The Issuer is entitled to make interim as well as annual dividend payments.

With regard to interim distributions, the requirement to have sufficient freely distributable reserves is evidenced by an interim statement of assets and liabilities relating to the condition of such assets and liabilities on a date no earlier than the 1st day of the 3rd month preceding the month in which the resolution to distribute is published. It shall be prepared on the basis of generally acceptable valuation methods. This statement should be signed by the directors and, if one or more of their signatures is missing, this should be stated, giving the reason. The Issuer shall deposit the statement of assets and liabilities at the trade register within eight days after the day on which the resolution to distribute is published.

Furthermore, payment of any future dividends will effectively depend on the discretion of the shareholders at General Meeting. The Management Board of the Issuer intends to recommend to the General Meeting a dividend declaration of between 70% and 100% of the Group's consolidated net profit for the relevant year, after taking into account any circumstances that may have a negative impact on the Issuer's freely distributable reserves, including the Group'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 Group.

Under the First, Second and Third Facility Agreements, as described in *Business Overview – Material contracts*, the Czech and Slovak operating companies (namely Fortuna SazKan, Fortuna Game, Fortuna SK) undertook to procure that the profit or any similar resources will be used as to satisfy the following obligations and need: (i) repayment of the principal of and the interest from the loan, (ii) mandatory payments arising from relevant legal regulations, (iii) capital and investment expenses, and (iv) payment of dividends. Such provisions may limit the ability of Czech and Slovak operating companies to distribute profits to the Issuer.

The Issuer's ability to distribute dividends depends on the level of its freely distributable reserves, which depends among others on flow of dividends to the Issuer from its direct and indirect subsidiaries. The Group has already taken steps to shorten the time of the dividend flow from subsidiaries to the Issuer. This result will be achieved through changing the financial year in Alicela.

With respect to profits from Fortuna SK, FortunaWin Ltd., Czech operating companies and one third of Fortuna PL's profit, the Issuer will be able to distribute these profits as an interim dividend in the year the dividends are decided on the Slovak, the Czech and the Polish and on FortunaWin Ltd. level or as an annual dividend in the following year. The interim dividends based on the profit from Czech operating companies may be distributed in the last quarter of the year while the interim dividends based on the profits from Fortuna SK, FortunaWin Ltd. and one third of the profit from Fortuna PL may be distributed earlier that year. With respect to two thirds of profit from Fortuna PL and profit from FortunaWin Gaming Ltd., the Issuer will be able to distribute it as an interim dividend in the year following the year in which the dividends are decided on the Polish and FortunaWin Gaming Ltd. level or as an annual dividend a year later. The interim dividends based on two thirds of the profit from Fortuna PL may be distributed in the last quarter of the year while the interim dividends based on the profit from FortunaWin Gaming Ltd. may be distributed earlier that year.

### **Lock-up agreements**

Except for the issue of the New Shares in the Offering and the issue of securities linked to the Issuer's share capital under any share / management incentive plan to be implemented by the Issuer, the Issuer has agreed that for the period of twelve months from the Settlement Date, the Issuer will not, without the prior written consent of the Managers, which consent shall not be unreasonably withheld, propose or otherwise support an offering of any of the Issuer's Shares, announce any intention to offer new Shares and/or to issue any securities convertible into Issuer's Shares or securities that in any other manner represent the right to acquire the Issuer's Shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Issuer's Shares.

Furthermore, the Selling Shareholder has agreed that, save for the sale of the Sale Shares and the Over-allotment Shares in the Offering, for a period of twelve months from the Settlement Date shall not: (i) sell or announce an intention to sell any of the Issuer's Shares (except for the Sale Shares and the Over-allotment Shares in the Offering), (ii) issue any securities exchangeable into the Issuer's Shares, (iii) issue any securities that in any other manner represent the right to acquire the Issuer's Shares, and also (iv) conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling Issuer's Shares, except the issue of securities linked to the Issuer's share capital under any share / management incentive plan to be implemented by the Issuer, without the prior consent of the Managers, which consent shall not be unreasonably withheld. In addition, the Selling Shareholder has undertaken not to propose, vote in favour of or otherwise support: (i) any increase of the Issuer's share capital, (ii) any issuance of securities convertible into the Issuer's Shares or (iii) any issuance of any other securities that in any other manner represent the right to acquire the Issuer's Shares, and also (iv) to conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of causing the Issuer to issue such instruments except the issue of securities linked to the Issuer's share capital under any share / management incentive plan to be implemented by the Issuer.

## **USE OF PROCEEDS**

### **Proceeds and expenses of the offer**

In the Offering the Sale Shares and the New Shares will be offered for subscription. The Issuer will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholder, all proceeds shall accrue to the Selling Shareholder. The proceeds from the subscription of the New Shares shall be attributable to the Issuer. The Issuer expects the gross proceeds from the issue of the New Shares in the Offering of approximately EUR 10.0 million and, less issue costs and commissions, net proceeds of approximately EUR 8.4 million, assuming that the Offer Price will be at the Maximum Price level and all Offer Shares are subscribed.

The Issuer and the Selling Shareholder estimate that the expenses from the Offering and costs related to introduction of the Shares to trading on the PSE and the WSE will amount to approximately EUR 1.6 million and the total net proceeds from the Offering will amount to approximately EUR 8.4 million.

### **Reasons for the offer and use of proceeds**

The Issuer and the Selling Shareholder decided to conduct the Offering in order to provide liquidity for the Shares and to raise additional funds for planned investments.

The net proceeds from the sale of the New Shares will be used for the purpose of launching the Czech lottery business. In July 2010 Fortuna SazKan obtained a license to offer lottery products in the Czech Republic. Management expects to start offering lottery products in 2011. The proceeds from the Offering will be spent in the majority on development of the lottery project and on marketing of new lottery products in the years 2010-11. Management estimates that the total costs of the project will amount to approximately EUR 13 million. The capital expenditure related to the project is estimated at only EUR 2mn and the rest will be incurred by the technology partner, Intralot.

The part of costs exceeding the proceeds from the Offering will be covered with cash from operating activities or with external financing.

Any proceeds from the Offering that could remain as a result of lower costs of the lottery business will be used to increase the cash resources of the Issuer.

## OFFERING

### General Information

The Issuer is offering for subscription up to 2,000,000 New Shares which are newly issued shares. In addition, the Selling Shareholder is offering for sale up to 13,830,000 Sale Shares, and up to 2,370,000 additional Over-allotment Shares in connection with the Over-allotment Option. The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions. In total, up to 15,830,000 Offer Shares (excluding the Over-allotment Shares) are being offered in the Offering.

The terms “subscription” and “purchase” or “subscription order” and “purchase order” or similar expressions are used interchangeably in this part of Prospectus and refer to subscription with respect to the New Shares and purchase with respect to the Sale Shares.

The Offering consists of a public offering in the Czech Republic, Poland, Slovakia and an international private placement to institutional investors in certain jurisdictions outside the Czech Republic, Poland and Slovakia. No public offering in the Netherlands will take place, although for the purpose of the public offering in the Czech Republic, Poland and Slovakia the Issuer, has taken and will take certain actions in the Netherlands as its home Member State.

### Corporate resolutions

On 24 September 2010 the Management Board resolved and approved to grant rights to subscribe to the New Shares with an exclusion of pre-emptive rights. The Management Board further approved the required application to the AFM for approval of the Prospectus and its further notification to the CNB, the PFSA and the NBS for the purposes of conducting the public offering in the Czech Republic, Poland and Slovakia, the entering by the Issuer, the Selling Shareholder, the Managers and the Underwriter into the Underwriting Agreement in respect of the Offering; the registration of the Shares, including the Offer Shares, with Clearstream, the CDCP and the NDS and the listing of all of the Shares issued in its share capital, including the Offer Shares, on the PSE and the WSE; and the making of all other filings necessary or desirable in connection with the Offering.

On 27 September 2010 the Management Board's resolutions mentioned above were approved by the Supervisory Board that, thereby, approved and gave its consent to the Offering and all the actions to be taken in connection therewith.

On 27 September 2010 the Management Board's resolutions mentioned above were approved by the General Meeting that, thereby, approved and gave its consent to the Offering and all the actions to be taken in connection therewith.

The Issuer and the Selling Shareholders, upon agreement with the Sole Global Coordinator and Sole Bookrunner, will determine the final terms on which the Offer Shares will be offered, including: (i) the final number of Offer Shares offered, including the final number of the New Shares and, (ii) the final Offer Price. Upon the decision hereon, the Management Board will issue the New Shares. For information on applicable selling restrictions in respect of the Offer Shares, please refer to “*Selling Restrictions*” and for information regarding the rights pertaining to the Shares, please refer to “*The Issuer — Rights Attached to Shares*”.

### Expected timetable of the Offering

The expected timetable below lists key dates relating to the Offering. Should the Issuer decide to adjust the dates set out in the timetable, the Issuer will notify the AFM, the CNB, the PFSA and the NBS and publish such fact in a manner compliant with applicable regulations, as well as market practices in the Netherlands, the Czech Republic, Poland and Slovakia.

Publication of Prospectus .....	not later than 11 October 2010
Institutional Book-building .....	11 October 2010 – 21 October 2010
Publication of the Maximum Price.....	not later than 11 October 2010
Subscriptions by Czech, Polish and Slovak Retail Investors.....	11 October 2010 – 21 October 2010***
Pricing and Allotment Date.....	21 October 2010
Start of conditional trading on the PSE .....	22 October 2010
Settlement Date and Payment Date* .....	26 October 2010



CDCP Delivery Date** .....	on or around 27 October 2010
NDS Delivery Date** .....	on or around 27 October 2010
PSE Listing Date (listing of, and start of unconditional trading in the Shares on the PSE) ...	on or around 27 October 2010
WSE Listing Date (listing of, and start of unconditional trading in the Shares on the WSE) .....	on or around 28 October 2010

(\*) *Last day for payment by Polish Institutional Investors for the Offer Shares and issuance by the Issuer of the New Shares, as well as the sale of the Sale Shares by the Selling Shareholder.*

(\*\*) *Exact delivery date will depend on timing of a share transfer from Clearstream to the CDCP and NDS systems. Investors who will elect to hold the Offer Shares through direct participants of Clearstream are expected to receive their shares on or about 27 October 2010.*

(\*\*\*) *The subscription period for Czech Retail Investors and Slovak Retail Investors will end at 3 p.m. Central European Summer Time on the last day of the subscription period.*

### *Eligible Investors*

The Offer Shares may be acquired by retail investors to whom the Offering within the territory of the Czech Republic, Poland and Slovakia is addressed, which are referred to as “Czech Retail Investors”, “Polish Retail Investors” and “Slovak Retail Investors” respectively (and together, the “Retail Investors”), and by selected institutional investors to whom the Offering within the territory of the Czech Republic, Poland and Slovakia is addressed which are referred to as “Czech Institutional Investors”, “Polish Institutional Investors” and “Slovak Institutional Investors”, respectively.

In addition, the Issuer and the Selling Shareholder is offering the Offer Shares in a private placement to selected investors in certain jurisdictions outside the Czech Republic, Poland and Slovakia, where such an offering may be lawfully conducted. Such investors, together with Czech, Polish and/or Slovak Institutional Investors are referred to as “Institutional Investors”.

The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

No separate tranches have been created in the Offering for the various categories of investors (such as Institutional Investors or Polish, Czech and Slovak Retail Investors). Consequently, the Issuer reserves the right to allocate the Offer Shares between such groups of investors and within such groups to investors at its absolute discretion, following agreement with the Selling Shareholder and the Sole Global Coordinator and Sole Bookrunner. Should that happen, all of the Offer Shares may be subscribed solely by Institutional Investors or by Retail Investors, or by the mixture thereof, as the case may be.

All investors that intend to acquire any of the Offer Shares should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to subscribe for the Offer Shares.

### *Currency of the Offering*

All monetary amounts used in the Offering will be expressed in EUR. In particular, the Maximum Price and the Offer Price will be set and the book-building process will be carried out in EUR. For information on the currency of Offer Price payments please refer to - “*Subscription and Allocation*” below.

### *Issuance of New Shares*

The New Shares will be issued on the Settlement and Payment Date, i.e. on 26 October 2010.

### *Purchase by the members of the Management Board, the Supervisory Board and the Senior Management*

According to the statements made, Jiří Bunda, Wilfred Thomas Walsh, Jozef Janov, Václav Brož, Martin Kúšik, Marek Biely, Michal Hanak, Oldřich Holmotz, Ladislav Lála, Martin Todt and Michal Vepřek, as members of the Management Board, Supervisory Board and Senior Management intend to submit orders for the Offer Shares sold within the scope of the Offering. None of the above referenced persons intends to purchase more than 5% of the Offer Shares covered by the Offering. The remaining members of the Management Board, members of the Supervisory Board and the Senior Management do not intend to purchase the Offer Shares covered by the Offering.

The Issuer's Selling Shareholder does not intend to submit orders for the Offer Shares covered by the Offering.

### **Pricing and Final Number of the Offer Shares**

The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions as specified below.

#### *Maximum Price*

The Maximum Price per Offer Share will be determined by the Issuer and the Selling Shareholder, upon agreement with the Sole Global Coordinator and Sole Bookrunner, not later than on 11 October 2010, based on (i) the current and anticipated situation on the Czech, Polish, Slovak and international capital markets, and (ii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.

The Issuer will announce the Maximum Price, not later than on 11 October 2010 through a press release in the Czech Republic, Poland and Slovakia and in a manner compliant with applicable regulations as well as market practice in the Netherlands, the Czech Republic, Poland and Slovakia.

The Maximum Price per Offer Share will be set in connection with placing orders by Retail Investors. The Maximum Price will not necessarily reflect the Offer Price in the Offering.

#### *Determination of the Offer Price*

During a book-building process amongst Institutional Investors invited or accepted by the Managers, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, which they will be willing to pay. The book-building, is expected to cease on or about 21 October 2010, but the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Managers. The Retail Investors will not participate in the book-building.

The final Offer Price will be determined jointly by the Issuer and the Selling Shareholder upon agreements with the Sole Global Coordinator and Sole Bookrunner, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the bookbuilding process, (ii) the current and anticipated situation on the Czech, Polish, Slovak and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities contained in this Prospectus.

Investors are advised that based on the above factors the Offer Price for Institutional Investors may be set at a level higher than the Maximum Price. In such a case, the Offer Price for Retail Investors would be different from the Offer Price for the Institutional Investors, provided that the Offer Price for Retail Investors shall in no event be higher than the Maximum Price. In the event that the Offer Price for the Institutional Investors is set at a level not higher than the Maximum Price, the Offer Price for the Retail Investors shall be the same as the Offer Price for the Institutional Investors.

The Issuer will announce the Offer Price, on the Pricing and Allotment Date, through a press release in the Czech Republic, Poland and Slovakia and in a manner compliant with applicable regulations as well as market practice in the Netherlands, the Czech Republic, Poland and Slovakia; more specifically the Offer Price will be filed with the AFM, the CNB, the PFSA and the NBS and published in the same manner as the Prospectus on or around 22 October 2010, in particular on the website of the Issuer at [www.fortunagroup.eu](http://www.fortunagroup.eu), the WSE at [www.gpw.pl](http://www.gpw.pl) and the respective financial intermediaries in the Czech Republic and Slovakia at [www.csas.cz](http://www.csas.cz) and [www.slsk.sk](http://www.slsk.sk).

The final Offer Price will be the same for the New Shares, for the Sale Shares and for the Over-allotment Shares and will be set in EUR.

#### *Final number of the Offer Shares*

The final number of the Offer Shares in the Offering will not be higher than 15,830,000 Offer Shares, which amount may be increased by additional up to 2,370,000 Over-allotment Shares. When determining the final number of the Offer Shares, the New Shares will have a priority in placement. The Issuer and the Selling Shareholder reserve the right to allocate in total a smaller number of the Offer Shares than the total maximum number. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Issuer or the Selling Shareholder.

The Issuer will announce the final number of the Offer Shares through a press release in the Czech Republic, Poland and Slovakia and in accordance with applicable regulations as well as market practice in the Netherlands,

the Czech Republic, Poland and Slovakia; more specifically the final number of the Offer Shares offered in the Offering will be filed with the AFM, the CNB, the PFSA and the NBS and published in the same manner as the Prospectus on or around 22 October 2010, in particular, on the website of the Issuer at [www.fortunagroup.eu](http://www.fortunagroup.eu), the WSE at [www.gpw.pl](http://www.gpw.pl), and the respective financial intermediaries in the Czech Republic and Slovakia at [www.csas.cz](http://www.csas.cz) and [www.slsp.sk](http://www.slsp.sk).

### **Subscription and Allocation**

Multiple subscriptions (also at various price levels) may be only accepted by the Czech Retail Manager. In such a case, the orders will be treated separately as if placed by different subscribers. Until the Pricing and Allotment Date, orders may be withdrawn or modified, especially investors may withdraw their subscriptions in the Offering as may be required under article 8 and article 16 of the Prospectus Directive, as implemented in each relevant Member States' jurisdictions of the EU applicable to the Offering.

By placing subscription orders, each prospective investor will be deemed to have read the Prospectus, accepted the terms of the Offering, consented to being allotted a lower number of the Offer Shares than the number specified in such investor's orders, or to not being awarded any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Each eligible investor has a right to place a subscription order for not less than one and not more than the total number of the Offer Shares, including the Over-allotment Shares. Subscriptions placed for more than the total number of the Offer Shares including Over-allotment Shares will be deemed to have been placed for the total number of the Offer Shares including Over-allotment Shares.

The Sole Global Coordinator and Sole Bookrunner in agreement with the Issuer and the Selling Shareholder retain full discretion in allocating the Offer Shares in the Offering.

Investors should be aware that they may receive various numbers of the New Shares and the Sale Shares as a proportion of their total allocation of the Offer Shares. Consequently, investors may be allocated only New Shares, only Sale Shares, a combination of both or no Offer Shares at all. However, all Offer Shares have equal rights (which are the same for all of the Shares) and will be forwarded to investors at the same time. The Issuer and the Selling Shareholder will attempt to allocate first the New Shares, and the Sale Shares will be allocated only after all New Shares have been allocated.

Neither the Issuer nor the Selling Shareholder will give preferential treatment or discriminate against and between Retail Investors. Should there be an excess demand indicated by the Retail Investors compared with the final number of the Offer Shares allotted to them, the Issuer will reduce their allocations pro-rata.

Institutional Investors will be notified of their allocations by the Managers. Retail Investors will receive relevant notifications in accordance with the regulations of their brokerage accounts.

The Czech Retail Manager will determine whether an investor is a Czech Retail Investor in accordance with applicable regulations and market practice.

The Polish Retail Manager will determine whether an investor is a Polish Retail Investor in accordance with applicable regulations and market practice.

The Slovak Retail Manager will determine whether an investor is a Slovak Retail Investor in accordance with applicable regulations and market practice.

### ***Subscription and Payment of the Offer Price by Institutional Investors***

Institutional Investors invited or accepted by the Managers may take part in the book-building process which will cease on or about 21 October 2010. However, the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Managers. Moreover, Institutional Investors who would like to take part in the book-building process and subscribe for Offer Shares in the Offering should contact the Sole Global Coordinator and Sole Bookrunner or Joint Lead Manager, Czech Retail Manager, Slovak Retail Manager, Polish Retail Manager, Selling Agent or Polish Selling Agents for further details regarding subscription process.

With regard to Institutional Investors, the Issuer and the Selling Shareholder will allocate the offered shares to those institutional investors who: (i) will be invited by the Managers to participate in the book-building or take part in the book-building after relevant application, (ii) will subscribe for the Offer Shares for a price not lower than the Offer Price, and (iii) will be included in the allotment list. The allocation to Institutional Investors will be made by

the Issuer, the Selling Shareholder, the Sole Global Coordinator and Sole Bookrunner as well as the Polish Retail Manager.

Institutional Investors, which will be included on the allotment list, will be required to pay amounts, corresponding to the product of the number of the Offer Shares that was allocated to them and the Offer Price, not later than on the Payment Date and in a manner and currency agreed with the Managers.

Institutional Investors, in particular, entities managing securities portfolios on behalf of their clients should liaise with the Managers in order to discuss actions required to place subscription orders and to pay for allocated Offer Shares.

#### *Subscription and Payment of the Offer Price by Czech Retail Investors*

Purchase orders from the Czech Retail Investors can be submitted through the Czech Retail Manager and the Selling Agent, both intermediating the Offering conducted to the Czech Retail Investors.

Czech Retail Investors who would like to purchase the Offer Shares in the Czech Republic are required to follow the instructions provided by the Czech Retail Manager.

There is no minimum or maximum number of Offer Shares that can be subscribed for by the Czech Retail Investors.

It will be at the discretion of the Czech Retail Manager whether and how to administer the Offering to the Czech Retail Investors.

Czech Retail Investors will be required to pay a deposit equal at least to the product of the highest price accepted by such retail investor and the number of Offer Shares it is willing to purchase. If the Czech Retail Investor does not specify in the purchase order any price then the Czech Retail Manager or the Selling Agent will consider such an order placed at the Maximum Price. The deposit should be paid in immediately available funds into an account of the respective Czech Retail Investor held with the Czech Retail Manager or the Selling Agent. Until the end of the subscription period for the Czech Retail Investors, the relevant Czech Retail Investor must not dispose of the cash balance in such account.

If the Offer Price does not exceed the Maximum Price but is higher than the highest price accepted by the respective Czech Retail Investor, no Offer Shares will be delivered to such an investor. Any excess in cash balance at the internal account of the respective Czech Retail Investor with the Czech Retail Manager or the Selling Agent after the Settlement Date will be disposed of in accordance with the instructions of such investor.

Purchase orders from the Czech Retail Investors may be submitted in EUR only. For purposes of payment of the Offer Price in CZK, the Offer Price in EUR shall be recalculated into CZK at the official exchange rate of CNB published on its web page at 15:00 CEST on the day of the end of the book-building period. Subscribers' accounts will be debited or credited with the difference resulting from the eventual difference of the exchange rate applied to the deposits and to the payments for allotments. The Selling Agent allows payment of the Offer Price only in EUR.

In case of an oversubscription by the Czech Retail Investors compared with the final number of the Offer Shares allotted to them, allocations to orders placed with the Czech Retail Manager or the Selling Agent will be reduced pro rata, regardless of the price per Offer Share proposed by each of them, as long as such price is not lower than the Offer Price. All fractional allocations will be rounded down.

The Czech Retail Investors who have not been allotted any Offer Shares or whose orders have been reduced shall receive reimbursements in accordance with instructions provided by them, without any interest or any other compensation.

The manner in which Czech Retail Investors will hold Offer Shares purchased by them (for instance, whether for the applicant's own account opened with CDCP or through a custodial account), and the manner of funding the purchase of such Offer Shares shall be agreed between the applicant and its local custodian. No assurance can be given that the Offer Shares will be properly delivered unless the applicant and its local custodian comply with all of the above procedures and all relevant instructions of the Czech Retail Manager or its agents.

Czech Retail Investors placing their orders through the Selling Agent must make their own arrangements and follow instructions and procedures of the Selling Agent.

### *Subscription and Payment of the Offer Price by Polish Retail Investors*

Subscription orders from Polish Retail Investors shall be accepted at the Customer Service Points of the Polish Selling Agents listed on the Company's website at [www.fortunagroup.eu](http://www.fortunagroup.eu) or at any other place that may be publicly communicated by the Sole Global Coordinator and Sole Bookrunner prior to the end of the subscription period for Retail Investors. For information on the detailed rules governing the placing of subscription orders, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form i.e. by telephone or internet, Polish Retail Investors should contact the Customer Service Point of the Polish Selling Agents accepting orders for Shares from Retail Investors at which they intend to place their subscription order.

Polish Retail Investors who would like to purchase the Offer Shares in Poland are required to follow the instructions provided by the Polish Retail Manager and the Polish Selling Agents, which intermediate in the Offering conducted to the Polish Retail Investors.

There is no minimum or maximum number of Offer Shares that can be subscribed for by the Polish Retail Investors.

It will be at the discretion of the Polish Retail Manager how to administer the Offering conducted to the Polish Retail Investors.

Purchase orders from the Polish Retail Investors should be submitted at the Maximum Price only.

Payments for the Offer Shares by the Polish Retail Investors must be made at the PLN equivalent of the Maximum Price based upon the EUR/PLN exchange rate agreed by the Global Coordinator and disclosed by the Global Coordinator and the Managers to Polish Retail Investors, before or simultaneously with the submission of purchase orders. This PLN conversion is solely for the convenience of the Polish Retail Investors and the Maximum Price and the Offer Price will be in EUR. The EUR/PLN exchange rate that will be used for the purpose of calculation of the Offer Price may differ from the EUR/PLN exchange rate used for the purpose of calculation of the Maximum Price.

Orders not fully paid for or with improperly completed subscription forms will be invalid.

Any overpayments (either as a result of the Offer Price being lower than the Maximum Price, exchange rate differences, lack of allocation of Shares or as a result of any proportional reduction) will be returned after the Settlement Date without any interest or any other compensation.

If there is a shortfall of money due to currency exchange rate fluctuations and the subscription payments made in PLN by the Polish Retail Investors are not sufficient to cover the payments that are due based on the Offer Price recalculated and announced in a manner described above on the Pricing and Allotment Date, the number of Offer Shares covered by each purchase order will be automatically reduced to such lower number of Offer Shares as results from the division of the aggregate amount paid in PLN by each Polish Retail Investor at the time of making the purchase order by the Offer Price recalculated and published in a manner described above, on the Pricing and Allotment Date (rounded down to the full number of Offer Shares).

In case of an oversubscription by the Polish Retail Investors compared with the final number of the Offer Shares allotted to them, allocations to orders placed with the Polish Selling Agents will be reduced pro rata. All fractional allocations will be rounded down.

Polish Retail Investors subscribing for the Offer Shares must submit instructions to deliver the shares allotted to them to their securities accounts, together with the subscription orders. Prospective investors who do not have a securities account will be required to open such account prior to placing their subscription for the Offer Shares.

### *Subscription and Payment of the Offer Price by Slovak Retail Investors*

Purchase orders from the Slovak Retail Investors can be submitted through the Slovak Retail Manager and the Selling Agent, both intermediating the Offering conducted to the Slovak Retail Investors.

Slovak Retail Investors who would like to purchase the Offer Shares in Slovakia are required to follow the instructions provided by the Slovak Retail Manager.

There is no minimum or maximum number of Offer Shares that can be subscribed for by the Slovak Retail Investors.

It will be at the discretion of the Slovak Retail Manager whether and how to administer the Offering conducted to the Slovak Retail Investors.

Purchase orders from the Slovak Retail Investors may be submitted in EUR only.

Slovak Retail Investors will be required to pay a deposit equal at least to the product of the highest price accepted by such retail investor and the number of Offer Shares it is willing to purchase. If the Slovak Retail Investor does not specify in the purchase order any price then the Slovak Retail Manager or the Selling Agent will consider such an order placed at the Maximum Price. The deposit should be paid in immediately available funds into an account of the respective Slovak Retail Investor held with the Slovak Retail Manager or the Selling Agent. Until the end of the subscription period for the Slovak Retail Investors, the relevant Slovak Retail Investor must not dispose of the cash balance in such account.

If the Offer Price does not exceed the Maximum Price but is higher than the highest price accepted by the respective Slovak Retail Investor, no Offer Shares will be delivered to such an investor. Any excess in cash balance at the internal account of the respective Slovak Retail Investor with the Slovak Retail Manager after the Settlement Date will be disposed of in accordance with the instructions of such investor.

In case of an oversubscription by the Slovak Retail Investors compared with the final number of the Offer Shares allotted to them, allocations to orders placed with the Slovak Retail Manager or the Selling Agent will be reduced pro rata, regardless of the price per Offer Share proposed by each of them, as long as such price is not lower than the Offer Price. Fractional allocations will be rounded down.

The Slovak Retail Investors who have not been allotted any Offer Shares or whose orders have been reduced shall receive reimbursements in accordance with instructions provided by them, without any interest or any other compensation.

Slovak Retail Investors placing their orders through the Selling Agent must make their own arrangements and follow the instructions and procedures of the Selling Agent.

The manner in which Slovak Retail Investors will hold Offer Shares purchased by them (for instance, whether for the applicant's own account opened with the CDCP or the NDS or through a custodial account), and the manner of funding the purchase of such Offer Shares shall be agreed between the applicant and its local custodian. No assurance can be given that the Offer Shares will be properly delivered unless the applicant and its local custodian comply with all of the above procedures and all relevant instructions of the Slovak Retail Manager or its agents.

## **Results and Closing of the Offering**

The Issuer will announce the results of the Offering, including in particular the final Offer Price and the final number of the Offer Shares, including allocation among the various categories of investors, as defined in the section "Offering – General Information - Eligible Investors", promptly upon allotment, by means of a press release in the Czech Republic, Poland and Slovakia and in a manner compliant with applicable regulations, as well as market practices in the Netherlands, the Czech Republic, Poland and Slovakia.

The Offering will close on the Settlement Date, upon subscription, allocation and payment for the Offer Shares as set out in the section "Offering – Subscription and Allocation" and issuance by the Issuer of the New Shares and the sale by the Selling Shareholder of the Sale Shares. The earliest date when the Offering may close is 26 October 2010. The Underwriting Agreement will include conditions to the closing of the Offering (see "*Placing and Underwriting—Conditions of the Underwriting Commitment*").

## **Change of Terms of the Offering**

### *General information*

In accordance with the relevant regulations in force in the Netherlands, the Czech Republic, Poland and Slovakia applicable to public offerings and the admission of securities to trading on a regulated market, any significant change to the Prospectus, as defined in the aforementioned regulations will be communicated through a supplement to the Prospectus, if required. The supplement to the Prospectus will be approved by the AFM, notified to the CNB, the PFSA and the NBS and published in the same manner as the Prospectus. In case the supplement is published after approval of the Prospectus by the AFM and relates to events or circumstances which occurred prior to the Pricing and Allotment Date and about which the Issuer, the Selling Shareholder or the Managers have learnt prior to the allotment, investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions within two business days from the

publication of the supplement to the Prospectus. In such a case, if necessary, the Settlement Date will be adjusted in order to enable the investors to withdraw their subscriptions.

In Poland, in accordance with Article 52 of the Public Offering Act, information resulting in changes to the content of the Prospectus or supplements already made available to the public in respect of the organisation or conduct of subscription or sales of Shares or their admission to trading on the WSE, which does not require publication of the supplement, will be published in the form of an updating communication, in the same manner as the Prospectus. Such communication will be simultaneously submitted to the PFSA. In such a case, the investors in the Offering in Poland do not have a right to withdraw their subscriptions.

#### *Cancellation or postponement of the Offering*

The Issuer may cancel the Offering, upon recommendation of the Managers or at its own initiative, at any time prior to the Settlement Date. The Issuer may also change the dates of opening and closing of the book-building and subscription periods for the Retail Investors, or decide that the Offering will be postponed and that new dates of the Offering will be provided by the Issuer later.

The Issuer may cancel the Offering, upon recommendation of the Managers if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the PSE and the WSE, as well as any other official stock exchange in the EU and the United States; (ii) sudden and material adverse change in the economic or political situation in the Netherlands, the Czech Republic, Poland, Slovakia or worldwide; (iii) a material loss or interference with the Issuer's business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group Companies or (v) an insufficient, in the Issuer's opinion or that of the Managers, expected free float of the Issuer's shares on the PSE and the WSE. In such event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation.

Any decision on cancellation, the postponement or changes of dates of the Offering will be published by way of a press release in the Czech Republic, Poland and Slovakia and in a manner compliant with applicable regulations, as well as market practices in the Netherlands, the Czech Republic, Poland and Slovakia. The Offering may not be cancelled or suspended after the official trading in the Offer Shares on the PSE and the WSE has begun.

Information on the suspension of the Offering will be published in the form of a supplement to the Prospectus. In this supplement, the Issuer will include information on the validity of orders placed by investors.

All dealings in the Offer Shares prior to the commencement of the official trading on the PSE and the WSE will be at the sole risk of the investor concerned, irrespective of whether or not the investor concerned has been notified of the number of Shares allotted to him.

#### **Listing and Trading**

The Issuer intends to apply for admission to listing and trading on the main market of the PSE of all of the Shares, including the Offer Shares. In addition the Issuer is planning to apply for admission to listing and trading on the main market of the WSE of all of the Shares, including the Offer Shares, immediately after the Settlement Date.

The Issuer expects that the conditional trading in the Shares on the PSE will commence on 22 October 2010 and official trading will commence on or about 27 October 2010 or as soon as possible thereafter. With respect to the listing on the WSE the Issuer expects that the official trading will commence on or about 28 October 2010, or as soon as possible thereafter.

With respect to the planned listing of the Shares on the PSE, all trades in the Offer Shares executed at the PSE will be settled and cleared through the CDCP.

In connection with the planned listing of the Shares on the WSE, all the Offer Shares will be registered with and cleared, with respect to trades executed at the WSE, through the NDS which is the central clearing house and depository of securities in Poland, including those listed on the WSE.

Investors trading on the WSE should consider that since under the laws of the Netherlands, no court registration process is needed in order validly issue any shares, the New Shares will be eligible for the listing application upon payment by investors, on par with the Issuer's remaining Shares. Consequently, the Issuer will not be seeking to apply for listing on the WSE of any temporary share receipts, such as "rights to shares" (*prawa do akcji*) within the meaning of the Trading in Financial Instruments Act.

At present the Issuer does not intend to seek a listing of the Shares at any stock exchange other than the PSE and the WSE.

### **Listing Agents**

The Issuer has appointed Česká spořitelna, a.s. to act as listing agent with respect to the Shares for the purposes of the admission to trading on the main market of the PSE and has appointed UniCredit CAIB Poland S.A. to act as listing agent with respect to the Shares for the purposes the admission to trading on the main market of the WSE.

### **Registration and Delivery of the Offer Shares**

An application has been made for the Offer Shares to be accepted for delivery through the book-entry facilities of a bank or professional securities depository or other qualified financial intermediary, which will hold them through Clearstream, either directly as a participant of that system or indirectly through participants of the CDCP and participants of the NDS. Investors should note that in order to trade the Shares on either the WSE or the PSE, the Shares must be in book entry form.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by investors upon subscription, through the facilities of Clearstream and onwards through the facilities of the NDS (for those of the investors who will elect to deposit their shares with custodians and brokers which are members of the NDS) and of the CDCP (for those of the investors who will elect to deposit their shares with custodians and brokers which are members of the CDCP).

Delivery of the Offer Shares is expected to take place on or about 27 October 2010 for participants of the CDCP (the "CDCP Delivery Date") and on or about 27 October for participants of the NDS (the "NDS Delivery Date"), barring unforeseen circumstances. The exact delivery dates will depend on timing of a share transfer from Clearstream to the CDCP and NDS systems. Investors who will elect to hold the Offer Shares through direct participants of Clearstream are expected to receive their shares on or about 27 October 2010.

As of the date of the Prospectus, all of the Shares have been assigned ISIN code NL0009604859.

### *Paying agents and common depository*

After the successful closing of the Offering, the Shares which are to be held in book entry form through Euroclear Nederland will be registered in the name of ABN AMRO Bank N.V., with its registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands, acting as common depository. ABN AMRO Bank N.V. will also act as a principal paying agent in the Netherlands for the Shares further to a paying agency agreement to be signed on or about the Pricing and Allotment Date. The NDS, with its registered office at ul. Książęca 4, 00-498 Warsaw, Poland will act as a sub-paying agent in Poland and the CDCP, with its registered address at Rybná 14, Praha 1 110 05, Prague, the Czech Republic will act as a sub-paying agent in the Czech Republic.

### **Transfer of the Shares between the PSE and the WSE**

#### *General information*

As a matter of principle, the effecting of a transaction on the PSE requires that the shares are recorded in a securities account kept with a participant in the CDCP. In turn, the effecting of a transaction involving shares listed on the WSE generally requires that the shares subject to trade are recorded in a securities account kept by a participant in the NDS system.

There exists no direct settlement link between the CDCP and the NDS and therefore the transfer of the Shares between the PSE and the WSE must be executed via an intermediary. Both the CDCP and the NDS have accounts with Clearstream, which will serve as a link between the NDS system and the CDCP system.

#### *Transfers of the Shares from CDCP to the NDS system and vice versa*

In order to transfer the Shares from the CDCP system to the NDS system, investors should issue appropriate instructions to the entity keeping such investor's securities account in the CDCP system in which the Shares are recorded, and an appropriate instruction to the entity keeping their securities account in the NDS system in which account the Shares are to be recorded. Additionally investors will be required to provide the date when transfer should be executed (settlement date). Transferring the Shares will be contingent on the unequivocal identification of the participant of the CDCP system in whose account the Shares are to be recorded. In the event of the absence of a possibility of identifying the system participant or shareholder in whose securities account the Shares are to be recorded, the transfer of the Shares may be ineffective or delayed. Based on clearance



instructions obtained from the CDCP's participant, issued pursuant to the shareholder's instructions, and the information obtained through Clearstream, the NDS shall record the shares in the account of the direct NDS participant, and subsequently the shares will be recorded in the investor's securities account.

A transfer of the Shares from the NDS system to the CDCP system is effected in a similar way as a transfer from the CDCP system to the NDS system.

Even though to the Issuer's knowledge Clearstream, the NDS and CDCP have agreed (or are expected to agree) on the abovementioned practices allowing transfers of the Shares between NDS and CDCP participants, they are not obliged to carry out these procedures and may interrupt these at any time. Neither the Issuer, nor its advisers, nor the Czech, Polish and Slovak Retail Managers, nor the Selling Agent and the Polish Selling Agents nor any of their respective representatives assume any responsibility for any of the trade settlement obligations of Clearstream, the CDCP and the NDS or any of their participants.

For information on the payments of dividends and voting procedures for shareholders please refer to "*Description of the Shares and Corporate Rights and Obligations*".

## PLACING AND UNDERWRITING

### *General information*

The Issuer and the Selling Shareholder intend to enter, on or about the date of publication of this Prospectus, i.e. on or about 11 October 2010, into an underwriting agreement (the “Underwriting Agreement”) in respect of the Offering with the Managers and the Underwriter, in which the Underwriter and the Joint Lead Manager will commit, subject to certain other conditions, to subscribe for the Offer Shares, which were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter (and were initially allocated the Offer Shares by the Issuer and the Selling Shareholder in accordance with the recommendation), and to pay the amount equal product of the Offer Price and the number of the Offer Shares that were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter. The Sole Global Coordinator and Sole Bookrunner, the Polish Retail Manager, the Czech Retail Manager, the Slovak Retail Manager, the Selling Agent and the Polish Selling Agents will not underwrite any portion of the Offering. The underwriting commitment is summarised below:

Name	Percentage of Shares
UniCredit Bank Austria AG, with its address at Schottengasse 6 – 8, A-1010 Wien, Austria	80%
Erste Group Bank AG, with its address at Graben 21, A-1010 Wien, Austria	20%
<b>Total</b>	<b>100%</b>

### *Over-allotment Option*

In connection with the placement of the Offer Shares, the Selling Shareholder has granted the Sole Global Coordinator and Sole Bookrunner an option (referred to as the “Over-allotment Option”), on behalf of the Managers, solely for the purpose of covering over allotments, to purchase an additional 2,370,000 shares at the Offer Price. The Over-allotment Option is exercisable, in whole or in part, during the period which runs from the date of the Prospectus until thirty days after the announcement of the Offer Price, i.e. until thirty days after the Pricing and Allotment Date.

### *Over-allotment and stabilisation*

In connection with the Offering, the Sole Global Coordinator and Sole Bookrunner or its affiliates or agents may engage in transactions on the WSE and on the PSE with the aim of supporting the market price of the Shares at a level higher than would otherwise prevail. Such stabilisation shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback programmes and stabilisation of financial instruments (the “Stabilisation Regulation”).

No assurance can be given that stabilisation transactions will actually be effected. If such stabilisation is commenced, however, it may be discontinued at any time without prior notice. The stabilising actions, if any, will be undertaken, between the first day of trading or conditional trading in the Shares on the WSE and the PSE, whichever is earlier, and no later than thirty days after the announcement of the Offer Price and may result in a market price of the Shares that is higher than the price that would otherwise prevail. Stabilisation of the Shares will not, in any circumstance, be executed above the Offer Price.

The Sole Global Coordinator and Sole Bookrunner will disclose all details of any stabilisation transactions effected by it to the PFSA (with respect to transactions carried out on the WSE) and the CNB (with respect to transactions carried out on the PSE) no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week of the end of the stabilisation period the Sole Global Coordinator and Sole Bookrunner will disclose to the public in a manner compliant with applicable regulations, as well as market practices in the Netherlands, the Czech Republic and Poland (i) whether or not stabilisation was undertaken, (ii) the date on which stabilisation started, (iii) the date on which stabilisation last occurred and (iv) the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

For the purpose of the aforementioned stabilisation, additional Shares up to the number of the Over-allotment Shares may be over-allocated to investors by the Sole Global Coordinator and Sole Bookrunner on the Pricing and Allotment Date at the Offer Price. Should a short position arise as a result of such over-allocation, the Sole Global Coordinator and Sole Bookrunner may close such short position by exercising the Over-allotment Option

(in whole or in part) or by open-market purchases or by a combination of both. The exercise of the Over-allotment Option will be promptly disclosed to the public. This disclosure will contain all appropriate details, including the date of exercise and the number of the Over-allotment Shares purchased.

#### *Fees*

In connection with the Offering, the Issuer and the Selling Shareholder have agreed to pay the Managers and the Underwriter a combined management, underwriting and placing commission of 2.5% of the gross proceeds from the Offering (subject to a certain minimum cap), including the shares placed under the Over-allotment Option, if any, and to reimburse them for reasonable expenses incurred in connection therewith. In addition, the Sole Global Coordinator and Sole Bookrunner is entitled to an incentive fee that will be calculated based on the results of the Offering and the Issuer's financial condition at that time. Since the amount of the incentive fee depends on future events, there is no possibility to estimate it before the Offering.

The Issuer and the Selling Shareholder also agreed to pay all commissions and expenses in connection with the Offering. However, investors will bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by brokers.

#### *Conditions of the Underwriting commitment*

The Underwriting Agreement will provide that the obligations of the Managers and of the Underwriter are subject to certain conditions precedent. If any or all of these conditions (such as delivery of customary legal opinions and comfort letters), are not met or waived, a breach of the Issuer's representations and warranties occurs or if any of the circumstances which will be referred to in the Underwriting Agreement occur prior to payment for and delivery of the Offer Shares, the Managers and the Underwriter may, at their sole discretion, terminate the Underwriting Agreement and the Underwriter's and the Joint Lead Manager's obligation to subscribe for any Offer Shares will lapse.

The Issuer and the Selling Shareholder envisage that the Underwriter and the Joint Lead Manager shall agree to subscribe for the Offer Shares, which were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter (and were initially allocated the Offer Shares by the Issuer and the Selling Shareholder in accordance with the recommendation), and to pay the amount equal product of the Offer Price and the number of the Offer Shares that were not subscribed for by the Institutional Investors recommended to the Issuer and the Selling Shareholder by the Managers or Underwriter, provided *inter alia* that no material adverse change will occur in the Issuer's financial and/or legal standing from the date when the Prospectus is published until the date of settlement of the Offering. The Issuer and the Selling Shareholder will also agree that the Offer Shares subscribed for by the Underwriter and the Joint Lead Manager may be transferred at any time, without any restrictions whatsoever, on the terms and conditions set forth by the applicable laws.

The Issuer and the Selling Shareholder will also undertake: (i) to take all actions necessary to list the Shares on the WSE and the PSE, and in particular to file relevant applications, (ii) not to enter into any other underwriting agreement in respect of the Shares and (iii) to use the proceeds from the Offering for the purposes indicated in the Prospectus. Each of the Managers and the Underwriter will be able to terminate the Underwriting Agreement in the event of any occurrence of force majeure (as defined in the Underwriting Agreement, but in any case including publication or an intention to publish a supplement to the Prospectus), upon prompt written notice by the terminating party.

In addition, the Issuer has agreed to indemnify each of the Managers and the Underwriter Manager, their affiliates and their respective directors and employees against certain liabilities, including liabilities under applicable securities laws. These indemnifications will survive expiry and termination, if any, of the Underwriting Agreement.

#### *Interests of natural and legal persons participating in the Offering*

The Managers and other parties described below have contractual relationships with the Issuer in connection with the Offering and the Admission. UniCredit Bank AG (London Branch) has been mandated by the Issuer as the Sole Global Coordinator and Sole Bookrunner, UniCredit Bank Austria AG has been mandated by the Issuer as the Underwriter, Erste Group Bank AG has been mandated by the Issuer as Joint Lead Manager, Česká spořitelna, a.s. has been mandated by the Issuer as the Czech Retail Manager, Slovenská sporiteľňa, a.s. has been mandated by the Issuer as the Slovak Retail Manager, UniCredit CAIB Poland S.A. has been mandated by the Issuer as a Polish Retail Manager, brokerjet České spořitelny, a.s. has been mandated by the Issuer as the Selling Agent and Centralny Dom Maklerski Pekao S.A. and Dom Maklerski Pekao S.A. have been mandated by the Issuer as the Polish Selling Agents. The Managers advise the Issuer and the Selling Shareholder in connection with the Offering and Admission and coordinate the structuring and execution of the transaction. If the transaction is successfully executed, the Managers and the Underwriter will receive a combined commission (see "Placing and Underwriting—Fees").

The Managers, the Underwriter, their affiliates or other parties described in the first paragraph above may in connection with the Offering acquire the Offer Shares as investors and hold or sell those Shares for their own account, and may offer and sell those Shares outside of the offering period as well. This does not constitute a preferential allotment. The Managers and the Underwriter do not intend to disclose the extent of such investments or transactions unless required by law.

The Managers, the Underwriter, their respective affiliates or other parties described in the first paragraph above have in the past engaged and may in the future engage in investment and commercial banking and other commercial dealings in the ordinary course of business with the Selling Shareholder or with the Issuer, for which they received or will receive customary fees and commissions.

The Sale Shares and the Over-allotment Shares to be placed in the course of the Offering will be offered by the Selling Shareholder, which will receive an amount of the net proceeds proportionate to the Sale Shares and the Over-allotment Shares sold in the Offering. The Selling Shareholder, therefore, has a financial interest in the implementation of the Offering at the highest Offer Price possible.

## SELLING RESTRICTIONS

### Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Dutch Financial Supervision Act (*Wet op het financieel toezicht (Wft)*) (which implemented the Prospectus Directive into Dutch law), for the purpose of giving the information with regard to the Issuer and the Shares it intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 5.3 of Prospectus Directive and Article 5:15 of the Dutch Financial Supervision Act. This Prospectus has been filed with, and was approved on 6 October 2010 by the AFM, which is the competent authority in the Netherlands to approve this document as a prospectus. Under the Prospectus Directive and the Dutch Financial Supervision Act, this Prospectus, once approved by the competent authority of one member state of the EU ("Home Member State") may be used for making a public offering and admission of securities to listing on a regulated market in another Member State of the EU ("Host Member State"), provided that the competent authority of the Home Member State provides the competent authority of the Host Member State with a certificate, within the meaning of Article 5:10 of the Dutch Financial Supervision Act.

The Issuer and the Selling Shareholder will be authorised to carry out the Offering to the public in the Czech Republic, once the AFM, in accordance with Art. 36f of the Czech Capital Markets Act, provided the CNB with a certificate of approval of this Prospectus (in accordance with Art. 5:10 of the Dutch Financial Supervision Act, Art. 18 of the Prospectus Directive and Art. 36f of the Czech Capital Markets Act), this Prospectus in the English language and a summary of this Prospectus in the Czech language has been made available to the public, which is equivalent to authorising the Offering to the public in the Czech Republic.

The Issuer and the Selling Shareholder will be authorised to carry out the Offering to the public in Poland, once the AFM, in accordance with Art. 37 of the Public Offerings Act, provides the PFSA with a certificate of approval of this Prospectus (in accordance with Art. 5:10 of the Dutch Financial Supervision Act, Art. 18 of the Prospectus Directive and Art. 37 of the Public Offerings Act), this Prospectus in the English language and a summary of this Prospectus in the Polish language and after the Prospectus in the English language and its summary in the Polish language has been made available to the public, which is equivalent to authorising the Offering to the public in Poland.

The Issuer and the Selling Shareholder will be authorised to carry out the Offering to the public in the Slovak Republic, once the AFM, in accordance with Art. 125d(2) and Art. 125e of the Slovak Securities Act, provided the NBS with a certificate of approval of this Prospectus (in accordance with Art. 5:10 of the Dutch Financial Supervision Act, Art. 18 of the Prospectus Directive and Art. 125d(2) and Art. 125e of the Slovak Securities Act), this Prospectus in the English language and a summary of this Prospectus in the Slovak language, and after the Prospectus in the English language and its summary in the Slovak language has been made available to the public, which is equivalent to authorising the Offering to the public in the Slovak Republic.

### No Public Offering outside the Czech Republic, Poland and Slovakia

This Prospectus has been prepared on the basis that there will be no offers of the Offer Shares, other than the Offering to the public in the territory of the Czech Republic, Poland and Slovakia in accordance with the Prospectus Directive, as implemented in the Netherlands, the Czech Republic, Poland and Slovakia, respectively. Accordingly, any person making or intending to make any offering, resale or other transfer within the EEA, other than in the Czech Republic, Poland and Slovakia, of the Offer Shares may only do so in circumstances under which no obligation arises for the Issuer, the Selling Shareholder or the Managers to produce an approved prospectus or other offering circular for such offering. Neither the Issuer, the Selling Shareholder, nor the Managers have authorised, nor will any of them authorise, the making of any offer of the Offer Shares through any financial intermediary, other than offers made the Managers under this Prospectus.

No action has been or will be taken by the Issuer, the Selling Shareholder or the Managers in any jurisdiction other than the Czech Republic, Poland and Slovakia that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

### European Economic Area

This Prospectus has been approved by the AFM, being the competent authority in the Netherlands. However, in relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), the Managers have represented and agreed that it has not made and will not make an offer of Shares to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may make an offer of Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Directive, if such exemptions have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) total balance sheet of more than 43 million EUR and (iii) an annual net turnover of more than 50 million EUR, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons in such Relevant Member State or to fewer than 100 natural or legal persons in all Member States, depending on the method of calculation provided for under applicable regulations of such relevant member state; and
- in any other circumstances falling within Art. 3(2) of the Prospectus Directive,

provided that (i) no such offer of Shares shall result in the requirement for the publication by the Issuer, the Selling Shareholder or any Manager of a Prospectus pursuant to Art. 3 of the Prospectus Directive, and (ii) any such legal or natural person (a “Permitted Investor”) is acquiring such Shares either for its own account and not with a view to the Shares being resold or placed within any Relevant Member State other than to other permitted investors or for the account of other Permitted Investors, or (iii) for the account of other persons or entities for whom it makes investment decisions on a wholly discretionary basis.

Each investor who in a Relevant Member State acquires any Offer Shares in the offering shall be taken by so doing to have represented and warranted to the Issuer, the Selling Shareholder and the Managers that it is a Permitted Investor and that it has complied with any other restrictions applicable to that Relevant Member State.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In addition, in the United Kingdom, this Prospectus may be distributed only to and may be directed only at (a) persons who have professional experience in matters relating to investments who fall within Art. 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (b) high net worth entities falling within Art. 49(2) (a) to (d) of the Order. Neither this Prospectus nor any other offering material has been submitted to the clearance procedures of the Financial Services Authority in the United Kingdom. The Offer Shares have not been offered or sold and, prior to the expiry of a period of six months from the sale of the Offer Shares, will not be offered or sold to persons in the United Kingdom except to “qualified investors” as defined in section 86(7) of the Financial Services and Markets Act 2000, as amended (the “FSMA”). Each of the Managers has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any the Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

In relation to member states of the EEA other than the United Kingdom, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the Offer Shares or distribution or publication of this Prospectus or any other offering material or advertisement; persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of the Prospectus and the offer of Offer Shares applicable in such EEA member state.

## **United States**

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions in reliance on Regulation S under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date, and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Offer Shares outside the United States and for the listing of the Offer Shares on the main market of the Warsaw Stock Exchange and the Prague Stock Exchange. The Issuer and the Managers reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

## **Canada**

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

## **Japan**

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

## CAPITAL MARKETS REGULATIONS

The Issuer intends to apply for admission to trading and to list all the Issuer's Shares, including the Offer Shares on the main markets of the WSE and the PSE. As a result, the Issuer will be subject to certain Polish and Czech securities and capital market regulations, in particular with respect to the disclosure of information. The Issuer will also be subject to supervision by relevant regulatory authorities. Moreover, the Issuer, being incorporated under the laws of the Netherlands, will be subject to certain aspects of the European Union and Dutch securities regulations.

The information set out below describes certain aspects of Dutch, Czech and Polish securities market regulation relevant in connection with the acquisition, holding and disposal of the Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Dutch, Czech and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares of the Issuer. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares of the Issuer under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

### European Union Tender Offer Regulations

In the absence of regulatory guidance, a clear resolution to conflicts of law issues relating to various tender offer regulatory regimes cannot be provided. Polish and Czech regulations reflect the provisions of the Takeover Directive. The relevant conflict of laws provisions of the Takeover Directive explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in more than one Member State, the authority competent to supervise the bid shall be that of the Member State on the market of which the shares were first admitted to trading, or if first admitted to trading on more markets simultaneously, the offeree company should determine which of the supervisory authorities of those Member States shall be the authority competent to supervise the bid by notifying those regulated markets and their supervisory authorities on the first day of trading. In the case of absence of such notification the supervisory authorities of the Member States shall agree on the competent authority to supervise the bid. The Issuer decided that the PFSA should be the authority competent to supervise the bid.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

### Mandatory takeover bids

Since the Issuer is entitled to choose a competent authority and it chose the PFSA, Polish regulations will govern the take-over bids. However, the threshold that is deemed to constitute the control is determined in accordance with Dutch law. According to Dutch law, any person or persons who individually or collectively, directly or indirectly, acquire 30% or more of the Issuer's voting rights will be obliged to launch a public offer for all outstanding shares in the share capital of the Issuer. Shareholders acting in concert who have a combined interest of at least 30% of the voting rights will also be obliged to make a public offer. An exception is made for shareholder(s), such as the Selling Shareholder, who, individually or acting in concert, have a combined interest of at least 30% of the voting rights before the Offering and who still maintain such an interest after the Offering.

The Takeover Directive allows the Member States to introduce additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to Article 72 of the Polish Public Offerings Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, shall be effected exclusively through a public tender offer.



Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, shall be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

It should be noted that Polish law explicitly excludes application of Polish regulations concerning thresholds only with respect to the 66% threshold as the mandatory threshold under the Takeover Directive. In such case, the Dutch threshold of 30% should apply. On the other hand, the additional threshold of 33% stipulated in Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a take-over bid when exceeding 30% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66% of votes when exceeding 33% of votes to satisfy additional Polish requirements. This could mean that if an investor announces a take-over bid when exceeding the 30% threshold and it fails to gain more than 33%, it would be also obliged to announce a bid when exceeding the 33% threshold in the future.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

### **Squeeze-out and Sell-out Rules**

After a public offer, a holder of at least 95% of the outstanding shares and voting rights has the right to require the minority shareholders to sell their shares to the majority shareholder. Any proceeding to require the minority shareholders to sell their shares to the majority shareholder must be filed with the Enterprise Chamber of the Court of Appeal of Amsterdam within three months after the end of the acceptance period of the public offer. Conversely, in such a case, each minority shareholder has the right to require the holder of at least 95% of the outstanding shares and voting rights to purchase its shares. The minority shareholder must file such a claim with the Enterprise Chamber of the Court of Appeal of Amsterdam within three months after the end of the acceptance period of the public offer.

For situations not following a public offer, where a person or company or group company holds a total of at least 95% of the Issuer's issued share capital by nominal value for its own account (the "controlling entity"), Dutch law permits the controlling entity to acquire the remaining shares in the Issuer by initiating proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Chamber.

### **Obligations of Shareholders to Disclose Holdings**

#### ***Dutch law***

Pursuant to chapter 5.3 of the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an interest in the Issuer's capital and/or its voting rights must immediately give written notice to the AFM by means of a standard form of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) Shares directly held (or acquired or disposed of) by any person, (ii) Shares held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment and (iv) Shares which such person (directly or indirectly), or any third party referred to above, may acquire pursuant to any option or other right to acquire Shares. Special rules apply to the attribution of Shares which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to reporting obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger reporting obligations as if the pledgee or beneficial owner were the legal holder of the Shares.

Under the Dutch Financial Supervision Act the Issuer is required to file a report with the AFM promptly after the Settlement Date setting out the Issuer's issued and outstanding share capital and voting rights. Thereafter the Issuer is required to notify the AFM promptly of any changes of 1% or more in the Issuer's issued and outstanding share capital or voting rights. Other changes in the Issuer's issued and outstanding share capital or voting rights must be notified periodically to the AFM. The AFM will publish all notifications by the Issuer of its issued and outstanding share capital and voting rights in a public register. If a person's capital or voting rights meet or pass the above-mentioned thresholds as a result of a change in the Issuer's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Issuer's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 5% or more of the Issuer's issued and outstanding share capital at the Settlement Date must notify the AFM of such holding without delay.

Pursuant to the Dutch Financial Supervision Act every managing and supervisory director must notify the AFM immediately after the Settlement Date of (a) the number of shares he holds and the number of votes he is entitled to cast in respect of the Issuer's issued and outstanding share capital, and subsequently (b) each change in the number of shares he holds and each change in the number of votes he is entitled to cast in respect of the Issuer's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an offence and may lead to criminal prosecution. The AFM may impose administrative penalties or a cease-and-desist order with penalties for non-compliance. Furthermore, the AFM is in principle obliged to publish the fact that it has imposed an administrative fine or issued a cease-and-desist order. In addition, a court can impose measures against any person who fails to notify, or incorrectly notifies, the AFM of matters required to be notified. A proceeding requiring that such measures be imposed may be instituted by the Issuer and/or one or more shareholders who alone or together with others represent(s) at least 5% of the Issuer's issued and outstanding share capital. Such proceeding has to be initiated within three months from the date the person initiating the proceeding knew or should have known about the non-compliance.

The measures that the court may impose include:

- an order requiring the person violating the disclosure obligations under the Dutch Financial Supervision Act to make appropriate disclosure;
- suspension of voting rights in respect of such person's Shares for a period of up to three years as determined by the court;
- declaring a resolution adopted by the General Meeting void, if the court determines that the resolution would not have been adopted but for the exercise of voting rights by a person who failed to comply with his notification obligation, or suspension of a resolution until the court makes a decision whether such resolution should be declared void; and
- an order to the person violating the disclosure obligations under the Dutch Act on Financial Supervision to refrain, during a period of up to five years as determined by the court, from acquiring Shares and/or exercising voting rights in respect of Shares.

### **Polish law**

The Public Offering Act provides for disclosure obligations when acquiring or selling shares in a public company. In accordance with Article 69 of the Public Offering Act an investor must, within four business or six trading days (if the transaction is executed on the regulated market) from the date on which the shareholder becomes, or by exercising due diligence could have become, aware of the change in his share in the total vote, notify the PFSA and the company concerned (and the company concerned should reveal that information to the public through an information agency and the stock exchange) about:

- (a) reaching or exceeding 5, 10, 15, 20, 25, 33, 33 1/3, 50, 75 or 90% of the total number of voting rights at the general shareholders' meeting of the company;
- (b) selling shares owned by the investor so that they constitute less than 5, 10, 15, 20, 25, 33, 33 1/3, 50, 75 or 90% of the total number of voting rights at the general shareholders' meeting;
- (c) a change in the number of shares currently owned by the investor by at least 2% if it currently holds more than 10% (but less than 33%) of the voting rights at the general shareholders' meeting;

- (d) a change in the number of shares currently owned by the investor by at least 1% if it currently holds more than 33% of the voting rights at the general shareholders' meeting.

The notification shall include information on the date and type of transaction resulting in the change in the number of shares held, the number of shares held prior to the transaction, the number of shares held after the transaction as well as information concerning further acquisitions or disposals of shares during the next 12 months, if the notification is made in connection with reaching or exceeding the 10% threshold, subsidiaries of the notifying investor, who hold company shares, persons with which the notifying investor entered into an agreement on the transfer of right to exercise voting rights.

Moreover the obligations described above also apply to the entity that has reached or exceeded a given threshold of total vote in connection with a legal event other than legal action, acquisition or disposal of financial instruments from which an unconditional right or obligation arises to acquire the already issued shares of a public company or indirect purchase of shares of a public company.

### **Czech law**

Investors whose shares in the voting rights of a public company reach certain thresholds are obliged to notify the CNB only if (i) the company has its registered office in the Czech Republic or (ii) if it has its registered office in a non-member state of the EU and its prospectus was approved by CNB. Thus, these requirements do not apply to the Issuer or any holder of its Shares.

### **Disclosure of Information**

Upon the implementation of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC in Poland and the Czech Republic the scope and content of disclosure obligations regarding current and periodic reports imposed on the Issuer may be regulated by Dutch law. Therefore, the Issuer may decide whether it will publish its current and periodic information only in English or also in the Czech or Polish language.

### **Insider Trading and Market Abuse**

#### **Dutch Law**

The Issuer – pursuant to chapter 5.4 of the Dutch Financial Supervision Act and the rules promulgated there under in the Market Abuse Decree (*Besluit Marktmisbruik WFT*) – is required to have a code of conduct with rules governing the ownership of and transactions in the Shares.

Such code of conduct must include, amongst others, rules relating to:

- the tasks and powers of the person appointed by the Issuer to make notifications on behalf of persons associating with the Issuer, who are required to make notifications to the AFM of the transactions in the Issuer's securities pursuant to insider trading rules,
- the obligation of employees, members of the Management Board, members of the Supervisory Board and managers with respect to the ownership of, and transactions in, the Shares, and
- if relevant, the period during which such persons may not effect transactions in the Shares.

The Issuer must also draw up a list of persons involved with the Issuer, under a contract of employments or otherwise, who could have access to inside information, to regularly update this list of persons and to inform persons on this list about the relevant prohibitions and sanctions in respect of insider trading and market abuse.

The Shares are further subject to the Dutch prohibitions on insider trading. Furthermore, the prohibition on disclosing inside information and the prohibition on market manipulation pursuant to the Dutch Financial Supervision Act apply in relation to any of the Shares that the Issuer holds. In case of violation of the Dutch market abuse rules, the AFM may take enforcement action. It may impose administrative fines and issue injunctions. Furthermore, the AFM is in principle obliged to publish the fact that it has imposed an administrative fine and/or issued an injunction, mentioning the name of the offender. In addition, non-compliance with certain prohibitions and obligations qualifies as a criminal offence.

## **Polish law**

The Trading in Financial Instruments Act defines “insider information” as specific information relating to, directly or indirectly, the issuer, financial instruments (including securities) or acquisition or disposal of such financial instruments, if such information has not been disclosed to the public and, if so disclosed, it could materially influence the price of such financial instruments (or the price of derivative rights arising from such financial instruments).

Subject to certain exceptions, the public company is obliged to disclose the insider information promptly upon the occurrence of events or circumstances which require the disclosure, or upon becoming aware of such events or circumstances, but not later than within 24 hours. The company is also obliged to disclose such information on its website, except for personal data of any persons to whom such information refers.

Subject to certain exceptions, any individual who acquires insider information as a result of his position(s) in a company's governing bodies or as the owner of a company's shares, or as a result of his employment in such company, or any other similar legal relationship, is prohibited by law from using or disclosing such information to third parties. The above also applies to individuals who illegally obtain insider information or obtain such information in another manner, but should have known that such information was insider information.

## **Market manipulation**

The Trading in Financial Instrument Act forbids share price manipulation, defined by reference to a number of activities, including, without limitation, taking actions of which effect could be misleading as to the actual demand, supply or price of the shares in question or actions involving placing orders or executing transactions that cause an artificial fixation of the share price, unless the grounds on which such actions were effected are legitimate and such actions have not infringed the established market trading rules. Manipulation may also include disseminating false or inaccurate information that may mislead investors, as well as placing orders or executing transactions in order to profit from investors having been misled as to the price or value of the shares in question.

## **Czech law**

With respect to securities admitted to trading on a regulated market in the European Union, also the Czech Capital Market Act prohibits insider trading and market abuse.

Czech law defines the “inside information” as accurate information relating directly or indirectly to, *inter alia*, any financial or other instrument admitted to trading on a regulated market of a Member State of the European Union or which admission to trading on such market was applied for, the disclosure of which information could significantly influence the price of or yield on the instrument in question or of any derived instrument. Any information which would be taken into account by a reasonable investor when making an investment decision is deemed to be inside information provided that such information is accurate. Accurate information is the information about a fact which has already occurred (or it is reasonable to expect it occur in the future) and which is specific enough to be able to draw a conclusion about the influence of such information on the price of or yield on the relevant instrument.

Under the current insider trading rules, any person who becomes aware of inside information:

- may not use the inside information by (directly or indirectly) acquiring or disposing of, or attempting to acquire or dispose of, on its own account or for a third party, any security to which the inside information relates;
- may not, directly or indirectly, recommend to another person the acquisition or disposal of any security to which the inside information relates; and
- must keep the inside information confidential and prevent any other person from having access to such information.

In addition, the concerned company is obligated to immediately publish any inside information related to the company. The company may postpone the publication provided that (i) there are serious business reasons for postponing such publication, (ii) the public would not be misled by non-publication and (iii) the issuer is able to ensure the confidentiality of such information. Postponement of the publication (including the reasons for the postponement and the content of the inside information) must, in any case, be immediately disclosed to the CNB.

Market abuse is defined as any act which may (i) distort the market participants' notion of the value of, supply of, or demand for a financial instrument (including the Shares) or (ii) otherwise distort the price of any financial instruments (including the Shares). Certain acts (such as for example stabilisation or repurchase made in accordance with the applicable European Union regulations) are specifically deemed not to constitute market

abuse. Market abuse is prohibited.

All institutional investors, securities dealers (brokers) and banks and certain other subjects are obligated to report to the CNB any trades which they suspect may have been executed on the basis of insider information or which may constitute market abuse.

Violation of obligations relating to the inside information is an administrative offence and can result in financial penalties of up to CZK 10,000,000; intentional violations may lead to criminal liability. Violation of the prohibition on market abuse is an administrative offence and can result in financial penalties of up to CZK 20,000,000; intentional violations may lead to criminal liability.

The CNB as the competent authority under the Czech Capital Market Act decides whether an administrative offence has been committed and what financial penalties should be imposed. In the course of its activities the CNB may co-operate with other Member States' regulatory authorities, for example by providing them with assistance and/or information or requesting them to provide assistance to the CNB. Only the Czech courts can impose criminal penalties.

### **Warsaw Stock Exchange**

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a private joint-stock company and is 98.8 per cent controlled by the Polish State. Members of the WSE include banks and Polish and international brokers.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Basic and parallel, the latter being for smaller, less liquid issuers. Listed companies are classified into four segments according to their capitalisation: MINUS 5, 5 PLUS, 50 PLUS or 250 PLUS. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

Settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland).

The electronic trading system used by the WSE is WARSET, a trading system similar to the system used in Paris, Brussels, Amsterdam, Chicago, and Singapore.

As of 1 September 2010, shares of 385 companies were listed on the WSE.

### **Prague Stock Exchange**

The PSE is one of the two operators of regulated markets for trading in shares in the Czech Republic within the meaning of MiFID (as implemented by the Czech Capital Market Act), the other market being operated by RM-SYSTEM, česká burza cenných papírů a.s. The Shares may be also traded in the Czech Republic outside the regulated markets in over-the-counter transactions. The PSE operates the most prestigious market in the Czech Republic for trading in shares, bonds and futures contracts.

The PSE is a private joint stock company based on a membership principle: only members of the PSE (which include brokers and banks) may trade directly on the PSE, either on their own account or for the account of their clients. Non-members may trade on the PSE only through a member.

The PSE operates two regulated official markets: the Main Market and the Free Market. In addition to these two markets, the PSE also operates a non-regulated free market called Multilateral Trading Facility. To be traded on a specific market, certain non-statutory criteria must be met in addition to the statutory listing criteria.

Settlement of all transactions executed on the PSE is handled by the CDGP which is a joint-stock company wholly owned by the PSE.

As of 1 September, shares of 14 companies were listed on the Main Market of the PSE.

***Conditional Trading on the PSE (on an “As-If-And-When-Issued” Basis)***

Before the official trading in the Offer Shares on the Main Market commences but in any case after the publication of the Offer Price and the final number of the Offer Shares, the Issuer's shares may be conditionally traded on the PSE (on an “as-if-and-when-issued” basis), subject to approval of the application for conditional trading by the General Director of PSE and subject to compliance with other admission conditions determined by the Exchange Listing Committee of PSE (such as (i) approval of a Prospectus by the AFM, (ii) notification by the CNB that the CNB has received a certificate from the AFM confirming that this Prospectus has been approved by the AFM, (iii) publication of the Prospectus in the English language and its summary in the Czech language; and (iv) approval of the admission to trading on the main and secondary market of the PSE by the Exchange Listing Committee of PSE). All conditions for listing must be met at the latest before commencement of the conditional trading. In addition, the Exchange Trades Committee of PSE must establish the parameters for conditional trading. Such conditional trading may not begin earlier than 10 days before the date on which the official trading is set to commence.

## TAX SECTION

### Taxation in the Netherlands

The information set out below describes the principal Dutch tax consequences of the acquisition, holding and disposal of shares admitted to trading on the regulated market for both Dutch resident and non-Dutch resident Holders and is included for general information only.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisers. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

#### ***Dutch dividend withholding tax***

Dividends distributed by the Issuer are generally subject to Dutch dividend withholding tax at a rate of 15%. Dividends distributed include, amongst others, (i) distributions in cash or in kind; (ii) liquidation proceeds, proceeds of redemption of the Issuer's shares, or proceeds of the repurchase of the Issuer's shares by the Issuer or one of the subsidiaries of the Issuer or other affiliated entities to the extent such proceeds exceed the average paid-in capital of the Issuer's shares recognised for Dutch dividend withholding tax purposes; (iii) an amount equal to the par value of the Issuer's shares, to the extent that it does not appear that a contribution, recognised for the purposes of Dutch dividend withholding tax, has been made or will be made; and (iv) partial repayment of the paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that the Issuer has net profits (*zuivere winst*), unless the holders of the Issuer's shares have resolved in advance at a General Meeting to make such repayment and the par value of the relevant shares has been reduced by an equal amount by way of an amendment to the articles of association of the Issuer.

The Issuer will be obliged to file a dividend withholding tax return and withhold tax from the distribution and remit it to the tax authorities. Dividend withholding tax must be withheld at the moment the distribution becomes payable. Dividend withholding tax withheld from dividends to which entitlement has lapsed is non-refundable.

#### ***Dutch Resident Holders***

Generally a credit for Dutch dividend withholding tax against the Dutch taxable income is available for holders of the Issuer's shares, individuals and corporate entities, who are, or who are deemed to be, resident of the Netherlands or, if they are individuals, who have opted to be taxed under the rules of the Dutch Income Tax Act 2001 (*wet inkomstenbelasting 2001*).

In general, the Issuer will be required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities. Nevertheless, the abovementioned holders can be entitled to a refund of dividend withholding taxes exceeding their aggregate Dutch income tax or Dutch corporate income tax liability, provided that certain conditions are met, unless a holder of the Issuer's shares is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of the dividends.

#### ***Non-Dutch Resident Holders***

A holder of the Issuer's shares who is not treated as a resident of the Netherlands for purposes of Dutch taxation and who is considered to be a resident of the Netherlands Antilles or Aruba under the provisions of the Tax Convention for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), or who is considered to be a resident of a country other than the Netherlands under the provisions of a double taxation convention the Netherlands has concluded with such country may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, or reduction or refund of, Dutch dividend withholding tax. In addition, subject to certain conditions and based on Dutch legislation implementing the Parent Subsidiary Directive (Directive 90/435/EEC as amended by Council Directive 2003/123/EC) an exemption from Dutch dividend withholding tax will generally apply to dividends distributed to entities that are resident of another European Union member state.

#### ***Anti-Dividend Stripping Legislation***

In general terms, "dividend stripping" can be described as the situation in which a foreign or domestic person (usually, but not necessarily, the original shareholder) has transferred his shares in the Issuer or his entitlement to dividend distributions to a party that has a more favourable right to a refund or reduction of Dutch dividend withholding tax than the foreign or domestic person. In these situations, the foreign or domestic person (usually the original shareholder), by transferring shares in the Issuer or his entitlement to dividend distributions, avoids

Dutch dividend withholding tax while retaining his “beneficial” interest in the Issuer’s shares and the dividend distributions. This regime may also apply to the transfer of the Issuer’s shares or the entitlement to dividend distributions as described above, if the avoidance of dividend withholding tax is not the main purpose of the transfer.

According to Dutch anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Issuer is not considered the beneficial owner of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if such recipient:

- a) paid a consideration (in cash or in kind) in connection with the dividend distribution; and
- b) such payment forms part of a sequence of transactions, whereby it is likely that (i) an individual or legal entity benefited in whole or in part from the dividend, and such individual or legal entity is entitled to a less favourable exemption, refund or credit of dividend withholding tax than the recipient of the dividend distribution; and (ii) this individual or legal entity directly or indirectly retains or acquires a position in the Issuer’s shares that is comparable with its position in the Issuer’s shares that it had before the sequence of transactions commenced.

The term “sequence of transactions” includes transactions that have been entered into on a regulated stock market and transactions with respect to the sole acquisition of one or more dividend rights or of the establishment of short-term rights of enjoyment on the Issuer’s shares (e.g. usufruct).

### ***Dutch Corporate Investors***

A holder of the Issuer’s shares that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes and that is: (i) a corporation, (ii) another entity with a capital divided into shares, (iii) a cooperative (association) or (iv) another legal entity that has an enterprise or an interest in an enterprise to which the Issuer’s shares are attributable, but which is not: (v) a qualifying pension fund, (vi) a qualifying investment fund or (vii) another entity exempt from corporate income tax, will in general be subject to regular corporate income tax under the Dutch Corporate Income Tax Act (*wet op de Vennootschapsbelasting 1969*), currently levied at a rate of 25.5% (tax rates for 2010; 20% over profits up to EUR 200,000 and 25.5% over profits in excess of EUR 200,000) on income derived from the Issuer’s shares and gains realised upon acquisition, redemption and disposal of the Issuer’s shares.

Any benefit derived or deemed to be derived from the Issuer’s shares held by Dutch resident entities, including any actual distributions on the Issuer’s shares and actual capital gains realised upon the disposal thereof, will generally be subject to corporate income tax, unless the Dutch participation exemption (*deelnemingsvrijstelling*) applies or unless the benefit is deemed to be included in the cost price of the Issuer’s shares. The Dutch participation exemption is generally applicable if such entities own at least 5% of the Issuer’s nominal paid-up share capital.

Qualifying Dutch resident pension funds are exempt from Dutch corporate income tax.

Qualifying Dutch resident investment funds (*fiscale beleggingsinstellingen*) are subject to Dutch corporate income tax at a special rate of 0% if they meet certain conditions with respect to their shareholder base and the annual distribution of dividends to their shareholders. Distributions on the Issuer’s shares and capital gains realised upon the disposal of the Issuer’s shares will be exempt from Dutch corporate income tax or subject to a special rate of 0% in the hands of shareholders who are qualifying Dutch resident pension funds or qualifying Dutch resident investment funds.

### ***Dutch Individual Investors***

The 2001 Personal Income Tax Act (*Wet op de inkomstenbelasting 2001*) distinguishes three types of income that are subject to personal income tax, and classifies them under “Box I,” “Box II,” or “Box III.” Box I income includes profits, employment income, income from other activities and deemed income from residential home ownership. Box II income includes income from the Issuer’s shares in case of a substantial interest of five percent or more. Box III income includes income from savings and investments. Each box has its own rules for determining the tax base and its own tax rate. Income from Box I is taxed at a progressive rate with a maximum of 52 % (rate for 2010). Income from Box II is taxed at a flat rate of 25 % and income from Box III is taxed at a flat rate of 30 % (rates for 2010).

Generally income derived from the Issuer’s shares will be allocated to Box III. The exceptions in which the income is taxed in Box I or Box II are described below.



### Box III

Individuals who are resident or deemed to be resident of the Netherlands for Dutch tax purposes, including individuals who have opted to be taxed as a resident of the Netherlands for the purposes of the Dutch Income Tax Act 2001, are in general annually taxed on deemed income in the amount of 4% of their average so-called “yield basis” (*rendementsgrondslag*) for the year at an income tax rate of 30% (“Box III taxation”).

The average yield basis for a certain year is calculated as the average of (i) the fair market value of portfolio investments (not including business assets or substantial shareholdings) less the qualifying liabilities at the beginning of that year and (ii) the fair market value of portfolio investments less the qualifying liabilities at the end of that year. The Issuer’s shares are generally included as investment assets. An annual tax-free threshold of €20,661 (for the year 2010) is generally available for each Dutch resident individual taxpayer. Because of the fixed yield of 4%, the actual benefits derived from the net portfolio investments, including any actual distributions on the Issuer’s shares and actual capital gains realised upon the disposal of the Issuer’s shares, are not as such subject to Dutch income tax.

As described above, income derived by individuals from the Issuer’s shares will in most cases be subject to taxation in Box III. The income may be taxed differently in the following cases:

### Box I

A holder of the Issuer’s shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer’s shares and the gains realised upon the acquisition, redemption and/or disposal of the Issuer’s shares, if the Issuer’s shares are attributable to an enterprise from which a Dutch resident individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth of such enterprise, without being an entrepreneur or a shareholder, as defined in the Dutch Income Tax Act 2001. Any benefit derived or deemed to be derived from the Issuer’s shares in this case, including any income and capital gains realised on the disposal of the Issuer’s shares, will be subject to Box I taxation.

A holder of the Issuer’s shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer’s shares and the gains realised upon the acquisition, redemption and/or disposal of the Issuer’s shares, if the holding and/or disposal of the Issuer’s shares qualify as income from “miscellaneous activities” (*resultaat uit overige werkzaamheden*). Any benefit derived from the Issuer’s shares in this case will be subject to Box I taxation. The holding and/or disposal can be treated as “miscellaneous activities” in the event that the management of the portfolio of which the Issuer’s shares form part exceeds regular active portfolio management.

### Box II

A holder of the Issuer’s shares, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Dutch income tax purposes, will be subject to regular Dutch income tax on the income derived from the Issuer’s shares and the gains realised upon the acquisition, redemption and/or disposal of the Issuer’s shares, if the Issuer’s shares constitute a substantial interest or deemed substantial interest in the Issuer. Any benefit derived from the Issuer’s shares in this case will be subject to Box II taxation.

Generally, a holder of the Issuer’s shares will have a substantial interest in the Issuer if he/she, his/her partner, certain other relatives (including foster children) or certain persons sharing his/her household, alone or together, directly or indirectly:

- hold shares of the Issuer representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer’s shares) of the Issuer;
- hold or have rights to acquire the shares of the Issuer (including the right to convert notes or stock options into the shares of the Issuer), whether or not already issued, that at any time (and from time to time) represent 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of the Issuer’s shares) of the Issuer; or
- hold or own certain profit participating rights that relate to 5% or more of the Issuer’s annual profit and/or to 5% or more of the Issuer’s liquidation proceeds.

A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

### ***Non-Dutch Resident Holders: entities and individuals***

Distributions on the Issuer's shares or capital gains realised upon the disposal of the Issuer's shares by a holder that is not resident, nor deemed to be resident of the Netherlands for Dutch tax purposes (and, in the case of an individual holder, that has not opted to be taxed as a resident of the Netherlands) are not taxable in the Netherlands, provided that:

- such holder does not have an interest in an enterprise or a deemed enterprise that is, in whole or in part, carried on through a permanent establishment, a deemed permanent establishment (a statutorily defined term) or a permanent representative in the Netherlands to which (part of the) enterprise, or to whom, the Issuer's shares are attributable or deemed to be attributable; or
- such holder is not entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands to which the Issuer's shares are attributable, other than by way of securities or through an employment contract; or
- the activities of such holder do not qualify as income from "miscellaneous activities" carried out in the Netherlands, as defined under "Dutch Resident Individuals" above; or
- such holder does not have a substantial interest or deemed substantial interest in the Issuer (as defined under "Dutch Resident Individuals" above), or, if such holder has a substantial interest or a deemed substantial interest, it forms part of the assets of an enterprise.

If the non-Dutch resident holder is taxable in the Netherlands pursuant to one of the four eventualities mentioned above, such holder will, in principle, be taxed in the same way as Dutch resident taxpayers, as described above.

If a tax treaty is in force between the Netherlands and the state of residence of the non-Dutch resident holder of the Issuer's shares and if such holder qualifies as a resident under that tax treaty, capital gains on the Issuer's shares will, in general, not be taxable in the Netherlands, except insofar as they are attributable to a permanent establishment in the Netherlands.

Non-Dutch resident pension funds which are non-resident taxpayers for Dutch corporate income tax purposes can qualify for the above-mentioned corporate income tax exemption for Dutch-resident pension funds, provided that the conditions formulated by the Dutch State Secretary for Finance in the Decree of 16 May 2006, nr. CPP2005/3043M, are met.

### ***Dutch Gift, Estate and Inheritance Tax***

#### ***Dutch Resident Holders***

Generally, inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of the Issuer's shares by way of an inheritance or bequest on the death of a holder of the Issuer's shares who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by a holder of the Issuer's shares who is resident or deemed to be resident in the Netherlands at the time of his death. For the purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For the purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

#### ***Non-Dutch Resident Holders***

No Dutch gift or inheritance taxes will arise in respect of the acquisition of the Issuer's shares by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands, unless:

- such holder at the time of the gift has, or at the time of his/her death had, an enterprise or an interest in an enterprise that, in whole or in part, is or was carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Issuer's shares are or were attributable, or are or were deemed to be attributable; or
- such holder at the time of the gift is, or at the time of his/her death was, entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities, or through

an employment contract, to which enterprise the Issuer's shares are or were attributable, or are or were deemed to be attributable; or

- in case of a gift of the Issuer's shares by an individual who at the date of the gift was neither resident nor deemed to be resident of the Netherlands, such individual dies within 180 days after the date of the gift, while at the time of his/her death being resident or deemed to be resident of the Netherlands.

#### ***Dutch Value-Added Tax ("VAT")***

No Dutch VAT will arise in respect of the acquisition, ownership and disposal of the Issuer's shares.

#### ***Other Dutch Taxes and Duties***

No Dutch registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of the Issuer's shares in respect of the subscription, issue, placement, allotment, holding or disposal of the Issuer's shares.

#### **Taxation in the Czech Republic**

The information set out below describes the principal Czech tax consequences of the acquisition, holding and disposal of the Shares, and is included for general information only. This summary does not purport to be a comprehensive description of all Czech tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the shares of the Issuer. Unless provided otherwise, this summary describes only certain material tax consequences for beneficial shareholders who (i) are residents for tax purposes in the Czech Republic (i.e. Czech Corporate Investors and Czech Individual investors as defined below), (ii) are not residents for tax purposes in the Netherlands and (iii) do not have a permanent establishment or fixed base outside the Czech Republic with which the Shares are effectively connected. No individual circumstances, financial situations or particular investment objectives of any prospective investor as purchaser, owner of the Shares are taken into account for the purposes of this discussion. In particular, this summary does not address tax considerations applicable to investors that may be subject to any special tax or accounting rules including, without limitation, (i) certain financial institutions, (ii) insurance companies, (iii) dealers or traders in securities, (iv) investment companies, (v) tax-exempt entities, (vi) persons that would hold the Shares as a part of a "hedging" or "conversion" transaction, and (vii) persons who would hold the Shares through partnerships or other pass-through/tax-transparent entities.

Each prospective investor should consult a professional tax adviser regarding the tax consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence. This summary is based on tax legislation, published case law, treaties, rules, regulations and similar documentation in force as of the date of this Prospectus, without prejudice to any amendments introduced at a later date or implemented with retroactive effect.

#### ***General Remarks***

Taxation of dividends and capital gains from a sale of Shares differs between individual shareholders and corporate shareholders. Also, taxation depends on whether or not the shareholder is subject to taxation on worldwide income or solely on Czech-sourced income.

Corporations resident in the Czech Republic for tax purposes, i.e. particularly those having their registered seat (in Czech *sídlo*) or place of effective management (in Czech *místo vedení*) in the Czech Republic ("Czech Corporate Investors") are subject to corporate income taxation in the Czech Republic on their worldwide income. Other corporations are subject to corporate income taxation in the Czech Republic only on their Czech-sourced income.

Individuals resident in the Czech Republic for tax purposes, i.e. particularly those who have a place of residence (in Czech *bydliště*) in the Czech Republic, or who usually stay in the Czech Republic ("Czech Individual Investors") are subject to personal income taxation in the Czech Republic on their worldwide income. Other individuals are subject to personal income taxation in the Czech Republic only on their Czech-sourced income.

#### ***Czech Corporate Investors***

Czech Corporate Investors are subject to corporate income taxation in the Czech Republic on their worldwide income, irrespective of the location of the source of income.

## *Dividends*

Unless an exemption applies, income earned by a Czech Corporate Investor on dividends paid by the Issuer on the Shares is subject to corporate income tax in the Czech Republic and taxed via a separate basket. A special corporate income tax rate of 15% is applicable in this respect. Expenses incurred by Czech Corporate Investors in connection with their holding of the Shares may not be deducted for purposes of calculation of such corporate income tax.

The possibility of exempting dividends from the Shares is described under “*Dividends and Capital Gains Exemption*” below.

The Convention between the Czechoslovak Socialist Republic and the Kingdom of the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital (the “Czech-Dutch Tax Treaty”) provides that dividends paid by a company residing in the Netherlands to the Czech Corporate Investors may be taxed both in the Czech Republic and the Netherlands.

However, the Dutch tax should not apply if the recipient of the dividend is a Czech tax residing company (the capital of which is fully or partially divided into shares) which holds directly at least 25% of the capital of the Dutch company distributing the dividend. If this is not the case, the Dutch tax should not exceed 10% of the gross amount of the distributed dividend. The income tax paid in the Netherlands can be credited (subject to the limitations of the Czech-Dutch Tax Treaty) against tax liability imposed on the dividends received by the Czech Corporate Investor in the Czech Republic.

## *Revaluation of Shares*

Most Czech Corporate Investors who are treated as accounting units within the meaning of Czech accounting laws and subject to Czech accounting standards for businesses (e.g. most companies other than financial institutions) or to Czech accounting standards for financial institutions (e.g. banks) who hold the Shares for trading would be required to revalue the Shares to fair value for accounting purposes while any resulting revaluation differences would be accounted for as income or expense in the profit and loss account. Such income is generally taxable and the corresponding expense is generally tax deductible for Czech corporate income tax purposes provided that the general conditions for tax deductibility are met, unless the Shares held by the Czech Corporate Investor qualify for capital gain exemption (see below).

## *Capital Gains*

Capital gains earned by Czech Corporate Investors on sale of the Shares are generally subject to corporate income tax in accordance with general rules. This income is aggregated with the income for the given tax period and subject to the 19% corporate income tax (provided that such income is derived in the tax periods starting on or after 1 January 2010).

Any loss incurred by the Czech Corporate Investor upon the sale of the Shares should generally be tax deductible for corporate income tax purposes, provided that the general conditions for tax deductibility are met, unless (i) the Czech Corporate Investor exercises a significant or decisive influence over the Issuer within the meaning of the Czech accounting laws, or (ii) the Shares held by the Czech Corporate Investor qualify for exemption (see below).

## *Dividends and Capital Gains Exemption*

According to Czech income tax law, dividends received by parent companies and capital gains by parent companies realised on sales of shares in subsidiaries qualify for the corporate income tax exemption if several conditions are met.

The overall requirements for a corporate income tax exemption of dividends paid by the Issuer and gains derived on sales of the Shares by Czech Corporate Investors are:

- the Czech Corporate Investor must be a limited liability company, a joint stock company or a co-operative under Czech commercial law;
- the Czech Corporate Investor must have held at least 10% of the registered capital of the Issuer for at least 12 months (can be fulfilled even subsequently); and
- the Issuer must not be in the process of liquidation.

### *Tax Security*

According to Czech law, a Czech Corporate Investor is generally obligated upon purchase of the Shares from a person which is not for tax purposes treated as a resident of the Czech Republic ("Non-Czech Investor") to withhold an amount of 1% of the purchase price on a gross basis representing tax security, unless the Non-Czech Investor is for tax purposes a resident of a member state of the European Union or the European Economic Area. This tax security may, however, also be eliminated under a tax treaty concluded between the Czech Republic and the state of tax residence of that particular Non-Czech Investor.

### *Other Taxes*

Czech gift tax and inheritance tax may be applicable to inheritances and gifts in relation to the Shares. No Czech value added tax, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty is payable by the holder of the Shares in respect of their acquisition, ownership or disposal.

### **Czech Individual Investors**

Czech Individual Investors are subject to personal income taxation in the Czech Republic on their worldwide income, irrespective of the location of the source of income.

### *Dividends*

Income earned by Czech Individual Investors on dividends paid by the Issuer on the Shares is subject to 15% personal income tax in the Czech Republic. Expenses incurred by the Czech Resident Individuals in connection with holding of the Shares may not be deducted for purposes of calculation of such personal income tax.

The Czech-Dutch Tax Treaty provides that dividends paid by a company residing in the Netherlands to the Czech Individual Investors may be taxed both in the Czech Republic and the Netherlands, but such Dutch tax cannot exceed 10% of the gross amount of the dividend. The income tax withdrawn/paid in the Netherlands according to the Czech-Dutch Tax Treaty can be credited (subject to the limitations of the Czech-Dutch Tax Treaty) against tax liability imposed on the dividends received by the Czech Individual Investor in the Czech Republic.

### *Capital Gains*

Unless an exemption from personal income tax applies, capital gains earned by Czech Individual Investors on the sale of Shares are generally subject to 15% flat personal income tax.

If a Czech Individual Investor is treated as an accounting unit within the meaning of the Czech accounting laws and holds the Shares as business property, any loss upon sale of the Shares is generally treated as tax deductible, unless the Czech Individual Investor exercises significant or decisive influence over the Issuer within the meaning of the Czech accounting laws. In the case of a Czech Individual Investor who does not hold the Shares as business property, any loss incurred on sale of the Shares would generally be tax non-deductible – except for a situation when such loss is deducted against other taxable capital gains derived by the Czech Individual Investor from the sale of securities in the given tax period (provided that such securities do not form business property of the Czech Individual Investor on the date of the sale or an exemption from personal income tax applies). For a Czech Individual Investor holding the Shares as business property while not being treated as an accounting unit within the meaning of the Czech accounting laws, any capital loss incurred on the sale of the Shares would be non-deductible.

The above is not applicable, i.e. a loss on the sale cannot be treated as deductible, if a disposal of Shares made by a Czech Individual Investor qualifies for an exemption from personal income tax.

Income of Czech Individual Investors from disposal of the Shares is exempt from personal income tax provided that (i) the period between acquisition and subsequent sale of the Shares exceeds six months, (ii) the Czech Resident Individual has not held more than 5% of the registered capital or voting rights in the Issuer within the period of 24 months prior to disposal, and (iii) the Shares have not been held by the Czech Resident Individual as business property at any point prior to the disposal.

If the condition under (ii) above is not met, an exemption from the personal income tax is applicable only to sales of the Shares realised after 5 years following their acquisition. Special conditions apply to Shares which have been booked as business property of a Czech Individual Investor prior to disposal.

## *Tax Security*

According to Czech law, a Czech Individual Investor is generally obligated upon purchase of the Shares from a Non-Czech Investor to withhold an amount of 1% of the purchase price on a gross basis representing tax security, unless the Non-Czech Investor is for tax purposes a resident of a member state of the European Union or the European Economic Area. This tax security may, however, be also eliminated under a tax treaty concluded between the Czech Republic and the state of tax residence of that particular Non-Czech Investor.

## *Other Taxes*

Czech gift tax and inheritance tax may be applicable to inheritances and gifts in relation to the Shares. No Czech value added tax, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty is payable by the holder of the Shares in respect of their acquisition, ownership or disposal.

## **Taxation in Poland**

This section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Shares.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisors. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

### ***Polish Corporate Investors***

#### *Taxation of Income Relating to Holding Shares*

Dividends and other income (revenue) actually earned on holding shares (such as remuneration for redeemed shares, liquidation proceeds) by legal persons and capital companies in organisation, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland (the "Polish Corporate Shareholders"), shall be subject to taxation in Poland under the Corporate Income Tax ("CIT") Act. They are taxed at the basic 19% rate.

Pursuant to Art. 20 section 3 of the CIT Act, an income tax exemption applies to dividends and other revenue earned on the holding of shares in companies whose registered or management office is outside Poland by Polish companies whose worldwide income is subject to CIT in Poland, regardless of where the source of income is located, if all of the following conditions are met:

- a) the entity which distributes the dividends and other revenue earned on shares is a company whose worldwide income (regardless of where the source of income is located) is subject to income tax in a European Union Member State other than Poland, or in a other Member State of the European Economic Area;
- b) Polish company holds directly not less than 10% of shares in the capital of the company referred to in item (a) above for an uninterrupted period of at least 2 years.

CIT Act expressly provides that in order to benefit from the above exemption, the 2-year holding period requirement may be also met after the dividend is paid, provided that a given taxpayer would actually satisfy that requirement afterwards. Otherwise, a taxpayer who did not meet the 2-year holding period requirement would be obliged to pay the due income tax along with penalty interests.

The above exemption will not apply, however, if distributions are made upon liquidation of a company.

Moreover, dividends paid out by a Dutch company to Polish Corporate Shareholders may be exempt from Dutch withholding tax under Council Directive of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, provided that the conditions specified by the Dutch tax laws are satisfied.

The Double Tax Treaty concluded by the Republic of Poland and the Kingdom of the Netherlands ("Double Tax Treaty") provides that dividends paid by a company with its registered office in the Netherlands to Polish Corporate Shareholders may be taxed both in Poland and the Netherlands, although such Dutch tax cannot exceed 5% of the gross amount of the dividend if the recipient of the dividend is a company (other than a

partnership) holding at least 10% of the capital of the Dutch company distributing the dividend, or 15% of the gross amount of the dividend in all other situations.

It should be noted that in relation to the dividends which may be subject to taxation in the Netherlands, pursuant to Art. 23 sec. 5(a) of the Double Tax Treaty, a tax credit applies in Poland.

Pursuant to the provisions of the Double Tax Treaty, if a Polish Corporate Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in the Netherlands as business profits earned by that permanent establishment.

#### *Taxation of Income from Disposal of Shares*

Income earned by Polish Corporate Shareholders on disposal of shares of a Dutch company is subject to corporate income tax in Poland in accordance with the general rules. This income is aggregated with the business incomes of the given fiscal year, and subject to the general 19% CIT rate.

The income is computed as the difference between the revenue (in principle, the price agreed for the shares) and tax deductible costs (in principle, the costs of acquisition of the shares and costs related to the sale).

However, it should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, such agreed price may be challenged by the tax authorities.

#### ***Polish Individual Investors***

##### *Taxation of Income Relating to Holding Shares*

Income earned by an individuals domiciled in Poland (the "Polish Individual Shareholders") on dividends from a Dutch company is considered income from a separate basket and it is not aggregated with incomes from other sources. Such income is subject to the 19% flat rate Personal Income Tax ("PIT"). The tax is settled on annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned.

It is not absolutely clear whether the tax due on dividend income earned by a Polish Individual Investor from a Dutch company shall be withheld by a Polish brokerage house assisting in the payment or not. On the one hand, there is a regulation (Art. 41 sec. 4 of the PIT Act) that clearly imposes on brokerage houses the obligation to withhold the tax. On the other hand, there is a regulation which provides that amounts of tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by a taxpayer (i.e. Polish Individual Investor) in his annual tax return (Art. 30a sec. 11 of the PIT Law). Most tax advisers seem to regard the latter provision as overruling the first one, and are thus of the opinion that a Polish brokerage house should not withhold any tax. However, in case of any doubts, a tax adviser should be consulted by the taxpayer.

The Double Tax Treaty provides that dividends paid by a company with its registered office in the Netherlands to Polish Individual Shareholders may be taxed both in Poland and the Netherlands, but such Dutch tax cannot exceed 15% of the gross amount of the dividend.

It should be noted that in relation to dividends which may be subject to tax in the Netherlands, the tax credit method of avoidance of double taxation shall apply in Poland, pursuant to Art. 23 sec. 5(a) of the Double Tax Treaty.

Pursuant to the provisions of the Double Tax Treaty, if the Polish Individual Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on) or performs in the Netherlands independent personal services from a fixed base situated in the Netherlands, and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment or fixed base, dividends will be taxed in the Netherlands as business profits or as income from independent personal services earned by that permanent establishment or fixed base.

### *Taxation of Income from Disposal of Shares*

Income earned by a Polish Individual Shareholders on sale of shares should be classified as income from capital gains and as such it should not be combined with incomes from other sources but should be subject to the 19% flat PIT rate.

The income is computed as the difference between the revenue earned on disposal of shares (in principle, the price for the shares) and the related costs (in principle, the costs of acquisition of the shares and costs related to the sale). The tax is settled on an annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned (this also being the deadline for paying the tax). No obligation exists to pay tax advances during the tax year.

The above is not applicable if a Polish Individual Shareholder holds the shares within the scope of its business activity. If this is the case, the income should be classified as business income. In such a case, income tax shall be paid at the progressive tax rates, which varies from 18% to 32%, or at the 19% flat rate (depending on the form of taxation chosen by the given Polish Individual Shareholder).

It should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities.

It should also be noted that pursuant to Art. 9 section 6 of the Polish PIT Act, losses incurred during a fiscal year on account of the disposal of shares may be deducted from the income received from that source over five consecutive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of the loss in any single fiscal year of the five-year period.

### ***Foreign Investors***

Individuals who do not have their place of residence in Poland and legal entities, companies in organisation and other entities with no legal personality, if they are treated as tax residents under tax law of a given state, that have their registered office and place of management outside Poland are subject to PIT and CIT respectively, only with respect to the profits that derive sources of income located on the territory of Poland.

Although this is not expressly provided for in Polish tax law, it should be noted that dividends from a Dutch company should not be treated as income derived from Poland, even if the company is listed on the Warsaw Stock Exchange. Consequently, it should be noted that dividends paid by a Dutch company to a foreign investor should not be subject to Polish income tax.

Polish tax law does not give clear direction on whether income from a sale of shares of a Dutch company should be treated as income derived from Poland if the shares are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as, Polish source income. Consequently, as a rule, such income would be subject to Polish income tax and settled on general rules. In practice, however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

### ***Tax on Civil Law Activities***

The tax on civil law transactions ("TCLT") is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the purchaser is a Polish tax resident and the transaction is effected in Poland.

The tax rate on the sale of shares and the exchange of shares is 1% at their market value and should be paid within fourteen days of the date on which the tax obligation arose (that is, the date the sale or exchange agreement is concluded), unless the sale of shares and the exchange of shares agreements are concluded in a form of a notary deed. In that case the due tax should be collected by the notary public acting as a tax remitter. The purchaser of shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability for paying the due tax is borne jointly and severally by the parties to the exchange of shares transaction.

Exemptions from the tax on civil law transactions apply, without limitation, to transactions concerning the sale of property rights constituting financial instruments (including shares) to investment firms and foreign investment firms or, through them, and the sale of such property rights within the boundaries of a regulated market, as well as the sale of such property rights by investment firms and foreign investment firms outside the regulated market, if those property rights were acquired by the above-mentioned firms within the boundaries of a regulated market, as defined in the Polish Act on Trading in Financial Instruments.



## **Taxation in Slovakia**

This section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Shares.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisors. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

### **Slovak Corporate Investors**

#### *Taxation of Income Relating to Holding Shares*

Under the Slovak Income Tax Act ("SITA"), dividends, settlement "compensation" proceeds, liquidation proceeds, income derived from acquiring new shares in the course of capital increase paid up from retained profits or in the course of the mergers or split-up (within Slovakia or the European Union) received by legal persons with their registered office or place of management in Slovakia ("Slovak Corporate Shareholders") are not subject to corporate income tax in Slovakia.

The Slovak-Dutch Double Tax Treaty entered into by and between Slovakia and the Kingdom of the Netherlands ("Slovak-Dutch Double Tax Treaty") stipulates that dividends paid by a company having the registered office in the Netherlands to the Slovak Corporate Shareholders may be taxed in the Netherlands, though such Dutch tax cannot exceed 10% of the gross amount of the dividend. This shall however, not apply where the Slovak Corporate Shareholder, being a recipient of the dividend, is a Slovak joint-stock company and directly holds at least 25% of the capital of the Dutch company distributing the dividend, in which case dividends paid by the Dutch company to the Slovak Corporate Shareholder shall not be subject to Dutch tax.

Notwithstanding the foregoing, pursuant to Article 10 (7) and Article 7 of the Slovak-Dutch Double Tax Treaty, if a Slovak Corporate Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in the Netherlands as business profits earned by that permanent establishment.

#### *Taxation of Income from Disposal of Shares*

Income of Slovak Corporate Shareholders derived from disposal of shares of a Dutch company (i.e. price at which the shares are transferred) is subject to corporate income tax in Slovakia. This income is included in the general corporate income tax base comprising also other incomes of Slovak Corporate Shareholders in the relevant fiscal year and is subject to flat 19% income tax rate.

When calculating the general tax base, SITA recognises, *inter alia*, the acquisition costs of the transferred shares as a tax deductible item.

### **Slovak Individual Investors**

#### *Taxation of Income Relating to Holding Shares*

Under the SITA, dividends, settlement "compensation" proceeds, liquidation proceeds, income derived from acquiring new shares in the course of capital increase paid up from retained profits or in the course of the mergers or split-up (within Slovakia or the European Union) received by individuals residing or usually staying in Slovakia for 183 or more days during a calendar year ("Slovak Individual Shareholders") are not subject to corporate income tax in Slovakia.

The Slovak-Dutch Double Tax Treaty stipulates that dividends paid by a company having the registered office in the Netherlands to the Slovak Individual Shareholders may be taxed in the Netherlands, though such Dutch tax cannot exceed 10% of the gross amount of the dividend.

Notwithstanding the foregoing, pursuant to Article 10 (7) and Article 7 of the Slovak-Dutch Double Tax Treaty, if a Slovak Individual Shareholder carries on business in the Netherlands through a permanent establishment situated in the Netherlands and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in the Netherlands as business profits earned by that permanent establishment.

### *Taxation of Income from Disposal of Shares*

Income of Slovak Individual Shareholders earned from disposal of shares of a Dutch company is subject to personal income tax in Slovakia at flat 19% tax rate.

The income is computed as a difference between the revenue earned from transfer of shares and the acquisition price of the shares as well as the costs related to the acquisition and transfer of the shares.

In addition, a profit earned on the transfer of shares by Slovak Individual Shareholders is exempted from Slovak income tax up to the amount equal to five times the applicable statutory minimum living amount. This does not apply in case the advantage of this exemption has already been taken with respect to other qualifying incomes. If the profit exceeds this threshold, only the profit exceeding the threshold shall be subject to personal income tax in Slovakia.

### ***Foreign Investors***

Legal entities having their registered office or place of management outside of Slovakia and individuals not residing or staying in Slovakia for 183 or more days during a calendar year are subject to income tax in Slovakia only with regards to the income derived from sources located in Slovakia as defined under SITA. Under SITA, dividends from a Dutch company are not treated as income derived from sources located in Slovakia and thus are not subject to Slovak income tax.

Unless the double taxation avoidance treaty, if any, stipulates otherwise, income received from legal entities or individuals having tax domicile in Slovakia from a sale of shares issued by a Dutch company (whether or not traded on the WSE and the PSE), should not be, under SITA, treated as income derived from sources located in Slovakia. Consequently, income from legal entities or from individuals having tax domicile in Slovakia from the sale of shares of a Dutch company should not be subject to Slovak income tax.

## **ADDITIONAL INFORMATION**

Capitalised terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in Annex I “Defined Terms” and certain industry terms and other technical terms used in this Prospectus are explained in Annex II “Defined Technical Terms”.

This Prospectus has been prepared by the Issuer in connection with the Offering and Admission solely for the purpose of enabling a prospective investor to consider an investment in the Offer Shares. The information contained in this Prospectus has been provided by the Issuer and other sources identified herein.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should, therefore, read this Prospectus in its entirety, and in particular, a section “Risk Factors”, when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and not rely exclusively on the legal, financial or tax information contained in this Prospectus.

Save for the provisions of mandatory laws, no person is or has been authorised to give any information or to make any representation in connection with the Offering and/or Admission, other than as contained in this Prospectus, and if given or made, any other information or representation must not be relied upon as having been authorised by the Issuer, or by the Managers.

The corporate governance structure of the Issuer is set out in its Articles of Association which are available on the Issuer’s website: [www.fortunagroup.eu](http://www.fortunagroup.eu).

### **Persons responsible for the information**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Neither the Managers nor the legal advisers to the Issuer or to the Managers accept any responsibility whatsoever for the contents of this Prospectus, or for its transaction, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Issuer or the Offering. The Managers and the legal advisers to the Issuer or to the Managers accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by the Managers and legal advisers to the Issuer or to the Managers as to the accuracy or completeness of the information set forth herein and nothing contained in this Prospectus is, or shall be interpreted as a promise or representation made by the Managers or legal advisers to the Issuer or to the Managers, whether as to the past or the future.

### **Market, Economic and Industry Data**

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, organisations or analysts, publicly available information or the Issuer’s knowledge of its sales and markets. Information on Fortuna brand recognition has been provided on the basis of surveys conducted by Ipsos Tambor, at the Group Companies request. Ipsos Tambor is a consultancy and research company with its offices at Národní 6, 110 00 Prague 1, the Czech Republic and Kolárska 1, 811 06 Bratislava, Slovakia. Ipsos Tambor has no interest in the Issuer.

The assumptions regarding assertions, announcements or other statements reflecting the Group Companies’ market position conform to the Management Board’s best knowledge about the Group Companies and their market positions. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by said third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Subject to the foregoing, none of the the Managers can assure investors of the accuracy or completeness of, or take any responsibility for, such data. If third party information has been used in this document, the source of information has been identified.

### **Presentation of Financial and Other Information**

In this Prospectus, the terms “the Issuer”, “the Group” and similar terms refer to Fortuna Entertainment Group N.V. and entities that became its direct and indirect subsidiaries, unless the context requires otherwise.

The Issuer was established by the Selling Shareholder on November 4, 2009 to become the parent entity of the Fortuna Group. As part of this, a legal restructuring took place so that all entities forming the Fortuna Group are held by the Issuer either directly or indirectly. For this reason certain legal entities ultimately owned by Penta Investment Limited were acquired by the Issuer.

Transactions that occur between entities under common control are commonly referred to as “common control transactions”. IFRS 3 Business Combination (revised 2008) specifically scopes out common control transactions and is therefore not prescriptive as to what method should be used in business combinations between entities under common control. Accordingly, an entity can choose the pooling of interest or the purchase method in accounting for business combinations involving entities under common control. The Issuer selected the accounting policy under which the legal restructuring is accounted for using the pooling of interest method. The pooling of interest method consists in aggregating individual items of assets and liabilities and revenues and costs of the combining entities, after bringing their values to uniform measurement methods and after making appropriate exclusions. Excluded are also all intra-group balances and transactions. The comparatives reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, except for those entities externally acquired by the controlling shareholder during one of the periods presented. Those entities form part of the combined financial statements as of the date they became under common control, and accounted for using the purchase method.

The legal restructuring aimed at transferring certain existing legal entities to the Issuer was not completed before December 31, 2009 due to regulatory approvals required for transferring some of the legal entities. As a result, as per December 31, 2009, the Issuer only held the following entities: Riverhill (including its subsidiaries), Fortuna HR and FortunaWin Ltd. (and its subsidiary). Fortuna SK (and its subsidiary) was acquired in January 2010 while Fortuna PL in May 2010. Consequently, the Issuer did not have control over those entities as of December 31, 2009 and was not permitted by IAS 27, Consolidated and Separate Financial Statements, to present consolidated financial statements including Fortuna SK and Fortuna PL as of that date.

In December 2009, the International Financial Reporting Interpretations Committee (“IFRIC”) noted that the ability to include entities within a set of IFRS financial statements depends on the interpretation of ‘reporting entity’ in the context of common control transactions. A reporting entity is defined as ‘a circumscribed area of business activity of interest to present and potential equity investors, lenders and other capital providers’. It is Management’s view that as of December 31, 2009 the Fortuna Group qualifies as a reporting entity as the following conditions existed as at that date:

- a common ownership structure for all the entities within the whole group;
- a common board of directors for all material operational, financing and investing decisions; and
- evidence of the integration of the ‘group’ for operational purposes.

Since the above conditions were met and based on the recent decision of the IFRIC, Management concluded that combined financial statements could be prepared as of December 31, 2009 which give a true and fair view in accordance with IFRS.

These combined financial statements include the Issuer, its subsidiaries as of that date, Fortuna SK (and its subsidiary) and Fortuna PL. As a result, combined financial statements in accordance with IFRS as adopted by the EU were prepared by the Fortuna Group, as reporting entity, as of December 31, 2009 which included the following entities:

- the Issuer;
- Fortuna SazKan;
- Fortuna GAME;
- Fortuna HR;
- Fortuna PL;
- Fortuna SK;
- FortunaWin;
- FortunaWin Gaming;

- Fortuna Real;
- Fortuna Rent;
- Riverhill;
- Alicela; and
- Fortuna sažky, a.s.

Ibet and Fortuna SW were not included in the combined financial statements since they were included into the Group after 31 December 2009 and were not under common control of the Selling Shareholder prior to their acquisition in 2010. Fortuna park, s.r.o., a subsidiary of Alicela, was not combined with other entities since it was in liquidation.

These combined financial statements contain historical financial information and constitute a set of general purpose financial statements under paragraph 7 of IAS 1 Presentation of Financial Statement and consequently the Fortuna Group makes an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.

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

Interim Condensed Consolidated Financial Statements are presented by the Issuer as of June 30, 2010 in accordance with IAS 34 as all entities were under control of the Issuer by that date. The comparative financial information, as of 30 June 2009, represents the combined interim financial information of the Fortuna Group.

The companies of which the financial information has been included in the Issuer's reviewed Interim Condensed Consolidated Financial Statements for the six-months ended 30 June 2010 are the same of which the financial information has been included in the combined financial statements for the years ended 31 December 2009, 2008 and 2007, except for ibet, Fortuna SW which were included into the Group subsequent to 31 December, 2009 and included in the consolidated condensed interim financial statements, exclusive of Fortuna HR which was sold back to Equinox B.V. on 26 March 2010.

Unless otherwise indicated, financial information in this Prospectus has been prepared on the basis of IFRS and has been extracted without adjustments from Financial Statements, or has been extracted from those of the Groups' accounting records which have been used to prepare such financial information. The presentation of financial information on the basis of IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial information and notes thereto. Actual results could differ from those estimates.

The Financial Statements included in the Prospectus are presented in EUR which is the functional currency of the Group. The Group subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS.

In the Prospectus only "Operating and Financial Review" section discusses some of the financial results including Fortuna HR. In other parts of the Prospectus the Issuer and the Group, in accordance with its definition in the Prospectus, is described omitting Fortuna HR.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100 per cent.

Potential investors should consult their own professional advisers to gain an understanding of the financial information contained herein.

#### **Documents Incorporated by Reference**

No documents or content of any website are incorporated by reference in this Prospectus.

## **Documents on display**

The following documents will be available free of charge at the registered office of the Issuer during the normal business hours from the date of this Prospectus for a period of one year from the date when the Prospectus was made available to the public:

- copies of the Financial Statements,
- copies of H2GC's industry reports
- copies of Ipsos Tambor survey regarding Fortuna brand.

Moreover the following documents through the Issuer's web site [www.fortunagroup.eu](http://www.fortunagroup.eu):

- this Prospectus,
- the Articles of Association.

## **Notice to Prospective Investors**

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such an offer or solicitation or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under "Selling Restrictions". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties and will be required to take certain actions described in particular in "The Offering and Plan of Distribution", which will be relied upon by the Issuer, the Managers and others. The Issuer and the Selling Shareholder reserve the right, in its sole and absolute discretion, to reject any purchase of Offer Shares that the Issuer, the Selling Shareholder, the Managers or any agents believe may give rise to a breach or a violation of any law, rule or regulation (see "Selling Restrictions").

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

## **Forward-looking Statements**

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer's current views with respect to future events and financial performance of its Group. Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms such as "believes", "expects", "estimates", "anticipates", "intends", "plans", "may", "will", "should", "would", "could" or, in each case, their negatives or other variations or comparable terms. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. Such items in this Prospectus include, but are not limited to, statements under "Risk Factors", "Business Overview", "Industry Overview" and "Operating and Financial Review".

By their nature, forward-looking statements involve known and unknown risks and uncertainty, and other factors that may cause the Group's actual results, performances and achievements to differ materially from any future results, performances, achievements or developments expressed in or implied by such forward-looking statements. The Issuer has based these forward-looking statements on numerous assumptions regarding the Group present and future business strategies, its current expectations and projections about future events and the environment in which the Group will operate in the future. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group, including, among other things:

- ability of the Group to develop and expand its business;
- ability of the Group to keep up with new technologies and expand into new markets;
- ability of the Group to control its costs;

- future capital spending of the Group and availability of financial resources to finance capital spending;
- political, regulatory and economic conditions in the countries in which the Group operates;
- volatility in the world's securities markets;
- the effects of regulation (including tax regulations) in the Netherlands and other countries in which the Group operates.

The forward-looking statements speak only as at the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, whether to reflect any new information, future events, any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statements is based, except as required by law, including under the Czech Capital Markets Act, the Slovak Securities Act and the Polish Public Offerings Act.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which are based on facts known to the Issuer only as at the date of this Prospectus.

## FINANCIAL INFORMATION



**FORTUNA ENTERTAINMENT GROUP N.V.**

**Combined Statement of changes in equity for the year ended 31 December 2009**

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**NON STATUTORY COMBINED FINANCIAL STATEMENTS OF  
FORTUNA ENTERTAINMENT GROUP N.V.**

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED  
BY THE EUROPEAN UNION  
AS AT 31 DECEMBER 2009

TOGETHER WITH AN INDEPENDENT AUDITOR'S REPORT

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Combined Statement of changes in equity for the year ended 31 December 2009**

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## Independent auditor's report



**ERNST & YOUNG**

To: The shareholder of Fortuna Entertainment Group NV

### Auditor's report

#### Report on the combined financial statements

We have audited the accompanying combined financial statements for the year ended 31 December 2009 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the combined statements of financial position as at 31 December 2009, 31 December 2008 and 31 December 2007, the combined statements of income, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, and a summary of significant accounting policies and other explanatory notes. As referred to in note 2.1 in the notes to the combined financial statements these combined financial statements include Fortuna Entertainment Group N.V., its subsidiaries and Fortuna SK, a.s. with its subsidiary Fortuna Real, s.r.o. and Fortuna zakłady bukmacherskie Sp, z o.o and have been prepared for the inclusion in the prospectus of Fortuna Entertainment Group N.V.

As referred to in note 2.2 in the notes to the combined financial statements, these combined financial statements do not constitute the Dutch statutory financial statements as required under Dutch law.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and



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

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

*Opinion*

In our opinion, the combined financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2009, 31 December 2008 and 31 December 2007, and of its results and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other matter - restriction of use (and distribution)*

The combined financial statements of Fortuna Entertainment Group N.V. and our auditor's report thereon are intended for inclusion in the prospectus of Fortuna Entertainment Group N.V.

Amsterdam, 16 June 2010

Ernst & Young Accountants LLP

signed by S.D.J. Overbeek - Goeseije

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Combined statement of financial position as at 31 December 2007, 2008 and 2009**

	Notes	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000	1 January 2007 € 000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	13	50,426	49,603	52,125	50,466
Intangible assets	14	7,272	6,594	6,381	6,016
Property, plant and equipment	15	5,567	4,401	3,318	3,253
Deferred tax assets	11	776	912	557	634
Related party loans	28	28,257	24,216	-	-
Restricted cash	18	3,584	2,978	673	654
Other non-current assets	17	546	785	322	240
<b>Total Non - Current Assets</b>		<b>96,428</b>	<b>89,489</b>	<b>63,376</b>	<b>61,263</b>
<b>Current assets</b>					
Current receivables	16	802	1,749	688	1,288
Related party loans	28	-	2,110	-	49
Income tax receivable		202	386	294	388
Other current assets	17	953	966	627	1,002
Bank deposits	19	755	746	-	-
Cash and cash equivalents	19	21,566	17,804	20,277	9,319
<b>Total current assets</b>		<b>24,278</b>	<b>23,761</b>	<b>21,886</b>	<b>12,046</b>
<b>TOTAL ASSETS</b>		<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	21	45	-	-	-
Share premium	21	21,779	-	-	-
Statutory reserve	21	2,144	-	-	-
Net assets attributable to combined entities' shareholder		16,611	28,167	11,929	(5,290)
Foreign currency translation reserve	21	324	(59)	407	-
Retained earnings		(420)	-	-	-
<b>Total assets attributable to combined entities shareholder</b>		<b>40,483</b>	<b>28,108</b>	<b>12,336</b>	<b>(5,290)</b>
<b>Minority interest</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>40,483</b>	<b>28,108</b>	<b>12,336</b>	<b>(5,290)</b>
<b>Non-current liabilities</b>					
Provisions	24	438	569	29	-
Long-term bank loans	25	18,848	38,931	989	-
Deferred tax liabilities	11	-	-	-	1
Related party loans	28	7,550	-	5,324	-
Other non-current Liabilities	27	2,578	13,047	26,309	31,111
<b>Total non-current liabilities</b>		<b>29,414</b>	<b>52,547</b>	<b>32,651</b>	<b>31,112</b>
<b>Current liabilities</b>					
Trade and other payables	26	27,507	20,709	15,389	15,334
Income tax payable		408	2,434	531	66
Provisions	24	94	529	-	579
Related party loans	28	617	2,424	8,791	14,903
Short-term bank loan and overdrafts	25	-	271	14,415	13,725
Current portion of long-term bank loans	25	20,681	5,281	422	2,175
Derivatives	20	746	-	-	-
Other current liabilities		756	947	727	705
<b>Total current liabilities</b>		<b>50,809</b>	<b>32,595</b>	<b>40,275</b>	<b>47,487</b>
<b>EQUITY AND LIABILITIES</b>		<b>120,706</b>	<b>113,250</b>	<b>85,262</b>	<b>73,309</b>

**FORTUNA ENTERTAINMENT GROUP N.V**
**Combined statement of income for the years ended 31 December 2007, 2008 and 2009**

	Notes	2009 € 000	2008 € 000	2007 € 000
Amounts staked	6	379,459	367,454	252,894
<b>Revenue</b>	<b>6</b>	<b>80,348</b>	<b>85,624</b>	<b>58,043</b>
Governmental taxes and levies	6	(6,965)	(5,885)	(3,651)
Personnel Expenses	7	(28,001)	(29,569)	(20,505)
Depreciation and amortisation	6	(2,589)	(2,010)	(1,369)
Goodwill impairment	13	-	(4,366)	-
Other operating income	8	1,034	353	126
Other operating expenses	9	(26,461)	(27,015)	(19,872)
<b>Operating profit</b>	<b>6</b>	<b>17,366</b>	<b>17,132</b>	<b>12,772</b>
Finance income	10	2,315	1,700	351
Finance costs	10	(4,850)	(5,269)	(4,192)
<b>Profit before Tax</b>		<b>14,831</b>	<b>13,563</b>	<b>8,931</b>
Income tax expense	11	(2,422)	(3,595)	(715)
<b>Net profit for the period</b>		<b>12,409</b>	<b>9,968</b>	<b>8,216</b>
<b>Attributable to:</b>				
Combined entities shareholder	12	12,409	10,201	8,216
Minority interest		-	(233)	-
<b>Earnings per share</b>		<b>2009</b>	<b>2008</b>	<b>2007</b>
		€	€	€
Basic and diluted, profit for the year attributable to combined entities shareholder	12	2,758	2,267	1,826

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Combined statement of comprehensive income for the years ended 31 December 2007, 2008 and 2009**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
<b>Profit for the year</b>	<b>12,409</b>	<b>9,968</b>	<b>8,216</b>
Net loss on revaluation of cash flow hedges	(365)	-	-
Income tax	69	-	-
	(296)		
Exchange differences on translation of foreign operations	383	(460)	407
<b>Other comprehensive income for the year, net of tax</b>	<b>87</b>	<b>(460)</b>	<b>407</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>12,496</b>	<b>9,508</b>	<b>8,623</b>
Attributable to:			
combined entities shareholder	12,496	9,741	8,623
Minority interests	-	(233)	-

**FORTUNA ENTERTAINMENT GROUP N.V**
**Combined statement of cash flows for the years ended 31 December 2007, 2008 and 2009**

	31 December 2009 € 000	31 December 2008 € 000	31 December 2007 € 000
<b>Cash flows from operating activities</b>			
Profit before tax	14,831	13,563	8,931
Adjustments for:			
Depreciation and amortisation	2,589	2,010	1,369
Goodwill impairment		4,366	-
Changes in provisions	(575)	352	(415)
Gain on disposal of property, plant and equipment	(1)	(5)	(24)
Interest expense, net	2,355	3,424	3,907
Change in fair value of derivatives	381	26	-
Operating profit before working capital changes	19,580	23,736	13,768
(Increase) / Decrease in other current assets	(298)	39	393
(Increase) / Decrease in receivables	1,160	(1,407)	550
(Decrease) / Increase in payables and other liabilities	2,103	3,072	(480)
(Increase) / Decrease in restricted cash	(568)	(2,408)	-
Cash generated from operating activities	21,977	23,032	14,231
Corporate income tax paid	(4,091)	(2,246)	(27)
<b>Net cash flows from operating activities</b>	<b>17,886</b>	<b>20,786</b>	<b>14,204</b>
<b>Cash flows from investing activities</b>			
Interest received	2,315	1,700	285
Related party loans receivable (granted)/repaid	(1,931)	(25,302)	-
Cash acquired on acquisition of subsidiaries	-	1,638	-
Payment of deferred instalments related to purchase of subsidiary	(9,109)	(6,604)	(5,753)
Proceeds / (Acquisition) of other financial assets	374	(1,158)	-
Purchase of buildings, equipment and intangible assets	(4,778)	(3,260)	(1,753)
Proceeds from sale of buildings and equipment	546	1,072	318
<b>Net cash flows used in investing activities</b>	<b>(12,583)</b>	<b>(31,914)</b>	<b>(6,903)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term borrowings	-	48,471	948
Repayments of long term borrowings	(17,816)	(10,288)	-
Net proceeds from / (Repayments of) short-term borrowings	15,071	(9,907)	(1,551)
Related party loans received / (repaid)	5,293	(12,618)	(1,235)
Proceeds from shareholder's contributions	-	-	9,003
Cash contribution by shareholder to acquire subsidiary companies	64,599	-	-
Payment to acquire subsidiary companies	(64,599)	-	-
Dividends paid	(410)	(2,239)	-
Interest paid	(4,670)	(5,124)	(4,192)
<b>Net cash flows (used in) / provided by financing activities</b>	<b>(2,532)</b>	<b>8,295</b>	<b>2,973</b>
Net effect of currency translation in cash	991	360	684
Net increase / (decrease) in cash and cash equivalents	<b>3,762</b>	<b>(2,473)</b>	<b>10,958</b>
Cash and cash equivalents at the beginning of the year	17,804	20,277	9,319
<b>Cash and Cash Equivalents at the end of the year</b>	<b>21,566</b>	<b>17,804</b>	<b>20,277</b>



**FORTUNA ENTERTAINMENT GROUP N.V**
**Combined statement of changes in equity for the year ended 31 December 2009**

	Share capital € 000	Share premium € 000	Net assets attributable to combined entities' shareholder € 000	Statutory reserves € 000	Retained earnings € 000	Foreign exchange translation reserve € 000	Total € 000	Minority Interests € 000	Total € 000
1 January 2009	-	-	28,167	-	-	(59)	28,108	-	28,108
Profit for the year	-	-	12,829	-	(420)		12,409	-	12,409
Other comprehensive income	-	-	(296)	-	-	383	87	-	87
Total comprehensive income	-	-	12,533	-	(420)	383	12,496	-	12,496
Dividend paid to the combined entities' shareholder (note 22)	-	-	(410)	-	-	-	(410)	-	(410)
Share issue and cash contribution by shareholder (note 21)	45	64,599	-	-	-	-	64,644	-	64,644
Acquisition of Fortuna Czech and Fortuna Croatia accounted for using pooling of interest method (note 21)	-	(42,820)	(23,679)	2,144	-	-	(64,355)	-	(64,355)
<b>31 December 2009</b>	<b>45</b>	<b>21,779</b>	<b>16,611</b>	<b>2,144</b>	<b>(420)</b>	<b>324</b>	<b>40,483</b>	<b>-</b>	<b>40,483</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Combined statement of changes in equity for the year ended 31 December 2007 and 2008**

	Share capital € 000	Net assets attributable to combined entities' shareholder € 000	Statutory reserves € 000	Retained earnings € 000	Foreign exchange translation reserve € 000	Total € 000	Minority interests € 000	Total € 000
1 January 2008	-	11,929	-	-	407	12,336	-	12,336
Profit for the year		10,201	-	-		10,201	(233)	9,968
Other comprehensive income		-	-	-	(460)	(460)	-	(460)
Total comprehensive income	-	10,201	-	-	(460)	9,741	(233)	9,508
Dividend paid to the combined entities' shareholder (note 22)	-	(1,600)	-	-	-	(1,600)	-	(1,600)
Acquisition of subsidiary by the combined entities' shareholders (note 30)	-	6,091	-	-	-	6,091	151	6,242
Acquisition of minority interest (note 30)	-	1,546	-	-	(6)	1,540	82	1,622
<b>31 December 2008</b>	<b>-</b>	<b>28,167</b>	<b>-</b>	<b>-</b>	<b>(59)</b>	<b>28,108</b>	<b>-</b>	<b>28,108</b>
1 January 2007	-	(5,290)	-	-	-	(5,290)	-	(5,290)
Profit for the year		8,216	-	-	-	8,216	-	8,216
Other comprehensive income		-	-	-	407	407	-	407
Total comprehensive income	-	8,216	-	-	407	8,623	-	8,623
Capital contribution by combined entities' shareholder (note 21)	-	9,003	-	-	-	9,003	-	9,003
<b>31 December 2007</b>	<b>-</b>	<b>11,929</b>	<b>-</b>	<b>-</b>	<b>407</b>	<b>12,336</b>	<b>-</b>	<b>12,336</b>

## **1. CORPORATE INFORMATION**

The combined financial statements for the year ended 31 December 2009 of FORTUNA Entertainment Group N.V. ("FEGNV"), comprise the combined statements of financial position as at 31 December 2009, 31 December 2008 and 31 December 2007, the combined statements of income, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

The combined financial statements of FEGNV for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 16 June 2010.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. The parent company of FEGNV is Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3803 Limassol, Cyprus.

### **Description of business**

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in the Czech Republic, Slovakia, Poland and Croatia. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via retail chains which included over 1,350 shops in total in 2009, and via online web sites in the Czech Republic and Slovakia.

In the first months of 2010 FEGNV established subsidiaries in Malta and applied for licences enabling it to provide online betting and gaming services across Europe.

## **2. BASIS OF PREPARATION**

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

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

### **2.1. Basis of combination**

FEGNV was incorporated by Penta in November 2009. At the date of authorisation of these combined financial statements, FEGNV is the legal parent of existing legal entities operating in the betting industry which are ultimately owned by Penta.

The purpose of setting up FEGNV was to transfer all subsidiaries of Penta forming the betting business to Fortuna Entertainment Group N.V. with the intention of the initial public offering of Fortuna Entertainment Group N.V.'s shares on the main market of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, "WSE") and Burza cenných papírů Praha, a.s (the Prague Stock Exchange, "PSE") in 2010. The reorganisation was completed on 12 May 2010 due to certain regulatory approvals being required to transfer Fortuna SK, a.s., Fortuna Real, s.r.o. and Fortuna Zakłady Bukmacherskie Sp. z o.o. which were not obtained before 31 December 2009.

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

FEGNV selected the accounting policy under which the legal restructuring is accounted for using the pooling of interest method. The pooling of interest method consists in aggregating individual items of assets and liabilities and revenues and costs of the combining entities, after bringing their values to uniform measurement methods and after making appropriate eliminations. All intra-group balances and transactions are also excluded. The comparatives reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, except for entities externally acquired by the controlling shareholder during one of the periods presented. These entities form part of the combined financial statements as at the date they were under common control, and are accounted for using the purchase method.

The legal restructuring aimed at transferring certain existing legal entities to FEGNV was not completed before 31 December 2009 due to regulatory approvals being required for transferring some of the legal entities. As a result, as at 31 December 2009, FEGNV only held the following entities Riverhill, a.s. (including its subsidiaries Alicela, a.s., Fortuna sázková kancelář a.s., Fortuna Game a.s., Fortuna rent s.r.o.), Fortuna Sportska Kladionica d.o.o. and FortunaWin Ltd with its subsidiary FortunaWin Gaming Ltd. Fortuna SK, a.s. with its subsidiary Fortuna Real, s.r.o., and Fortuna zakłady bukmacherskie Sp, z o.o. were only acquired on 27 January, 2010 and 12 May 2010, respectively. Consequently, FEGNV did not have control over those entities as at 31 December 2009 and is not allowed under IAS 27, Consolidated and Separate Financial Statements, to present consolidated financial statements including Fortuna SK, a.s. and Fortuna zakłady bukmacherskie Sp, z.o.o as at that date.

In December 2009, the IFRIC noted that the ability to include entities within a set of IFRS financial statements depends on the interpretation of 'reporting entity' in the context of common control transactions. A reporting entity is defined as 'a circumscribed area of business activity of interest to present and potential equity investors, lenders and other capital providers'. It is management's view that as at 31 December 2009 the FEGNV qualifies as a reporting entity as the following conditions existed as at that date:

- A common ownership structure for all entities within the group,
- A common board of directors responsible for all material, operational, financing and investing decisions; and
- Evidence of the integration of the 'group' for operational purposes

Since the above conditions were met and based on the recent decision of the IFRIC, management concluded that combined financial statements could be prepared as at 31 December 2009 which give a true and fair view in accordance with IFRS as adopted by the EU.

These combined financial statements include FEGNV, its subsidiaries as of 31 December 2009 and Fortuna SK, a.s. with its subsidiary Fortuna Real, s.r.o. and Fortuna zakłady bukmacherskie Sp, z.o.o. As a result combined financial statements in accordance with IFRS as adopted by the EU ("IFRS") were prepared by FEGNV, as reporting entity, as at 31 December 2009 which include the following entities ("Fortuna Group"):

FORTUNA Entertainment Group NV;

Riverhill, a.s.

Alicela, a.s.

Fortuna sázková kancelář a.s.,

Fortuna Game a.s.,

Fortuna Rent s.r.o.,

Fortuna Sportska Kladionica d.o.o.

FortunaWin Ltd

FortunaWin Gaming Ltd.

Fortuna SK, a.s.

Fortuna Real, s.r.o.

Fortuna zakłady bukmacherskie Sp, z.o.o.

These combined financial statements contain historical financial information and constitute a set of general purpose financial statements under paragraph 7 of IAS 1 Presentation of Financial Statements. Consequently the Fortuna Group makes an explicit and unreserved statement of compliance with IFRS as referred to in 16 of IAS 1.

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

## **2.2. Statement of compliance**

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all applicable IFRS that have been adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

This report only comprises the combined financial statements and therefore does not constitute the Dutch statutory financial statements as required under Dutch law.

**3. FIRST TIME ADOPTION OF IFRS**

The combined financial statements for the year ended 31 December 2009 are the first financial statements of FEGNV that comply with IFRS. FEGNV has prepared the combined financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2009 as described in the accounting policies in Note 4. Fortuna Group had applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing the opening statement of financial position at the date of transition to IFRS.

IFRS 1 sets out the procedures that Fortuna Group must follow when it adopts IFRS for the first time as the basis for preparing its Combined Financial Statements. Fortuna Group is required to establish its IFRS accounting policies as at 31 December 2009 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, 1 January 2007. This standard allows certain exemptions from retrospective application of certain IFRSs effective for December 2009 year ends. The exemptions applied by FEGNV are set out below:

- The cumulative translation differences for all foreign operations are deemed to be zero at 1 January 2007 - the date of transition to IFRSs;
- FEGNV became a first-time adopter at a later date than its subsidiary Riverhill, a.s. and its parent (Penta Investment Limited) and, accordingly, in its combined financial statements, measure the assets and liabilities of this subsidiary at the same carrying amounts as in the financial statements of this subsidiary, after having made adjustments for consolidation purposes;

As stated in Section 1 Corporate information the parent company FEGNV was incorporated in November 2009. Based on this fact neither consolidated nor combined financial statements of FEGNV were available as at the IFRS application date or as at reporting date for the first accounting period after IFRS adoption. The impact of IFRS adoption on the financial statements can therefore not be disclosed.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in preparing the combined financial statements for the years ended 31 December 2007, 2008 and 2009 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

**4.1. Business combinations**

Business combinations with the exception of the business combinations under common control are accounted for using the purchase method. This involves assessing all assets and liabilities assumed for appropriate classification in accordance with the contractual terms and economic conditions and recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value as at the acquisition date.

Contingent consideration is measured at fair value if there is a present obligation, the economic outflow is more likely than not and a reliable estimate is determinable. Subsequent adjustments to the contingent consideration affects goodwill.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and carrying amount of goodwill is recognised in profit or /loss for the period.

**4.2. Goodwill**

Goodwill is initially measured at cost being the excess of the consideration transferred over Fortuna Group's net share in identifiable assets acquired and liabilities and contingent liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group of cash generating units which together form a geographical segment. Where goodwill forms part of the group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the group of cash-generating units retained.

**4.3. Intangible assets**

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

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

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

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

The straight-line amortisation method is used.

	Software
Useful lives	3 years

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

**4.4. Property, plant and equipment**

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

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

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

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

**4.5. Leases**

Leases, which transfer to Fortuna Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

**4.6. Recoverable amount of non-current assets**

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

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

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

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

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

**4.7. Cash and cash equivalents**

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

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

**4.8. Financial assets**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Fortuna Group determines the classification of its financial assets on initial recognition.

Financial assets at fair value through profit or loss comprise derivative financial instruments. These are measured initially at fair value with transaction costs taken directly to the statement of income. Subsequently, the fair values are re-measured and gains or losses from changes therein are recognised in the statement of income.

Trade receivables are generally accounted for at amortised cost. Fortuna Group reviews indicators of impairment on an ongoing basis and where indicators exist, Fortuna Group makes an estimate of the assets' recoverable amounts.

**4.9. Financial liabilities**

Financial liabilities comprise interest bearing loans and borrowings and derivative financial instruments. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, Fortuna Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of income. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of income.

**4.10. Derecognition of financial assets and liabilities**

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



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

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

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

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

#### ***4.11. Derivative financial instruments and hedge accounting***

Fortuna Group uses derivative financial instruments such as interest rate swaps, to hedge its risks associated with interest rate.

Derivative financial instruments are recognised initially at fair value and are subsequently re-measured at fair value. The gains or losses on re-measurement are taken to the statement of income except where the derivative is designated as a cash flow hedge or a net investment hedge. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivative financial instruments are classified as assets when their fair value is positive, or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative financial instruments taken out as hedges are designated and documented as hedges on the date that the relevant derivative contract was committed to, as one of the following:

- a hedge of the fair value of an asset and liability (fair value hedge);
- a hedge of the income/cost of a highly probable forecast transaction
- or commitment (cash flow hedge); or a hedge of a net investment in a foreign entity (net investment hedge).

In relation to fair value hedges that meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the statement of income. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the statement of income.

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



If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income for the year. In relation to net investment hedges, the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in equity. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the statement of income. The interest element of the fair value of the hedged item is recognised in the statement of income.

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

#### **4.12. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income in finance costs.

#### **4.13. Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

#### **4.14. Borrowing costs**

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

#### **4.15. Provisions**

Provisions are recognised when Fortuna Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

#### **4.16. Foreign currency translation**

The presentation currency of Fortuna Group is EUR ("€"). The functional currency of FEGNV is euros, and of its subsidiaries Czech crowns ("CZK"), Polish zlotys ("PLN") Croatian Kunas ("HRK") and Slovak crowns ("SKK") (until 31 December 2008) and euros from 1 January 2009.

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

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

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

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

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

#### **4.17. Taxation**

##### **4.17.1. Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Fortuna Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

According to the Czech tax legislation, all revenues and expenses connected with the betting business are not subject to CIT.

##### **4.17.2. Deferred tax**

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

##### **4.17.3. Taxes on betting**

###### *Czech Republic*

According to Czech legislation, the Company is obliged to pay for publicly beneficial purposes 6% to 20% of the difference between amounts staked, including any manipulation fees and wins paid to the betters, administration fees, local fees and expenses of state supervision. The amount of tax is recognised in "Government taxes and levies".

###### *Slovakia*

According to Slovakian regulations, the Company is obliged to pay gaming tax of 5% of total amounts staked, of which 0.5% is paid to municipalities. Revenues are stated net of the amount of this tax.

###### *Poland*

According to Polish regulations the Company is obliged to pay gaming tax of 10% of amounts staked. The amount paid by customers is deducted by 10% and only the remaining 90% of ticket amounts is used to calculate the potential winning prize (the potential winning prize = 90% of ticket (paid) amount \* betting rate.) Revenues are stated net of the amount of this tax.

*Croatia*

According to Croatian regulations, a monthly fee of 5% of the amounts staked, including the manipulation fee, is charged to the operator. Revenues are stated net of the amount of this tax.

**4.18. Employee benefit plan**

*Pension plan*

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

*Bonus plans*

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

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

**4.19. Equity instruments**

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

**4.20. Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Fortuna Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**4.20.1. Fixed odds betting revenue**

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

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

**4.20.2. Customer loyalty programme**

Fortuna Group operates a loyalty programme enabling customers to accumulate award credits for gaming spend. A portion of the gaming spend, equal to the fair value of the award credits earned is treated as deferred revenue. Revenue from the award credits is recognised when the award is redeemed. The credits expire at the end of the financial year and are not redeemable afterwards, with the exception of Croatia where all outstanding credits expire as at 31 December 2010.

**4.20.3. Interest income / expense**

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

**4.21. Segment Disclosure**

For management purposes Fortuna Group is divided into geographical operating segments. Fortuna Group follows criteria set by IFRS 8 Operating Segments to determine number and type of reportable segments. At the level of the accounting unit as a whole, Fortuna Group discloses information on revenues to external customers

for major products and services respectively groups of similar products and services, and on non-current assets by geographical segment locations.

#### **4.22. Contingencies**

Contingent assets are not recognised in the combined financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the combined financial statements unless they are acquired in a business combination. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

#### **4.23. Future accounting developments**

In April 2009 the IASB issued its second set of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The following standards were amended:

- IFRS 3R *Business Combinations* (revised in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (issued in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (issued in July 2008) – effective for financial years beginning on or after 1 July 2009,
- Revised IFRS 1R *First-time Adoption of International Financial Reporting Standards* (revised in November 2008) – effective for financial years beginning on or after 1 July 2009,
- IFRIC 17 *Distributions of Non-cash Assets to Owners* – effective for financial years beginning on or after 1 July 2009,
- *Improvements to IFRSs* (issued in April 2009) – some improvements are effective for financial years beginning on or after 1 July 2009, the rest is effective for financial years beginning on or after 1 January 2010 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRS 2 *Share-based Payments – Group Cash-settled Share-based Payment Transactions* (amended in June 2009) – effective for financial years beginning on or after 1 January 2010 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters* – effective for financial years beginning on or after 1 January 2010 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – effective for financial years beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for financial years beginning on or after 1 February 2010 – not endorsed by the EU until the date of approval of these financial statements,
- IFRS 9 *Financial Instruments* – effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011 – not endorsed by the EU until the date of approval of these financial statements,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010 – not endorsed by the EU until the date of approval of these financial statements,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – effective for financial years beginning on or after 1 July 2010 - not endorsed by the EU until the date of approval of these financial statements.

It is anticipated that these changes will have no material effect on Fortuna Group's financial statements.

## **5. USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

### **Judgements**

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

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

#### ***Recognition of gross versus net revenues***

FEGNV is a subject of various governmental taxes and levies. The regulations differ significantly from one country to another. Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they should be excluded from revenue. The management makes its own judgment as to whether the entity is acting as principal or agent in collecting the tax based on various indicators as well as changing circumstances in each of the countries where FEGNV operates. Further details are given in notes 4.17.3 and 6.

### **Estimates**

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

#### ***Indefinite life intangible assets and goodwill***

Fortuna Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 4.3.

#### ***Betting transactions***

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

### **Deferred tax**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Fortuna Group has incurred tax losses arising in Croatia of € 5,823 thousand that are available for set-off against future taxable profits of the Company incurring the losses (i.e. Fortuna sportska kladionica d.o.o.) for 5 years. Of these tax losses of € 5,823 thousand only € 2,147 thousand are recognised as deferred tax asset as there is insufficient certainty that there will be sufficient tax profits to realise the full amount. Further details on taxes are disclosed in notes 4.17 and 11.

#### ***Recoverable amount of receivables***

# FORTUNA ENTERTAINMENT GROUP N.V.

## Notes to the combined financial statements as at 31 December 2009

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount. Further details are given in note 4.8.

### 6. SEGMENT INFORMATION

For management purposes, Fortuna Group is divided into business units based on geographical areas, with the following four reportable operating segments being distinguished:

Czech Republic

Slovakia

Poland

Croatia

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interest in subsidiaries and equity and is therefore not qualified as a separate operating segment. The information of FEGNV and other immaterial locations is included in the adjustments and eliminations 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 combined 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.

Year ended 31 December 2009	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	Adjustments and eliminations € 000	TOTAL € 000
Revenue	41,449	21,350	11,825	5,724	-	80,348
Taxation of earnings from betting	(6,965)	-	-	-	-	(6,965)
Depreciation and amortisation	(996)	(783)	(358)	(452)	-	(2,589)
Segment result	11,045	8,609	2,160	(4,033)	(415)	17,366
Capital expenditure	1,989	1,242	770	778	-	4,779
Non-current assets	9,073	1,049	1,577	1,140	-	12,839
Operating segment assets	25,018	10,054	3,432	3,250	269	42,023
Operating segment liabilities	24,448	2,934	1,909	2,091	399	31,781
Year ended 31 December 2008	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	Adjustments and eliminations € 000	TOTAL € 000
Revenue	43,851	18,610	15,758	7,405	-	85,624
Taxation of earnings from betting	(5,885)	-	-	-	-	(5,885)
Depreciation and amortisation	(819)	(424)	(376)	(391)	-	2,010
Goodwill impairment	-	-	-	(4,366)	-	(4,366)
Segment result	13,007	7,198	3,393	(6,465)	-	17,133
Capital expenditure	1,526	469	585	2,019	-	4,599
Non-current assets	8,593	619	950	833	-	10,995
Operating segment assets	23,878	6,375	2,778	4,290	-	37,321
Operating segment liabilities	31,278	3,461	1,689	1,807	-	38,235
Year ended 31 December 2007	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	Adjustments and eliminations € 000	TOTAL € 000
Revenue	33,698	13,037	11,308	-	-	58,043
Taxation of earnings from betting	(3,651)	-	-	-	-	(3,651)
Depreciation and amortisation	(614)	(378)	(377)	-	-	(1,369)
Segment profit	8,555	3,742	475	-	-	12,772
Capital expenditure	656	391	706	-	-	1,753
Non-current assets	8,107	512	1,080	-	-	9,699

# FORTUNA ENTERTAINMENT GROUP N.V.

## Notes to the combined financial statements as at 31 December 2009

Operating segment assets	25,532	4,630	2,975	-	-	<b>33,137</b>
Operating segment liabilities	39,132	2,382	1,471	-	-	<b>42,985</b>

Profit for each operating segment does not include net finance costs in 2009: € 2,535 thousand (2008: costs of € 3,569 thousand, 2007: costs of € 3,841 thousand) and income tax expense in 2009: € 2,422 thousand (2008: € 3,595 thousand, 2007: € 715 thousand).

Segment assets do not include loans to related parties in 2009: € 28,257 thousand (2008: € 26,326 thousand, 2007: € nil) and goodwill in 2009: € 50,426 thousand (2008: € 49,603 thousand, 2007: € 52,125 thousand) as these assets are managed on a group basis.

Segment liabilities do not include bank loans in 2009: € 39,529 thousand (2008: € 44,483 thousand, 2007: € 15,826 thousand), related party loans in 2009: € 8,167 thousand (2008: € 2,424 thousand, 2007: € 14,115 thousand) and derivatives in 2009: € 746 thousand (2008: € nil, 2007: € nil) as these liabilities are managed on a group basis.

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

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

### Information about product and services

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

Year ended 31 December 2009	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	TOTAL € 000
Total amounts staked:	168,050	112,234	57,592	41,583	<b>379,459</b>
-of which: Bets	158,569	107,163	51,770	39,720	<b>357,222</b>
-of which: Commissions	9,480	5,071	5,822	1,864	<b>22,237</b>
Paid out prizes	(127,090)	(85,525)	(40,567)	(34,804)	<b>(287,986)</b>
Gross win from betting	40,960	26,709	17,025	6,779	<b>91,473</b>
-of which: online betting	8,183	8,733	-	-	<b>16,916</b>
-of which: retail betting	32,777	17,976	17,025	6,779	<b>74,557</b>
Withholding tax paid	-	(5,359)	(5,821)	(2,132)	<b>(13,312)</b>
Other revenues	489	-	621	1,077	<b>2,187</b>
<b>Revenue</b>	<b>41,449</b>	<b>21,350</b>	<b>11,825</b>	<b>5,724</b>	<b>80,348</b>
Taxation of earnings from betting	(6,965)	-	-	-	<b>(6,965)</b>
Gross profit from betting	33,995	21,350	11,204	4,647	<b>71,196</b>
-of which: online betting	6,564	7,012	-	-	<b>13,576</b>
-of which: retail betting	27,431	14,338	11,204	4,647	<b>57,620</b>
Gross profit margin – betting (%)	20%	19%	19%	11%	

Year ended 31 December 2008	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	TOTAL € 000
Total amounts staked:	155,565	98,203	68,601	45,085	<b>367,454</b>
-of which: Bets	142,624	93,524	61,741	42,957	<b>340,846</b>
-of which: Commissions	12,941	4,679	6,860	2,128	<b>26,608</b>
Paid out prizes	(112,281)	(74,917)	(46,343)	(35,711)	<b>(269,252)</b>
Gross win from betting	43,284	23,286	22,258	9,374	<b>98,202</b>
-of which: online betting	-	3,976	-	-	<b>3,976</b>
-of which: retail betting	43,284	19,310	22,258	9,374	<b>94,226</b>
Withholding tax paid	-	(4,676)	(6,860)	(2,269)	<b>(13,805)</b>
Other revenues	567	-	360	300	<b>1,227</b>
<b>Revenue</b>	<b>43,851</b>	<b>18,610</b>	<b>15,758</b>	<b>7,405</b>	<b>85,624</b>
Taxation of earnings from betting	(5,885)	-	-	-	<b>(5,885)</b>



**FORTUNA ENTERTAINMENT GROUP N.V.****Notes to the combined financial statements as at 31 December 2009**

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Gross profit from betting	37,399	18,610	15,398	7,105	<b>78,512</b>
-of which: online betting	-	2,897	-	-	<b>2,897</b>
-of which: retail betting	37,399	15,713	15,398	7,105	<b>75,615</b>
Gross profit margin – betting (%)	24%	19%	22%	16%	

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**6. SEGMENT INFORMATION (CONTINUED)**

Year ended 31 December 2007	Czech Republic € 000	Slovakia € 000	Poland € 000	Croatia € 000	TOTAL € 000
Total amounts staked:	133,449	69,140	50,305	-	252,894
-of which: Bets	121,327	65,624	45,274	-	232,225
-of which: Commissions	12,122	3,516	5,031	-	20,669
Paid out prizes	(100,086)	(52,821)	(34,341)	-	(187,248)
Gross win from betting	33,363	16,319	15,964	-	65,646
-of which: online betting	-	1,098	-	-	1,098
-of which: retail betting	33,363	15,221	15,964	-	64,548
Withholding tax paid	-	(3,282)	(5,031)	-	(8,313)
Other revenues	335	-	375	-	710
<b>Revenue</b>	<b>33,698</b>	<b>13,037</b>	<b>11,308</b>	<b>-</b>	<b>58,043</b>
Taxation of earnings from betting	(3,651)	-	-	-	(3,651)
Gross profit from betting	29,712	13,037	10,933	-	53,682
-of which: online betting	-	786	-	-	786
-of which: retail betting	29,712	12,251	10,933	-	52,896
Gross profit margin – betting (%)	22%	19%	22%		

**7. PERSONNEL EXPENSES**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
Wages and salaries	(20,971)	(21,995)	(15,130)
Social security costs	(6,048)	(6,407)	(4,906)
Directors' remuneration	(631)	(627)	(211)
Other payroll costs	(351)	(540)	(258)
	<b>(28,001)</b>	<b>(29,569)</b>	<b>(20,505)</b>

**Number of employees in the period:**

Average number of employees	3,493	3,472	2,863
Managers	11	10	10
Staff	3,482	3,462	2,853

**Remuneration of key management personnel of Fortuna Group**

Wages and salaries	(694)	(441)	(250)
Social security costs	(100)	(75)	(66)
<b>Total remuneration</b>	<b>(794)</b>	<b>(516)</b>	<b>(316)</b>

**8. OTHER OPERATING INCOME**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
Gain on sale of fixed assets	1	5	24
Revenues from rental of real estate	452	53	44
Reversal of accruals and provisions	101	205	7
Other income	480	90	51
	<b>1,034</b>	<b>353</b>	<b>126</b>

**9. OTHER OPERATING EXPENSES**

	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
Operating lease expense (Note 30)	(10,832)	(11,107)	(8,592)
Materials and office supplies	(2,653)	(2,520)	(1,752)
Marketing and advertising	(4,052)	(4,211)	(2,617)
Telecommunication costs	(1,561)	(1,464)	(1,041)
Energy and utilities	(1,090)	(979)	(819)
Repairs and maintenance	(899)	(766)	(604)
Taxes and fees to authorities	(490)	(534)	(434)
Bad debt expense	(1,202)	(1,247)	(1,627)
Loss on sale of fixed assets	(34)	(5)	(22)
Others	(3,648)	(4,182)	(2,364)
	<b>(26,461)</b>	<b>(27,015)</b>	<b>(19,872)</b>

Bad debt expense relates to doubtful VAT receivable from financial authorities in the Czech Republic and to doubtful receivables from former employees for cash desk shortages and thefts.

**10. FINANCE COSTS**

	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
Interest on bank loans and other finance costs	(2,936)	(2,794)	(932)
Interest on other debts and borrowings	(1,734)	(2,322)	(3,260)
Finance charges payable under finance lease and hire purchase contracts	-	(8)	-
Foreign exchange losses	(180)	(145)	-
<b>Total finance costs</b>	<b>(4,850)</b>	<b>(5,269)</b>	<b>(4,192)</b>
Interest income on other loans and receivables	2,315	1,700	285
Foreign exchange gains	-	-	66
<b>Total finance income</b>	<b>2,315</b>	<b>1,700</b>	<b>351</b>
<b>Total finance costs, net</b>	<b>(2,535)</b>	<b>(3,569)</b>	<b>(3,841)</b>

**11. INCOME TAX**

The major components of income tax expense are:

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Current income tax:</b>			
Current income tax charge	2,220	3,870	604
Prior year adjustments	-	-	-
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences	202	(275)	111
<b>Income tax expense reported in the statement of income</b>	<b>2,422</b>	<b>3,595</b>	<b>715</b>

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at Fortuna Group's effective income tax rate for the years ended 31 December 2009, 2008 and 2007 is as follows:

	2009 € 000	2008 € 000	2007 € 000
<b>Accounting profit before income tax</b>	<b>14,831</b>	<b>13,565</b>	<b>8,931</b>
At Dutch statutory income tax rate of 25.5 %	3,782	3,459	2,277
Effect on permanent and other differences	40	35	28
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	-	-	(184)
Unrecognised tax asset from the tax losses incurred	746	4	222
Non deductible tax expenses	6,919	7,325	6,677
Non taxable betting revenues	(8,125)	(7,333)	(7,965)
Goodwill impairment	-	1,113	-
Adjustments in respect to current income tax of previous years	-	-	1
Utilisation of previously unrecognised tax losses	(9)	(15)	(2)
Effect of higher/lower tax rates in other countries	(931)	(993)	(339)
<b>Income tax expense reported in the combined statement of income</b>	<b>2,422</b>	<b>3,595</b>	<b>715</b>
<b>Effective tax rate</b>	<b>16%</b>	<b>27%</b>	<b>8%</b>

Non taxable betting revenues consist of revenues from betting in the Czech Republic. According to Czech legislation, betting revenues are not subject to income tax but are subject to payments on publicly beneficial purposes. For more details see note 4.17.3.

Significant changes of tax paid within the discussed three-year period reflect the changes in tax regime in the Czech Republic. For the part of the financial year ended 31 December 2008 commissions were included in the taxation base for the purpose of corporate income tax calculation. Neither in 2007 nor in 2009 commissions were part of the tax base for the corporate income tax.

**Deferred tax**

Deferred tax relates to the following:

	Combined statement of financial position as at 1 January				Combined statement of income		
	2009 € 000	2008 € 000	2007 € 000	2007 € 000	2009 € 000	2008 € 000	2007 € 000
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	(48)	(45)	(4)	(2)	(5)	(40)	(2)
Impairment adjustments and provisions	272	331	143	181	(55)	80	(45)
Tax losses carried forward	430	541	382	405	(113)	180	(49)
Other	122	85	36	50	(29)	55	(15)
<b>Deferred tax income / (expense)</b>					<b>(202)</b>	<b>275</b>	<b>(111)</b>
<b>Deferred tax asset / (liability)</b>	<b>776</b>	<b>912</b>	<b>557</b>	<b>634</b>			
Reflected in the statement of financial position as follows:							
Deferred tax asset	776	957	562				
Deferred tax liability	-	(45)	(5)				
<b>Deferred tax asset net</b>	<b>776</b>	<b>912</b>	<b>557</b>				

Reconciliation of deferred tax asset:

	2009 € 000	2008 € 000	2007 € 000
Opening balance as at 1 January	912	557	634
Tax income/expense during the period recognised in profit or loss	(202)	275	(111)
Tax income/expense during the period recognised in equity	69	-	-
Currency translation			
Deferred tax changes - acquisition of subsidiaries	-	119	-
Currency translation	(3)	(39)	34
<b>Closing balance 31 December</b>	<b>776</b>	<b>912</b>	<b>557</b>

Fortuna Group incurred tax losses arising in Croatia in 2008 and 2009 of € 5,823 thousand that are available for set-off against future taxable profits of the Company incurring the losses (i.e. Fortuna sportska kladionica d.o.o.) for 5 years. Of these tax losses of € 5,823 thousand only € 2,147 thousand is recognised in deferred tax assets as there is insufficient certainty that there will be sufficient tax profits to realise the full amount.

**12. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing net profit for the year attributable to the combined entities' shareholder by the weighted average number of ordinary shares in FEGNV outstanding during the year. For the purpose of these combined financial statements the number of ordinary shares in FEGNV issued on incorporation of the Company on 5 November 2009 (and on 31 December 2009) was also used for 2007 and 2008 for comparative purposes.

There were no dilutive potential ordinary shares at 31 December 2009. Basic and diluted earnings per share were the same.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009 € 000	2008 € 000	2007 € 000
Net profit attributable to ordinary equity holders of the parent for basic earnings	12,409	10,201	8,216
Weighted average number of ordinary shares for basic earnings per share	4,500	4,500	4,500

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**
**Statement of income**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Earnings per share	2,758	2,267	1,826

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

**13. GOODWILL**

	<b>Goodwill</b>
	<b>€ 000</b>
<b>At 1 January 2007</b>	<b>50,466</b>
Reduction in goodwill	-
Additions arising on acquisition of subsidiaries	-
Currency translation	1,659
<b>At 31 December 2007</b>	<b>52,125</b>
Impairment of goodwill:	
<b>At 1 January 2007</b>	-
Impairment for the year	-
Currency translation	-
<b>At 31 December 2007</b>	-
<b>Carrying amount at 31 December 2007</b>	<b>52,125</b>
Carrying amount at 1 January 2007	50,466
<b>At 1 January 2008</b>	<b>52,125</b>
Reduction in goodwill	(5,050)
Additions arising on acquisition of subsidiaries	7,121
Currency translation	(227)
<b>At 31 December 2008</b>	<b>53,969</b>
Impairment of goodwill:	
<b>At 1 January 2008</b>	-
Impairment for the year	(4,366)
Impairment on acquisition of subsidiaries	-
Currency translation	-
<b>At 31 December 2008</b>	<b>(4,366)</b>
<b>Carrying amount at 31 December 2008</b>	<b>49,603</b>
<b>At 1 January 2009</b>	<b>53,969</b>
Reduction in goodwill	-
Additions arising on acquisition of subsidiaries	-
Currency translation	823
<b>At 31 December 2009</b>	<b>54,792</b>
Impairment of goodwill:	
<b>At 1 January 2009</b>	<b>(4,366)</b>
Impairment for the year	-
Impairment on acquisition of subsidiaries	-
Currency translation	-
<b>At 31 December 2009</b>	<b>(4,366)</b>

The reduction of goodwill of € 5,050 thousand resulted from changes to the contingent consideration payable to the sellers/previous owners of the subsidiary Fortuna Sazkova Kancelar, a.s.

On acquisition of the subsidiary in 2005, the fair value of the consideration was calculated based on certain conditions which at that time, were uncertain relating to the timing of payment and future taxes of the subsidiary. In 2008, the contingent conditions established at the acquisition date changed as it was established that the subsidiary was exposed to additional tax risks. Furthermore, the timing and amount of part of the deferred consideration also changed. Fortuna Group revised its estimate of the present value of the outstanding deferred consideration based on the new conditions and reduced the goodwill and payable to sellers/previous owners of the subsidiary by € 5,050 thousand.

Goodwill arising from a business combination is allocated upon acquisition to each of Fortuna Group's cash generating units (CGUs) that are expected to benefit from the synergies of the business combination. Details of goodwill arising during the periods are shown in the note "Business combination".

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

Cash flow projections cover periods of four years and are discounted using the pre-tax discount rate of 13.56% for the Czech Republic and 15.1 % for Croatia. Cash flows beyond the four-year period are extrapolated using a 5.1% growth rate which is currently the estimated growth for the betting business.

The carrying amount of goodwill has been allocated as follows:

**Carrying amount of goodwill allocated to segments**

	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>1.1.2007</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
Czech Republic	47,671	46,848	52,125	50,466
Croatia	2,755	2,755	-	-
	<b>50,426</b>	<b>49,603</b>	<b>52,125</b>	<b>50,466</b>

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

*Sensitivity to changes in assumptions*

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

**14. INTANGIBLE ASSETS**

	Software € 000	Brand Name € 000	Other intangible fixed assets € 000	Total € 000
<b>At 1 January 2007</b>	<b>165</b>	<b>5,949</b>	<b>5</b>	<b>6,119</b>
Additions	206	-	2	208
Disposals	-	-	-	-
Additions arising on acquisition of subsidiaries	-	-	-	-
Currency translation	14	196	-	210
<b>At 31 December 2007</b>	<b>385</b>	<b>6,145</b>	<b>7</b>	<b>6,537</b>
Accumulated amortisation:				
<b>At 1 January 2007</b>	<b>98</b>	<b>-</b>	<b>4</b>	<b>102</b>
Amortization for the year	42	-	3	45
Disposals	-	-	-	-
Currency translation	9	-	-	9
<b>At 31 December 2007</b>	<b>149</b>	<b>-</b>	<b>7</b>	<b>156</b>
<b>Carrying amount at 31 December 2007</b>	<b>236</b>	<b>6,145</b>	<b>-</b>	<b>6,381</b>
Carrying amount at 1 January 2007	67	5,949	-	6,016
<b>At 1 January 2008</b>	<b>385</b>	<b>6,145</b>	<b>7</b>	<b>6,537</b>
Additions	430	-	12	442
Disposals	(21)	-	-	(21)
Additions arising on acquisition of subsidiaries	15	-	-	15
Currency translation	(42)	(71)	-	(113)
<b>At 31 December 2008</b>	<b>767</b>	<b>6,074</b>	<b>19</b>	<b>6,860</b>
Accumulated amortisation:				
<b>At 1 January 2008</b>	<b>148</b>	<b>-</b>	<b>7</b>	<b>155</b>
Amortisation for the year	146	-	3	149
Disposals	(21)	-	-	(21)
Transfers	-	-	-	-
Currency translation	(18)	-	1	(17)
<b>At 31 December 2008</b>	<b>255</b>	<b>-</b>	<b>11</b>	<b>266</b>
<b>Carrying amount at 31 December 2008</b>	<b>512</b>	<b>6,074</b>	<b>8</b>	<b>6,594</b>
Carrying amount at 1 January 2008	236	6,145	-	6,381
<b>At 1 January 2009</b>	<b>767</b>	<b>6,074</b>	<b>19</b>	<b>6,860</b>
Additions	830	-	4	834
Disposals	(4)	-	-	(4)
Additions arising on acquisition of subsidiaries	-	-	-	-
Currency translation	13	108	-	121
<b>At 31 December 2009</b>	<b>1,606</b>	<b>6,182</b>	<b>23</b>	<b>7,811</b>
Accumulated amortisation:				
<b>At 1 January 2009</b>	<b>255</b>	<b>-</b>	<b>11</b>	<b>266</b>
Amortisation for the year	265	-	7	272
Disposals	(4)	-	-	(4)
Transfers	-	-	-	-
Currency translation	5	-	-	5
<b>At 31 December 2009</b>	<b>521</b>	<b>-</b>	<b>18</b>	<b>539</b>
<b>Carrying amount at 31 December 2009</b>	<b>1,085</b>	<b>6,182</b>	<b>5</b>	<b>7,272</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**

<b>Carrying amount at 1 January 2009</b>	<b>512</b>	<b>6,074</b>	<b>8</b>	<b>6,594</b>
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Upon acquisition of the subsidiary Fortuna sazkova kancelar, a.s., which operates in the Czech Republic, the Combined Group recognised an intangible brand name "Fortuna" which was assessed as having an indefinite useful life, as there is no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the brand and the level of marketing support. The brand has been in the market in the Czech Republic since 1990. The intangible is not amortised and is tested for impairment at year end. The carrying amount of the intangible was € 6,182 thousand as at 31 December 2009 (2008: € 6,074 thousand, 2007: € 6,144 thousand). The movement in the carrying amount represents foreign exchange gains due to the appreciation of the Czech crown against the euro.

The intangible asset does not generate largely independent cash inflows and is allocated to the Czech operations as the lowest level of cash generating unit. The Czech operation was tested for impairment by applying discounted cash flow techniques and the "Royalty relief method", and using projected financial results. The valuation model used a discount rate of 13.91% per annum, a royalty rate of 4%, average annual growth rate of 1.7% for the next five years and a growth of 5.1% per annum in subsequent years.

*Sensitivity to changes in assumptions*

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

**15. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and Buildings € 000</b>	<b>Plant and Equipment € 000</b>	<b>Other assets € 000</b>	<b>Assets not yet in use € 000</b>	<b>Total € 000</b>
<b>Cost</b>					
<b>At 1 January 2007</b>	<b>1,677</b>	<b>8,787</b>	<b>14</b>	<b>67</b>	<b>10,545</b>
Additions	-	772	-	773	1,545
Disposals	(23)	(1,525)	-	(240)	(1,788)
Additions arising on acquisition of subsidiaries	-	-	-	-	-
Transfers	52	342	-	(392)	2
Currency translation	70	366	-	10	446
<b>At 31 December 2007</b>	<b>1,776</b>	<b>8,742</b>	<b>14</b>	<b>218</b>	<b>10,750</b>
<b>Accumulated depreciation:</b>					
<b>At 1 January 2007</b>	<b>511</b>	<b>6,781</b>	<b>-</b>	<b>-</b>	<b>7,292</b>
Depreciation charge for the year	137	1,187	-	-	1,324
Disposals	(10)	(1,484)	-	-	(1,494)
Transfers	-	-	-	-	-
Currency translation	23	287	-	-	310
<b>At 31 December 2007</b>	<b>661</b>	<b>6,771</b>	<b>-</b>	<b>-</b>	<b>7,432</b>
<b>Carrying amount at 31 December 2007</b>	<b>1,115</b>	<b>1,971</b>	<b>14</b>	<b>218</b>	<b>3,318</b>
Carrying amount at 1 January 2007	1,166	2,006	14	67	3,253
<b>Cost</b>					
<b>At 1 January 2008</b>	<b>1,776</b>	<b>8,742</b>	<b>14</b>	<b>218</b>	<b>10,750</b>
Additions	-	1,775	-	1,043	2,818
Disposals	(840)	(790)	-	(265)	(1,895)
Additions arising on acquisition of subsidiaries	811	513	-	-	1,324
Transfers	126	311	-	(437)	-
Currency translation	(50)	(293)	-	(38)	(381)
<b>At 31 December 2008</b>	<b>1,823</b>	<b>10,258</b>	<b>14</b>	<b>521</b>	<b>12,616</b>

**Accumulated depreciation:**

<b>At 1 January 2008</b>	<b>661</b>	<b>6,771</b>	<b>-</b>	<b>-</b>	<b>7,432</b>
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**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**

Depreciation charge for the year	186	1,675	-	-	1,861
Disposals	(46)	(782)	-	-	(828)
Transfers	-	-	-	-	-
Currency translation	(17)	(233)	-	-	(250)
<b>At 31 December 2008</b>	<b>784</b>	<b>7,431</b>	<b>-</b>	<b>-</b>	<b>8,215</b>

<b>Carrying amount at 31 December 2008</b>	<b>1,039</b>	<b>2,827</b>	<b>14</b>	<b>521</b>	<b>4,401</b>
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Carrying amount at 1 January 2008	1,115	1,971	14	218	3,318
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**15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land and Buildings € 000	Plant and Equipment € 000	Other assets € 000	Assets not yet in use € 000	Total € 000
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**Cost**

<b>At 1 January 2009</b>	<b>1,823</b>	<b>10,258</b>	<b>14</b>	<b>521</b>	<b>12,616</b>
Additions	89	1,940	-	1,916	3,945
Disposals	(57)	(254)	-	(479)	(790)
Additions arising on acquisition of subsidiaries	-	-	-	-	-
Transfers	138	940	-	(1,078)	-
Currency translation	26	134	-	29	189
<b>At 31 December 2009</b>	<b>2,019</b>	<b>13,018</b>	<b>14</b>	<b>909</b>	<b>15,960</b>

**Accumulated depreciation:**

<b>At 1 January 2009</b>	<b>784</b>	<b>7,431</b>	<b>-</b>	<b>-</b>	<b>8,215</b>
Depreciation charge for the year	184	2,133	-	-	2,317
Disposals	(57)	(188)	-	-	(245)
Transfers	-	-	-	-	-
Currency translation	12	94	-	-	106
<b>At 31 December 2009</b>	<b>923</b>	<b>9,470</b>	<b>-</b>	<b>-</b>	<b>10,393</b>

<b>Carrying amount at 31 December 2009</b>	<b>1,096</b>	<b>3,548</b>	<b>14</b>	<b>909</b>	<b>5,567</b>
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Carrying amount at 1 January 2009	1,039	2,827	14	521	4,401
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**16. CURRENT RECEIVABLES**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Current receivables</b>			
Receivables from related parties	127	841	-
Advance payments and deposits	282	445	319
Other receivables (current)	393	463	369
	<b>802</b>	<b>1,749</b>	<b>688</b>

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

Other receivables includes receivables from former or current employees in the Czech Republic which are stated net of a provision of € 391 thousand in 2009 (2008 – € 279 thousand, 2007 – € 252 thousand) and, interest receivable on bank deposits and other receivables.

As at 31 December 2009, the provision for impairment of other receivables initially amounted to € 207 thousand (2008: € 186 thousand, 2007: € 81 thousand). See the table below for the movements in the provision for impairment of receivables.

Movement in the provision for impairment of receivables	Individually impaired € 000
<b>At 1 January 2007</b>	<b>103</b>
Amount written off during the year	(58)
Amounts recovered during the year	(7)
Charge for the year	40
Currency translation	3
<b>At 31 December 2007</b>	<b>81</b>
<b>At 1 January 2008</b>	<b>81</b>
Amount written off during the year	(26)
Amounts recovered during the year	(17)
Charge for the year	156
Currency translation	(8)
<b>At 31 December 2008</b>	<b>186</b>
<b>At 1 January 2009</b>	<b>186</b>
Amount written off during the year	-
Amounts recovered during the year	(3)
Charge for the year	21
Currency translation	3
<b>At 31 December 2009</b>	<b>207</b>

The following table relates to ageing of current receivables. There are no other financial assets that are past due but not impaired. As at 31 December 2009, 2008 and 2007 most of the receivables were neither past due nor impaired.

€ 000	Neither past due nor impaired	<30 days	Past due but not impaired				Total
			31 - 60 days	61 - 90 days	91 - 120 days	>121 days	
31 December 2009	775	23	2	2	-	-	802
31 December 2008	1,744	1	-	-	4	-	1,749
31 December 2007	687	-	-	-	1	-	688

## 17. OTHER ASSETS

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Other non-current assets</b>			
Advance payments and security deposits	546	414	322
Other	-	371	-
	<b>546</b>	<b>785</b>	<b>322</b>

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

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Other current assets</b>			
Marketing materials	-	19	20
Merchandise inventory	38	25	64
Office materials and others	172	182	59
Prepayments	743	740	484
	<b>953</b>	<b>966</b>	<b>627</b>

**18. RESTRICTED CASH**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
Restricted cash	3,584	2,978	673

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

**19. CASH AND CASH EQUIVALENTS**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
Cash at bank	19,512	15,046	17,080
Short-term deposits	10	248	91
Cash in hand and in transit	2,044	2,510	3,106
<b>Cash and cash equivalents</b>	<b>21,566</b>	<b>17,804</b>	<b>20,277</b>

Cash at banks bears interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of Fortuna Group, and bear interest at the respective short-term deposit rates.

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

At 31 December 2009, Fortuna Group had undrawn committed borrowing facilities of € 6,807 thousand (2008: € 3,713 thousand; 2007: € 7,513 thousand) for which all conditions set had been met.

Fortuna Group has pledged € 757 thousand of its cash in bank deposits as security for bank loans.

**Bank deposits**

This item relates to bank deposits made at 31 July 2009 (30 May 2008) and due at 31 December 2009 (31 December 2008). The interest rate was 5%. The amount was € 755 thousand as at 31 December 2009 (2008: € 746 thousand).

**20. DERIVATIVES**

At 31 December 2009, Fortuna Group had interest rate swap agreements in place for a total notional amount of € 39,249 thousand with Fortuna Group receiving a variable rate of 3M PRIBOR/EURIBOR and pays a 3.04% fixed rate determined every 3 months on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its variable interest bank loans.

Interest rate swaps	31.12.2009 € 000 Liabilities
Cash flow hedges	(746)
<b>Total cash flow hedges</b>	<b>(746)</b>

A portion of the cash flow hedges of the variable rate bank loans was assessed to be effective. The net unrealised loss of € 365 thousand, with a deferred tax asset of € 69 thousand relating to the hedging instruments included in equity.

Fortuna Group was not in compliance with credit contract covenants related to the syndicated bank loans as at 31 December 2009, therefore the loans were classified as current and the related hedge considered to be ineffective. The portion of the unrealised loss related to the hedges which is ineffective together with the decrease in fair value of the interest rate swap of € 381 thousand (2008: Nil, 2007: Nil) is recognised in finance costs and set off against the lower interest on debts and borrowings.

**21. ISSUED CAPITAL AND RESERVES****Authorised shares**

The authorised capital of FEGNV amounts to € 225,000 and consists of 22,500 ordinary shares with a nominal value of €10 each.

At 31 December 2009 the issued and paid up share capital of the Company according to the shareholders register can be broken as follows:

	amount of shares	per value per share (€)	Value € 000	%
Penta Investments Ltd., Cyprus	4,500	10	45	100

**Share premium**

During 2009 FEGNV's sole shareholder contributed cash for an amount of € 64,599 to fund the acquisition of Riverhill a.s., Fortuna Kladionica d.o.o. and Fortuna Win Ltd. by FEGNV. As FEGNV applies the pooling of interest method, the purchase price related to these acquisitions is deducted from equity,

**Net assets attributable to combined entities' shareholder**

Net assets attributable to the combined entities' shareholder, represents total equity of the entities which form part of the combined financial statements, but were not legally owned by FEGNV. As per 31 December 2009, this only represents the total equity of Fortuna SK, including its subsidiaries and Fortuna zaklady bukmacherskie SP, z o.o. as Riverhill a.s., Fortuna Sportska Kladionica d.o.o. and Fortuna Win Ltd. and subsidiaries were acquired in 2009 and therefore legally owned by FEGNV as at 31 December 2009. The below table, shows the movements in the net assets attributable to the combined entities shareholder.

	€ 000
Equity of Fortuna zaklady bukmacherskie Sp, z.o.o.	(1,681)
Equity of Riverhill (including subsidiaries)	(2,847)
Equity of Fortuna SK, a.s. (including subsidiaries)	(762)
<b>Total net assets attributable to combined entities' shareholder at 1 January 2007</b>	<b>(5,290)</b>
Profit for the year 2007	8,216
Capital contribution into Riverhill by Slovenské investičné družstvo (Penta Group)	9,003
<b>Total net assets attributable to combined entities' shareholder at 31 December 2007</b>	<b>11,929</b>
<b>Total net assets attributable to combined entities' shareholder at 1 January 2008</b>	<b>11,929</b>
Profit for the year 2008	10,201
Dividend paid to combined entities' shareholder	(1,600)
Acquisition of Fortuna Sportska Kladionica d.o.o.	7,637
<b>Total net assets attributable to combined entities' Shareholder at 31 December 2008</b>	<b>28,167</b>
<b>Total net assets attributable to combined entities' Shareholder at 1 January 2009</b>	<b>28,167</b>
Dividend paid to combined entities' shareholder	(410)
Transfer of net assets Czech entities to the share premium	(26,727)
Transfer of net assets of the Croatian entity to the share premium	2,724
Other comprehensive income of the combined entities	(296)
Reclassification to the foreign currency translation reserve	324

**FORTUNA ENTERTAINMENT GROUP N.V.****Notes to the combined financial statements as at 31 December 2009**

Profit for the year of the combined entities	12,829
<b>Total net assets attributable to combined entities'</b>	
<b>Shareholder at 31 December 2009</b>	<b>16,611</b>

**Statutory reserve**

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

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

The reserve represents the amount of these undistributable funds.

**Net unrealised gains reserve**

The net loss on cash flow hedges during the year, recognised in equity was € 365 thousand, net of tax effect of € 69 thousand, i.e. € 296 thousand (2008: nil, 2007: nil) and is presented under net assets attributable to combined entities' shareholder.

**Nature and purpose of reserves***Foreign currency translation reserve*

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

**22. DIVIDENDS PAID AND PROPOSED**

In 2008, the Company Fortuna SK, a.s. paid a dividend of € 1,600 thousand to its shareholder Penta Investment Ltd.

In 2009, the Company Fortuna zakłady bukmacherskie Sp. z o.o. paid a total dividend of € 410 thousand to its shareholders Penta Investment Ltd., Lunga Enterprises Ltd. and Massarosa Holdings Ltd.

	<b>2009</b>	<b>2008</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>Declared and paid during the year:</b>		
Dividend for 2007	-	1,600
Dividend for 2008	410	-
<b>Total</b>	<b>410</b>	<b>1,600</b>

Distributable funds are based on the company only financial statements of the individual companies.

**23. FAIR VALUES****Fair value hierarchy**

As at 31 December 2009, Fortuna Group had derivative contract measured at fair value of € 746 thousands.

Fortuna Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

	<b>31.12.2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
<b>Financial instruments</b>				
Interest rate swaps	(746)	-	(746)	-

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**

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

<b>31 December 2009</b>	<b>Carrying amount € 000</b>	<b>Fair value € 000</b>
<b>Assets</b>		
Related party loans	28,257	28,257
Restricted cash	3,584	3,584
Other non-current assets	546	546
Current receivables	802	802
Cash and cash equivalents	21,566	21,566
<b>Liabilities</b>		
Long-term bank loans	18,848	18,848
Related party loans	7,550	7,550
Other non-current liabilities	2,578	2,578
Trade and other payables	20,750	20,750
Derivatives	746	746
Short-term bank loans and overdrafts	-	-
Current portion of long-term bank loans	20,681	20,681
	<b>Carrying amount € 000</b>	<b>Fair value € 000</b>
<b>31 December 2008</b>		
<b>Assets</b>		
Related party loans	26,326	26,326
Restricted cash	2,978	2,978
Other non-current assets	785	785
Current receivables	1,749	1,749
Cash and cash equivalents	17,804	17,804
<b>Liabilities</b>		
Long-term bank loans	38,931	38,931
Related party loans	2,424	2,424
Other non-current Liabilities	13,047	13,047
Trade and other payables	14,596	14,596
Derivatives	-	-
Short-term bank loan and overdrafts	271	271
Current portion of long-term bank loans	5,281	5,281
	<b>Carrying amount € 000</b>	<b>Fair value € 000</b>
<b>31 December 2007</b>		
<b>Assets</b>		
Related party loans	-	-
Restricted cash	673	673
Other non-current assets	322	322
Current receivables	688	688
Cash and cash equivalents	20,277	20,277
<b>Liabilities</b>		
Long-term bank loans	989	989
Related party loans	14,115	14,115
Other non-current Liabilities	26,309	26,309
Trade and other Ppayables	10,572	10,572
Derivatives	-	-
Short-term bank loan and overdrafts	14,415	14,415
Current portion of long-term bank loans	422	422

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

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

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

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of customers and risk characteristics of the financed project. Based on this evaluation, provisions are formed for the expected losses of these receivables. As at 31 December 2009, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

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

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 duality of counterparties and interest rate curves.

## 24. PROVISIONS

	Employee bonuses € 000	Provision for tax risks € 000	Other provisions € 000	Total € 000
<b>At 1 January 2009</b>	<b>484</b>	<b>481</b>	<b>133</b>	<b>1,098</b>
Arising during the year	2	-	59	61
Utilised	(457)	(141)	(77)	(675)
Discount rate adjustment	-	40	-	40
Acquisition of a subsidiary	-	-	-	-
Currency translation	6	3	(1)	8
<b>At 31 December 2009</b>	<b>35</b>	<b>383</b>	<b>114</b>	<b>532</b>
Short-term part of the provision	35	-	59	94
Long-term part of the provision	-	383	55	438
<b>At 31 December 2009</b>	<b>35</b>	<b>383</b>	<b>114</b>	<b>532</b>
<b>At 31 December 2008</b>				
Short-term part of the provision	450	-	79	529
Long-term part of the provision	34	481	54	569
<b>At 31 December 2008</b>	<b>484</b>	<b>481</b>	<b>133</b>	<b>1,098</b>

### Employee bonuses

The Company has formed a provision for employee bonuses. The exact amount is uncertain as it is subject to management approval after the balance sheet date.

### Provision for tax risks

The Company has several tax issues concerning value added tax, personal income tax and contributions and corporate income tax in Croatia with possible liabilities resulting from expected cash settlements with uncertain timing. The amount provided for is a best estimate of the amount which should be paid in the future, taking into account Croatian tax legislation.

**25. BANK LOANS**

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2009 € 000	2008 € 000	2007 € 000
Bank loan	CZK	1M PRIBOR+1.55% p.a.*	Letter of Comfort issued by Penta Holding Limited	2010	-	-	1,384
Syndicated bank loan A	CZK	3M PRIBOR + 2.45% **	shares of Sazkova kancelar Fortuna, a.s.; pledged on bank account	2012	6,766	8,878	-
Syndicated bank loan B - facility A	CZK	3M PRIBOR + 2.85% **	shares of Sazkova kancelar Fortuna, a.s.; pledged on bank account	2013	5,015	6,167	-
Syndicated bank loan B - facility B	CZK	3M PRIBOR + 3.15% **	shares of Sazkova kancelar Fortuna, a.s.; pledged on bank account	2014	5,642	5,548	-
Bank loan - facility A	EUR	3M EURIBOR + 2.75%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2013	9,822	10,451	-
Bank loan – facility B	EUR	3M EURIBOR + 2.95%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2014	5,144	5,477	-
Bank loan – facility C	EUR	3M EURIBOR + 3.35%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2014	6,859	7,301	-
Finance lease	PLN				62	90	27
Finance lease	HKR				38	53	-
Finance lease	CZK				181	247	-
					39,529	44,212	1,411
of which current portion					20,681	5,281	422
<b>Total long-term loans</b>					<b>18,848</b>	<b>38,931</b>	<b>989</b>
<b>Short-term bank loans</b>							
Bank loan - other investment	CZK	12M PRIBOR +2.75%	shares of Fortuna sazkova kancelar, a.s. and Alicela, pledged on bank account and guarantee of Penta Holding Limited	2010*	-	-	11,672
Bank loan	CZK	5.00 % p.a.	None	2008	-	-	2,465
Bank loan	PLN	WIBOR + 1.5%	None	2008	-	-	278
Karlovačka banka d.d.	HRK	5% variable	None	2009	-	271	-
<b>Total short-term loans</b>					<b>-</b>	<b>271</b>	<b>14,415</b>

\* The loan was granted in 2006 and fully repaid in 2008 before falling due.

\*\* Fortuna Group was not in compliance with credit contract covenants related to the syndicated bank loans as at 31 December 2009, with the loans being classified as current as a result. The covenant relates to a minimum cash balance for Fortuna sazkova kancelar a.s. which amounted to CZK 200 million.



**26. TRADE AND OTHER PAYABLES (CURRENT)**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Trade and other payables (current)</b>			
Trade accounts and notes payable	(2,547)	(2,072)	(1,500)
Payables to related parties	(17)	(13)	-
Liability arising from acquisition of subsidiary	(14,072)	(9,733)	(7,654)
Wages and salaries payable	(1,746)	(1,903)	(1,462)
Social security and health contributions payable	(661)	(288)	(280)
Taxation on earning from betting and others	(4,350)	(3,922)	(3,075)
Unpaid wins	(1,577)	(1,080)	(653)
Other deferred income and accrued expenses	(1,894)	(1,226)	(434)
Received deposits	(63)	(53)	(27)
Other payables and estimated accounts payable	(580)	(419)	(304)
	<b>(27,507)</b>	<b>(20,709)</b>	<b>(15,389)</b>

The liability arising from the acquisition of a subsidiary represents the short term portion of the unpaid purchase price of the Company Fortuna sázková kancelář a.s. (see note 28).

Unpaid wins and open bets are accounted for as derivatives. As these financial instruments are not quoted on an active market and no observable data is available, the fair value of these financial instruments are not determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Open bets and unpaid wins are paid out within a short time frame after year end and as a result the difference between the fair value of these financial instruments as of year end and the fair value as of the actual pay out date is deemed immaterial. Therefore the Company determined the fair value on the actual consideration on the pay out date. For that reason no reconciliation of beginning and ending balance disclosing the changes to the period is presented. Open bets at year end are included in deferred income.

**27. OTHER NON CURRENT LIABILITIES**

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Other non current liabilities</b>			
Liability arising from acquisition of subsidiary	-	(13,041)	(26,306)
Loan from former shareholder of Fortuna sázková kancelář a.s	(2,578)	-	-
Other long term liabilities	-	(6)	(3)
	<b>(2,578)</b>	<b>(13,047)</b>	<b>(26,309)</b>

The liability arising from the acquisition of a subsidiary represents the unpaid portion of the purchase price of Fortuna sázková kancelář a.s. which is due in instalments until May 2010. This liability was discounted using the effective interest rate method. This interest rate was determined at 5.56% per annum at the time the liability arose.

**28. RELATED PARTY DISCLOSURES**

The combined financial statements include the following companies (together "Fortuna Group"):

Combined entities	Country of incorporation	Nature of activity
Fortuna Entertainment 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 Sportska Kladionica d.o.o.	Croatia	Sports betting
Fortuna Zakłady Bukmacherskie Sp. z o.o.	Poland	Sports betting
Fortuna SK, a.s.	Slovakia	Sports betting
Fortuna Real s.r.o.	Slovakia	Rentals

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

Combined statement of financial position	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
<b>Receivables from related parties</b>			
Fortuna Park s.r.o.	127	-	-
Equinox Investments B.V.	-	841	-
<b>Total receivables from related parties</b>	<b>127</b>	<b>841</b>	<b>-</b>
<b>Payables to related parties</b>			
DÓVERA zdravotná poisťovňa, a.s.	8	7	-
APOLLO zdravotná poisťovňa, a.s.	6	6	-
Penta Investments, s.r.o.	1	-	-
Penta Investment limited	2	-	-
<b>Total payables to related parties</b>	<b>17</b>	<b>13</b>	<b>-</b>
<b>Cash in related parties</b>			
Privatbanka	29	27	5,635
<b>Total cash in related parties</b>	<b>29</b>	<b>27</b>	<b>5,635</b>

The receivable from Fortuna Park s.r.o. relates to the prepayment of services by FEGNV to Fortuna Park s.r.o. The receivable from Equinox Investments B.V. is a short term loan provided by Fortuna Group.

The payables to Dóvera zdravotná poisťovňa, a.s. and Apollo zdravotná poisťovňa, a.s. relates to insurance payments. The payables to Penta investments, s.r.o. and Penta Investments limited relates to re-invoiced services.

## 28. RELATED PARTY DISCLOSURES (CONTINUED)

Combined statement of income	1.1.2009- 31.12.2009 € 000	1.1.2008- 31.12.2008 € 000	1.1.2007- 31.12.2007 € 000
<b>Sales to related parties</b>			
Fortuna Park, s.r.o.	2	12	-
Equinox Investments B.V.	70	-	-
<b>Total sales to related parties</b>	<b>72</b>	<b>12</b>	<b>-</b>
<b>Interest from related parties</b>			
Penta Investments Limited	2,077	1,006	-
<b>Total interest from related parties</b>	<b>2,077</b>	<b>1,006</b>	<b>-</b>
<b>Purchases from related parties</b>			
Penta Investment limited	406	4	4
Clanton a.s.	-	86	16
Penta Investments, s.r.o.	9	-	-
Slovenské investičné dr.	6	423	1,220
DŮVERA zdravotná poisťovňa, a.s.	61	57	51
APOLLO zdravotná poisťovňa, a.s.	47	45	29
Equinox Investments B.V.	51	-	-
<b>Total purchases from related parties</b>	<b>580</b>	<b>615</b>	<b>1,320</b>

Both long term and short term related party loans are provided for within Penta Investment Group.

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances at year end are unsecured, interest free, with settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the year ended 31 December 2009, Fortuna Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates.

Sales and expenses from related parties relates mainly to interests on loans.

**Related party loans – receivable**

Long-term related party loans	Currency	Effective interest rate	Maturity	2009 € 000	2008 € 000	2007 € 000
Penta Investments Limited	SKK	3M PRIBOR + 3.5%	2014	28,257	26,326	-
				28,257	26,326	-
of which current portion				-	2,110	-
<b>Total long-term related party loans</b>				<b>28,257</b>	<b>24,216</b>	
<b>Short-term related party loans</b>						
Current portion of long-term loans				-	2,110	-
<b>Total short-term related party loans</b>				<b>-</b>	<b>2,110</b>	<b>-</b>

**28. RELATED PARTY DISCLOSURES (CONTINUED)****Related party loans - payable**

<b>Long-term related party loans</b>	<b>Currency</b>	<b>Effective interest rate</b>	<b>Maturity</b>	<b>2009 € 000</b>	<b>2008 € 000</b>	<b>2007 € 000</b>
Clanton, a.s.	CZK	12M PRIBOR + 2%	2008	-	-	696
Clanton, a.s.	CZK	12M PRIBOR + 2%	2008	-	-	106
Slovenske investicni druzstvo	CZK	6.39% p.a.	2009	-	-	5,814
Slovenske investicni druzstvo	CZK	12M PRIBOR + 3.5%	2011	-	-	7,499
Penta Investment Limited	CZK	12M PRIBOR + 2.5%	2013	7,550	-	-
				7,550	-	14,115
of which current portion				-	-	8,791
<b>Total long-term related party loans</b>				<b>7,550</b>	<b>-</b>	<b>5,324</b>

**Short-term related party loans**

Current portion of long-term loans	CZK			-	-	8,791
Penta Investments Limited	CZK	12M PRIBOR + 2.5%	2008	-	1 734	-
Slovenske investicni druzstvo	CZK	12M PRIBOR + 3.5%	2009	-	690	-
Equinox Investment B.V.	HRK	12M EURIBOR + 3.5%	2010	617	-	-
<b>Total short-term related party loans</b>				<b>617</b>	<b>2,424</b>	<b>8,791</b>

**29 COMMITMENTS AND CONTINGENCIES****Operating lease commitments – Group as lessee**

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

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

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

	<b>2009 € 000</b>	<b>2008 € 000</b>	<b>2007 € 000</b>
Instalments due within one year	4,457	4,029	4,073
Instalments due between two and five years	12,429	11,001	1,480
Instalments due after more than five years	16,568	14,194	-
Operating lease expense (Note 9)	(10,832)	(11,107)	(8,592)

**Finance lease and hire purchase commitments**

Fortuna Group has entered into finance leases and hire purchase contracts for various items of machinery and vehicle. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts including the present value of the net minimum lease payments can be broken down as follows:

	2009 € 000	2008 € 000	2007 € 000
Within one year	166	171	12
After one year but not more than five years	87	247	17
More than five years	-	-	-
<b>Total minimum lease payments</b>	<b>253</b>	<b>418</b>	<b>29</b>
Future finance charges on finance leases	(13)	(29)	(2)
<b>Present value of finance lease payments</b>	<b>240</b>	<b>389</b>	<b>27</b>
<b>Carrying amount of assets under finance leases</b>	<b>238</b>	<b>413</b>	<b>26</b>

**30 BUSINESS COMBINATIONS****Acquisition of Fortuna Sportska Kladionica d.o.o.**

On 7 January 2008, a subsidiary of the combined entities' shareholder, Equinox BV, acquired an 80% interest in Fortuna Sportska Kladionica d.o.o., a company registered in Croatia and engaged in the provision of betting and gaming services. The acquisition price amounted to € 6,091 thousand. The acquisition agreement entitled Equinox BV to acquire an additional 20% non-controlling interest until 21 March 2009. In November 2008, Equinox BV exercised the option and acquired an additional 10% interest in Fortuna Sportska Kladionica d.o.o., for a consideration of € 1,546 thousand. The option to acquire the remaining 10% interest in Fortuna Sportska Kladionica d.o.o. was not exercised and lapsed. The subsidiary generated revenues of € 45,378 thousand and incurred a loss of € 1,732 thousand during the post acquisition period ended 31 December 2008. Fortuna Sportska Kladionica d.o.o. was acquired from Equinox BV by FEGNV on 18 December, 2009. As FEGNV elected to apply pooling of interest for transactions under common control, the comparative figures reflect the financial information of Fortuna Sportska Kladionica d.o.o. as at the date it became under common control, which is the acquisition date.

**30. BUSINESS COMBINATIONS (CONTINUED)**

At the acquisition date the carrying amounts and fair value of the separately identifiable assets and liabilities of Fortuna Sportska Kladionica d.o.o. and goodwill on acquisition was as follows:

	Carrying amount € 000	Fair value € 000
Property, plant and equipment	1,324	1,324
Intangibles	15	15
Derivative financial instruments	26	26
Inventories	8	8
Trade and other receivables	172	172
Cash and cash equivalents	1,638	1,638
Deferred tax	119	119
Borrowings	(302)	(302)
Creditors and accruals	(710)	(710)
Deferred revenue	-	(60)
Provisions	(621)	(621)
Taxation	(214)	(214)
Dividend pay-out of pre-acquisition reserves	(639)	(639)
<b>Net identifiable assets and liabilities</b>	<b>816</b>	<b>756</b>
Share of net assets acquired		516
Goodwill		7,121
<b>Purchase consideration</b>		<b>7,637</b>
<b>Net cash outflow arising on acquisition:</b>		
Cash consideration paid		(7,637)
Cash and cash equivalents acquired		1,638
<b>Net cash outflow</b>		<b>(5,999)</b>

Equinox B.V. paid a premium for the acquisition of Fortuna Sportska Kladionica d.o.o., being the difference between the acquisition price and the fair value of the net assets acquired. This premium was paid for the market share acquired as a result of this acquisition and the attractiveness of the sports betting market in Croatia.

**31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

**Market risk**

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2009, 2008 and 2007.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2009.

The following assumptions have been made in calculating the sensitivity analyses:

The statement of financial position sensitivity relates to derivatives.

The sensitivity of the relevant statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2009 and 2008 including the effect of hedge accounting.

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

#### **Interest rate risk**

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

Fortuna Group manages the interest rate risk by having a balanced portfolio of fixed and variable rate loans. Fortuna Group's policy for the year ended 31 December 2009 was to maintain a minimum of 25% of its borrowings at fixed interest rates. To manage this Fortuna Group enters into interest rate swaps, in which Fortuna Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2009, after taking into account the effect of the interest rate swaps eligible for hedge accounting, approximately 55% of Fortuna Group's borrowings are at a fixed rate of interest.

#### **Foreign currency risk**

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

Fortuna Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies.

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

#### **Credit risk**

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

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

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

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

#### **Liquidity risk**

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

**FORTUNA ENTERTAINMENT GROUP N.V.****Notes to the combined financial statements as at 31 December 2009**

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2009, there were undrawn committed borrowing facilities of € 6,807 thousand (2008: € 3,713 thousand; 2007: € 7,513 thousand). Total committed facilities had an average maturity of 5,3 years in 2009 (2008: 5,2 years; 2007: 4,2 years).

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

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

**Liquidity risk profile**

The table below summarises the maturity profile of Fortuna Group's financial liabilities at 31 December 2007 – 2009 based on contractual undiscounted payments.

<b>As at 31 December 2009</b>	<b>&lt; 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Trade and other payables	27,821	-	-	-	27,821
Bank loans and finance lease	21,296	7,105	14,181	-	42,582
Related party loans	617	-	8,747	-	9,364
Derivatives (swaps)	757	949	1,675	-	3,381
Other non current liabilities	-	-	3,451	-	3,451
	<b>50,491</b>	<b>8,054</b>	<b>28,054</b>	<b>-</b>	<b>86,599</b>
<b>As at 31 December 2008</b>					
Trade and other payables	20,924	-	-	-	20,924
Bank loans and finance lease	7,189	15,785	12,572	18,757	54,303
Related party loans	2,424	-	-	-	2,424
Other non current liabilities	-	11,358	1,857	928	14,143
	<b>30,537</b>	<b>27,143</b>	<b>14,429</b>	<b>19,685</b>	<b>91,794</b>
<b>As at 31 December 2007</b>					
Trade and other payables	15,550	-	-	-	15,550
Bank loans and finance lease	14,837	989	-	-	15,826
Related party loans	8,791	5,324	-	-	14,115
Other non current liabilities	-	22,804	3,757	3,757	30,318
	<b>39,178</b>	<b>29,117</b>	<b>3,757</b>	<b>3,757</b>	<b>75,809</b>

On 17 March 2010 the Combined Group entered into the refinancing agreements with Česká Spořitelna, a.s. (see Note 33) which stipulates repayment of all bank loans drawn as at 31 December 2009.



**Interest rate sensitivity**

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

	<b>Increase in interest rate by</b>	<b>Effect on profit before tax € 000</b>
<b>2009</b>		
CZK	1%	76
SKK	1%	-
PLN	1%	-
HKR	1%	6
		<b>82</b>
<b>2008</b>		
CZK	1%	230
SKK	1%	105
PLN	1%	-
HKR	1%	3
		<b>338</b>
<b>2007</b>		
CZK	1%	97
SKK	1%	-
PLN	1%	-
HKR	1%	-
		<b>97</b>

**Foreign currency risk sensitivity**

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

**As of 31 December 2009:**

<b>Increase in exchange rate by 1%</b>	<b>Effect on equity € 000</b>
CZK/EUR	267
SKK/EUR	142
HRK/EUR	(55)
PLN/EUR	24

**As of 31 December 2008:**

<b>Increase in exchange rate by 1%</b>	<b>Effect on equity € 000</b>
CZK/EUR	183
SKK/EUR	70
HRK/EUR	(9)
PLN/EUR	10

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

As of 31 December 2007:

Increase in exchange rate by 1%	Effect on equity € 000
CZK/EUR	113
SKK/EUR	23
HRK/EUR	-
PLN/EUR	(13)

**Capital management**

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

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

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

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

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

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

	31.12.2009 € 000	31.12.2008 € 000	31.12.2007 € 000
Interest bearing loans and borrowings			
Long-term loans	18,848	38,931	989
Current portion of long-term loans	20,681	5,281	422
Short-term loans	-	271	14,415
	<b>39,529</b>	<b>44,483</b>	<b>15,826</b>
Less cash and cash equivalents	21,566	17,804	20,277
Net debt	17,963	26,679	(4,451)
	<b>1.1.2009-31.12.2009 € 000</b>	<b>1.1.2008-31.12.2008 € 000</b>	<b>1.1.2007-31.12.2007 € 000</b>
Profit before taxation	14,831	13,563	8,931
Finance costs, net	2,535	3,569	3,841
Goodwill impairment	-	4,366	-
Depreciation and amortisation	2,589	2,010	1,369
EBITDA	19,955	23,508	14,141
<b>Gearing ratio</b>	<b>0.90</b>	<b>1.13</b>	<b>(0.31)</b>

**32 EVENTS AFTER THE BALANCE SHEET DATE****32.1 DEBT RESTRUCTURING**

On 17 March 2010 Fortuna sázková kancelář a.s., Fortuna Game a.s. and Fortuna SK, a.s. entered into refinancing agreements with Česká Spořitelna, a.s., which replaced all outstanding facilities with new bank loans amounting to € 36,667 thousand. The purpose of the restructuring of the overall borrowings from this bank of € 39,248 thousand was an overall decrease in loans to provide desired dividend capacity for FEGNV.

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

(all amounts in thousands):

<b>Fortuna sázková kancelář a.s.</b>	<b>Size of tranche</b>	<b>Margin</b>	<b>Repayment</b>
Tranche I	84,500 CZK (€ 3,188)	PRIBOR+285bp	2015 linear repayment
Tranche II	26,500 CZK (€ 1,000)	PRIBOR+335bp	2015
Tranche III	€ 4,100	EURIBOR+285bp	2015 linear repayment
Tranche IV	€ 1,300	EURIBOR+335bp	2015
Tranche V	150,000 CZK (€ 5,660) (overdraft)	PRIBOR+165bp	2015
<b>Fortuna Game a.s.</b>	<b>Size of tranche</b>	<b>Margin</b>	<b>Repayment</b>
Tranche I	100,000 CZK (€ 3,774)	PRIBOR+285bp	2015 linear repayment
Tranche II	33,000 CZK (€ 1,245)	PRIBOR+335bp	2015
Tranche III	€ 4,800	EURIBOR + 285bp	2015 linear repayment
Tranche IV	€ 1,600	EURIBOR+335bp	2015
<b>Fortuna SK a.s.</b>	<b>Size of tranche</b>	<b>Margin</b>	<b>Repayment</b>
Tranche I	€ 4,500	EURIBOR + 275bp	2013 linear repayment
Tranche II	€ 2,300	EURIBOR+295bp	2014 accel. repayment
Tranche III	€ 3,200	EURIBOR+335bp	2014

**32.2 CARVING OUT THE CROATIAN OPERATIONS**

Subsequent to year end, management decided to dispose of the Croatian subsidiary to protect shareholders against the potential loss of closing Croatian operations. The sale to Equinox Investments B.V. was executed on 26 March 2010, for a consideration of EUR 1. The impact on the FEGNV historical figures (2008 and 2009) is disclosed below:

Statement of financial position reconciliation

	<b>Including Croatia</b>	<b>Effect of Croatia</b>	<b>Excluding Croatia</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	50,426	2,755	47,671
Intangible sssets	7,272	193	7,079
Property, plant and equipment	5,567	948	4,619
Deferred ax assets	776	534	242
Related party loans	28,257	-	28,257
Restricted cash	3,584	-	3,584
Other non-current assets	546	40	506
<b>Total non-current assets</b>	<b>96,428</b>	<b>4,470</b>	<b>91,958</b>
<b>Current assets</b>			
Current receivables	802	(113)	915
Related party loans	-	(6,201)	6,201
Income tax receivable	202	63	139
Other current assets	953	171	782

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**

Bank deposits	755	755	-
Cash and cash equivalents	21,566	471	21,095
<b>Total current assets</b>	<b>24,278</b>	<b>(4,854)</b>	<b>29,132</b>
<b>TOTAL ASSETS</b>	<b>120,706</b>	<b>(384)</b>	<b>121,090</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>(40,483)</b>	<b>2,725</b>	<b>(43,208)</b>
<b>Non-current liabilities</b>			
Provisions	(438)	(438)	-
Long-term bank loans	(18,848)	(14)	(18,834)
Deferred tax liabilities	-	-	-
Related party loans	(7,550)	-	(7,550)
Other non-current Liabilities	(2,578)	-	(2,578)
<b>Total non - current liabilities</b>	<b>(29,414)</b>	<b>(452)</b>	<b>(28,962)</b>
<b>Current liabilities</b>			
Trade and other payables	(27,507)	(1,140)	(26,367)
Income tax payable	(408)	-	(408)
Provisions	(94)	(59)	(35)
Related party loans	(617)	(617)	-
Short-term bank loan and overdrafts	-	-	-
Current portion of long-term bank loans	(20,681)	(25)	(20,656)
Derivatives	(746)	-	(746)
Other current liabilities	(756)	(48)	(708)
<b>Total current liabilities</b>	<b>(50,809)</b>	<b>(1,889)</b>	<b>(48,920)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(120,706)</b>	<b>384</b>	<b>(121,090)</b>

**32.2 CARVING OUT THE CROATIAN OPERATIONS (CONTINUED)**

Statement of financial position reconciliation (continued)

	Including Croatia 2008 € 000	Effect of Croatia 2008 € 000	Excluding Croatia 2008 € 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	49,603	2,755	46,848
Intangible assets	6,594	26	6,568
Property, plant and equipment	4,401	807	3,594
Deferred tax assets	912	538	374
Related party loans	24,216	-	24,216
Restricted cash	2,978	-	2,978
Other non-current assets	785	35	750
<b>Total non-current assets</b>	<b>89,489</b>	<b>4,161</b>	<b>85,328</b>
<b>Current assets</b>			
Current receivables	1,749	946	803
Related party loans	2,110	(3,034)	5,144
Income tax receivable	386	167	219
Other current assets	966	224	742
Bank deposits	746	746	-
Cash and cash equivalents	17,804	802	17,002
<b>Total current assets</b>	<b>23,761</b>	<b>(149)</b>	<b>23,910</b>
<b>TOTAL ASSETS</b>	<b>113,250</b>	<b>4,012</b>	<b>109,238</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**
**EQUITY AND LIABILITIES**

<b>Total equity</b>	<b>(28,108)</b>	<b>(1,821)</b>	<b>(26,287)</b>
<b>Non-current liabilities</b>			
Provisions	(569)	(536)	(33)
Long-term bank loans	(38,931)	(30)	(38,901)
Deferred tax liabilities	-	-	-
Related party loans	-	-	-
Other non-current Liabilities	(13,047)	-	(13,047)
<b>Total non-current Liabilities</b>	<b>(52,547)</b>	<b>(566)</b>	<b>(51,981)</b>
<b>Current liabilities</b>			
Trade and other payables	(20,709)	(1,223)	(19,486)
Income tax payable	(2,434)	-	(2,434)
Provisions	(529)	(59)	(470)
Related party loans	(2,424)	-	(2,424)
Short-term bank loan and overdrafts	(271)	(271)	-
Current portion of long-term bank loans	(5,281)	(24)	(5,257)
Derivatives	-	-	-
Other current liabilities	(947)	(48)	(899)
<b>Total current liabilities</b>	<b>(32,595)</b>	<b>(1,625)</b>	<b>(30,970)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(113,250)</b>	<b>(4,012)</b>	<b>(109,238)</b>

**32.2 CARVING OUT THE CROATIAN OPERATIONS (CONTINUED)**
**Statement of income**

	<b>Including Croatia 2009 € 000</b>	<b>Effect of Croatia 2009 € 000</b>	<b>Excluding Croatia 2009 € 000</b>
Amounts staked	379,459	41,583	337,876
<b>Revenue</b>	<b>80,348</b>	<b>5,724</b>	<b>74,624</b>
Taxation of earnings from betting	(6,965)	-	(6,965)
Personnel expenses	(28,001)	(4,502)	(23,499)
Depreciation and amortisation	(2,589)	(451)	(2,138)
Other operating income	1,034	124	910
Other operating expenses	(26,461)	(4,927)	(21,534)
<b>Operating profit</b>	<b>17,366</b>	<b>(4,032)</b>	<b>21,398</b>
Finance income	2,315	(278)	2,593
Finance costs	(4,850)	(208)	(4,642)
<b>Profit before tax</b>	<b>14,831</b>	<b>(4,518)</b>	<b>19,349</b>
Income tax expense	(2,422)	(7)	(2,415)
<b>Net profit for the period</b>	<b>12,409</b>	<b>(4,525)</b>	<b>16,934</b>
	<b>Including Croatia 2008 € 000</b>	<b>Effect of Croatia 2008 € 000</b>	<b>Excluding Croatia 2008 € 000</b>
Amounts staked	367,454	45,085	322,369
<b>Revenue</b>	<b>85,624</b>	<b>7,405</b>	<b>78,219</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the combined financial statements as at 31 December 2009**

Taxation of earnings from betting	(5,885)	-	(5,885)
Personnel expenses	(29,569)	(4,286)	(25,283)
Depreciation and amortisation	(2,010)	(392)	(1,618)
Goodwill Impairment	(4,366)	(4,366)	-
Other operating income	353	98	255
Other operating expenses	(27,015)	(4,924)	(22,091)
<b>Operating profit</b>	<b>17,132</b>	<b>(6,465)</b>	<b>23,597</b>
Finance income	1,700	(41)	1,741
Finance costs	(5,269)	(9)	(5,260)
<b>Profit before tax</b>	<b>13,563</b>	<b>(6,515)</b>	<b>20,078</b>
Income tax expense	(3,595)	428	(4,023)
<b>Net profit for the period</b>	<b>9,968</b>	<b>(6,087)</b>	<b>16,055</b>

**32.2 CARVING OUT THE CROATIAN OPERATIONS (CONTINUED)**
**Statement of cash flows**

	31 December 2009 € 000	31 December 2008 € 000
<b>Cash flows from operating activities</b>		
Profit before tax	19,349	20,078
Adjustments for:		
Depreciation and amortisation	2,138	1,618
Goodwill impairment	-	-
Changes in provisions	(474)	366
Gain on disposal of property, plant and equipment	(1)	(5)
Interest expense, net	2,009	3,324
Change in fair value of derivatives	381	-
Operating profit before working capital changes	23,402	25,381
(Increase) / Decrease in other current assets	(279)	137
(Increase) / Decrease in receivables	219	(458)
(Decrease) / Increase in payables and other liabilities	1,526	2,557
(Increase) / Decrease in restricted cash	(568)	(2,408)
Cash generated from operating activities	24,300	25,209
Corporate income tax paid	(4,195)	(1,862)
<b>Net cash flows from operating activities</b>	<b>20,105</b>	<b>23,347</b>
<b>Cash flows from investing activities</b>		
Interest received	2,594	1,791
Related party loans receivable (granted)/repaid	(1,931)	(25,302)
Cash acquired on acquisition of subsidiaries	-	-
Repayment of liabilities for purchase of subsidiary	(9,109)	(6,604)
Derecognition / (Acquisition) of other financial assets	377	(397)
Purchase of buildings, equipment and intangible assets	(4,000)	(2,579)
Proceeds from sale of buildings and equipment	568	273

<b>Net cash flows used in investing activities</b>	<b>(11,501)</b>	<b>(32,818)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term borrowings	-	48,471
Repayments of long term borrowings	(17,800)	(10,016)
Net proceeds from / (Repayments of) short-term borrowings	15,343	(10,208)
Related party loans received / (repaid)	2,020	(15,724)
Proceeds from shareholder's contributions	-	-
Dividends paid	(410)	(1,600)
Interest paid	(4,603)	(5,115)
<b>Net cash flows used in financing activities</b>	<b>(5,450)</b>	<b>5,808</b>
Net effect of currency translation in cash	939	388
Net increase in cash and cash equivalents	<b>4,093</b>	<b>(3,275)</b>
Cash and cash equivalents at the beginning of year	17,002	20,277
<b>Cash and cash equivalents at the end of year</b>	<b>21,095</b>	<b>17,002</b>

## 32.2 CARVING OUT THE CROATIAN OPERATIONS (CONTINUED)

Reconciliation of major items

	Including Croatia 2009 € 000	Effect of Croatia 2009 € 000	Excluding Croatia 2009 € 000
Gain on sale of fixed assets	1	-	1
Revenues from rental of real estate	452	-	452
Reversal of accruals and provisions	101	101	-
Other income	480	23	457
<b>Total</b>	<b>1,034</b>	<b>124</b>	<b>910</b>

	Including Croatia 2008 € 000	Effect of Croatia 2008 € 000	Excluding Croatia 2008 € 000
Gain on sale of fixed assets	5	-	5
Revenues from rental of real estate	53	-	53
Reversal of accruals and provisions	205	98	107
Other income	90	-	90
<b>Total</b>	<b>353</b>	<b>98</b>	<b>255</b>

## Other operating expenses

	Including Croatia 2009 € 000	Effect of Croatia 2009 € 000	Excluding Croatia 2009 € 000
Operating lease expense	(10,832)	(1,795)	(9,037)
Materials and office supplies	(2,653)	(315)	(2,338)
Marketing and advertising	(4,052)	(1,212)	(2,840)
Telecommunication costs	(1,561)	(347)	(1,214)
Energy and utilities	(1,090)	-	(1,090)
Repairs and maintenance	(899)	(129)	(770)
Taxes and fees to authorities	(490)	(54)	(436)
Bad debt expense	(1,202)	(1)	(1,201)

Loss on sale of fixed assets	(34)	(25)	(9)
Others	(3,648)	(1,049)	(2,599)
	<b>(26,461)</b>	<b>(4,927)</b>	<b>(21,534)</b>

**32.2 CARVING OUT THE CROATIAN OPERATIONS (CONTINUED)****Other operating expenses (continued)**

	Including Croatia 2008 € 000	Effect of Croatia 2008 € 000	Excluding Croatia 2008 € 000
Operating lease expense	(11,107)	(1,519)	(9,588)
Materials and office supplies	(2,520)	(349)	(2,171)
Marketing and advertising	(4,211)	(1,328)	(2,883)
Telecommunication costs	(1,464)	(356)	(1,108)
Energy and utilities	(979)	-	(979)
Repairs and maintenance	(766)	(101)	(665)
Taxes and fees to authorities	(534)	(46)	(488)
Bad debt expense	(1,247)	-	(1,247)
Loss on sale of fixed assets	(5)	(5)	-
Others	(4,182)	(1,220)	(2,962)
	<b>(27,015)</b>	<b>(4,924)</b>	<b>(22,091)</b>

**Personnel expenses**

	Including Croatia 2009 € 000	Effect of Croatia 2009 € 000	Excluding Croatia 2009 € 000
Wages and salaries	(20,971)	(3,734)	(17,237)
Social security costs	(6,048)	(620)	(5,428)
Directors remuneration	(631)	(148)	(483)
Other payroll costs	(351)	-	(351)
	<b>(28,001)</b>	<b>(4,502)</b>	<b>(23,499)</b>

**Number of employees in the period:**

Average number of employees	3,493	608	2,885
Managers	11	-	11
Staff	3,482	608	2,874

	Including Croatia 2008 € 000	Effect of Croatia 2008 € 000	Excluding Croatia 2008 € 000
Wages and salaries	(21,995)	(3,608)	(18,387)
Social security costs	(6,408)	(600)	(5,808)
Directors' remuneration	(627)	(78)	(549)
Other payroll costs	(539)	-	(539)
	<b>(29,569)</b>	<b>(4,286)</b>	<b>(25,283)</b>

**Number of employees in the period:**

Average number of employees	3,472	569	2,903
Managers	10	-	10
Staff	3,462	569	2,893

**32.3 ACQUISITION OF NAVI PRO s.r.o.**



On 19 March 2010 FEGNV acquired all of the shares in Navi Pro s.r.o. ("Navi Pro"). The interest was acquired from three current shareholders - Mr. D. Motyčka, Mr. M. Černý and Mr. M. Hrubý, all of them having equal ownership portions.

The total purchase price was CZK 12 million (€ 453 thousands), with CZK 6 million (€ 226 thousands) being paid in equal portions to the sellers upon signature of the SPA and the rest of the CZK 6 million (€ 226 thousands) being paid to the sellers in 25 monthly installments of CZK 80 thousands (€ 3 thousands), starting March 2010.

Navipro is a betting software developer which has served FEGNV subsidiaries over the past five years and was the sole key supplier of this software.

At the acquisition date, total assets of the Company amounted to CZK 1.6 million and were largely represented by trade receivables. Other important intangible assets acquired through the acquisition were all the supporting IT and Software data for the future development and upgrade of the betting software.

#### **32.4 AGREEMENT IVG**

FEGNV signed a framework agreement with Inspired virtual gaming. The purpose of this agreement is the provision of software solution for virtual games offered in shops or interactively on the website of FEGNV. Payments will be made based on the initial fee and regular monthly payments based on profit sharing (12,5% from GGY after tax). The planned commercial launch will be in May 2010.

#### **32.5 MICROGAMING CONTRACT**

FortunaWin gaming signed a contract with worldwide online casino and poker provider Microgaming. The essence of the contract is the provision of software for online casinos which will be deployed by FortunaWin Gaming. The payment conditions are based on an initial fee of € 50,000, paid in two instalments and regular monthly payments based on a profit sharing agreement (15% from GGY)

#### **32.6 FOUNDING Ibet s.r.o.**

Ibet is a Czech limited liability company incorporated as a service organisation to FortunaWin and third party betting operators. The 100% owner of Ibet is Fortuna Entertainment Group. The core activity of Ibet is providing support in bookmaking, customer support, and HW/SW solutions.

Amsterdam, 16 June 2010

Michal Vepřek

(Chief Financial Officer)

Marek Rendek

(Managing Director)

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Interim consolidated statement of comprehensive income for the six months ended 30 June 2010**

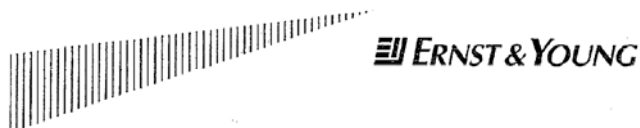
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS OF  
FORTUNA ENTERTAINMENT GROUP N.V.**

For the six months ended 30 June 2010

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**Auditor's Review Report**



To: The shareholder of Fortuna Entertainment Group NV

**Review report**

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements for the six months period ended 30 June 2010 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the interim consolidated statement of financial position as at 30 June 2010, the interim consolidated statement of income, interim consolidated statement of comprehensive income, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 Dutch 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 2010 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 19 August 2010

Ernst & Young Accountants LLP

signed by S.D.J. Overbeek - Goesele

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Interim consolidated statement of financial position as at 30 June 2010**

	Notes	30 June 2010 Unaudited € 000	31 December 2009 Audited € 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		49,545	50,426
Intangible assets		7,602	7,272
Property, plant and equipment	11	4,662	5,567
Deferred tax assets		325	776
Related party loans	12	-	28,257
Restricted cash		3,678	3,584
Other non-current assets	13	1,556	546
<b>Total Non - Current Assets</b>		<b>67,368</b>	<b>96,428</b>
<b>Current assets</b>			
Current receivables		1,588	802
Income tax receivable		121	202
Other current assets		870	953
Bank deposits		-	755
Cash and cash equivalents	14	16,145	21,566
<b>Total current assets</b>		<b>18,724</b>	<b>24,278</b>
<b>TOTAL ASSETS</b>		<b>86,092</b>	<b>120,706</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		45	45
Share premium	15	20,501	21,779
Statutory reserve		4,177	2,144
Net assets attributable to combined entities' shareholder		-	16,611
Foreign currency translation reserve		678	324
Retained earnings		9,250	(420)
<b>Total Equity</b>		<b>34,651</b>	<b>40,483</b>
<b>Non-current liabilities</b>			
Provisions		86	438
Long-term bank loans		24,726	18,848
Related party loans		-	7,550
Other non-current liabilities	16	105	2,578
<b>Total non-current liabilities</b>		<b>24,917</b>	<b>29,414</b>
<b>Current liabilities</b>			
Trade and other payables	17	11,407	27,507
Income tax payable		151	408
Provisions		1	94
Related party loans		-	617
Current portion of long-term bank loans		12,712	20,681
Derivatives	18	1,337	746
Other current liabilities		916	756
<b>Total current liabilities</b>		<b>26,524</b>	<b>50,809</b>
<b>EQUITY AND LIABILITIES</b>		<b>86,092</b>	<b>120,706</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Interim consolidated statement of income for the six months ended 30 June 2010**

		<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Unaudited</b>
		<b>€ 000</b>	<b>€ 000</b>
Amounts staked		191,558	171,022
<b>Revenue</b>		<b>39,341</b>	<b>35,902</b>
Governmental taxes and levies		(3,340)	(3,383)
Personnel Expenses		(13,063)	(11,895)
Depreciation and amortisation		(1,285)	(987)
Other operating income		451	400
Other operating expenses	19	(11,779)	(10,544)
<b>Operating profit</b>		<b>10,325</b>	<b>9,493</b>
Finance income		1,090	1,125
Finance cost		(2,857)	(2,193)
<b>Profit before tax from continuing operations</b>		<b>8,558</b>	<b>8,425</b>
Income tax expense	9	(1,323)	(1,082)
<b>Net profit for the period from continuing operations</b>		<b>7,235</b>	<b>7,343</b>
<b>Discontinued operations</b>			
Loss after tax for the period from discontinued operations	10	(1,286)	(2,859)
Profit on disposal of discontinued operations	10	4,171	-
<b>Net profit for the period</b>		<b>10,120</b>	<b>4,484</b>
<b>Earnings per share</b>			
		<b>2010</b>	<b>2009</b>
Weighted average number of ordinary shares for basic earnings per share		4,500	4,500
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		2.25	1.00
Basic and diluted for continuing operations, profit for the period attributable to ordinary equity holders of the parent		1.61	1.63

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Interim consolidated statement of comprehensive income for the six months ended 30 June 2010**

	Notes	30 June 2010 Unaudited € 000	30 June 2009 Unaudited € 000
<b>Profit for the period</b>		<b>10,120</b>	<b>4,484</b>
Net loss on revaluation of cash flow hedges		(389)	-
Income tax		75	-
		(314)	-
Exchange differences on translation of foreign operations		354	1,073
<b>Other comprehensive income for the period, net of tax</b>		<b>40</b>	<b>1,073</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>10,160</b>	<b>5,557</b>

**FORTUNA ENTERTAINMENT GROUP N.V**
**Interim consolidated statement of cash flows for the six months ended 30 June 2010**

	Notes	30 June 2010 Unaudited € 000	30 June 2009 Unaudited € 000
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		8,558	8,425
Loss before tax from discontinued operations	10	(1,301)	(2,859)
Profit before tax		7,257	5,566
Adjustments for:			
Depreciation and amortisation		1,285	987
Changes in provisions		94	(477)
(Gain) / Loss on disposal of property, plant and equipment		(3)	8
Interest expense, net		989	882
Change in fair value of derivatives		190	-
Operating profit before working capital changes		9,812	6,966
(Increase) / Decrease in other current assets		(126)	(611)
(Increase) / Decrease in receivables		(804)	1,335
(Decrease) / Increase in payables and other liabilities		(17,908)	(987)
(Increase) / Decrease in restricted cash		(9)	(373)
Cash generated from operating activities		(9,035)	6,330
Corporate income tax paid		(1,495)	(2,961)
<b>Net cash flows provided by / (used in) operating activities</b>		<b>(10,530)</b>	<b>3,369</b>
<b>Cash flows from investing activities</b>			
Interest received		483	1,122
Related party loans receivable (granted)/repaid		28,257	(1,805)
Acquisition of a subsidiary, net of cash acquired		(233)	-
Derecognition / (Acquisition) of other financial assets		893	1,112
Repayment of liabilities for purchase of subsidiary		-	(9,109)
Purchase of buildings, equipment and intangible assets		(1,424)	(2,333)
Net outflow from sale of a subsidiary, net of cash disposed		(1,770)	-
Proceeds from sale of buildings and equipment		9	-
<b>Net cash flows provided by / (used in) investing activities</b>		<b>26,215</b>	<b>(11,013)</b>
<b>Cash flows from financing activities:</b>			
Net proceeds from / (Repayments of) long term borrowings		5,879	876
Net proceeds from / (Repayments of) short-term borrowings		(8,262)	(1,880)
Related party loans received / (repaid)		286	5,515
Cash contribution by shareholder to acquire subsidiary companies		81,876	-
Payment to acquire subsidiary companies	15	(78,868)	-
Return of capital		(19,000)	-
Incurred transaction costs capitalized		(926)	-
Dividends paid		-	(410)
Interest paid		(1,472)	(2,004)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>(20,487)</b>	<b>2,097</b>
Net effect of currency translation in cash		(619)	613
Net decrease in cash and cash equivalents		(5,421)	(4,934)
Cash and cash equivalents at the beginning of the period		21,566	17,804
<b>Cash and Cash Equivalents at the end of the period</b>		<b>16,145</b>	<b>12,870</b>



**FORTUNA ENTERTAINMENT GROUP N.V**
**Interim consolidated statement of changes in equity for the six months ended 30 June 2010**

	Share capital € 000	Share premium € 000	Net assets attributable to combined entities' shareholder € 000	Statutory reserves € 000	Retained earnings € 000	Foreign exchange translation reserve € 000	Total € 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
<b>Total comprehensive income</b>	-	-	-	-	<b>9,806</b>	<b>354</b>	<b>10,160</b>
Capital paid in and funding for acquisitions (note 14)	-	81,884	-	-	-	-	81,884
Return of capital to shareholder (note15)	-	(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 (note15)	-	(64,162)	(16,611)	2,033	(136)	-	(78,876)
<b>30 June 2010 (unaudited)</b>	<b>45</b>	<b>20,501</b>	<b>-</b>	<b>4,177</b>	<b>9,250</b>	<b>678</b>	<b>34,651</b>

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Interim consolidated statement of changes in equity for the six months ended 30 June 2009**

Unaudited	Share capital € 000	Share premium € 000	Net assets attributable to combined entities' shareholder € 000	Statutory reserves € 000	Retained earnings € 000	Foreign exchange translation reserve € 000	Total € 000
<b>1 January 2009</b>	-	-	<b>28,167</b>	-	-	<b>(59)</b>	<b>28,108</b>
Profit for the period	-	-	4,484	-	-	-	4,484
Other comprehensive income	-	-	-	-	-	1,073	1,073
<b>Total comprehensive income</b>	-	-	<b>4,484</b>	-	-	<b>1,073</b>	<b>5,557</b>
Allocation of profit	-	-	-	-	-	-	-
Dividend paid to the combined entities' shareholder	-	-	(410)	-	-	-	(410)
<b>30 June 2009</b>	-	-	<b>32,241</b>	-	-	<b>1,014</b>	<b>33,255</b>

## **1. CORPORATE INFORMATION**

The interim condensed consolidated financial statements of FORTUNA Entertainment Group N.V. ("FEGNV", "Fortuna Group", or "the Group") for the six months ended 30 June 2010 were authorized for issue in accordance with a resolution of the directors on 19 August 2010.

FEGNV has its registered office at Strawinskylaan 1223, Amsterdam, the Netherlands. The parent company of FEGNV is Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3803 Limassol, Cyprus.

### **Description of business**

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in the Czech Republic, Slovakia, Poland and Croatia. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via retail chains which included 1,329 shops in total in June 2010, and via online web sites in the Czech Republic and Slovakia.

In the first months of 2010 FEGNV established subsidiaries in Malta and received provisional licences enabling it to provide online betting and gaming services across Europe.

In addition, in the first months of 2010 the Croatian entities were disposed of. For details, reference is made to note 10.

## **2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements have been prepared in accordance with IFRS and in particular in accordance with IAS 34 'Interim Financial Reporting'.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fortuna Group's combined financial statements as at 31 December 2009.

### **2.1 Basis of combination**

As of June 30, 2010 FEGNV is the legal parent of existing legal entities operating in the betting industry, which are ultimately owned by Penta, except for Fortuna Sportska Kladionica d.o.o., which was sold to Equinox Investments B.V. on 26 March 2010. For details on this transaction, reference is made to note 0.

The purpose of setting up FEGNV was to transfer all subsidiaries of Penta forming the betting business to Fortuna Entertainment Group N.V. with the intention of an initial public offering of Fortuna Entertainment Group N.V.'s shares on the main market of Gielda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, "WSE") and Burza cenných papírů Praha, a.s (the Prague Stock Exchange, "PSE") in 2010. The restructuring was completed on 12 May 2010, due to certain regulatory approvals being required to transfer Fortuna Zakłady Bukmacherskie Sp. z o.o.

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

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

The comparatives reflect the combination of entities as if the acquisitions had occurred from the beginning of the earliest period presented in the financial statements, except for entities externally acquired by the controlling shareholder during one of the periods presented. These entities form part of the interim condensed consolidated financial statements as of the date they were under common control, and are accounted for using the purchase method and continue to be considered until the date control ceases to exist.

The interim condensed consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as at 30 June, 2010 and include the following entities:

FORTUNA Entertainment Group NV  
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.  
Fortuna Sportska Kladionica d.o.o. – disposed in March 2010  
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 Fortuna Sportska Kladionica d.o.o. which was 90% owned by FEGNV.

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

### **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 combined financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below:

The Fortuna Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements, effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 July 2009
- IFRIC 17 Distributions on Non-cash Assets to Owners, effective 1 November 2009
- Improvements to IFRSs (April 2009), effective 1 January 2010

The impact of the adoption of the standard or interpretation on the interim condensed consolidated financial statements or the performance of the Fortuna Group is described below:

#### **IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements**

The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Fortuna Group has concluded that the amendment will have no impact on the financial position or the performance of the Fortuna Group.

#### **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**

Fortuna Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer

give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

**IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items**

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Fortuna Group has concluded that the amendment will have no impact on the financial position or the performance of the Fortuna Group, as the Fortuna Group has not entered into any such hedges.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation will have no impact on the financial position or the performance of the Fortuna Group.

**IFRIC 17 Distributions on Non-cash Assets to Owners**

The Interpretation provides guidance on how to account for non-cash distributions to owners. It clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Fortuna Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Fortuna Group has not made non-cash distributions to shareholders in the past.

**Improvements to IFRSs**

In April 2009, the IASB issued a second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. These changes did not have any impact on the accounting policies, financial position or performance of Fortuna Group.

The following new standards issued by the IASB will be binding next year or later:

- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – effective for financial years beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for financial years beginning on or after 1 February 2010,
- IFRS 9 *Financial Instruments* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – effective for financial years beginning on or after 1 July 2010,
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011 - not endorsed by EU till the date of approval of these financial statements.

**4. INFORMATION ABOUT PRODUCTS AND SERVICES**

The Group's results of operations are affected by the schedule of sporting events on which the group accepts bets. The football tournaments in Europe and around the world that contribute significantly to the group's revenue and gross win from betting are reflected in the financial results in the spring and autumn months. Therefore, the

group has traditionally recorded higher amounts staked in the spring and autumn months although this has been to some extent balanced by the on-line betting that is less exposed to seasonality.

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

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

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

In the Czech Republic the amount staked grew from € 83,603 thousand to € 100,453 thousand, as of 30 June 2009 and 2010, respectively, which represents a growth of 20%. The increase is mainly due to increased popularity of Fortuna products; especially Live betting and strong growth of online channel in both the Czech Republic and Slovakia. The Polish entity recorded a slight decline in amounts staked to € 29,689 thousand as of June 30, 2010, which represents a 4% slowdown compared to the same period last year. The cause of the decline is due to the cease of sale of numerical games that terminated during June 2009 which was partly compensated by the positive translation effect of Polish zloty into EUR.

Total volume of commissions declined from € 10,753 thousand to € 10,313 thousand, as of 30 June 2009 and 2010, respectively, as a result of larger volume of products offered without commission, primarily live betting and profit bets, as well as growing use of on-line bets with lower percentage of commissions.

Gross wins from betting (see note 0) during the six months ended June 30, 2010 surpassed the results for the same period in 2009 by € 4,249 thousand. The growth in gross win was recorded in all countries: Czech republic 5,6 %, Slovakia 13 %, and Poland 17 %. After one month of operation, the Maltese entities achieved a gross win of € 11 thousand.

The growth of gross win was driven by online distribution, where the Group showed growth of 50%. The retail distribution channel remained consistent with prior year levels, showing slight growth of 2%. The strongest growth of the online channel was seen in the Czech Republic entity which was offset by a decline of 6% in the retail channel. Operations in Slovakia showed growth in both channels of €285 thousand in retail and €1,418 thousand in online betting. Online betting in the Czech Republic and Slovakia moves the industry to products with lower profitability but higher amounts staked.

Revenue is presented net of withholding taxes, for which the Fortuna Group is taxed in Slovakia and Poland. Overall the withholding taxes increased as a result of the higher amounts that were staked during the six months ended 30 June, 2010 compared to the same period last year. Additionally, there was an increase in the percentage of withholding tax in Poland, which changed effectively 1 January 2010 from 10% to 12%.

In the Czech Republic, the Fortuna Group is obliged to pay for publicly beneficial purposes, which is recognised in "Governmental taxes and levies". Governmental taxes and levies decreased as a result of a lower compound tax rate on Czech operating companies.

Gross profit from betting (see note 0) for the 6 months ended 30 June 2010 increased to € 35,526, a growth of 11% from the prior year comparative period, as a result of increased amounts staked in the group by 12%. The gross profit by entities changed as follows: Czech Republic increased from € 16,465 thousand to € 17,618 thousand (7%), Slovakia from € 10,157 thousand to € 11,620 thousand (14%), and Poland from € 5,336 thousand to € 6,277 thousand (18%). Gross profit margin (gross profit as a percentage of total amounts staked) remained stable at 19%. The decrease in gross profit margin in the Czech Republic, from 20% in the first half year of 2009 to 18% in the first half year of 2010, is due to an increase in amounts staked in the online betting channel, since the online betting channel shows a lower profitability than the retail betting channel. The increase in the gross profit margin in Poland is mainly due to the fact that the Group lowered the odds, to keep up with the increase in the percentage of withholding tax in Poland.

## **5. COMMENTS TO STATEMENT OF INCOME**

Revenues recorded increased from € 35,902 thousand as at June 30, 2009 to € 39,341 thousand as at 30 June, 2010, which represents an increase of 9,6%. Revenues were positively affected by increased popularity of live betting products and strong increase of online betting in the Czech Republic and Slovakia. The FIFA World Cup also had positive impact on revenue. Personnel expenses increased from € 11,895 thousand as at June 30, 2009

to € 13,063 thousand as at 30 June, 2010. The main growth factors in payroll expenses during the six months ended 30 June, 2010 are connected with an expanded retail network, enlarged management on the holding level, launch of Maltese operations and developers of internal software as a result of the acquisition of Navi pro s.r.o., which was subsequently renamed to Fortuna software s.r.o. Depreciation and amortisation increased by € 298 thousand compared to the same period last year, as a result of higher investments into IT equipment of retail network in past year.

Other operating expenses increased from € 10,544 thousand as at 30 June, 2009 to € 11,779 thousand as at 30 June, 2010 resulting in a growth of 12%. The growth was driven by the launch of the Maltese operations and increased marketing expenses associated with the FIFA World Cup.

Finance income consists of interest earned on related party loans and interest income from bank balances. Finance expenses increased by € 699 thousand as a result of the debt refinancing which took place during first half of 2010. Additional costs are attributable to interest rate hedging of PRIBOR, where interest rate SWAP was recognised as ineffective.

Income tax expense went up from € 1,082 thousand to € 1,323 thousand. The increase is due to higher taxable income in Slovakia and Poland.

## **6. BUSINESS COMBINATION**

On 19 March 2010 FEGNV acquired all of the shares in Navi Pro s.r.o. ("Navi Pro") subsequently renamed to Fortuna software s.r.o. The interest was acquired from three individual shareholders all of them having equal ownership portions.

The total purchase price was CZK 12 million (€ 453 thousands), out of which CZK 6 million (€ 226 thousands) being paid in equal portions to the sellers upon signature of the share purchase agreement and the remainder of CZK 6 million being paid to the sellers in 25 monthly instalments of CZK 80 thousand (€ 3 thousands) starting March 2010.

Navi Pro s.r.o. is a betting software developer which has served FEGNV subsidiaries over the past five years and was the sole key supplier of this software.

At the acquisition date, total assets of the Navi Pro amounted to CZK 665 thousand (€ 26 thousand) and were largely represented by trade receivables from Fortuna Group. Other important intangible assets acquired through the acquisition were all the supporting IT and Software data for the future development and upgrade of the betting software.

At the acquisition date the carrying amounts and fair value of the separately identifiable assets and liabilities of Navi Pro and goodwill on acquisition are preliminary and may be adjusted as a result of obtaining expert valuations for intangible assets. The provisional fair value of the identifiable assets and liabilities were as follows:

	<b>Carrying amount € 000</b>	<b>Fair value € 000</b>
Property, plant and equipment	2	2
Current receivables	30	30
Receivables from the group	(24)	(24)
Cash and cash equivalents	12	12
Income tax receivable	3	3
Trade and other payables	(21)	(21)
<b>Net identifiable assets and liabilities</b>	<b>2</b>	<b>2</b>
Share of net assets acquired		100%
Goodwill		427
<b>Purchase consideration</b>		<b>429</b>
<b>Net cash outflow arising on acquisition:</b>		
Receivables from the group		(24)
Total purchase consideration		(429)
Cash consideration paid		(453)
Cash and cash equivalents acquired		12



<b>Net cash outflow</b>	<b>(441)</b>
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## 7. OPERATING SEGMENT INFORMATION

### Identification of reportable segments

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

Czech Republic  
Slovakia  
Poland  
Other countries

The Croatia segment was disposed of in March 2010 and has also been reclassified in the comparative disclosures and is included in the column Discontinued operations. Detailed information regarding this discontinued operation is included in note 10.

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 adjustments and eliminations 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 Fortuna Group's operating segments for the six months ended 30 June 2010 and 2009 respectively.

<b>Six months ended 30 June 2010 (unaudited)</b>	<b>Czech Republic € 000</b>	<b>Slovakia € 000</b>	<b>Poland € 000</b>	<b>Other countries € 000</b>	<b>TOTAL Continuing operations € 000</b>	<b>Discontinued Operations €000</b>
Revenue	21,149	11,708	6,473	11	<b>39,341</b>	1,423
Taxation of earnings from betting	(3,340)	-	-	-	<b>(3,340)</b>	-
Depreciation and amortisation	(602)	(320)	(340)	(23)	<b>(1,285)</b>	(135)
Segment result	4,681	5,343	328	(27)	<b>10,325</b>	(1,054)
Capital expenditure	(692)	(171)	(273)	(441)	<b>(1,577)</b>	(60)
Non-current assets	9,456	898	1,490	420	<b>12,264</b>	-
Operating segment assets	22,523	7,636	3,961	2,426	<b>36,546</b>	-
Operating segment liabilities	7,342	2,628	2,169	527	<b>12,666</b>	-
<b>Six months ended 30 June 2009 (unaudited)</b>	<b>Czech Republic € 000</b>	<b>Slovakia € 000</b>	<b>Poland € 000</b>	<b>Other countries € 000</b>	<b>TOTAL Continuing operations € 000</b>	<b>Discontinued operations € 000</b>
Revenue	20,066	10,296	5,540	-	<b>35,902</b>	1,964
Taxation of earnings from betting	(3,383)	-	-	-	<b>(3,383)</b>	-
Depreciation and amortisation	(471)	(366)	(150)	-	<b>(987)</b>	(214)
Segment result	5,021	3,674	798	-	<b>9,493</b>	(2,770)
Capital expenditure	(708)	(834)	(359)	-	<b>(1,901)</b>	(429)
<b>31 December 2009</b>						
Non-current assets	9,073	1,049	1,577	-	<b>11,699</b>	1,140



## FORTUNA ENTERTAINMENT GROUP N.V.

### Notes to the interim condensed consolidated financial statements as at 30 June 2010

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Operating segment assets	25,018	10,054	3,432	-	<b>38,504</b>	3,250
Operating segment liabilities	24,448	2,934	1,909	-	<b>29,291</b>	2,091

Segment results for each operating segment excludes net finance costs of €1,767 thousand and € 1,068 thousand for the 6 months ended 30 June 2010 and 2009, profit on disposal of subsidiaries of € 4,171 thousand and € 0 thousand for the 6 months ended 30 June 2010 and 2009, and income tax expense of € 1,323 thousand and € 922 thousand for the 6 months ended 30 June 2010 and 2009.

Segment assets excludes loans to related parties of € 0 thousand and € 28,257 thousand for the period ended 30 June 2010 and 31 December 2009, respectively, and goodwill of € 49,545 thousand and € 50,426 thousand for the period ended 30 June 2010 and 31 December 2009, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 37,438 thousand and € 39,529 thousand for the periods ended 30 June 2010 and 31 December 2009, respectively, related party loans of € 0 thousand and € 8,167 thousand for the periods ended 30 June 2010 and 31 December 2009, respectively, and derivatives of € 1,337 thousand and € 746 thousand for the periods ended 30 June 2010 and 31 December 2009, respectively, as these liabilities are managed on a group basis.

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

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

#### Information about product and services

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

**FORTUNA ENTERTAINMENT GROUP N.V.**
**Notes to the interim condensed consolidated financial statements as at 30 June 2010**

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

Period ended 30 June 2009 (unaudited)	Czech Republic	Slovakia	Poland	TOTAL
	€ 000	€ 000	€ 000	€ 000
Total amounts staked:	83,603	56,504	30,915	171,022
-of which: Bets	78,635	53,807	27,827	160,269
-of which: Commissions	4,968	2,697	3,088	10,753
Paid out prizes	(63,755)	(43,653)	(22,491)	(129,899)
Gross win from betting	19,848	12,851	8,424	41,123
-of which: online betting	3,744	3,220	-	6,964
-of which: retail betting	16,104	9,631	8,424	34,159
Withholding tax paid	-	(2,694)	(3,088)	(5,782)
Other revenues	218	139	204	561
<b>Revenue</b>	<b>20,066</b>	<b>10,296</b>	<b>5,540</b>	<b>35,902</b>
Taxation of earnings from betting	(3,383)	-	-	<b>(3,383)</b>
Gross profit from betting	16,465	10,157	5,336	<b>31,958</b>
-of which: online betting	2,994	2,393	-	<b>5,387</b>
-of which: retail betting	13,471	7,764	5,336	<b>26,571</b>
Gross profit margin – betting (%)	20%	18%	17%	<b>19%</b>

**8. IMPAIRMENTS****Goodwill and intangible assets**

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Fortuna Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the combined financial statements for the year ended 31 December 2009.

The Group considers there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2010.

**9. INCOME TAX**

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

	<b>30 June 2010</b> <b>(unaudited)</b> <b>€ 000</b>	<b>30 June 2009</b> <b>(unaudited)</b> <b>€ 000</b>
<b>Current income tax:</b>		
Current income tax charge	1,256	1,082
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	67	-
<b>Income tax expense reported in the statement of income</b>	<b>1,323</b>	<b>1,082</b>

The effective income tax rate increased from 13% to 15% for the period ended 30 June 2009 and 30 June 2010 respectively. This increase is a result of the increased share of profit generated in Slovakia and Poland, where the profit is subject to 19% income tax.

**10. DISCONTINUED OPERATION**

On 18 March 2010, management decided to dispose of Fortuna Sportska Kladionica d.o.o. ("the Croatian subsidiary") to protect shareholders against the losses of the Croatian operations. On 26 March 2010, the Group completed the sale of its share in the Croatian subsidiary to Equinox Investment B.V. (related party) for € 1 in cash, resulting in a pre-tax gain of € 4,171 thousand.

**FORTUNA ENTERTAINMENT GROUP N.V.**

**Notes to the interim condensed consolidated financial statements as at 30 June 2010**

The results for Croatia are as follows:

	<b>30 June 2010 (unaudited) € 000</b>	<b>30 June 2009 (unaudited) € 000</b>
Amounts staked	11,507	22,612
<b>Revenue</b>	<b>1,423</b>	<b>1,964</b>
Operating expenses	(2,477)	(4,734)
Finance cost	(247)	(89)
Loss before tax from discontinued operation	(1,301)	(2,859)
Attributable tax expense	15	-
<b>Loss after tax for the period from a discontinued operation</b>	<b>(1,286)</b>	<b>(2,859)</b>
<b>Cash outflow on sale:</b>		
Consideration received	-	-
Net cash disposed of with the discontinued operation	1,770	-
<b>Net cash outflow</b>	<b>1,770</b>	

The net cash flows incurred by 30 June 2010 are as follows:

	<b>30 June 2010 (unaudited) € 000</b>	<b>30 June 2009 (unaudited) € 000</b>
Operating	(1,050)	(1,740)
Investing	708	(510)
Financing	1,640	3,330
<b>Net cash inflow / (outflow)</b>	<b>1,298</b>	<b>1,080</b>

**Loss per share:**

Basic, from discontinued operations	(0.285)	(0.635)
Diluted, from discontinued operations	(0.285)	(0.635)

Management decided to dispose of the Croatian subsidiary in March 2010. As such it was not reflected as discontinued operations in the combined financial statements for the year ended 2009. The comparative figures in the interim condensed consolidated financial statements have been represented in this respect.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2010, the Fortuna Group acquired assets with a cost of € 1,577 thousand (30 June 2009: € 1,901 thousand).

**12. RELATED PARTY LOANS**

During the six months ended 30 June 2010, Fortuna Group's loan to its parent entity, Penta Investments Limited, was repaid to the Fortuna Group in the amount of € 28,257 thousand which was originally due in 2014.

Furthermore, the Fortuna Group's loan of € 7,550 thousand, which was due in 2013, was repaid to its parent entity during the 6 months ended 30 June 2010. Fortuna Group also repaid short term loan amounted to € 617 thousand to Equinox Investment B.V.

**13. OTHER NON-CURRENT ASSETS**

During the six months period ended 30 June, 2010, Fortuna incurred various legal and audit costs which are directly related to the initial public offering of FEGNV's shares on the Warsaw and Prague stock exchange. These costs, with a total amount of € 926 thousand, are capitalized as 'other non-current assets' as of 30 June, 2010 and will be deducted from equity at the time the listing is executed.

**14. 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 2010 (unaudited) € 000	31 December 2009 (audited) € 000
Cash at bank	13,631	19,512
Short-term deposits	-	10
Cash in hand and in transit	2,514	2,044
<b>Cash and cash equivalents</b>	<b>16,145</b>	<b>21,566</b>

**15. SHARE PREMIUM**

During the six months ended 30 June 2010 FEGNV's shareholder contributed cash in the amount of € 81,884 thousand of which € 70,008 thousand was used to fund the acquisition of the Slovak entity and € 8,868 thousand to fund the acquisition of the Polish entity. As FEGNV applies the pooling of interest method, the purchase price related to these acquisitions is deducted from equity.

Resulting from the resolution of the shareholder on 29 April, 2010, excess capital contribution of € 19,000 thousand was returned to the shareholder during the 6 months ended 30 June, 2010.

**16. OTHER NON-CURRENT LIABILITIES**

During the six months ended 30 June 2010, the loan, originally due in 2013 of €2,578 thousand, was repaid to the former shareholder of Fortuna sázková kancelář a.s.

**17. TRADE AND OTHER PAYABLES**

During the six months ended 30 June 2010 the liability representing the unpaid portion of the purchase price in relation to the acquisition of the Company Fortuna sázková kancelář a.s. of €14,072 thousand was fully paid.

**18. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES****Derivatives**

As of 30 June 2010, Fortuna Group held interest rate swaps with a notional amount of € 36,142 thousand. These hedges fix the 3-month PRIBOR/EURIBOR variable interest rates of the bank loans.

	<b>30 June 2010 € 000 Liabilities</b>	<b>31 December 2009 € 000 Liabilities</b>
Interest rate swaps		
Cash flow hedges	(1,337)	(746)
<b>Total cash flow hedges</b>	<b>(1,337)</b>	<b>(746)</b>

Part of the cash flow hedges, which was designated in CZK, was assessed to be ineffective. The change in fair value of the interest rate swap of EUR 190 thousand is recognised in finance costs of the Fortuna Group.

**Fair value hierarchy**

As at 30 June 2010, Fortuna Group had derivative contracts measured at fair value of EUR 1,337 thousand.

All financial instruments carried at fair value are categorised in three categories defined as follows:

Level 1 — Quoted market prices

Level 2 — Valuation techniques (market observable)

Level 3 — Valuation techniques (non-marked observable)

As at 30 June 2010, the Group held the following financial instruments measured at fair value:

<b>Financial instruments</b>	<b>30 June 2010 € 000</b>	<b>Level 1 € 000</b>	<b>Level 2 € 000</b>	<b>Level 3 € 000</b>
Interest rate swaps	(1,337)	-	(1,337)	-

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 duality of counterparties and interest rate curves.

**Bank loans**

At 30 June 2010 Fortuna Group was in compliance with syndicated bank loan covenants.

**19. OTHER OPERATING EXPENSES**

	30 June 2010 (unaudited) € 000	30 June 2009 (unaudited) € 000
Operating lease expense	(4,157)	(3,816)
Franchise fees	(726)	(583)
Materials and office supplies	(792)	(728)
Marketing and advertising	(1,854)	(1,702)
Telecommunications costs	(638)	(501)
Energy and utilities	(789)	(731)
Repairs and maintenance	(433)	(378)
Taxes and fees paid to authorities	(398)	(182)
Bad debt expense	(703)	(718)
IT services	(216)	(93)
Travelling and entertainment costs	(288)	(354)
Others	(785)	(758)
<b>Other operating expenses</b>	<b>(11,779)</b>	<b>(10,544)</b>

**20. DEBT RESTRUCTURING**

On 17 March 2010 Fortuna sázková kancelář a.s., Fortuna Game a.s. and Fortuna SK, a.s. entered into refinancing agreements with Česká Spořitelna, a.s., which replaced all outstanding facilities with new bank loans amounting to € 36,667 thousand. The purpose of the restructuring of the overall borrowings from this bank of € 39,248 thousand was an overall decrease in loans to provide desired dividend capacity for FEGNV.

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

(all amounts in thousands) :

<b>Fortuna sázková kancelář a.s.</b>	<b>Size of tranche</b>	<b>Repayment</b>
Tranche I	84,000 CZK (€ 3,188)	2015 linear repayment
Tranche II	26,500 CZK (€ 1,000)	2015
Tranche III	€ 4,100	2015 linear repayment
Tranche IV	€ 1,300	2015
Tranche V	150,000CZK (€ 5,660) (overdraft)	2013
<b>Fortuna Game a.s.</b>	<b>Size of tranche</b>	<b>Repayment</b>
Tranche I	100,000 CZK (€ 3,774)	2015 linear repayment
Tranche II	33,000 CZK (€ 1,245)	2015
Tranche III	€ 4,800	2015 linear repayment
Tranche IV	€ 1,600	2015
<b>Fortuna SK a.s.</b>	<b>Size of tranche</b>	<b>Repayment</b>
Tranche I	€ 4,500	2013 linear repayment
Tranche II	€ 2,300	2014 accel. repayment
Tranche III	€ 3,200	2014

The loan from Fortuna sázková kancelář a.s. is secured by:

- pledge over 100 % of shares of Fortuna SazKan;
- pledge over 100 % of shares of Alicela;
- pledge over 100 % of shares of Riverhill;
- pledge over bank accounts of Fortuna SazKan;
- pledge over registered trademark of Fortuna SazKan;
- blank promissory notes issued by Fortuna SazKan;
- letter of comfort issued by Penta Holding Limited.

The loan from Fortuna Game a.s. is secured by:

- pledge over 100 % of shares of Fortuna GAME;
- pledge over 100 % of shares of Alicela;
- pledge over 100 % of shares of Riverhill;
- pledge over bank accounts of Fortuna GAME;
- pledge over registered trademark of Fortuna GAME
- blank promissory notes issued by Fortuna GAME;
- letter of comfort issued by Penta Holding Limited.

The loan from Fortuna SK a.s. is secured by:

- pledge over 100 % of shares of Fortuna SK;
- pledge over bank accounts of Fortuna SK;
- blank promissory notes issued by Fortuna SK;
- letter of comfort issued by Penta Holding Limited.

## **21. RELATED PARTY DISCLOSURES**

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

<b>Consolidated entities</b>	<b>Country of incorporation</b>	<b>Nature of activity</b>
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
Riverhill a.s.	Czech Republic	Holding company
Alicela a.s.	Czech Republic	Holding company



# FORTUNA ENTERTAINMENT GROUP N.V.

## Notes to the interim condensed consolidated financial statements as at 30 June 2010

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 Sportska Kladionica d.o.o. *	Croatia	Sports betting
Fortuna Zakłady Bukmacherskie Sp. z o.o.	Poland	Sports betting
Fortuna SK, a.s.	Slovakia	Sports betting
Fortuna Real s.r.o.	Slovakia	Rentals
Navi Pro, 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

\*) Sold in March 2010

\*\*) Acquired in March 2010 and subsequently renamed to Fortuna software s.r.o.

\*\*\*) Established in 2010

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2010 and 2009:

Consolidated statement of financial position	30 June 2010 (unaudited) € 000	30 June 2009 (unaudited) € 000
<b>Receivables from related parties</b>		
Fortuna Sportska Kladionica d.o.o.	200	-
Digital Park	3	-
<b>Total receivables from related parties</b>	<b>203</b>	<b>-</b>
<b>Related party loans rendered</b>		
Penta Investment limited	-	27,246
Equinox Investments B.V.	-	899
<b>Total related party loans rendered</b>	<b>-</b>	<b>28,145</b>
<b>Payables to related parties</b>		
DŮVERA zdravotná poisťovňa, a.s..	12	7
APOLLO zdravotná poisťovňa, a.s.	-	5
Digital Park	1	-
Antonin Las (management)	1	-
Equinox Investments B.V.	-	4
Aero Vodochody	-	1
Penta Investment limited	-	5
<b>Total payables to related parties</b>	<b>14</b>	<b>22</b>
<b>Related party loans received</b>		
Equinox Investments B.V.	-	1,003
Penta Investment limited	-	7,173
<b>Total related party loans received</b>	<b>-</b>	<b>8,176</b>

Cash in related parties

**FORTUNA ENTERTAINMENT GROUP N.V.****Notes to the interim condensed consolidated financial statements as at 30 June 2010**

Privatbanka, a.s.	2,424	30
<b>Total cash in related parties</b>	<b>2,424</b>	<b>30</b>

<b>Consolidated statement of income</b>	<b>30 June 2010 (unaudited) € 000</b>	<b>30 June 2009 (unaudited) € 000</b>
<b>Interest income from related parties</b>		
Privatbanka, a.s.	5	1
Penta Investments Limited	424	995
Equinox Investments B.V.	-	38
<b>Total interest income from related parties</b>	<b>429</b>	<b>1,034</b>
<b>Interest expense from related parties</b>		
Privatbanka, a.s.	4	-
Equinox Investments B.V.	31	4
SID	-	5
Penta Investments Limited	133	139
<b>Total interest expense from related parties</b>	<b>168</b>	<b>148</b>
<b>Purchases from related parties</b>		
Penta Investment limited	2	6
Aero Vodochody	1	1
DŮVERA zdravotná poisťovňa, a.s.	51	29
APOLLO zdravotná poisťovňa, a.s.	-	23
Mobilcom	1	-
Digital Park	11	-
Penta Investments CYPRUS	-	73
Fortuna Park, spol. s r.o. (v likv.)	3	2
<b>Total purchases from related parties</b>	<b>69</b>	<b>134</b>

**22. EVENTS AFTER THE REPORTING PERIOD**

Dr. Christian Ellul replaced Mr. Michal Vepřek as director of FortunaWin Ltd and Fortunawin Gaming Ltd.

Fortunawin Ltd and Fortunawin Gaming Ltd were granted prolonged Letter of Intent ("LOIs") for the full betting and gaming licences of Malta. Regulatory audits of the companies are required for full licenses after 6 month of operations.

In the second quarter, Fortuna sázková kancelář a.s. applied for the lottery license. After fulfilment of the legal requirements, in July 2010, the Ministry of Finance issued a lottery license to Fortuna sázková kancelář a.s. for operations in the territory of the Czech Republic.

Amsterdam, 19 August 2010

Michal Vepřek

(Chief Financial Officer)

Marek Rendek

(Managing Director)

## DEFINED TERMS

<b>“Admission”</b>	Admission of Shares to trading on the WSE and the PSE
<b>“AFM”</b>	The Netherlands Authority for the Financial Markets ( <i>Autoriteit Financiële Markten</i> ), the capital market regulatory authority of the Netherlands
<b>“Alicela”</b>	ALICELA, a.s., a joint stock company ( <i>akciová společnost</i> ), having its registered office at Prague 10, Na Výsluní 201/13, Post Code 100 00, the Czech Republic and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476
<b>“Articles of Association”</b>	The articles of association of the Issuer
<b>“Audit Committee”</b>	The audit committee of the Issuer
<b>“CDCP”</b>	The Central Securities Depository ( <i>Centrální depozitář cenných papírů, a.s.</i> ), the clearing and settlement institution in the Czech Republic
<b>“CDCP Delivery Date”</b>	Delivery of the Offer Shares for participants of the CDCP
<b>“CIT”</b>	Polish Corporate Income Tax
<b>“Clearstream”</b>	Clearstream Banking S.A., organised under the laws of the Grand Duchy of Luxembourg
<b>“CNB”</b>	Czech National Bank, ( <i>Česká národní banka</i> ), the capital market regulatory authority of the Czech Republic
<b>“Combined Financial Statements”</b>	Combined financial statements for financial years ended December 31, 2007, 2008 and 2009 respectively, of the Issuer and its subsidiaries as of December 31, 2009, Fortuna SK (and its subsidiary) and Fortuna PL
<b>“Czech Capital Markets Act”</b>	Act No. 256/2004 Coll. on undertaking on the capital market
<b>“Czech Institutional Investors”</b>	Selected corporate entities (legal persons) and non-corporate entities, other than individuals, , except for US persons, as defined in Regulation S, to whom the Offering in the Czech Republic is addressed
<b>“Czech Gambling Act”</b>	Act No. 202/1990 Coll. on the lottery
<b>“Czech Retail Investors”</b>	Individuals, corporate entities (legal persons) and non-corporate entities other than individuals, except for US persons, as defined in Regulation S, to whom the Offering within the territory of the Czech Republic is addressed
<b>“Czech Retail Manager”</b>	Česká spořitelna, a.s.
<b>“Dutch Corporate Income Tax Act”</b>	Dutch Corporate Income Tax Act of 1969 ( <i>wet op de Vennootschapsbelasting 1969</i> ),
<b>“Dutch Financial Supervision Act”</b>	Dutch Act on Financial Supervision ( <i>Wet op het financieel toezicht (Wft)</i> of 28 September 2006
<b>“Dutch Income Tax Act”</b>	Dutch Income Tax Act of 2001 ( <i>wet inkomstenbelasting 2001</i> ).
<b>“EBITDA”</b>	In this document, it reflects earnings before interest, taxes, depreciation and amortization and impairment
<b>“EEA”</b>	European Economic Area
<b>“EU”</b>	The European Union
<b>“EUR”, “€”, “Euro”</b>	The lawful currency of the European Economic and Monetary Union, of which the Netherlands and Slovakia are members
<b>“Financial Statements”</b>	Combined Financial Statements and Interim Condensed Consolidated Financial Statements
<b>“Fortuna SazKan”</b>	FORTUNA sázková kancelář, a.s., a joint stock company ( <i>akciová společnost</i> ), having its registered office at Praha 7, Jankovcova 1596/146, Post Code 170 00, the Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague,

Section B under number 60

<b>“Fortuna GAME”</b>	FORTUNA GAME, a.s., a joint stock company ( <i>akciová spoločnosť</i> ), having its registered office at Praha 7, Jankovcova 1596/146, Post Code 170 00, the Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
<b>“Fortuna HR”</b>	FORTUNA SPORTSKA KLADIONICA d.o.o., a limited liability company ( <i>društvo s ograničenom odgovornostu</i> ), having its registered office at Grada Vukovara 271 Street, Zagreb, Croatia, registered with the Commercial Court in Zagreb in register of companies under number 080396593
<b>“Fortuna PL”</b>	Fortuna Zakłady Bukmacherskie sp. z o.o., a limited liability company ( <i>spółka z ograniczoną odpowiedzialnością</i> ) 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
<b>“Fortuna REAL”</b>	FORTUNA Real, s.r.o., a limited liability company ( <i>spoločnosť s ručením obmedzeným</i> ), 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
<b>“Fortuna RENT”</b>	FORTUNA RENT, s.r.o., a limited liability company ( <i>společnost s ručením omezeným</i> ) with its registered office at Praha 7, Jankovcova 1596/146, Post Code 170 00, the Czech Republic and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
<b>“Fortuna SK”</b>	FORTUNA SK, a.s., a joint stock company ( <i>akciová spoločnosť</i> ), 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
<b>“Fortuna SW”</b>	FORTUNA software, s.r.o. (formerly NAVI PRO, s.r.o.), a limited liability company ( <i>společnost s ručením omezeným</i> ) with its registered office at Praha 7, Jankovcova 1596/146, Post Code 170 00, the Czech Republic and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 103552
<b>“FortunaWin”</b>	collectively FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta and registered with the Malta Financial Services Authority under number C. 48339 and FortunaWin Gaming Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta and registered with the Malta Financial Services Authority under number C. 48340
<b>“H2GC”</b>	H2 Gambling Capital, a gambling consultancy company with its office at 9 Adam St, The Strand, London, WC2N 6AA, the United Kingdom
<b>“FSMA”</b>	The United Kingdom Financial Services and Markets Act 2000, as amended
<b>“General Meeting”</b>	The general meeting of shareholders of the Issuer
<b>“Gross Win”</b>	Gross takings received from customers in respect of the betting activities minus paid out wins
<b>“Group Companies”</b>	Direct and indirect subsidiaries of the Issuer, being part of the Group
<b>“Group”, “Fortuna Group”</b>	The Issuer together with: Alicela, Fortuna SazKan, Fortuna GAME, Fortuna PL, Fortuna REAL, Fortuna RENT, Fortuna SK, Fortuna sazký a.s., Fortuna SW, ibet s.r.o., FortunaWin Ltd., FortunaWin Gaming Ltd., Riverhill
<b>“IAS”</b>	International Accounting Standards
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted by the European Union

<b>“Institutional Investors”</b>	Czech, Polish and Slovak Institutional Investors and other selected investors in certain jurisdictions outside the Czech Republic, Poland and Slovakia, except for US persons, as defined in Regulation S, to whom the Offering is addressed
<b>“Interim Condensed Consolidated Financial Statements”</b>	Unaudited consolidated condensed financial statements of the Issuer and its subsidiaries for the first half of the financial year 2010 that ended on June 30, 2010 with comparable data for 2009
<b>“Investors”</b>	Institutional Investors and Retail Investors
<b>“Ipsos Tambor”</b>	Ipsos Tambor, a consultancy and research company with its offices at Národní 6, 110 00 Prague 1, the Czech Republic and Kolárska 1, 811 06 Bratislava, Slovakia
<b>“Issuer”, “Company”</b>	Fortuna Entertainment Group N.V. a limited liability company ( <i>Naamloze Vennootschap</i> ), having its statutory seat in Amsterdam, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands, under number 34364038
<b>“Joint Lead Manager”</b>	Erste Group Bank AG
<b>“Management”</b>	The Management Board and the Senior Management
<b>“Management Board”</b>	The board of managing directors of the Issuer
<b>“Managers”</b>	UniCredit Bank AG (London Branch), the Joint Lead Manager and the Polish Retail Manager
<b>“Maximum Price”</b>	The maximum price at which the Offer Shares may be offered to the Retail Investors
<b>“Member State”</b>	A member state of the European Economic Area
<b>“MiFID”</b>	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
<b>“NBP”</b>	The National Bank of Poland ( <i>Narodowy Bank Polski</i> )
<b>“NBS”</b>	The National Bank of Slovakia ( <i>Národná banka Slovenska</i> ), the capital market regulatory authority of the Slovak Republic
<b>“NDS”</b>	The National Depository for Securities ( <i>Krajowy Depozyt Papierów Wartościowych S.A.</i> ), the clearing and settlement institution in Poland
<b>“NDS Delivery Date”</b>	Delivery of the Offer Shares to for participants of the NDS
<b>“New Shares”</b>	2,000,000 newly issued ordinary shares of Fortuna Entertainment Group N.V. with a nominal value of EUR 0.01 each, offered by the Issuer for subscription in the Offering
<b>“Offer Price”</b>	The offer price per Offer Share determined after bookbuilding
<b>“Offer Shares”</b>	15,830,000 ordinary shares with a nominal value of EUR 0.01 each in the issued and outstanding part of authorised share capital of Fortuna Entertainment Group N.V. offered in the Offering, including New Shares and Sale Shares (subject to the Over-allotment Option to increase such amount by up to 2,370,000 Shares)
<b>“Offering”</b>	The offering of 15,830,000 Offer Shares (subject to the Over-allotment Option to increase such amount by up to 2,370,000 Shares) based on this Prospectus
<b>“Over-allotment Option”</b>	The option that the Selling Shareholder will grant to the Sole Global Coordinator and Sole Bookrunner, exercisable for up to 30 days after the announcement of the Offer Price to purchase a number of additional shares representing up to 15% of the Offer Shares, solely to cover over-allotments, if any, made in connection with the Offering and to cover short positions resulting from stabilisation transactions

<b>“Over-allotment Shares”</b>	Up to 2,370,000 Shares with a nominal value of EUR 0.01 each, the number of additional shares representing up to 15% of the Offer Shares under the Over-allotment Option
<b>“Payment Date”</b>	The last date on which the payment from Institutional Investors for the Offer Shares should be made
<b>“PFSA”</b>	The Polish Financial Supervision Authority ( <i>Komisja Nadzoru Finansowego</i> ), the capital market regulatory authority of the Republic of Poland
<b>“PIT”</b>	Polish Personal Income Tax
<b>“PLN”, “Polish zloty”</b>	The lawful currency of the Republic of Poland
<b>“Polish Foreign Exchange Law”</b>	Act of July 27, 2002 on the Foreign Exchange Law
<b>“Polish Institutional Investors”</b>	Investors defined as “qualified investors” pursuant to the Prospectus Directive and investors represented by managers of securities accounts, which were invited to subscribe for the Offer Shares in the Offering within the territory of Poland
<b>“Polish Retail Investors”</b>	Individuals with full capacity to perform legal actions, legal entities or a non-corporate entities, either resident or non-resident within the meaning of the Polish Foreign Exchange Law, entitled to subscribe for the Offer Shares in the Offering within the territory of Poland
<b>“Polish Retail Manager”</b>	UniCredit CAIB Poland S.A.
<b>“Polish Selling Agents”</b>	Centralny Dom Maklerski Pekao S.A. and Dom Maklerski Pekao S.A
<b>“Pricing and Allotment Date”</b>	The date on which the Offer Price and the final number of the Offer Shares to be offered in the Offering are determined and on which the Offer Shares will be allocated to the Investors
<b>“Prospectus Directive”</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of November 4, 2003, on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measures
<b>“Prospectus”</b>	This Prospectus constituting a prospectus in the meaning of the Prospectus Directive prepared for the purpose of the Offering and the Admission
<b>“PSE”</b>	The Prague Stock Exchange, ( <i>Burza cenných papírů Praha, a.s.</i> ), a regulated market in the Czech Republic
<b>“PSE Corporate Governance Code”</b>	Corporate governance code contained in the Organisation for Economic Co-operation and Development principles
<b>“PSE Listing Date”</b>	First day of unconditional trading in Shares on the PSE
<b>“Public Offering Act”</b>	The Polish Act of July 29, 2005 on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies
<b>“Regulation 809/2004”, “Prospectus Regulation”</b>	Commission Regulation (EC) no 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended
<b>“Regulation S”</b>	Regulation S under the US Securities Act
<b>“Retail Investors”</b>	Czech Retail Investors, Polish Retail Investors and Slovak Retail Investors
<b>“Riverhill”</b>	RIVERHILL, a.s., a joint stock company ( <i>akciová společnost</i> ), its registered office at Prague 10, Na Výsluní 201/13, Post Code 100 00, the Czech Republic and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9437
<b>“Sale Shares”</b>	13,830,000 ordinary shares in the issued and outstanding part of authorised share capital of the Issuer that are held by the Selling

	Shareholder and offered for sale in the Offering
<b>“Selling Agent”</b>	brokerjet České spořitelny, a.s.
<b>“Selling Shareholder”, “Penta”</b>	Penta Investments Limited, a company incorporated under the law of Cyprus with its registered office at Agias Fylaxeos & Polygnostou 212 C&I, 2 <sup>nd</sup> floor, 3803 Limassol Cyprus, registered with the Registry of Companies Cyprus, Nicosia under number 158996, that is offering the Sale Share for sale in the Offering
<b>“Senior Management”</b>	In the opinion of the Issuer, apart from the Management Board and Supervisory Board members, the most important persons for the Group
<b>“Settlement Date”</b>	The date of the settlement of the Offering
<b>“Shares”</b>	The ordinary shares in the issued and outstanding part of authorised share capital of the Issuer with a nominal value of EUR 0.01 each
<b>“SITA”</b>	Slovak Income Tax Act
<b>“SKK”</b>	The lawful currency of the Slovak Republic until the adoption of the Euro in the Slovak Republic (i.e., until December 31, 2008)
<b>“Slovak Retail Investors”</b>	Individuals, corporate entities (legal persons) and non-corporate entities other than individuals, except for US persons, as defined in Regulation S, to whom the Offering within the territory of Slovakia is addressed
<b>“Slovak Institutional Investors”</b>	Selected corporate entities (legal persons) and non-corporate entities, other than individuals, except for US persons, as defined in Regulation S, to whom the Offering in Slovakia is addressed
<b>“Slovak Retail Manager”</b>	Slovenská sporiteľňa, a.s.
<b>“Slovak Securities Act”</b>	Act No. 566/2001 Coll. on Securities and Investment Services
<b>“Sole Global Coordinator and Sole Bookrunner”</b>	UniCredit UK Securities Ltd
<b>“Supervisory Board”</b>	The board of supervisory directors of the Issuer
<b>“Takeover Directive”</b>	Directive 2004/25/EC of the European Parliament and of the Council of the European Union of April 21, 2004 on takeover bids
<b>“TCLT”</b>	Polish Tax on Civil Law Transactions
<b>“Trading in Financial Instruments Act”</b>	The Polish Act of July 29, 2005 on Trading in Financial Instruments
<b>“Underwriter”</b>	UniCredit Bank Austria AG
<b>“Underwriting Agreement”</b>	The agreement in respect of the Offering to be entered into by the Issuer and the Managers
<b>“US Securities Act”</b>	The United States Securities Act of 1933, as amended
<b>“WSE”</b>	The Warsaw Stock Exchange ( <i>Giełda Papierów Wartościowych w Warszawie S.A.</i> ), a regulated market in Poland
<b>“WSE Corporate Governance Code”</b>	Polish Principles of Corporate Governance contained in "Code of Best Practice for WSE Listed Companies " approved by the WSE
<b>“WSE Listing Date”</b>	First day of unconditional trading in Shares on the WSE

**THE ISSUER**

**Fortuna Entertainment Group N.V.**

Strawinskylaan 809 WTC T.A/L 8,  
1077XX Amsterdam, the Netherlands

**THE SELLING SHAREHOLDER**

**Penta Investments Limited**

Agias Fylaxeos & Polygnostou 212 C&I, 2<sup>nd</sup> floor  
3803 Limassol, Cyprus

**SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER**

**UniCredit Bank AG (London Branch)**

Moor House  
120 London Wall  
London, EC2Y 5ET  
United Kingdom

**JOINT LEAD MANAGER**

**ERSTE Group Bank AG**

Graben 21  
A-1010 Wien  
Austria

**CZECH RETAIL MANAGER**

**Česká spořitelna, a.s.**

Olbrachtova 1929/62  
140 00 Praha 4  
Czech Republic

**SLOVAK RETAIL MANAGER**

**Slovenská sporiteľňa, a.s.**

Tomášikova 48  
832 37 Bratislava  
Slovakia

**POLISH RETAIL MANAGER**

**UniCredit CAIB Poland S.A.**

ul. Emilii Plater 53  
00-113 Warsaw  
Poland

**LEGAL ADVISORS TO THE MANAGERS**

*as to Polish law*

**Baker & McKenzie  
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