FORTUNA

Annual Report of Fortuna Entertainment Group N.V. for the Year 2014

Fortuna at a Glance

Fortuna Entertainment Group N.V. (hereinafter “Fortuna” or “FEG” or “the Group”) is the leading Central European betting operator. The Group offers a comprehensive range of online and land network-based betting products, including pre-match betting on a diverse range of sporting events, live betting on a variety of matches and lottery games.

The founding company FORTUNA sázková kancelář a.s. (hereinafter “FORTUNA Betting Office, joint-stock company” or “Fortuna SazKan”) was established in 1990 in Prague. From its very incorporation, Fortuna SazKan’s primary business was fixed-odds sports betting. A year later, Terno, a. s. was established in Slovakia. In 2005, Penta Investments Limited became the owner of both entities and in the same year it acquired Poland’s betting operator Profesjonał. Subsequently, all of the companies were rebranded under a single brand: Fortuna.

Thanks to its more than 20 years of experience on the Central and Eastern European (CEE) market, Fortuna sets industry standards and trends in the betting sector. The Group constantly invests in the development of new products and services; it has expanded its branch network as well as the quality of its distribution channels. As of 31 December 2014, Fortuna held the number-one market position in Poland and the number-two market position in both the Czech Republic and Slovakia, based on total amounts staked.

As of 31 December 2014, Fortuna operated 1,590 points of sale in three markets.

Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game LOTO in July 2011. By the end of 2014, Fortuna offered numerical lottery games and instant scratch tickets through a network of 5,696 points of sale (of which 1,579 were lottery terminals).

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 31 December 2014, Fortuna’s majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investment Limited, which held a 67.3% stake.

Olympic Games Sochi

€ 22 million
Revenues
Traditionally most watched sport event in the world also generates the highest volume of bets.
9 million
venues
ockey is the second most important sport in
etting world, especially for players in Czech
blic and Slovakia.
World Ice Hockey Championship
FIFA World Cup

FORTUNA

2014

Annual report of Fortuna

Key numbers

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2014 a total Amounts Staked figure of EUR 672.4 million, 18.5% more than in 2013, according to the preliminary unaudited financial results. The Amounts Staked from sports betting reached EUR 655.7 million, 19% more than in 2013. The Amounts Staked performance was primarily driven by online segment growth and opportunities to bet on major sporting events last year, such as the Winter Olympics and the FIFA World Cup in Brazil. Amounts Staked from lottery bets in 2014 totalled EUR 16.7 million, a 4.1% increase yoy. The Company exceeded its guidance of March 2014 which anticipated a full-year Amounts Staked figure of EUR 645 million.

18.5%

AMOUNTS STAKED

€ 672.4 million

13.9%

GROSS WIN

€ 132.6 million

6.4%

EBITDA

€ 28.4 million

31.2%

ONLINE BETTING GROSS WIN

€ 67 million

-2.3%

PROFIT

€ 15.9 million

30.5%

REGISTERED CUSTOMERS

603.335

Live betting and live streaming of matches is playing a crucial role. Fortuna has focused on development of on-line products

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2014 Financial Highlights

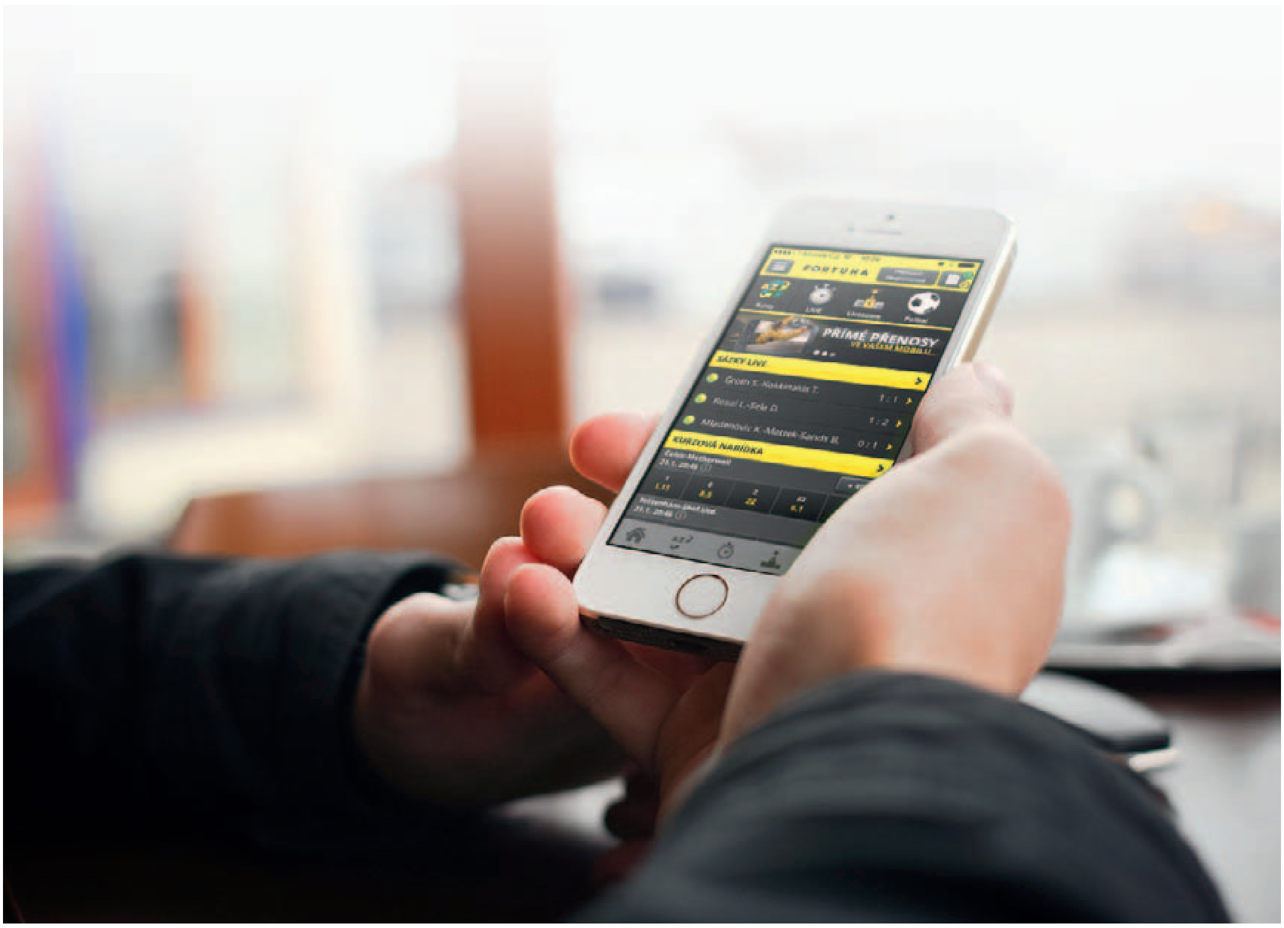
Financials (EUR thousands)	2014	2013
Amounts Staked	672,429	567,231
– of which sports betting	655,713	551,169
– of which lottery	16,716	16,062
Gross Win	132,606	116,474
– of which sports betting	125,058	108,837
– of which lottery	7,548	7,637
Revenues	109,617	97,053
– of which sports betting	102,064	89,377
– of which lottery	7,553	7,676
EBITDA	28,390	26,676
– of which sports betting	28,033	27,319
– of which lottery	357	(643)
Operating Profit	24,051	22,994
– of which sports betting	24,350	24,168
– of which lottery	(299)	(1,174)
Net Profit for the Year	15,928	15,573
– of which sports betting	16,479	16,482
– of which lottery	(551)	(909)

Ratios		
EBITDA Margin	25.9%	27.5%
Operating Profit Margin	21.9%	23.7%
Margin of Net Profit for the Year	14.5%	16.0%
CAPEX as % of Revenues	2.8%	3.9%

Financials (EUR thousands)	As of 31 Dec 2014	As of 31 Dec 2013
Number of Shares – End of Period (“EOP”)	52,000,000	52,000,000
Total Assets	90,329	91,026
Total Equity	30,080	27,035
Total Borrowings	40,635	43,761
Net Debt/(Net Cash)	24,709	27,107
CAPEX	3,108	3,833*

Operations		
Number of Points of Sale (sports betting)	1,590	1,615
Number of Lottery Terminals	1,579	1,590
Number of Employees – EOP	2,485	2,523

* including intangible assets acquired in business combination



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2014 Key Milestones

March 2014	Fortuna reports solid financial results for 2013, improving its Amounts Staked by 21.2%.
April 2014	In the first three months of 2014, Fortuna betters its Amounts Staked by 17.5% yoy.
May 2014	The Annual General Meeting of Shareholders approves a gross dividend of EUR 0.22 per share.
July 2014	Fortuna announces a successful acquisition of Intralot Czech s. r. o.
	Fortuna's Amounts Staked increases by 20.8% in the first half of 2014 while EBITDA is up 16.4%.
	The cooperation between Fortuna and Tipsport on scratch cards is suspended due to the decision of the other party.
October 2014	In the first nine months of 2014, Fortuna lifts its EBITDA by 21.1% yoy to EUR 22 million.
	FORTUNA GAME a.s., a subsidiary of Fortuna Entertainment Group N.V., donates CZK 18,400,000 to the Czech Olympic Committee in accordance with Czech law. The donated amount will be used by the Czech Olympic Committee for sport and educational purposes.
December 2014	The Extraordinary General Meeting appoints Mr. Per Widerström as a new Member of the Management Board and as Chairman of the Management Board. The appointment is made effective as of 1 December 2014.
	Effective 1 December 2014, Mrs. Jaroslava Hirschová becomes the new CFO of Fortuna Entertainment Group.
	FORTUNA GAME a.s., a subsidiary of Fortuna Entertainment Group N.V., donates CZK 51,600,000 to the Czech Olympic Committee in accordance with Czech law. The donated amount will be used by the Czech Olympic Committee for sport and educational purposes.

FOOTBALL

Sparta: One million fans, tradition, triumph, a great betting community

“I’m a different person on and off the football pitch. Our rivals are the enemy when we take to that field and victory for my team is the only reason why I am there in the game. My concentration is at a maximum to help the team win each duel and make the interventions to protect our goal against imminent danger. But I am quite another person during meetings with fans and in my life within society and with my family.”

Lukáš Vácha, football player / gol.cz, October 2014


FORTUNA
SAMSUN
adidas

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Letter from the Chairman of the Management Board to Shareholders

Dear Shareholders,

Over recent years, Fortuna has developed into a strong regional sports betting operator with a stable and growing market position and a brand which is trusted by its customers. I am personally very pleased and excited having been given the opportunity to join the Fortuna Entertainment Group.

The year of 2014 was another record-breaking 12 months for Fortuna, underpinned by a multichannel sports betting strategy in our three existing markets – the Czech Republic, Slovakia and Poland – and our commitment to offering our customers an entertaining betting experience. This is evidenced by a strong performance across our web, mobile and retail channels used by our customers. Having the advantage of the major sports events such as the Winter Olympics and the FIFA World Cup in Brazil, Fortuna continued achieving organic growth in the on-line sports betting segment supported by an attractive multi-channel offer of betting opportunities resulting in 2014 total Amounts Staked for the Group at EUR 672 million and EBITDA at EUR 28.4 million – an increases on 2013 of 18.5% and 6.4% respectively.

Fortuna's co-operation with some of the leading sports betting content providers means we have been able to strengthen our offering in general and live betting offering in particular by increasing the range of sports events offered to customers by 60%. During 2015, we are committed to continue delivering to our customers a market leading sports betting offering by investing further into e.g. new sports such as baseball or American football for live betting as well as further live streaming content.

The importance of being a legal, regulated and responsible sports betting operator cannot be underestimated. Fortuna is committed to paying the appropriate taxes and levies in each of the markets we operate within and to ensuring a responsible gaming approach so that our customers can remain in control of their wagering and enjoy sports betting as part of their discretionary spending on leisure and entertainment. While our underlying business performance has been robust it should be seen in light of a very competitive market context which for us as a regulated operator implies an unlevel playing field for some of our markets due to the regulatory situation. We hope that the governments in the Czech Republic, Poland and Slovakia will realise the importance of protecting the regulated sports betting operators who run their business legally and pay taxes and will protect their regulated domestic markets by banning illegal offshore operators and taking measures against them. This also means the start of regulation for online gaming across the region since it offers the illegal offshore operators another significant advantage in attracting customers currently non-obtainable by regulated operators.

Looking forward there are some fundamental challenges in our sector mainly driven by technology innovation and expected regulatory changes. These challenges represent at the same time great opportunities for further profitable growth for Fortuna which we will pursue as part of our company strategy. We are committed to investing into future profitable growth and in our effort to become the undisputed leader in the regulated Central & Eastern European sports betting & gaming sector with the most trusted and exciting multi-channel betting & gaming brand. We believe in building operational excellence in existing and new markets under pinned by a multi-product and -channel strategy with the ultimate goal of delivering an outstanding betting and gaming experience to our customers. A key enabler for delivering upon this strategy is the investment into a new IT platform supporting a multi-product, -channel and -country proposition – this re-platforming project will be one of the key focus areas during 2015.

Finally, I am delighted to have the opportunity to welcome Jaroslava Hirschová and Peter Draxler as new additions to the Fortuna leadership team and I also would like to thank the rest of the leadership team and all our fantastic Fortuna employees for their dedication and hard work. My thanks also go to the Supervisory Board and our main shareholder Penta for their support and commitment. As a company, we remain committed to high standards of corporate governance and corporate responsibility in the furtherance of shareholder interests.

Per Widerström
CEO and Chairman of the Management Board

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Letter from the Chairman of the Supervisory Board to Shareholders

Ladies and Gentlemen,

Fortuna has developed into a strong regional business and it is a leading player in each of its three core markets in the Czech Republic, Slovakia and Poland. This is something we are all very proud of and we believe it is appreciated by all of our stakeholders, clients, employees and investors. Achieving this success has not been an easy task and it is a clear reflection of the dedication and hard work that all of Fortuna's employees have contributed over the years.

Without any doubt, the year of 2014 was a very important 12 months for Fortuna. Taking advantage of major sports events such as the Winter Olympics and the FIFA World Cup in Brazil, Fortuna continued with its organic growth in the online sports betting segment supported by our attractive offer of live betting opportunities. In the Czech Republic, we welcome the preparation of a new betting and gaming legislative framework which should come into effect in 2016 and we hope that this will harmonise the betting and gaming business environment in the country according to EU standards, reduce the activities of illegal internet betting operators and open up new lines of business for Fortuna in the near future. Moreover, the Polish government is becoming increasingly aware of the importance of regulating Poland's online sports betting market and it is currently working on necessary steps to make its betting and gaming environment EU-compliant. In Slovakia, the market situation and legislative environment have remained stable. We saw continuous growth in Fortuna's performance there throughout the whole of last year. Our lottery business, meanwhile, has finally stabilised and in the first year we saw the lottery segment record a positive EBITDA figure.

We are determined to build on our achievements and further develop and grow the business to meet the new challenges and opportunities that we see ahead of us. In this respect we have made several key changes in the management team as we believe they will better align the mix of experience and skills we need to meet our development goals in the future.

We are fully convinced that we have appointed top professionals and industry experts to be led by Chairman of the Management Board and CEO of Fortuna Entertainment Group Per Widerström who will actively turn the company into a strong, modern multi-channel business and further develop Fortuna's growth. Per has an excellent track record in the sports betting and gaming industry in Europe and most particularly in the online space. We appreciate his skills, knowledge, experience and the very impressive results he has achieved in improving EBITDA at the companies he has managed.

The business is facing some fundamental challenges mainly driven by technological innovation and expected regulatory changes. These are reflected in our investment strategy. Investments into the future growth of the Fortuna business will also continue during 2015. There is a planned investment programme into a best-in-class IT platform which aims to ensure that Fortuna has a robust, complex and competitive IT platform for the future.

The Supervisory Board is extremely excited about new business opportunities for Fortuna. It is committed to supporting the new executive management team at the enterprise in key decisions and activities and it is strongly convinced that Fortuna has excellent growth prospects and will become the undisputable leader in the sports betting and gaming industry in the CEE region.

On behalf of the Supervisory Board, I would like to thank the management and employees of Fortuna for their achievements and the efforts they make day by day. We look forward to the upcoming challenges and mutual cooperation of 2015.

Yours sincerely,

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

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Management Board Report

5.1 DESCRIPTION OF THE COMPANY'S BUSINESS AND MARKETS

5.1.1 General Market Overview

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

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

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

	Czech Republic	Hungary	Poland	Slovakia
Population (million, 2013)	10.5	9.9	38.1	5.4
GDP (EUR billion, 2013)	157.3	100.5	396.0	73.6
GDP per capita (EUR, 2013f*)	14,980	10,151	10,392	13,628
HICP (all items, annual average inflation rate, 2014)	0.4%	0.0%	0.1%	-0.1%

Source: Eurostat, Ministry of Finance of the Czech Republic

5.1.2 Czech Republic

FIXED-ODDS BETTING

The competitive landscape in the betting sector is primarily comprised of five major bookmakers: Tipsport, Fortuna, Chance[1], Sazka and SynotTip. The leading position on the market in terms of the number of outlets is held by Tipsport, with a significant area being "partner" outlets in bars. Fortuna has a solid second position with a market share of around 32%[2]. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

LOTTERY

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

After the sale of the bankrupt Sazka to a new entity controlled by PPF Group and KKCG in autumn 2011, Sazka's situation stabilised. Sazka's market share in 2014 was estimated at over 90%, while Fortuna had a share of over 5% (numerical games). The third player on the lottery market Tipsport accounted for a market share of less than 1%. According to market estimates, the size of the Czech lottery market measured by amounts staked was just 50% of its size prior to Sazka's crisis. In December 2012, KKCG became the sole and 100% owner of Sazka after it purchased the stake owned by PPF Group. Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful so far with an estimated 30-35%[3] market share.

Sport betting markets are highly consolidated

5.1.3 Slovakia

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

5.1.4 Poland

There are three strong players on the Polish betting market: Fortuna PL, Totolotek (owned by Intralot and partly by the state) and STS, owned by Stanleybet. Fortuna PL is currently number one in terms of market share with approximately a 37%[4] share on the domestic regulated market. The unregulated offshore market is estimated to be about five times bigger than its regulated counterpart. Big market players are trailed by smaller operators such as Betako and Millenium.

Fortuna PL was the first operator to receive an online licence from the Polish Ministry of Finance in January 2012. STS and Millenium obtained their online licences during 2012, while Totolotek received its licence in July 2013.

No. 1 market player

5.1.5 Offshore Online Market

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

Increasingly, as the sector has matured and gone through listings on stock exchanges, the appetite for operational risk has somewhat diminished. Today, most listed operators tend not to enter a market via the offshore route, when they believe there is prohibitive legislation, and in an increasing number of cases even where they can obtain licences. Given these trends, the market share of onshore online 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 under way to tax and regulate online gaming within several significant European markets. Product evolution has also helped to drive the total online spend. The online offering has expanded rapidly, fuelled by an increase in broadband penetration and speeds leading to more interactive games, particularly live betting.

1 Chance was acquired by Tipsport, effective 1 January 2013
2 Source: the Company
3 Source: the Company
4 Source: the Company

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

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

5.2.1 Regulatory Environment in the Czech Republic

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

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

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

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

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

In 2011, the Czech parliament approved the Amendment to the Czech Gambling Act No 300/2011 Coll. Effective 1 January 2012, proceeds used for the benefit of the public under previous legislation were replaced by a unified 20% withholding tax on the Gross Win and a 19% corporate income tax and administration related to sports betting has been simplified in some aspects. The collected proceeds from taxation are divided between municipal and state budgets in the proportion of 30:70, respectively, in the case of lottery and sports betting. The new tax law also gives more power to local municipalities when it comes to the regulation of gambling and betting and newly allows online casino games. Regulation also prohibits the advertising of offshore betting operators in

The Czech Ministry of Finance issued the licences for the operation of online fixed-odds betting in 2008

the Czech Republic and places higher requirements on the ownership transparency of onshore companies. In 2013 the Czech parliament approved an additional amendment under which 1/4 of the 20% withholding tax on the Gross Win (i.e. 5%) can be directly paid out by the betting operators to the Czech Olympic Committee.

5.2.2 Regulatory Environment in Slovakia

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

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

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

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

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

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

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

5.2.3 Regulatory Environment in Poland

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

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

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

On 26 May 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed

On 26 May 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed players

players. Moreover the new regulations strengthen the Polish Customs Service's authority in controlling illegal activities of online gamblers, including monitoring and the suspension of money transfers. The new regulations came into force on 14 July 2011. Unfortunately, parliament decided to maintain a high 12% withholding tax on betting activities, which discriminates against legal taxpaying players versus offshore companies.

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

5.2.4 Regulatory Environment in Malta

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

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

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

5.3 PRODUCTS AND SERVICES

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

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

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

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

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

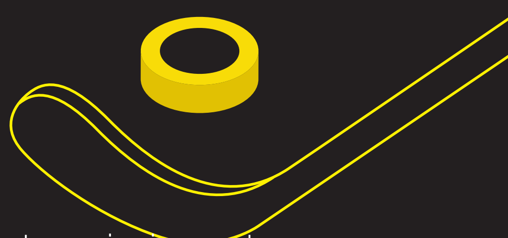
Numerical games are offered in three options, namely the Combinator, Variator and Accumulator, depending on the quantity of numbers drawn and the betting possibilities.

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

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

ICE HOCKEY

Unique talent and endeavour to be a star both on and off the ice



“It’s 11.15 at night. Most people are asleep but I’m just finishing the last exercise in a vest weighing 15 kilos. Is it worth it, all this effort, I ask myself. You’re alone, away from your family, working like a horse. No-one is waiting up for you at home. I can’t give a definite answer. I really don’t know. So why are you doing it, I wonder. Oh come on, this question is easy. It’s because I love it.”

Jaromír Jágr, ice hockey player / Facebook, October 2014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SCRATCH TICKETS

Fortuna has been selling scratch tickets since May 2011. Currently, Fortuna offers several scratch cards in nominal amounts ranging between CZK 10 and 200.

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

Fortuna has been expanding its distribution network for scratch tickets and apart from regular distribution via news and tobacco shops and grocery stores, its scratch cards are offered at Czech Post outlets and at railway stations.

LOTO

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

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

ZLATÝCH 11

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

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

FOFR

Fortuna Loterie introduced its very first quick game, named FOFR, in November 2012. The draw takes place every 5 minutes between 8:05 AM to midnight. Eight numbers are selected out of 25 and one colour out of four. Winnings are calculated as multiples of correctly guessed numbers and colours and are fixed in advance based on a prize table. A proportion of 65% of accepted bets is distributed back to the players, which is the highest pay-out level on the Czech lottery market.

5.4 DISTRIBUTION CHANNELS

The Group delivers its betting products to customers online and through retail betting outlets. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting rooms installed at other retail outlets (such as sports bars, restaurants and pubs) as well as outlets operated by third parties under the Group's "Partner" programme. The availability of distribution channels varies between the countries in which the Group operates, primarily as a reflection of 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:

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

Source: the Company

The management believes that the distribution channels used by the Group complement each other while serving different groups of customers. Betting outlets and especially "Partner" betting outlets operated in bars appeal to customers who like to discuss bets and prefer watching sports events in a social setting. The users of online services are generally younger and better educated, they are the users of social networking sites, and of the various functionalities of smartphones and mobile phones, they 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 46% of the Group's Gross Win from sports betting in the year that ended on 31 December 2014.

The table below presents information on the Group's retail network for the years that ended on 31 December 2014 and 2013, respectively:

	Czech Republic	Slovakia	Poland	Total
Betting outlets	273	221	402	896
"Partner" betting outlets	407	183	104	694
Total number in 2014	**680**	**404**	**506**	**1,590**

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

Source: the Company

Online betting accounted for 53.6% of the Group's Gross Win from sports betting in the financial year ending on 31 December 2014

The Group has betting outlets in the Czech Republic, Poland and Slovakia. In general, Fortuna's betting outlets are around 20 to 50 square metres in size.

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

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

ONLINE BUSINESS

The Group started offering online betting to its customers in Slovakia in 2007, followed by the introduction of online betting in the Czech Republic in 2009. The Internet platforms allow for a wider distribution of the Group's products and enable the Group to diversify its product range; for example, the Group has successfully launched live betting based on its experience with other online products. Following changes in Polish legislation and the granting of permission by the Ministry of Finance, Fortuna was able to launch licensed online operations in Poland in January 2012.

Management believes that online products form the most dynamic growth sector in the industry.

In addition, the Group operates an online betting and gaming platform under the Fortunawin brand which offers a wide range of products, including sports betting, live virtual betting, numerical betting, lottery and online casino.

Online betting accounted for 53.6% of the Group's Gross Win from sports betting in the financial year ending on 31 December 2014.

LOTTERY TERMINALS

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

As of 31 December 2014, the Fortuna lottery operated 1,579 lottery terminals in the Czech Republic.

SCRATCH CARDS

Highly successful scratch cards are on sale in selected Fortuna outlets and through a network of external resellers such as GECO, HSD Retail, AHOLD, Finex, Traficon, Validation, Peal and others. Apart from regular distribution via news and tobacco shops and grocery stores, the scratch cards are offered in Czech Post outlets and at railway stations.

5.5 CUSTOMERS

Most of Fortuna's customers are male. Only around 9% of the customers are women. In terms of age, the customers are more diversified. More than 70% of the customers are between 18 and 45 years of age. During 2014, Fortuna had 306,000 registered customers in the Czech Republic, 140,000 in Slovakia and 157,000 in Poland.

5.6 MARKETING, SPONSORSHIP AND CSR

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

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

In the Czech Republic, the organisation sponsors both professional and amateur football clubs, namely SK Slavia Praha (general partner), AC Sparta Praha (betting partner) and Bohemians Praha 1905. Fortuna also sponsors ice hockey club HK Mountfield Hradec Králové.

Since the start of the new season of 2014/2015, Fortuna has been the titular sponsor of the Slovak football league (Fortuna Liga). In addition, Fortuna sponsors the Slovak tennis association.

In Poland, Fortuna’s sponsorship activities are mainly focused on football and basketball. Since 1 January 2014, Fortuna has been a main sponsor of Poland’s Legia Warsaw football club; the deal is valid until the end of 2016. In addition, Fortuna supported the Cieszyn Street Run (http://www.fortuna.bieguliczny.pl/) and started sponsoring football club Cracovia Krakow.

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

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

5.7 RISK MANAGEMENT

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

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

ODDS COMPILATION

The Group cooperates with a team of 46 experienced bookmakers (end-2014) who are responsible for determining fixed odds. Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. The odds also have an imbedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and adjusted for any market information, bookmakers’ knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect

Betradar collects data from more than 350 bookmakers clients in 70 countries

information on odds from more than 350 bookmakers clients in over 70 countries. Betradar is a brand of Sportradar, the world's leading supplier of sports-related live data, odds solutions and fraud detection services to bookmakers, media companies, sports federations and government agencies. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

ODDS ADJUSTING

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

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

BET ACCEPTANCE

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

PAYING OUT WINNINGS

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

PAYMENT MANAGEMENT

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

INFORMATION TECHNOLOGY SOLUTIONS

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

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

EMPLOYEE MISCONDUCT

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

5.8 ENVIRONMENT AND LEGAL

ENVIRONMENTAL ISSUES

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

LEGAL AND ARBITRATION PROCEEDINGS

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

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

5.9 RESEARCH & DEVELOPMENT

INTELLECTUAL PROPERTY

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

The Group has 135 trademarks, including 96 trademarks registered in the Czech Republic, 12 trademarks registered in the Slovak Republic, 26 trademarks registered in Poland and one international trademark. In addition, one trademark is co-owned by FORTUNA Online Zaklady Bukmacherskie Sp. z o.o. and Fortuna sp. z o.o., a company which is not a related party to Fortuna.

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

As in previous years, the Group has not conducted any material research and development activities.

5.10 STRATEGY

GROWTH OPPORTUNITIES IN ONLINE BETTING

The Group’s online businesses in Slovakia and the Czech Republic have been growing organically since 2007 and 2009, respectively. The Group’s strategy is to continue to grow its online businesses organically and to maximise the exploitation of the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband Internet penetration. Following required changes in legislation, Fortuna began offering online betting in Poland in January 2012.

In addition, the Group has built its online betting and gaming platform Fortunawin, offering a wide range of products, including betting on sports and other events, live betting, numerical betting, a lottery and an online casino.

During 2012-2014, the online business has been moving fast from websites to on-the-move betting (smartphones, tablets). Live betting and live streaming of matches is now playing a crucial role in attracting customers wanting to bet on-the-move. The Group has focused on the development of product offers (trading platform, live betting, and live streaming) as well as a new mobile application to be able to compete in this newly developing betting segment.

As a part of the mobile offer expansion, Fortuna chose bwin.party to provide the sports betting solution bwin Feed. The B2B deal, which commenced in autumn 2013, integrates bwin.party’s sports content – bwin Feed – into the Fortuna Entertainment Group N.V. sports betting client.

bwin Feed provides live sports betting data including odds, fixtures, results, scoreboards and events calendars in multiple languages to online and land-based B2B clients. The feed can be integrated into Fortuna's betting points of sale via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content.

STRENGTHENING THE RETAIL NETWORK

The Group aims to maximise the cash generation from its core retail channel by growing its Gross Win while carefully managing costs. To optimise the betting experience, the Group monitors its retail network and adjusts the number and location of retail betting outlets where Fortuna's products are offered on a regular basis. The Group also continuously upgrades the locating, facilities, equipment and size of its retail betting outlets.

Fortuna intends to increase the number of its "Partner" betting outlets in order to decrease its fixed costs.

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

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

LOTTERY IN THE CZECH REPUBLIC

In July 2010, Fortuna obtained a licence to offer lottery products in the Czech Republic. The aim was to create a market in the Czech Republic where the penetration in terms of the betting spend per capita was low compared with other countries (such as Slovakia or Hungary) and become the significant number two player after Sazka. The Group signed an agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project. In May 2011, Fortuna started selling instant scratch tickets and in July 2011, Fortuna launched its first numerical lottery game Loto.

In 2011, the monopoly lottery operator Sazka went through financial difficulties that affected the lottery market as a whole. According to market estimates, in terms of volumes the size of the Czech lottery market is at just 50% of what it was prior to the Sazka crisis. Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful and currently remain Fortuna's key product in the lottery area. As a part of the restructuring of the lottery business, Fortuna acquired Intralot Czech s. r. o. in July 2014. Intralot in the Czech Republic owned 2,500 lottery terminals for numerical games and instant lotteries offered by Fortuna.

PROMOTION OF BRAND LOYALTY

The Group seeks to promote brand loyalty amongst its customers. The Group introduced the large-scale Fortuna Klub Plus loyalty programme in betting outlets in all of the countries in which it operates.

Management aims to improve the level of customer service it provides in all of its retail outlets and anticipates that this will be a key differentiator between the Group's retail outlets and those of its competitors. The Group further plans to improve the Fortuna Klub Plus members' service through the introduction of a new CRM system. The system is intended to improve customer relationships with the Group while building higher brand loyalty and to provide a targeted customer communication plan with a focus on activating and tracking the 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 (CEE) region.

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

COMPLIANCE WITH LOCAL REGULATIONS

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

5.11 HUMAN RESOURCES

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

The table below provides information on the number of Group employees in particular categories as well as the total headcount of the Group as of 31 December 2014, 2013 and 2012, respectively:

	31 December 2014	31 December 2013	31 December 2012
Holding management	7	7	8
Headquarters	375	351	345
Betting outlet staff	2,103	2,165	2,176
Total number of employees	**2,485**	**2,523**	**2,529**

Source: the Company

The table below provides a breakdown of persons employed in the Group by geographical location as of 31 December 2014, 2013 and 2012, respectively:

	31 December 2014	31 December 2013	31 December 2012
Czech Republic	887	966	976
Poland	968	925	868
Slovakia	629	630	683
Other (Fortunawin)	2	2	2

Source: the Company

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

Outlet employees' compensation is determined by a basic salary and performance-linked incentive bonuses. The variable (motivational) component of the wage is derived from the turnover of a particular betting outlet. Minimal revenues from betting that are to be reached in a month are specified for each betting outlet (an accepted amount without commissions). If the amount exceeds the specific limit, a certain amount is paid as a performance bonus for a betting outlet. This amount is proportionally divided among the employees according to

The Group recognises the importance of its staff

the number of hours worked by them in a particular month. Recently the Group introduced other bonuses based on the number of new members enlisted with Fortuna Klub Plus.

The compensation of bookmakers is a combination of the fixed salary and variable components, while that of other back-office staff is mainly based on the 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 at other companies of the Group.

The employees of FORTUNA sázky and FORTUNA GAME have their representatives on the supervisory boards of these companies.

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

5.12 REVIEW OF 2014

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2014 a total Amounts Staked figure of EUR 672.4 million, 18.5% more than in 2013, according to the preliminary unaudited financial results. The Amounts Staked from sports betting reached EUR 655.7 million, 19% more than in 2013. The Amounts Staked performance was primarily driven by online segment growth and opportunities to bet on major sporting events last year, such as the Winter Olympics and the FIFA World Cup in Brazil. Amounts Staked from lottery bets in 2014 totalled EUR 16.7 million, a 4.1% increase yoy. The Company exceeded its guidance of March 2014 which anticipated a full-year Amounts Staked figure of EUR 645 million.

In 2014, the Gross Win reached EUR 132.6 million, an increase of 13.9% compared with 2013. The Gross Win from sports betting equalled EUR 125.1 million, a 14.9% increase yoy. Of that amount, the Gross Win from online betting in 2014 increased to EUR 67 million, a substantial gain of 31.2% over 2013. The online betting expansion was supported by the further development of "live betting" and live streaming backed by the Bwin feed project.

The Gross Win from retail betting in 2014 amounted to EUR 58 million, a 0.5% increase over the previous year. The Gross Win from the lottery business was EUR 7.5 million (–1.2% yoy).

SELECTED FINANCIAL INDICATORS – FEG TOTAL

(EUR million)	FY 2014	% change
Amounts Staked	672.4	18.5%
– Sports betting	655.7	19.0%
– Lottery	16.7	4.1%
Gross Win	132.6	13.9%
– Sports betting	125.1	14.9%
– Lottery	7.5	(1.2%)
Revenues	109.6	12.9%
– Sports betting	102.1	14.2%
– Lottery	7.5	(1.6%)
EBITDA	28.4	6.4%
– Sports betting	28.0	2.6%
– Lottery	0.4	155.5%
Adjusted EBITDA[1]	27.8	13.6%
Operating Profit (EBIT)	24.1	4.6%
Net Profit for the Year	15.9	2.3%

1 Adjusted by a one-off VAT claim in Poland by EUR 2.2 million in 2013 and EUR 0.6 million in 2014

REVENUES, OPEX, EBITDA

In 2014 the Company recorded total revenues in the amount of EUR 109.6 million, 12.9% more than in the previous year. Of that amount, revenue from sports betting was recorded at EUR 102.1 million, increasing 14.2% yoy. Revenues from the lottery business amounted to EUR 7.5 million in 2014, down 1.6% yoy, driven by a further decline in numerical games as opposed to the strong performance of scratch tickets.

Total operating costs in 2014 reached EUR 81.2 million, 15.4% more than in 2013. Staff costs went up 6.3% yoy to EUR 28.3 million primarily due to employee and management bonuses. Staff costs in the sports betting segment increased by 6.9% yoy to EUR 27.5 million and in the lottery segment they fell by 11.9% to EUR 0.8 million. Governmental taxes and levies amounted to EUR 12.7 million, 17.1% more than in the previous year as a result of the higher Gross Win. Other operating expenses (net) increased in 2014 by 22.3% to EUR 40.3 million. These were primarily related to a higher turnover on online betting services, live streaming and the live feed (Bwin) and the sponsoring expenses for Legia Warsaw. Of the expenses, the sports betting other operating expenses (net) amounted to EUR 35.5 million, up 31.2% yoy. For the lottery they were EUR 4.8 million, down 18.4%.

Total consolidated EBITDA recorded in 2014 was EUR 28.4 million, up 6.4% yoy. If adjusted by the one-off impact from a VAT claim in Poland which affected both the 2013 and 2014 EBITDA, the adjusted EBITDA is EUR 27.8 million, up 13.6% yoy. EBITDA from sports betting reached EUR 28.0 million, 2.6% more than in the previous year. EBITDA from the lottery was EUR 0.4 million (positive) and was an improvement of 155.5% on the previous year's result.

The achieved EBITDA figures are fully in line with the Company's guidance.

In 2014, total depreciation went up 17.8% to EUR 4.3 million, mainly due to the depreciation of lottery terminals acquired from Intralot. Of this, depreciation related to the sports betting segment was EUR 3.7 million, up 16.9% yoy. In relation to the lottery business it was EUR 0.7 million, up 23.5% yoy.

EBIT AND NET PROFIT

In 2014, the Operating Profit (EBIT) amounted to EUR 24.1 million, 4.6% more than in the previous year. This result was driven by improved EBITDA.

Net finance costs reached EUR 2.7 million in 2014 and increased by 38.5% yoy as a result of accounting FX losses in 2014 (as opposed to FX gains in 2013), higher banking fees related to higher transaction turnover and a revaluation of a contingent consideration from the Gamestar acquisition. Total long-term and short-term indebtedness as of 31 December, 2014 was EUR 40.6 million, 7.1% less in comparison with the figure as of 31 December, 2013. The Net Debt position as of 31 December, 2014 was EUR 24.7 million, an 8.8% decline from the end of 2013.

Income tax equalled EUR 5.4 million in 2014, 1.1% less than in 2013.

In 2014, the Company recorded Net Profit of EUR 15.9 million, 2.3% more than in the previous year. The sports betting segment recorded a net profit of EUR 16.5 million, down 1.5% yoy, and the lottery segment ended with a net loss of EUR 0.6 million, a 52.5% improvement on 2013.

BREAKDOWN OF REVENUES BY COUNTRY

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

Selected financial results by country in 2014

(in EUR million)	CZ Sports betting	CZ lottery	Slovakia	Poland	Malta
Total Amounts Staked	**397.7**	**16.7**	**167.7**	**87.6**	**2.7**
Gross Win from betting	**55.3**	**7.5**	**39.4**	**30.4**	**0.02**
– of which: online	36.7	n/a	21.5	8.8	0.02
– of which: retail	18.6	n/a	17.9	21.6	0
Withholding tax paid	0	0	(9.5)	(10.5)	(0.02)
Other revenues	(1.2)	0.05	(1.2)	(0.5)	(0.02)
Revenues	**54.1**	**7.5**	**28.7**	**19.3**	**(0.02)**
Taxation of earnings from betting	(11.1)	(1.6)	0	0	0

ATHLETICS

Czechs are so good with javelins, they could use it in place of guns

“My first attempts were thrown with a lot of caution. I was simply scared, but then I saw a javelin fly 65 metres. My rivals, of course, were glad to see me again! But I had the feeling that my victory had spoiled some nice party. Well, I’m really satisfied with the result. Please let me play again.”

Barbora Špotáková, athlete, javelin thrower / Czech TV, June 2014, after maternity leave


czech republic
SPAR
ŠPOTÁKOVÁ
ZÜRICH 2014

Czech Republic Sports Betting

Czech Republic sports betting generated almost 60% of all Amounts Staked for the Company in 2014. Amounts Staked reached EUR 397.7 million, 23.0% more than in 2013. The Gross Win from sports betting in the Czech Republic amounted to EUR 55.3 million in 2014, 18.7% more than in the previous year. Online betting contributed the most; the Gross Win from the online segment increased by 37.0% yoy and amounted to EUR 36.7 million. The Gross Win from retail betting in the Czech Republic declined 6.1% yoy and totalled EUR 18.6 million. Revenue in 2014 from sports betting in the Czech Republic stood at EUR 54.1 million, up 18.9% yoy.

Czech Republic Lottery

The Lottery segment in the Czech Republic represented a 2.5% share of Total Amounts Staked. Amounts Staked from the lottery business in 2014 came to EUR 16.7 million, 4.1% more than in 2013. The Gross Win from the lottery reached EUR 7.5 million, down 1.2% yoy. Revenue in 2014 from the Czech lottery amounted to EUR 7.5 million, a 1.6% decline compared with 2013.

Slovakia

The share of Slovakia in regard to total Amounts Staked in 2014 reached one-fourth. Total Amounts Staked reached EUR 167.7 million, 12.7% more than in 2013. The Gross Win in Slovakia amounted to EUR 39.4 million in 2014, 9.2% more than in the previous year. The Gross Win from online betting was EUR 21.5 million, 21.4% more than in 2013. The Gross Win from retail betting in Slovakia declined by 2.5% yoy and totalled EUR 17.9 million. Revenue in 2014 from sports betting in Slovakia was EUR 28.7 million, 5.9% more in 2013.

Poland

Poland accounted for a 13% share of total Amounts Staked in 2014. Total Amounts Staked in Poland reached EUR 87.6 million, an 18.1% increase on 2013. The Gross Win from betting in Poland increased by 16.6% yoy to EUR 30.4 million in 2014. Of

+18.5% Total Amounts Staked

that figure, the online business contributed EUR 8.8 million, up 36.9% yoy, while retail sports betting produced EUR 21.6 million, up 10% yoy. Revenue in 2014 in Poland amounted to EUR 19.3 million, 15.5% more than in the previous year.

SPORT BETTING CHANNELS AND DISTRIBUTION NETWORK

Fortuna's online business continues to grow rapidly, hand in hand with the increase in broadband penetration enabling access to Fortuna's online front-ends. Over the past three years, Fortuna has undergone a transformation from a retail betting operator to a multi-channelregional online business. During 2014, the Company completed several investments and innovations as regards its trading platforms and mobile applications. As a result of these initiatives, Fortuna managed to increase the number of registered players by 30% over the previous year and the number of clients betting LIVE also increased – by more than 30%.

The Bwin Feed provides live sports betting data including odds, fixtures, results, scoreboards and events calendars in multiple languages to online and land-based B2B clients. The feed can be integrated into clients' betting point of sales via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content. In 2014 during the first year of the full commercial operation, Fortuna managed to increase the number of offered sports events by 60% and related accepted bets increased by 50% during the same period. This allowed the inclusion of new sports into the offer (table tennis) and more sports will be added in 2015 (baseball, American football, etc.). Fortuna has also increased betting opportunities per match for all sports offered LIVE.

Overview of the distribution network by country, 31 December, 2014:

	2014	2013	% change
Betting Shops total	**896**	**941**	**(4.8%)**
Czech Republic	273	318	(14.2%)
Slovakia	221	224	(1.3%)
Poland	402	399	0.8%
Partner Shops total	**694**	**674**	**3.0%**
Czech Republic	407	364	11.8%
Slovakia	183	208	(12.0%)
Poland	104	102	2.0%
TOTAL RETAIL	**1,590**	**1,615**	**(1.5%)**

DIVIDEND POLICY AND DIVIDEND

Fortuna's general dividend policy is under review and the guidance is for a substantial reduction of the dividend pay-out due to investments required for future growth (previously the pay-out stood at 70-100% of the consolidated net profit). The final dividend policy and proposal will follow together with the invitation to the General Meeting of Shareholders scheduled to take place in May 2015.

According to the preliminary unaudited financial results, the 2014 consolidated net profit will be EUR 15.9 million.

2015 OUTLOOK AND GUIDANCE

In 2015, Fortuna as a multi-channel regulated modern sports betting company shall continue to provide its customers with an extensive range of products and first-class service wherever and whenever the customer wishes to place a bet. Fortuna will continue to invest into its online sports betting proposition and the optimisation of its retail network. A key focus in 2015 will be to prepare for a re-platforming into a multi-product and multi-channel operation with equal focus given to building operational excellence and organisational capability throughout the operation.

The regulatory environment in our markets needs reviewing, particularly in Poland. In 2015, Fortuna will continue to put considerable efforts into unlocking the regulatory situation to allow the regulated market to grow at the expense of the offshore market, which delivers no benefits to national budgets. In the Czech Republic, a new gaming law is expected to come into force in 2016. Its final form should materialise during 2015, including outlined impacts on future revenues, profits and turnover tax for betting operators in the Czech Republic.

In 2015, the Company expects that its organic growth will continue to be primarily driven by online betting while the abolishing of the Slovakian handling fee will reduce EBITDA.

As a result, the Company anticipates that the total Amounts Staked could grow to EUR 730 million while EBITDA in 2015 could see a 20-25% decline (excluding the one-off item of EUR 0.6 million in 2014) due to the scrapping of the handling fee in Slovakia and further investments made into future growth.

The Total Amounts Staked could grow to EUR 730 million in 2015

5.13 MATERIAL SUBSEQUENT EVENTS

The Company announced in March 2015 that its dividend policy is under review and guidance is a substantial reduction of dividend pay-out due to investments into future growth. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2015.

6

Investor Information

FORTUNA'S SHARES AND SHARE CAPITAL

Shareholders as of 31 December 2014:

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investment Limited	**67.26%**
Templeton Asset Management	5.06%
Management	0.01%
Other free float	27.67%

Source: Company Data

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

The IPO was twice oversubscribed and the issue price was set at just under the upper end of the indicated price range. Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010.

As of 31 December 2014, the issued and paid-up share capital of FEG amounted to EUR 520,000 and was divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other, and there is no other authorised class of shares. All shares have been or will be issued under Dutch law. All shares award one vote and carry equal dividend rights.

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

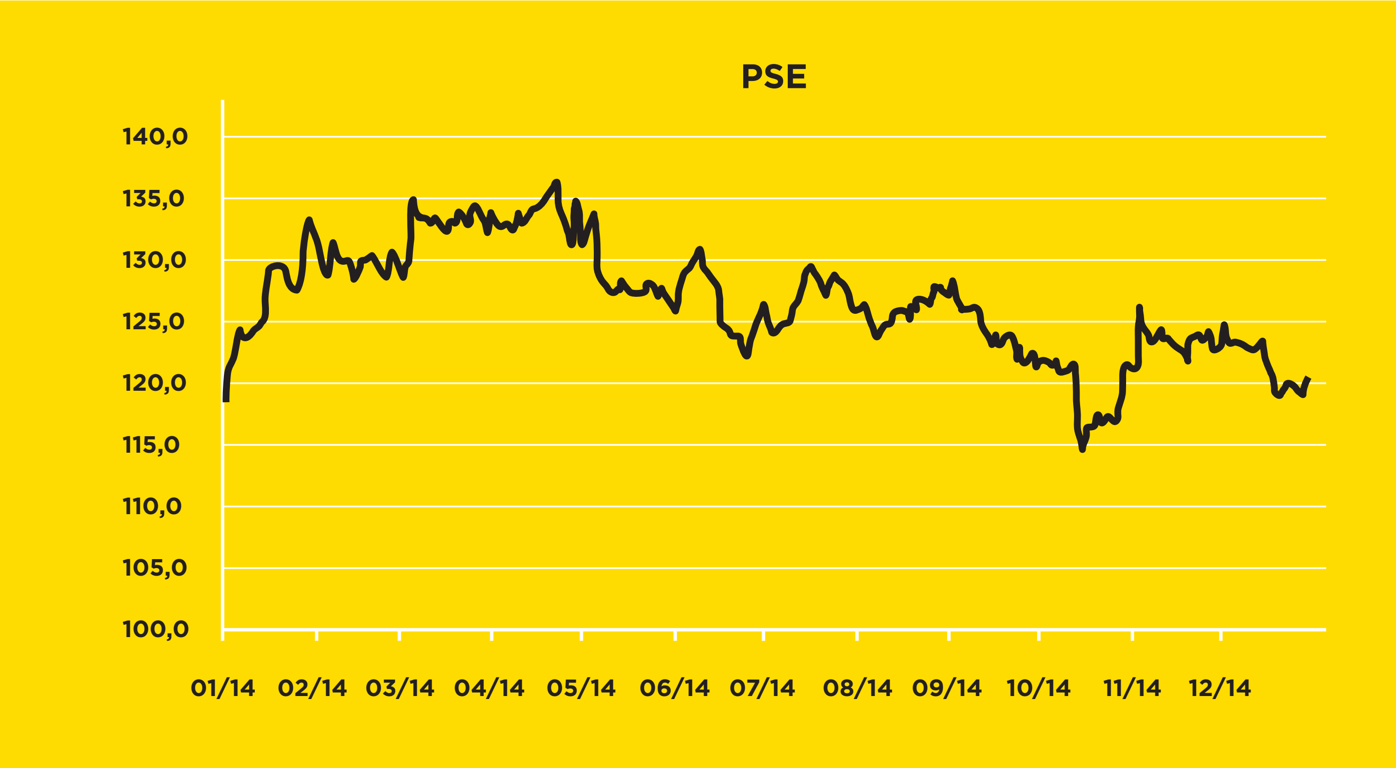
SHARE PRICE DEVELOPMENT AND TRADING ACTIVITY IN 2014[1]

In 2014, FEG shares were traded for a total value of CZK 788 million on the Prague Stock Exchange and for a total value of PLN 59 million on the Warsaw Stock Exchange. The lowest trading prices during the year were CZK 114 and PLN 16.9 and the highest were CZK 136 and PLN 20.5 on the Prague and Warsaw Stock Exchanges, respectively.

The closing prices on 30 December 2014 were CZK 120 on the Prague Stock Exchange and PLN 18.5 on the Warsaw Stock Exchange and the market capitalisation of FEG came to CZK 6.2 billion (based on the Prague Stock Exchange quote).

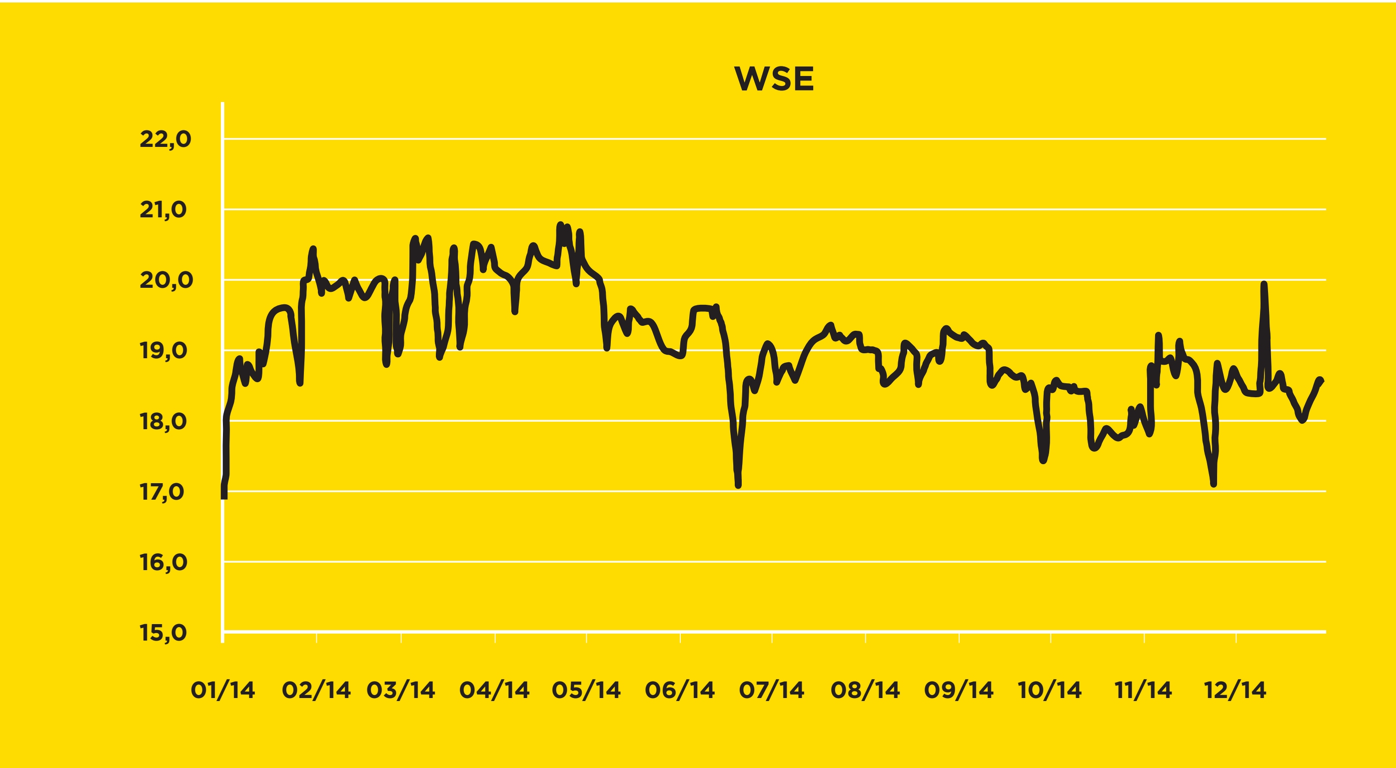
1 Source: Bloomberg and PSE

PRAGUE STOCK EXCHANGE SHARE PRICE DEVELOPMENT
(1 JANUARY 2014 - 31 DECEMBER 2014)



Source: PSE

WARSAW STOCK EXCHANGE SHARE PRICE DEVELOPMENT
(1 JANUARY 2014 - 31 DECEMBER 2014)



Source: WSE

Fortuna is dedicated to open and proactive communication with its shareholders

CHANGES IN THE SHAREHOLDER STRUCTURE IN 2014

The Company was informed that Franklin Templeton Investment Funds with its corporate seat in Luxembourg, as of 19 December 2014 held 2,628,629 shares in the Company, constituting 5.06% of the share capital and of the total voting rights attached to the shares issued by the Company.

During the financial year ending 31 December 2014, the Company did not receive any other notifications from shareholders about an acquisition or change of a major holding in the share capital and the total voting rights attached to the shares issued by the Company.

The total stake held by the management of the Company as of 31 December 2014 was 0.01%.

DIVIDEND POLICY

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 6 June, 2014 in Amsterdam approved the Management Board's proposal to effect a gross dividend payment of EUR 0.22 in cash per share.

The dividend pay-out represented approximately 73.5% of the consolidated Net Income of the Group. The dividend record date was set to 19 June, 2014 and the dividend payment date to 26 June, 2014.

The total sum allocated for the dividend amounted to EUR 11.44 million which, based on a total number of shares of 52,000,000, equals EUR 0.22 per share.

The exact dividend for the financial year of 2014 will be proposed by the Management Board to shareholders at the AGM, which is expected to take place in May 2015.

FORTUNA'S INVESTOR RELATIONS COMMITMENT

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

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

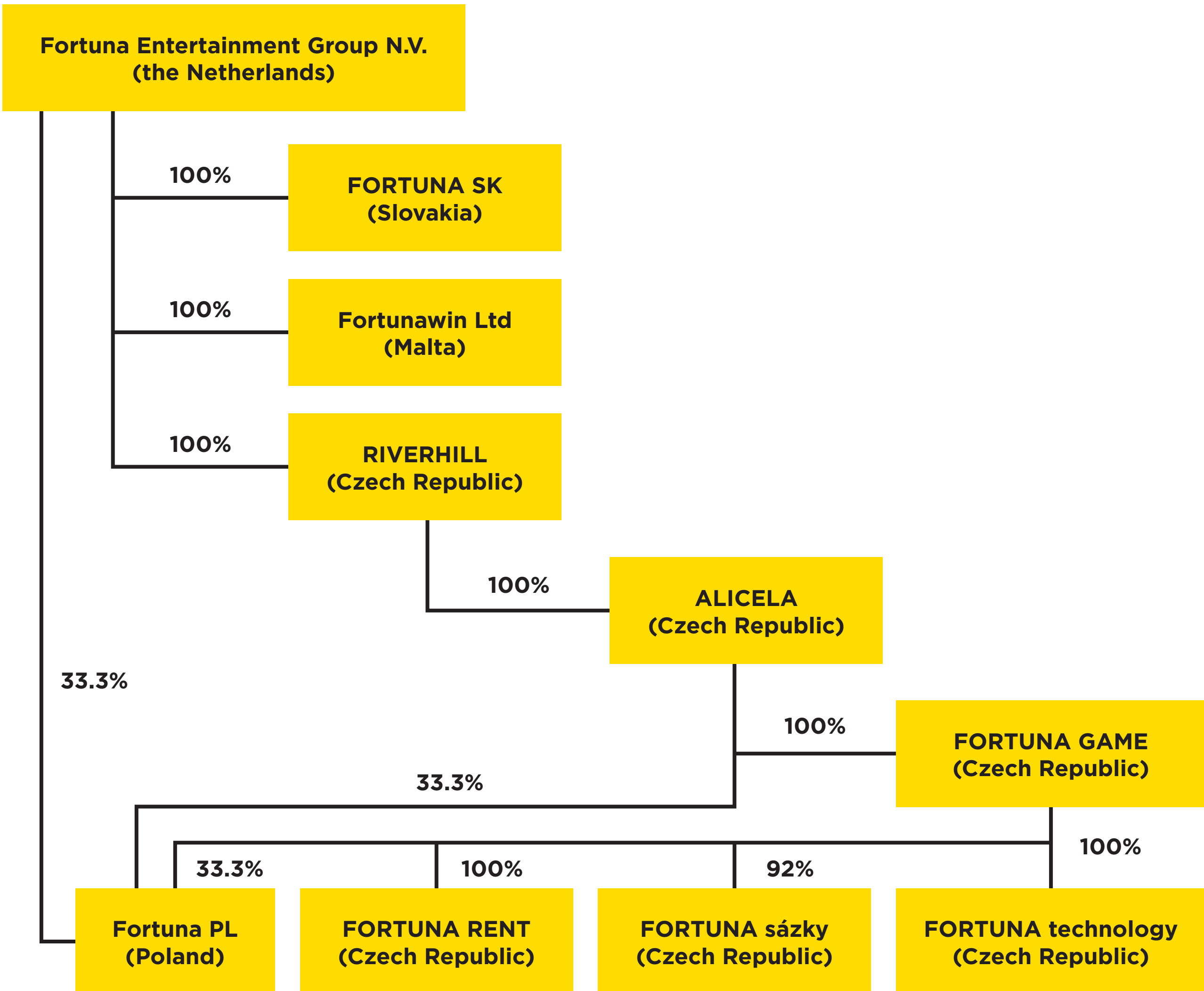
Financial Results Calendar for 2015	
7 May 2015	Interim Management Statement for the Period Starting 1 January 2015
27 August 2015	Half Year Report 2015 incl. First Half 2015 Financial Results
5 November 2015	Interim Management Statement for the Period Starting 1 July 2015

7

Corporate Governance

7.1 ORGANISATIONAL STRUCTURE

The diagram below presents the current structure of the Group as of 31 December 2014:



Source: Company Data

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

CHANGES TO THE ORGANISATIONAL STRUCTURE

As of 1 July 2014, Intralot Czech s. r. o. was acquired by FORTUNA GAME a.s. Subsequently, it changed its name to FORTUNA technology s. r. o. effective 6 August 2014.

The merger between Fortunawin Ltd and Fortunawin Gaming Ltd became effective on 6 June 2014, Fortunawin Ltd became the succession company.

Fortuna REAL in Slovakia ceased to exist as of 31 October 2014.

FORTUNA software s. r. o. merged into FORTUNA GAME a.s., effective 1 January 2014.

INFORMATION ON SIGNIFICANT SUBSIDIARIES

FORTUNA GAME a.s. was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law. In 2005, all shares in the company were acquired by ALICELA a.s. In 2009, as a result of the transfer of part of the operations of FORTUNA sázková kancelář a.s., the company started to offer sports betting in accordance with a licence issued on 19 May 2009, valid until 2019. At the end of December 2011, assets and operations related to the sports betting business were transferred from FORTUNA sázková kancelář a.s. to FORTUNA GAME a.s. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 92% subsidiary of FORTUNA GAME a.s.

FORTUNA sázky a.s. was incorporated on 15 January 2009 in Prague as a joint stock company under Czech law as a 100% subsidiary of FORTUNA sázková kancelář a.s. As of 27 April 2012 it became a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was a dormant company until 31 December 2012. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s. In July 2013 8% share in FORTUNA sázky a.s. was sold to the company E-INVEST, a.s.

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 SazKan and two private persons. In 2005, all the shares in FORTUNA SK were acquired by Penta First Fund Limited. In the same year, all the shares were transferred on to Penta. In 2006, the company was renamed FORTUNA SK. FEG acquired 100% of all shares in FORTUNA SK in January 2010. Currently, FORTUNA SK offers fixed-odds betting (both land-based and online) under a licence issued in 2005, valid until 2015.

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

Fortunawin Ltd. was founded in 2009 in Ta'Xbiex as a limited liability company under Maltese law. In 2010, it obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2014, it merged with Fortunawin Gaming Ltd.

FORTUNA technology s. r. o. (formerly DRAPIA s. r. o. and Intralot Czech s. r. o.) was founded in 2011 in Prague as a limited liability company under Czech law. It provided terminal software for FORTUNA sázky a.s. In July 2014 the company was acquired by FORTUNA GAME and in August 2014 it was renamed FORTUNA technology s. r. o.

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

7.2 THE MANAGEMENT

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

MANAGEMENT BOARD

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

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

As of 31 December 2014, the Management Board was composed of three members. The table below sets out the names, positions, election date, and terms of office of the current members of the Management Board:

Name	Position	Office Term in 2014	Expiration of the office term
Per Widerström	Chairman of the Management Board	1 December 2014 – 31 December 2014	1 December 2018
Janka Galáčová	Member of the Management Board	1 January 2014 – 31 December 2014	at the General Meeting to be held in 2018
Richard van Bruchem	Member of the Management Board	1 January 2014 – 31 December 2014	at the General Meeting to be held in 2018
Wilfred Thomas Walsh	*Chairman of the Management Board*	*1 January 2014 – 6 June 2014*	
Radim Haluza	*Vice Chairman of the Management Board*	*28 May 2013 – 30 November 2014*	

The business address of the members of the Management Board is FEG's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

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

Per Widerström

Per Widerström (48) became a member of the Management Board of FEG and Chairman of the Management Board in December 2014. He joined Fortuna from Gala Coral Group (Managing Director of Gala Interactive), one of the leading European multichannel betting and gaming groups. Per Widerström has a strong track record and international experience in successfully managing companies in the sports betting and gaming sector, FMCG and telecommunications. Apart from Gala Coral Group where he managed the Gala Interactive business as Managing Director, he successfully led as CEO the international online betting and gaming company Expekt.com, held senior group executive positions at the global online betting and gaming group BWIN.PARTY and served in the group COO position at PartyGaming. Per Widerström has longstanding experience of the Central European market. While working for Expekt.com, BWIN.PARTY, PartyGaming and Telenor he managed activities in countries including Ukraine, Poland, the Czech Republic, Slovakia, Slovenia and the Baltic countries. Per Widerström graduated from the London School of Economics and the Gothenburg School of Economics in the fields of finance, business administration and international accounting.

Richard van Bruchem

Richard van Bruchem (49) has been a member of FEG's Management Board since September 2010. He has experience in accounting and management gained through work in key positions in numerous companies since the late 1980s. Richard van Bruchem's recent track record includes work as a Financial Director at, inter alia, ING Management B.V. and Orangefield Trust B.V., and since 2008 he has been a Member of the Management Committee and Managing Director at

BIATHLON

Country by country special bets: Czech biathlon, Polish dirt track

“Imagine, yes just imagine what I had for an early lunch today. It was still morning when I ate the elk with a little potato salad – I probably shouldn’t have, right? Anyway, then I helped myself to a steak. Then an entire pack of biscuits and coffee with cream. People were looking at me as if I was pregnant. All of them had two little plates on a tray but I’d filled the tray. I ate everything to put myself right, I’m very good at it. I showed the results on the track.”

Gabriela Soukalová, biathlon competitor / Lidové noviny, February 2014,
just after winning two Olympic silver medals


czech
FISCHER

Avis Financial Corporation. Richard van Bruchem holds bachelor degrees in Business Administration from Amsterdam's Hogeschool Markus Verbeek and Business Economics from Breda's Hogeschool Brabant and a master's degree in Accounting and Controlling from Nyenrode Business University in Breukelen. He has also obtained an Executive Programme in Strategic Management certificate from RSM Erasmus University of Rotterdam.

Janka Galáčová

Janka Galáčová (36) was appointed to FEG's Management Board in September 2010. She has worked as an accountant for consulting companies, including the Dutch branches of Deloitte and Touche, Ernst & Young and Finsens. Between 2006 and 2010, Ms Galáčová was Senior Business Consultant at Atos Consulting in Utrecht. In February 2010 she founded her own company, ChanceOn Interim, based in Zwaag.

Wilfred Thomas Walsh

Wilfred Thomas Walsh (52) became Chairman of the Management Board of FEG in May 2012 and served in the position until June 2014. He started his career in 1994 at HMV Group Limited, where he was Managing Director in Germany and Operations Director in the United Kingdom. From 2000-2007, he held several managerial positions at Gala Coral Group, Bookmaker Afternoon Greyhound Services Limited (2002-2007) and Tote Direct Limited (2003-2005). Furthermore, in December 2009 he was appointed as a Non-Executive Director at the British Horseracing Association. Since April 2009, he has been a Partner in Predict (Performance Improvement Limited). He started to cooperate with Fortuna in 2009 as an external strategic advisor and in September 2010 he became Vice Chairman of the Management Board. Wilfred Walsh has a degree from the Law Faculty of the University of Leeds.

Radim Haluza

Radim Haluza (40) was appointed Vice Chairman of the Management Board in 2013 and resigned from his position effective 30 November 2014. He became the Group's CEO in 2012 and prior to that he acted as the CEO of Fortuna's Fixed-odds Betting Division. Before joining the Group, he was CEO of Žabka a. s., a retail chain of more than 120 grocery stores with a workforce of 700 employees. Radim Haluza managed Žabka until it was sold to Tesco in March 2011.

Per Widerström has been a new CEO since 1 December 2014

He began working for Penta in 2003, initially as a financial controller, eventually rising to the position of Chief Financial Officer. Radim Haluza graduated from the University of Economics in Prague, while he also spent time studying at King's College in London.

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

Per Widerström
Past directorships:
Expekt.com Ltd – member of the Management Board (2006-2010)
Mangas Gaming Malta Ltd – member of the Management Board (2009-2010)
PGB Limited – member of the Management Board (2010-2011)
EZE International Limited – member of the Management Board (2010-2011)
PB (Italia) Srl – member of the Management Board (2010-2011)
ElectraWorks (France) SAS – member of the Management Board (2010-2011)
WPT Enterprises, Inc – member of the Management Board (2010-2011)
Paytech International Limited – member of the Management Board (2010-2011)
ElectraWorks Limited – member of the Management Board (2010-2011)
PKR Services Limited – member of the Management Board (2010-2011)
Party InterVentures Limited – member of the Management Board (2010-2011)
iGlobalMedia Marketing (Gibraltar) Limited – member of the Management Board (2010-2011)
Gala Interactive Gibraltar Ltd – member of the Management Board (2011-2014)
Gala Coral Interactive Gibraltar Ltd – member of the Management Board (2011-2014)
FORTUNA GAME a.s. – chairman of the supervisory board (2014)
Current directorships:
FORTUNA GAME a.s. – member of the Management Board (from 2014)
RIVERHILL a.s. – chairman of the Supervisory Board (from 2014)
Fortuna Entertainment Group N.V. – chairman of the Management Board (from 2014)

Richard van Bruchem

Past directorships:

MBB Project 34 B.V. – Member of the Management Board (2010-2011)

Servadou Holding B.V. – Member of the Management Board (2010-2011)

R2a Holding B.V. – Member of the Management Board (2010-2011)

Trust Company Amsterdam B.V. – Member of the Management Board (2010-2011)

BPO Solutions B.V. – Member of the Management Board (2008-2011)

Panorama Equity Investments B.V. (formerly Avis Corporate Services B.V.) – Member of the Management Board (2009-2011)

R2 Holding B.V. – Member of the Management Board (2008-2012)

Avis Holding B.V. – Member of the Management Board (2009-2012)

Avis Trust Group B.V. – Member of the Management Board (2009-2012)

Current directorships:

The Bookkeeper B.V. – Member of the Management Board (since 2008)

Stichting Kunstbezit's-Graveland – Member of the Management Board (since 2008)

Avis Business Services B.V. – Member of the Management Board (since 2009)

Stichting Vrienden Medische Missiezusters (since 2014)

Janka Galáčová

No other directorships.

From 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en besloten vennootschappen] came into effect. New rules as stipulated in this act affect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV) must ensure that at least 30% of the seats of its management board are occupied by women and at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 31 December 2014 and after the balance sheet date, more than 30% of the seats of the Management Board of Fortuna Entertainment Group N.V. were held by a female (namely Janka Galáčová), while the rest were held by males. Therefore, the stipulation was met.

Changes to the Management Board in 2014

The General Meeting held on 6 June 2014 appointed Ms. Janka Galáčová as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting held on 6 June 2014 appointed Mr. Richard van Bruchem as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

After the resignation of Mr. Wilfred Walsh as a Member of the Management Board as of 6 June 2014, the Management Board was reduced to three members.

The General Meeting held on 6 June 2014 appointed then Vice-Chairman of the Management Board Mr. Radim Haluza as the new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 6 June 2014. Mr. Radim Haluza subsequently decided not to continue as a Member of the Management Board and delivered a resignation letter to the Company according to which his resignation was effective as of 30 November 2014.

The Extraordinary General Meeting held on 1 December 2014 appointed Mr. Per Widerström as a Member of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 1 December 2014.

The General Meeting further appointed Mr. Per Widerström as the new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 1 December 2014.

SUPERVISORY BOARD

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

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

As of 31 December 2014, the Supervisory Board was composed of three members. The table below sets out the names, positions, election date, and terms of office of the current members of the Supervisory Board:

Name	Position	Office Term in 2014	Expiration of the office term
Václav Brož	Chairman of the Supervisory Board	1 January 2014 – 31 December 2014	at the General Meeting to be held in 2018
Michal Horáček	Member of the Supervisory Board	1 January 2014 – 31 December 2014	at the General Meeting to be held in 2018
Marek Rendek	Member of the Supervisory Board	1 January 2014 – 31 December 2014	at the General Meeting to be held in 2015
Marek Šmrha	Member of the Supervisory Board	1 January 2014 – 31 March 2014	

The business address of the members of the Supervisory Board is FEG's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

Václav Brož

Václav Brož (40) was appointed the Chairman of the Supervisory Board in May 2013. He has been a Member of the Supervisory Board since September 2010. Between 2001 and 2004 he worked at the Czech Securities Commission. He has been with Penta Group since 2004, formerly serving as an investment analyst and subsequently becoming an investment manager. Václav Brož has a university degree gained at the University of Economics in Prague in 1999. Václav Brož is a Czech national.

Michal Horáček

Michal Horáček (62) has been a Member of the Supervisory Board since September 2010. He started to cooperate with the Group as Chairman of the FORTUNA sázková kancelář a.s. management board. He held this position from 1990 to 2004. Subsequently, he held various lecturing positions at Charles University in Prague and Masaryk University in Brno and regularly contributed to the business daily newspaper Hospodářské noviny. He is an owner of KUDYKAM, s.r.o. and a Member of the Supervisory Board of Knihovna Václava Havla, o.p.s. (Václav Havel Library). Michal Horáček holds a Ph.D. degree in social anthropology from the Faculty of Humanities, Charles University, Prague and he also graduated in American Studies at Macalester College, St Paul, Minnesota, USA. Michal Horáček is a Czech national.

Marek Rendek

Marek Rendek (37) has been a Member of the Supervisory Board since May 2011. He has worked for Penta Group since 2002, starting as a financial manager assistant, and becoming a senior treasurer. Currently, working in the Penta Investments Limited Dutch Branch in Amsterdam, he is responsible for the day to day management of the branch and Penta holding companies allocated to the Netherlands. Marek Rendek graduated from the Technical University in Košice in 2001, majoring in banking, finance and investments. He is a Slovak national.

Marek Šmrha

Marek Šmrha (29) was elected a Member of the Supervisory Board in May 2013 and served until March 2014. He has been working for Penta Group since 2011 as an investment analyst in the Buy-out Division. Currently he is responsible for evaluating investment opportunities and managing the acquisition processes. Marek Šmrha graduated from the Manchester Business School in 2009 and London Business School in 2010. He is a Czech national.

Changes to the Supervisory Board 2014

Effective 31 March 2014, Marek Šmrha resigned from his position as a Member of the Supervisory Board of the Company. His position remains vacant until further notice.

Mr. Václav Brož served as a Member of the Supervisory Board from 1 January 2014 till 31 December 2014. The General Meeting held on 6 June 2014 appointed Mr. Václav Brož as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

Michal Horáček served as a Member of the Supervisory Board of FEG from 1 January 2014 till 31 December 2014. The General Meeting held on 6 June 2014 appointed Mr. Michal Horáček as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

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

Václav Brož
Past directorships:
KELADONE a.s. – Member of the Supervisory Board (2009-2010)
ALICELA a.s. – Member of the Management Board (2005-2010)
RIVERHILL a.s. – Member of the Supervisory Board (2009-2010)
MEZSERVIS spol s.r.o. – Member of the Supervisory Board (2010)
MEZSERVIS a.s. – Member of the Management Board (2009-2011)
TES Vsetín, a.s. – Member of the Management Board (2008-2011)
MobilKom, a.s. – Member of the Management Board (2008-2011)
Inovatel sp. z o.o. – Member of the Management Board (2006-2011)
Fortuna Loterie a.s. – Member of the Supervisory Board (2011-2012)
SCHNEIDER – GROUP, a.s. – Member of the Supervisory Board (2012-2014)
P.S.TRANS a.s. – Member of the Supervisory Board (2012-2014)
Current directorships:
FORTUNA GAME a.s. – Member of the Supervisory Board (since 2011)
FORTUNA sázky a.s. – Chairman of the Supervisory Board (since 2013)
Masokombinát Plzeň s.r.o. – Chairman of the Supervisory Board (since 2013)
Fortbet Funding s.r.o. – Chairman of the Supervisory Board (since 2013)

Michal Horáček
Past directorships:
SIAM PRAHA spol. s.r.o. – Executive (since1999-2013)
Current directorships:
Knihovna Václava Havla, o.p.s. – Member of the Supervisory Board (since 2006)
KUDYKAM, s.r.o. – Executive (from 2008)

Marek Rendek
Past directorships:
WEDGESAND B.V. – Director (2009-2013)
Dr.MAX HOLDING B.V. – Director (2009-2013)
Penta Investments Limited, Dutch branch – Managing Director (2009-2013)
SANDWEDGE B.V. – Director (2009-2014)
Equinox Investments B.V. – Director (2009-2014)
Dr.MAX PHARMA LIMITED – Director (2011-2014)
Current directorships:
SALORI HOLDING B.V. – Director (from 2009)
DENDA BEHEER B.V. – Director (from 2009)
BUBENEC HOLDING B.V. – Director (since 2010)
HODONIN B.V. – Director (since 2011)
PENTA INVESTMENTS B.V. – Director (from 2011)
KAUFSTEIN B.V. – Director (since 2011)
CARE UP B.V. – Director (since 2011)
SALSTRONA HOLDINGS LIMITED – Director (since 2012)
HICEE B.V. – Director (since 2013)
SMICHOV DEVELOPMENT B.V. – Director (since 2013)
YMMA HOLDING B.V. – Director (since 2013)
JINONICE HOLDINGS B.V. – Director (since 2014)
SKNAP HOLDINGS B.V. – Director (since 2014)

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [*Wet bestuur en toezicht in naamloze en besloten vennootschappen*] came into effect. The new rules and regulations stipulated in this act affect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV) must ensure that at least 30% of the seats of its supervisory board are occupied by women and at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 31 December 2014 and after the balance sheet date, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. One hundred percent of the seats were held by males as a result of the previous distribution of the seats before the Management and Supervision Act came into effect. In the future, the Company does not rule out appointing females to achieve a balanced distribution of seats.

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

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

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

All members of the Management Board and the Supervisory Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of 4 years but they may be terminated earlier in accordance with provisions included therein and relevant regulations. The members of the Management Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board. For the term of their appointments, members of the Management Board have also agreed to refrain from undertaking, holding or accepting any appointments, sidelines or additional posts at other listed companies which are competitors to FEG or the Group Companies without prior written consent of the Supervisory Board. The members of the Supervisory Board have further agreed not to accept any appointment which might involve a conflict of interest without the prior written consent of the Supervisory Board and to refrain from undertaking or holding any sidelines or additional posts at other listed companies without the prior written consent of FEG. They have also undertaken not to disclose any confidential information received in connection with, or related to, FEG or Group Companies, their business and affairs.

COMMITTEES

As of the date of this Annual Report, the Supervisory Board has established from among its members the Audit Committee. The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties, are set out in regulations for the Audit Committee, as drawn up by the Supervisory Board. The members of the Audit Committee are currently Michal Horáček and Václav Brož. Václav Brož, Chairman of the Supervisory Board, currently acts as Chairman of the Audit Committee. The Company believes that it is in the best interest of the

Company and the Group to maintain Václav Brož as Chairman of the Audit Committee due to his extensive financial knowledge of the Group. The Company believes that Václav Brož meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

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

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

CHANGES IN THE KEY MANAGEMENT IN 2014

Effective 1 December 2014, Jaroslava Hirschová became the new CFO of Fortuna Entertainment Group N.V. She joined from Slovak Primabanka a.s., where she occupied the positions of CFO and Member of the Board of Directors. She replaced former CFO Michal Vepřek. Jaroslava Hirschová has 20 years of professional experience in banking and financial services in the area of finance and control. She gained this experience in the Czech Republic, the UK, Finland and Slovakia. She has worked in top management positions at GE Capital Bank, Česká pojišťovna, ČSOB and Primabanka. At Primabanka, she occupied the positions of CFO and Member of the Board of Directors.

GENERAL MEETING

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

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

The Annual General Meeting was held on 6 June 2014 in Amsterdam

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

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

ANNUAL GENERAL MEETING OF 6 JUNE 2014

The Annual General Meeting of shareholders of Fortuna Entertainment Group NV was held on 6 June 2014 in Amsterdam. It was attended by shareholders who together hold 76.61% of the share capital and voting rights and, therefore, the AGM had

FOOTBALL

The best Polish football club knows that sport is not always fair

"I therefore call on you to refer to your best traditions of honour and honesty, things that your famous club has been known for during the past 126 years. Do not destroy the beautiful legacy that you have inherited from past generations of 'the Bhoys'. I call on you to act according to the spirit of the game and the rules of fair play – and to with us issue a joint statement to the UEFA disciplinary bodies. Let's meet in Warsaw or Glasgow and settle this matter honourably."

Dariusz Mioduski, co-owner of Legia Warsaw / an open letter to Glasgow Celtic Football Club's management after his team suffered an administrative expulsion from the UEFA Champions League, August 2014

a quorum. At Fortuna's AGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The AGM adopted the annual accounts for the financial year 2013 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the 2013 financial year were prepared under Dutch law (using IFRS rules) by the Management Board and were audited and provided with an unqualified auditor's report by Ernst & Young LLP, the Company's external auditor.

The General Meeting approved a Management Board proposal to effect gross dividend payments of EUR 0.22 in cash per share with a nominal value of one euro cent (EUR 0.01) for the financial year 2013. The dividend is in accordance with the communicated dividend policy – the dividend payout ratio is set at 70%-100% of the net profit from continuing operations (consolidated accounts). The dividend payout for 2013 represents approximately 73.5% of the net profit from continuing operations (consolidated accounts). The dividend record date was 19 June 2014. The actual payment of the dividend occurred on 26 June 2014.

In accordance with the advice of the Audit Committee, the AGM appointed Ernst & Young as the external auditor of the Company for the financial year 2014.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of their management during the 2013 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of their supervision during the 2013 financial year.

The General Meeting appointed Ms. Janka Galáčová as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Richard van Bruchem as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

After the resignation of Mr. Wilfred Walsh as a Member of the Management Board, the Management Board was reduced to three members.

The General Meeting appointed current Vice-Chairman of the Management Board Mr. Radim Haluza as the new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Václav Brož as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Michal Horáček as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting adopted a new Remuneration Policy as drawn up by the Supervisory Board. The draft of the new Remuneration Policy is also available for review on the Company's website.

The General Meeting renewed the authorisation for the Management Board, subject to the approval of the Supervisory Board, for a period of 18 months as of 6 June 2014 to purchase fully paid-up shares in the Company's own capital on the stock exchange or otherwise for a valuable consideration and to alienate shares in the Company's own capital, which shares were repurchased by the Company whether before or after 6 June 2014, for purposes of stock option plans and other general corporate purposes. The aforesaid authorisation pertains to the maximum number that the Company may acquire pursuant to the law and the articles of association of the Company as of the date of acquisition, in which respect the price must be between the amount equal to the nominal value of these shares and the amount equal to one hundred and ten percent (110%) of the average quotation of the listed shares on the stock exchange maintained by the Warsaw Stock Exchange and the Prague Stock Exchange in the five days prior to the purchase.

In addition, the General Meeting discussed the Annual Report 2013. The Annual Report 2013, including the Company's 2013 annual accounts, was prepared in accordance with Dutch law and the relevant rules, laws and regulations relating to the trading of the Company's shares on the Prague Stock Exchange and the Warsaw Stock Exchange. The Annual Report 2013 has been published on the Company's website (www.fortunagroup.eu) and is available for inspection at the office of the Company and can be obtained from the Company upon request.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 1 DECEMBER 2014

An Extraordinary General Meeting (EGM) of shareholders of Fortuna Entertainment Group NV was held on 1 December 2014 in Amsterdam. It was attended by shareholders who together hold 73.95% of the share capital and voting rights

An Extraordinary General Meeting (EGM) was held on 1 December 2014

and, therefore, the EGM had a quorum. At Fortuna's EGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The Chairman of the EGM informed the General Meeting that Mr. Radim Haluza had decided not to continue as a Member of the Management Board and had delivered a resignation letter to the Company according to which his resignation was effective as of 30 November 2014.

The General Meeting appointed Mr. Per Widerström as a Member of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 1 December 2014.

The General Meeting further appointed Mr. Per Widerström as the new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 1 December 2014.

AMENDMENT OF ARTICLES OF ASSOCIATION

The General Meeting may resolve to amend the Articles of Association upon a proposal of the board of managing directors, if the proposal has been approved by the Supervisory Board. Such a resolution shall be taken with 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.

7.3 REMUNERATION

REMUNERATION OF THE MANAGEMENT BOARD

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

REMUNERATION OF THE SUPERVISORY BOARD

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

REMUNERATION OF SENIOR MANAGEMENT

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

The table below presents total remuneration for the financial year ending 31 December 2014:

EUR thousands		Remuneration (2014)				TOTAL
		Fortuna Entertainment Group N.V.		Other Group Companies		
		Pecuniary Income	Received in kind	Pecuniary Income	Received in kind	
Members of the Management Board	Board Remuneration	32	–	–	–	**32**
	Salaries and other similar income	74	–	134	–	**208**
	Management Bonus	–	–	326	–	**326**
	Other (compensation)	–	–	–	–	**–**
	TOTAL	**106**	**–**	**460**	**–**	**566**
Members of the Supervisory Board	*Board Remuneration*	–	–	–	–	**–**
	Salaries and other similar income	–	–	–	–	**–**
	Management Bonus	–	–	–	–	**–**
	TOTAL	**–**	**–**	**–**	**–**	**–**
Management of the Group Companies[1]	Salaries and other similar income	**–**	**–**	430	**–**	**430**
	Management Bonus	**–**	**–**	655	**–**	**655**
	Board Remuneration (incl. Supervisory board)	**–**	**–**	–	**–**	
	TOTAL	**–**	**–**	1,085	**–**	**1,085**
TOTAL		**106**	**–**	**1,545**	**–**	**1,651**

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

STOCK OPTION PLAN

In the course of 2014 the Company did not have any valid stock option plan and no stock option plan was adopted during the year.

INFORMATION ON SHARES HELD BY THE MANAGEMENT

As of 31 December 2014, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2014, the following Directors and Members of the Supervisory Board held shares or stock options issued by the Company:

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

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

On 4 February 2014 the Company was notified by Mr. Michal Vepřek, a member of senior management and CFO, that between 30 January 2014 and 4 February 2014, he executed transactions in shares issued by the Company. His transactions involved the sale of 4,000 shares issued by the Company. Prior to the transactions, Mr. Vepřek held 4,000 shares of the Company representing a 0.008% share of the total capital. Following the transactions, his holdings of the Company's shares amounted to zero. Transactions were executed on the Prague Stock Exchange.

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

INDEMNITY AGREEMENTS

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

NON-COMPETE COMPENSATION AND EMPLOYMENT TERMINATION COMPENSATION

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

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

7.4 CORPORATE GOVERNANCE CODE

CORPORATE GOVERNANCE STANDARDS

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

FEG has implemented its internal corporate governance rules in order to comply to the extent possible with the Dutch Corporate Governance Code. More specific information regarding the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl/Corporate_Governance_Code.

The Company acknowledges the importance of good corporate governance and intends to comply with Czech, Polish and Dutch corporate governance codes as widely as this is practicable. Over the year 2012, the Company did not comply with a limited number of best practice provisions described below:

a) Dutch Corporate Governance Code:

Best Practice Provision III.2.1 according to which all supervisory board members, with the exception of not more than one person, shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent

The Company is dedicated to its Corporate Governance Standards

members will increase further due to a new shareholder decision. It is rather unlikely that this rule will be complied with as long as Penta Investments Limited is entitled to a majority of votes.

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

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

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

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

b) Prague Stock Exchange Corporate Governance Code:

Chapter IV comment 15 according to which at least the majority of members of the audit committee should be independent. The current composition of the audit committee is not in compliance with this rule, since there is only one independent member of the Supervisory Board who is a member of the audit committee. However, the composition of the audit committee may change and an independent member appointed by new shareholders will be asked to become the chairman of the committee.

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

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

c) Warsaw Stock Exchange Corporate Governance Code:

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

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

CORPORATE GOVERNANCE STANDARDS POLAND

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

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

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

I. Recommendations for Best Practice for Listed Companies

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

II. Best Practice for Management Boards of Listed Companies

No	RULE	YES / NO	COMMENT of Fortuna
1.	A company should operate a corporate website and publish:		
	1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies;	✓	
	2) professional CVs of the members of its governing bodies;	✓	
	2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively on the Management Board and on the Supervisory Board of the company in the past two years;	✗	*Partially complying with the rule. The Company publishes such information on an annual basis, typically as a part of the annual report.*
	3) current and periodic reports;	✓	
	4) /deleted/		
	5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;	✓	
	6) annual reports on the activity of the Supervisory Board taking into account the work of its committees together with an evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system submitted by the Supervisory Board;	✓	
	7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;	✓	
	8) information about the reasons for the cancellation of a General Meeting, the changing of its date or its agenda, along with the grounds;	✓	
	9) information about breaks in a General Meeting and the grounds for those breaks;	✓	
	9a) a record of the General Meeting in audio or video format;	✓	*The Company enables an audio recording of the General Meeting.*
	10) information on corporate events such as the payment of a dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;	✓	

	11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;	✓	
	12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from its introduction;	✓	
	13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;	✓	
	14) information about the content of the company's internal rule for changing the company that is authorised to audit financial statements or information about the absence of such a rule.	✓	*According to the Articles of Association, the external auditor is appointed by the General Meeting of Shareholders based on the nomination of the Supervisory Board.*
2.	A company should publish its website in English, at least to the extent described in section II.1.	✓	
3.	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake.	✓	
4.	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	✓	
5.	/deleted/		
6.	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	✓	
7.	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	✓	
8.	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2-4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to undertake in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of an authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	✗	*Not relevant for Fortuna Entertainment Group N.V. incorporated under Dutch law.*

Best Practices of Supervisory Boards		
1. In addition to its responsibilities laid down in legal provisions, the Supervisory Board should: 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; 2) /deleted/ 3) review and present opinions on issues subject to resolutions of the General Meeting.	✓	
2. A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	✓	
3. A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	✓	
4. A member of the Supervisory Board should give notification of any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	✗	*The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited and FORTBET HOLDINGS LIMITED may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial to the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.*
5. A member of the Supervisory Board should not resign from his function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	✓	
6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections to the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	✗	*Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further due to a new shareholder decision.*

7.	/deleted/		
8.	Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors* should apply to the tasks and the operation of the committees of the Supervisory Board.	✓	
9.	Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	✓	
Best Practices of Shareholders			
1.	The presence of representatives of the media should be allowed at General Meetings.	✓	
2.	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. At the earliest, amendments of the rules should take effect at the next General Meeting.	✓	
3.	/deleted/		
4.	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	✓	
5.	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	✓	
6.	The date of setting the right to a dividend and the date of the dividend payment should be set so to ensure the shortest possible time period between them, in each case not longer than 15 business days. A longer period between these dates requires backing from detailed grounds.	✓	
7.	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to a dividend.	✓	
8.	/deleted/		
9.	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company as listed on the Exchange.	✓	
10.	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) a real-life broadcast of General Meetings; 2) a real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting itself.	✗	*None of the shareholders has so far requested an electronic communication to secure participation in a General Meeting. If such a request arose, the Company would consider such a means of communication.*

CYCLING

Some sportspeople don’t like speaking to the media. Their legs do the talking for them

“In several races Peter Sagan was forced to hold on to his downhill triumph right up until shortly before the end. Many experts see the new star of Team Tinkoff-Saxo as currently the best in downhill together with Nibali. In the peloton, you can’t find a cyclist who controls the bike better than Sagan. This child of the BMX could bounce up the stairs, lift the wheel when passing the finishing line and get the bike on to the top of a car. So now he is just as good when gravity is working in his favour.”

Peter Sagan, road bicycle racer / VeloNews, pravda.sk, 2014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MANAGEMENT STATEMENT

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

1. the financial statements for the financial year 2014 included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and its consolidated entities;
2. the Directors' Report gives a true and fair view of the company and its related entities, the financial information of which has been consolidated in the financial statements as of the balance sheet date 31 December 2014, and the state of affairs during the financial year 2014; and
3. the Annual Report describes the material risks that the Company faces.

7.5 SUPERVISORY BOARD REPORT

The Supervisory Board has reviewed the Annual Report of Fortuna Entertainment Group N.V. ("FEG" or "the Company") for the financial year 2014, as prepared by the Management Board.

GENERAL

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

Major management decisions require the approval of the Supervisory Board

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

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

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

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

MEETINGS AND ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board held 9 meetings in 2014, 7 of them were physical meetings and 2 were held in the form of a conference call or per rollam [by letter]. Supervisory Board members attended all the meetings except in the case of the one meeting which was not attended by Marek Rendek. Some of the meetings of the Supervisory Board were attended by members of the Management Board. Also, the Supervisory Board audit committee regularly meets without the members of the Management Board.

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

In 2014, the Supervisory Board spent a considerable period of time discussing FEG's corporate and market strategy, particularly the development of online business, the lottery project in the Czech Republic, changes in taxation and gaming regulation in the Czech Republic and regulatory changes in Poland.

As is common practice each year, an evaluation was performed in 2014 with respect to the functioning of the Supervisory Board, its committee, and the individual members. Several suggestions resulting from that evaluation were implemented, such as more in-depth and more extensive discussions on important topics for FEG and, as a result thereof, extended Supervisory Board meetings.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

Mr. Václav Brož served as a Member of the Supervisory Board from 1 January 2014 till 31 December 2014. The General Meeting held on 6 June 2014 appointed Mr. Václav Brož as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

Michal Horáček served as a Member of the Supervisory Board of FEG from 1 January 2014 till 31 December 2014. The General Meeting held on 6 June 2014 appointed Mr. Michal Horáček as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

Marek Rendek served as a Member of the Supervisory Board of FEG from 1 January 2014 till 31 December 2014 and his office term will expire at the AGM to be held in 2015.

Marek Šmrha served as a Member of the Supervisory Board of FEG from 1 January 2014 till 31 March 2014. Effective 31 March 2014, Marek Šmrha resigned from his position as a Member of the Supervisory Board of the Company. His position remains vacant until further notice.

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

SUPERVISORY BOARD COMMITTEE

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

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

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

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

AUDIT COMMITTEE

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

In 2014, the audit committee met once for the purpose of the discussion of the annual financial results. External auditors of the Company participated in the meeting.

The audit committee focuses strongly on the review of FEG's interim and annual results and announcements

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

REMUNERATION OF THE SUPERVISORY BOARD

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The AGM held in 2013 adopted a resolution according to which all members of the Supervisory Board waived their right to receive annual remuneration. The annual remuneration of each member of the Supervisory Board in 2014 was therefore zero. The Supervisory Board remuneration is not dependent on the financial results of the Company.

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

As of 31 December 2014, Marek Rendek held 5,253 shares in the Company constituting 5,253 voting rights at the AGM. None of the other members of the Supervisory Board owned shares or options on shares of the Company.

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

COMPOSITION OF THE MANAGEMENT BOARD

For further details and a biography of the members of the Management Board, see Chapter 7.2 of the Annual Report.

REMUNERATION OF THE MANAGEMENT BOARD

General

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

Amount and Composition

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

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

OUTLINE 2014 REMUNERATION REPORT

The outline of the remuneration report of the Supervisory Board for the financial year 2014 concerning the remuneration policy of the Company is as follows:

Members of the Management Board received a fixed annual fee for the performance of their duties which is not part of any incentive or performance-based remuneration. In addition to the annual fixed fee, Radim Haluza, until his resignation on 30 November 2014, was entitled to a) a basic salary and benefits and b) performance-based remuneration based on his simultaneous position as CEO of the Company. The remuneration principles for Radim Haluza were in line with the adopted remuneration principles for the Senior Management. Per Widerström is entitled to a) a basic salary and benefits and b) performance-based remuneration based on his simultaneous position as CEO of the Company. The remuneration principles for Per Widerström are in line with the adopted remuneration principles for Senior Management.

The remuneration of the members of the Management Board and Senior Management is described in Section 7.3 of the Annual Report. The remuneration of the Management Board in the year 2014 was in accordance with the Remuneration Policy adopted by the General Meeting of Shareholders.

GRATITUDE TO FEG EMPLOYEES

The Supervisory Board would like to thank and recognise all FEG employees who have been able to achieve so much this past challenging year, with many new projects. The Supervisory Board wishes to express its gratitude to the members of the Management Board and Senior Management and all FEG employees for their dedication and contributions to the results in 2014.

7.6 RISK FACTORS

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

7.6.1 Risks Relating to the Betting and Gaming Industry

GENERAL MARKET CONDITIONS

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

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

The number of the Group's customers is in turn directly related to the reputation of betting and gaming and the general public's perception of betting and gaming in the countries in which the Group operates. Public sentiments 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 one of the less socially desirable types of entertainment. Peaks in anti-betting and anti-gaming sentiment may occur from time to time, causing significant damage to the betting and gaming industry as a whole. Adverse changes in the perception of the betting and gaming industry by the general public may lead to a decrease in demand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by the public's 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

Any increase in taxation or the imposition of new taxes may also lead to increased competition from online betting and gaming organisers.

Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in the demand for the Group's products which cannot be explained by the Group's operating performance or the condition of the economy in general.

CHANGES IN THE REGULATORY ENVIRONMENT

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

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on the discretion of regulators or interpretations that could be changed at any moment. Apart from that, the legal framework is currently under review in many European countries, resulting in various amendments and proposals for amendments. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. The Group Companies may be unable to implement new regulations in the prescribed period or at all. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement a common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

CHANGES IN TAXATION ON BETTING SERVICES AND OTHER PRODUCTS

The Group is subject to taxation and/or levies in each of the countries in which it operates. The taxation and levies imposed upon the Group have changed over time. In the past certain governments considered that the sports betting and gaming sector was a potential source of additional taxation or other income. As the recent global economic crisis has led to a decrease in revenues from taxes in the countries in which the Group operates, some or all of those countries can consider increasing taxes on, or imposing new taxes on, services and products offered by the Group. For example, in Poland from 1 June 2010 the tax imposed on the total amount of money paid for bets increased from 10% to 12%. In Slovakia, the withholding tax of fixed-odds betting was increased from 5.5% to 6.0% in 2013. In the Czech Republic, amendments to the Gambling Act No 300/2011 Coll came into effect in 2012 and the previous taxation scheme used in betting and gaming was replaced by a unified 20% tax on the Gross Win and a 19% corporate income tax.

Any increase in taxation or the imposition of new taxes may decrease the amount of money customers want to spend on the Group's products. It may also lead to increased competition from online betting and gaming organisers that do not comply with local regulations and therefore are not affected by changes in taxation. Consequently, such changes may have an adverse material impact on the Group's revenues and financial results.

DEPENDENCE ON LICENCES

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

RESTRICTIONS ON MARKETING & ADVERTISING

Extensive restrictions apply to the marketing of betting and gaming services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to the relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implement a common marketing strategy or expand its market share in affected markets, and may lead to the loss of licences. In addition, the Group's advertisements may be accessed via the Internet by customers in countries where such activities may be illegal and the Group may face criminal or civil proceedings as a result.

CRIME, FRAUD & SECURITY

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various pressures as a result of criminal activity, including organised crime, fraud, robbery, petty crime and theft. As the Group expands its operations, both on the markets in which it currently operates as well as on new markets, the Group expects criminal activity to continue to present certain challenges, especially in newly entered countries.

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

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

RISK MANAGEMENT SYSTEMS

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the year ending 31 December 2014.

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

SINGLE EVENT LOSSES AND SPORTING SCHEDULES

Over the long term, the Group's Gross Win percentage has historically remained fairly constant. Over the short term there is less certainty of generating a positive Gross Win and the Group has, from time to time, experienced significant losses with respect to individual events or betting outcomes. Although the Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a Gross Win basis, there can be no assurance that these systems and controls will be effective in reducing the Group's exposure to this risk. The effect of future fluctuations and single event losses could have an adverse material effect on the Group's cash flows and therefore an adverse material effect on its business, financial condition and the results of operations.

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

COMPETITION

The Group faces competition from other online and offline betting operators in the countries in which it operates, as well as from suppliers of other gaming products. The Group's competitors in the Group's most important markets comprise of a relatively small number of large national operators and a relatively large number of online betting companies, who each compete for the same customers. Moreover, the Group may face difficulties in competing with some betting and gaming organisers that offer their products without local licences since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and they do not pay taxes in countries in which the Group operates locally.

In Slovakia, Poland and the Czech Republic, a failure by the relevant governmental authorities to implement the level of regulation necessary to enforce prohibitions on offshore betting and gaming could affect the success of the Group's operations in those jurisdictions. There can be no assurance that competition from new or existing competitors who provide services on onshore and offshore bases in countries in which the Group operates will not have an adverse material effect on the Group's operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by its competitors.

KEY PERSONNEL

The Group's success depends to a significant extent upon the contributions of a limited number of the Group's key senior management and personnel, especially bookmakers and local managers. There can be no certainty that the Group will be able to retain its key personnel. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel such as bookmakers, either at the FEG level or within a local management team, could have an adverse material effect on the business, financial condition or results of operations of the Group.

ACQUISITIONS

The Group may consider growing through acquisitions in the near future. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not prove profitable or generate the anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of the acquired assets, the Group may face difficulties entering markets and geographical areas where it has limited or no experience, the Group may have potential difficulties in integrating its operations and systems with those of acquired companies, the Group may face a possible anti-monopoly review by relevant competition authorities that could result in such authorities seeking to prohibit or unwind its acquisitions of new businesses, and the failure of the Group's acquisition strategy could possibly hamper its continued growth and profitability.

FAILURE TO INTRODUCE NEW INNOVATIVE PRODUCTS AND SERVICES

Sports betting is the main product offered by the Group. In order to attract and retain customers, the Group regularly introduces new betting opportunities for its customers. If the Group fails to roll out the lottery according to plan, this may have an adverse material impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horse racing and other gaming products. The introduction of particular products requires additional spending and marketing efforts. However, there is no guarantee that new products will meet customers' expectations. Therefore, the growth of the Group's revenues may not be sustained or may be lower than expected, which may adversely affect the Group's financial standing and the valuation of its shares.

The Group may consider growing through acquisitions in the near future

7.6.2 Financial Risks

The Group's results of operations are directly affected by general financial risks related to conducting business such as credit risk, liquidity risk and interest rate risk. The Group has introduced respective policies to limit these risks and analyses the sensitivity to particular factors of the Group's financial standing. The Group also tries to limit its exposure to such risks inter alia using prepayments made by customers, the provision of services to clients with appropriate creditworthy histories, hedging transactions related to interest rates and the rational management of liquidity (refer to p. 122 chapter 9.30). There can be no assurance that the Group's financial risk management will be appropriate or that the procedures in place will limit the influence of particular factors on the Group's financial standing. Any failure with respect to financial risk management or the inappropriateness of procedures in place may adversely impact the Group's business, financial condition and results of operations.

In addition, the Group may be unable to control its costs for various reasons, such as currency rates, inflation and other factors beyond the Group's control. Any failure in securing the financing of capital spending or in cost control may adversely impact the Group's business, financial condition and results of operations.

CURRENCY FLUCTUATIONS

The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. The Group reports its financial results in EUR. The Group also has expenses, assets and liabilities denominated in currencies other than in EUR due to its international operations, in particular, the Czech koruna and Polish zloty currencies. The Group does not hedge the risk of operating companies' profit translations. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results.

Increases and decreases in the value of the euro versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of its financial position even if its results or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity and its ability to pay dividends in the future.

PLEDGE IN FAVOUR OF ČESKÁ SPOŘITELNA, A.S.

The Group companies have entered into financing agreements with Česká spořitelna, a.s. Upon the occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including an acceleration of the outstanding loans and foreclosure of security. In accordance with the Share Pledge Agreements (concluded in connection with the Facilities Agreement between certain companies of the Group and Česká spořitelna, a.s.), Česká spořitelna, a.s. may, among other things, foreclose on the pledged shares, as a result of which Fortuna may cease to own FORTUNA GAME, FORTUNA SK, Fortuna PL, RIVERHILL and ALICELA, which may result in a permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic and/or Poland.

The trademarks of FORTUNA GAME registered in the Czech Republic with the Czech Industrial Property Office and registered in Slovakia with the Slovak Industrial Property Office and material trademarks of Fortuna PL registered in Poland with the respective authority are, together with bank account receivables and intra-group receivables of FORTUNA GAME, Fortuna PL and FORTUNA SK, pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Facilities Agreement. If Česká spořitelna, a.s. forecloses on the aforementioned trademarks further to an event of default, FORTUNA GAME and/or Fortuna PL may cease to own such trademarks and may not be able to use such trademarks in their operations, which may have an adverse material effect on the business of the Group.

SIGNIFICANT INFLUENCE OF THE MAJORITY SHAREHOLDER

With its stake amounting to 67.26% of FEG's outstanding shares, Penta Investments Limited, through its wholly owned subsidiary FORTBET HOLDINGS LIMITED, is in a position to exert significant influence over the outcome of matters submitted to a vote of FEG's shareholders, including matters such as the approval of the annual financial statements, declarations of dividends, the election and removal of members of the Supervisory Board and the Management Board, capital increases and amendments to the Articles of Association.

Amsterdam, 2 April 2015

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

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

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

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

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

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

TENNIS

You can reach the top as a champion or as a model. Or as both

“Dominika has always had a problem with height, she was smaller than her peers. Thus her rivals were also taller and everyone told her it did not make sense, she would never be good enough. It pushed her on, she worked really hard on herself to prove to everyone that they weren’t right.”

Katarína Cibulková on her daughter Dominika, the first female Slovak tennis player to reach a Grand Slam final / topky.sk, January 2014


PARTNERS GROUP
SK

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Independent Auditor's Report

To: The shareholders and Supervisory Board of Fortuna Entertainment Group N.V.

Report on the audit of the financial statements 2014

OUR OPINION

We have audited the financial statements 2014 of Fortuna Entertainment Group N.V. (the company), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code;

- the company financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2014;

- the following statements for 2014: consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows; and

- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at December 31, 2014;

- the company profit and loss account for 2014;

- the company statement of changes in equity and cash flows for the year ended December 31, 2014; and

- the notes comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Fortuna Entertainment Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

MATERIALITY

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 2,300,000.

The materiality is based on 5% of pre-tax income adjusted for betting taxes and levies. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 116,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Fortuna Entertainment Group N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Fortuna Entertainment Group N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities in Czech Republic, Poland and Slovakia. These entities represent 100% of total revenue and 89% of total assets.

We have sent detailed instructions to component auditors in the Czech Republic, Poland and Slovakia, covering the significant areas that should be covered and set out the information required to be reported to the us. Based on our risk assessment, we visited component locations in the Czech Republic and Poland. At these visits, we reviewed the component auditors' files, discussed the outcome of their work and their reports thereon.

For goodwill we have applied a centralized audit approach with specified audit procedures.

By performing the procedures at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence regarding the group's financial information to provide an opinion on the financial statements.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

The appropriate recognition of revenue is dependent on IT systems correctly calculating commission revenues and appropriate wins and losses and controls accurately reporting on and reconciling these transactions.

Revenue streams for the vast majority of the Group's products are computed on highly complex IT systems, with a number of different bases for calculating revenue. There are in excess of 0.5 million transactions each year, all requiring a correct IT outcome. There is a risk that each system is not configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorised changes are made to any of these systems, which may result in the misstatement of revenue.

Our audit procedures included, among others, the use of IT audit experts throughout the audit process. We critically assessed the design and operating effectiveness of IT controls and tested that the systems are configured appropriately. We tested the configuration of the system which monitors the information transfer between each IT system and evaluated whether it was operating effectively. We have further tested the application controls, IT – dependent manual controls, manual prevent and manual detect controls over the 2 main revenue streams being betting and lottery.

The tests of controls mainly concentrated on whether only the winning ticket is paid and the result is calculated correctly by the operational systems including that all winning prices paid are supported by a ticket and the ticket is reviewed and stored at headquarters. Additionally it was tested whether the related commission, which is calculated automatically by the system, is correctly recognised in the accounting records. Assurance obtained through the tests of controls was supported by detailed analytical procedures.

Revenue recognition over the scratch tickets revenue stream was tested by performing substantive procedures concentrating mainly on whether the correct pay-out ratio is maintained and the respective accruals are calculated and accounted for correctly.

We also tested controls related to access to programs and data, program change and development and computer operations by evaluating account set-up and termination for users, password restrictions, access reviews, users with super-user access, program change and development process controls and integration monitoring, and tested whether any unauthorised changes had been made to the system. The overall IT environment was critically assessed, including security policies and procedures, IT organizational structure, strategy and reporting, disaster recovery and back-up testing.

We have also considered the adequacy of the Group's disclosures in respect of revenue recognition, we refer to note 3.4 of the consolidated financial statements.

VALUATION OF GOODWILL

Under EU-IFRS, Fortuna Entertainment Group N.V. is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions, particularly those in the Czech Republic.

As a result, our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by the entity. We in particular put attention to the assumptions relating to the forecasted revenue growth and profit margins.

We also focused on the adequacy of Fortuna Entertainment Group N.V.'s disclosures about these assumptions to which the outcome of impairment test is most sensitive. This means, those assumptions that have the most significant effect on the determination of the realizable value of goodwill. Included in our procedures, we assessed whether the aforementioned disclosures are sufficient and provide sufficient insight in the selection of the assumptions and the sensitivity of the assumptions for the valuation.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, when not communicating the matter is in the public interest.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE MANAGEMENT BOARD REPORT AND THE OTHER INFORMATION

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

ENGAGEMENT

We were engaged by the Supervisory Board as auditor of Fortuna Entertainment Group N.V., as of the audit for year 2009 and have operated as statutory auditor ever since that date.

Amsterdam, 2 April 2015
Ernst & Young Accountants LLP
signed by A. A. van Eimeren

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Consolidated Financial Statements of Fortuna Entertainment Group N.V.

As at 31 December 2014

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Consolidated statement of financial position as at 31 December 2014

€ 000	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Goodwill	14	45,913	46,415
Intangible assets	15	8,253	8,850
Property, plant and equipment	16	8,150	4,773
Deferred tax assets	12	935	1,066
Restricted cash	19	4,718	4,761
Other non-current assets	18	2,007	1,990
Total non-current assets		**69,976**	**67,855**
Current assets			
Current receivables	17	1,949	4,348
Income tax receivable		98	1
Other current assets	18	2,380	2,168
Cash and cash equivalents	20	15,926	16,654
Total current assets		**20,353**	**23,171**
TOTAL ASSETS		**90,329**	**91,026**
EQUITY AND LIABILITIES			
Share capital	22	520	520
Share premium	22	8,262	8,262
Statutory reserve	22	797	5,414
Foreign currency translation reserve	22	(3,486)	(2,987)
Hedge reserve	22	(304)	(359)
Retained earnings		24,072	15,911
Equity attributable to equity holders of the parent		**29,861**	**26,761**
Non-controlling interest		219	274
Total Equity		**30,080**	**27,035**
Non-current liabilities			
Deferred tax liability		31	–
Provisions	25	591	507
Long-term bank loans	26	35,182	39,518
Other non-current liabilities		35	29
Total non-current liabilities		**35,839**	**40,054**
Current liabilities			
Trade and other payables	27	15,700	16,056
Income tax payable		1,058	1,867
Provisions	25	1,366	834
Current portion of long-term bank loans	26	5,453	4,243
Derivatives	21	384	493
Other current financial liabilities		449	444
Total current liabilities		**24,410**	**23,937**
EQUITY AND LIABILITIES		**90,329**	**91,026**

Consolidated statement of profit or loss for the year ended 31 December 2014

€ 000	Notes	2014	2013
Amounts staked	6	672,429	567,231
Revenue		**109,617**	**97,053**
Governmental taxes and levies	6	(12,652)	(10,806)
License fees	6	–	(15)
Personnel expenses	7	(28,282)	(26,600)
Depreciation and amortisation	6	(4,338)	(3,682)
Other operating income	8	985	3,355
Other operating expenses	9	(41,279)	(36,311)
Operating profit		**24,051**	**22,994**
Finance income	10	124	734
Finance cost	10	(2,861)	(2,709)
Profit before tax from continuing operations		**21,314**	**21,019**
Income tax expense	12	(5,386)	(5,446)
Net profit for the year from continuing operations		**15,928**	**15,573**
Net profit for the year		**15,928**	**15,573**
Attributable to:			
Equity holders of the parent		15,983	15,617
Non-controlling interest		(55)	(44)

Earnings per share – €	13	2014	2013
Weighted average number of ordinary shares for basic and diluted earnings per share		52,000,000	52,000,000
Basic and diluted profits for the year attributable to ordinary equity holders of the parent		0.307	0.300
Basic and diluted profits for the year from continuing operations attributable to ordinary equity holders of the parent		0.307	0.300

Consolidated statement of other comprehensive income for the year ended 31 December 2014

€ 000	**Notes**	**2014**	**2013**
Profit for the year		**15,928**	**15,573**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges	11	70	(1)
Income tax effect	11	(15)	9
		55	**8**
Exchange differences on translation of foreign operations	11	(499)	(3,455)
Income tax effect		–	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(444)**	**(3,447)**
Other comprehensive income for the year, net of tax		**(444)**	**(3,447)**
Total comprehensive income for the year, net of tax		**15,484**	**12,126**
Attributable to:			
Equity holders of the parent		15,539	12,170
Non-controlling interest		(55)	(44)

Consolidated statement of cash flows for the year ended 31 December 2014

€ 000	Notes	2014	2013
Cash flows from operating activities			
Profit before tax from continuing operations		21,314	21,019
Profit before tax		**21,314**	**21,019**
Adjustments for:			
Depreciation and amortisation	6	4,338	3,682
Changes in provisions		637	423
(Gain) / Loss on disposal of property, plant and equipment	8	(24)	(15)
Interest expenses and income		1,384	1,468
Change in fair value of derivatives		–	(200)
Unrealised foreign exchange loss on borrowings		106	–
Operating cash flow before working capital changes		27,755	26,377
(Increase) / Decrease in other current assets		(293)	(129)
Increase / (Decrease) in receivables		2,393	(2,017)
(Decrease) / Increase in payables and other liabilities		559	(348)
Increase / Decrease in restricted cash		–	2,310
Cash generated from operating activities		30,414	26,193
Corporate income tax paid		(6,167)	(4,846)
Net cash flows provided by / (used in) operating activities		**24,247**	**21,347**
Cash flows from investing activities			
Interest received		66	108
Acquisitions of subsidiary, net of cash acquired	5	(4,917)	–
Earn out payment acquisition		(118)	(20)
Purchase of buildings, equipment and intangible assets		(3,108)	(3,833)
Proceeds from sale of buildings and equipment		35	47
Net cash flows provided by / (used in) investing activities		**(8,042)**	**(3,698)**
Cash flows from financing activities:			
Net proceeds from / (Repayments of) long term borrowings		(4,179)	27,597
Net proceeds from / (Repayments of) short-term borrowings		1,276	(7,222)
Incurred transaction costs capitalized		(55)	(498)
Dividends paid	23	(11,440)	(34,840)
Receivable waived and additional withholding tax paid		(999)	–
Interest paid		(1,353)	(1,642)
Net cash flows provided by / (used in) financing activities		**(16,750)**	**(16,605)**
Net effect of currency translation in cash		(183)	130
Net (increase) / decrease in cash and cash equivalents		(728)	1,174
Cash and cash equivalents at the beginning of the year		16,654	15,480
Cash and cash equivalents at the end of the year	20	**15,926**	**16,654**

Consolidated statement of changes in equity for the year ended 31 December 2014

	Notes	Attributable to the equity holders of the parent								
		Share capital	**Share premium**	**Statutory reserve**	**Retained earnings**	**Hedge reserve**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total**
		€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
1 January 2014		520	8,262	5,414	15,911	(359)	(2,987)	26,761	274	27,035
Profit for the year		–	–	–	15,983	–	–	15,983	(55)	15,928
Other comprehensive income		–	–	–	–	55	(499)	(444)	–	(444)
Total comprehensive income		**–**	**–**	**–**	**15,983**	**55**	**(499)**	**15,539**	**(55)**	**15,484**
Dividend 2013 paid-out to shareholders	23	–	–	–	(11,440)	–	–	(11,440)	–	(11,440)
Receivable waived and additional withholding tax paid [1]	23	–	–	–	(999)	–	–	(999)	–	(999)
Transfer of statutory reserves [2]		–	–	(4,617)	4,617	–	–	–	–	–
31 December 2014		**520**	**8,262**	**797**	**24,072**	**(304)**	**(3,486)**	**29,861**	**219**	**30,080**

1 In 2014 FEGNV settled withholding tax in respect of the dividend for 2012 paid in 2013. As a consequence thereof, the Company recorded a receivable of € 851 thousand from its shareholders. In November 2014, the Management Board decided to fully waive the receivable from its shareholders. From the fiscal point, waiving the receivable is viewed as a dividend. Therefore an additional dividend filing was made an additional withholding tax of € 148 thousand was paid by the Company. The amount of the waived receivable from shareholders and the additional withholding tax, in total € 999 thousand, was deducted from retained earnings.

2 In 2014 ALICELA and RIVERHILL distributed reserve funds as legislation in the Czech Republic had been changed. Companies are no longer required to maintain a reserve fund.

Consolidated statement of changes in equity for the year ended 31 December 2013

	Notes	Attributable to the equity holders of the parent							Non-controlling interest	Total
		Share capital	Share premium	Statutory reserve	Retained earnings	Hedge reserve	Foreign currency translation reserve	Total		
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2013		520	25,942	5,021	17,369	(367)	468	48,953	–	48,953
Profit for the year		–	–	–	15,617	–	–	15,617	(44)	15,573
Other comprehensive income		–	–	–	–	8	(3,455)	(3,447)	–	(3,447)
Total comprehensive income		**–**	**–**	**–**	**15,617**	**8**	**(3,455)**	**12,170**	**(44)**	**12,126**
Dividend 2012 paid-out to shareholders	23	–	(17,680)	–	(17,160)	–	–	(34,840)	–	(34,840)
Gain on sale of shares in subsidiary[1]		–	–	–	478	–	–	478	–	478
Non-controlling interest arising on a sale of shares in subsidiary[1]		–	–	–	–	–	–	–	318	318
Transfer to statutory reserves		–	–	393	(393)	–	–	–	–	–
31 December 2013		**520**	**8,262**	**5,414**	**15,911**	**(359)**	**(2,987)**	**26,761**	**274**	**27,035**

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

9.1 CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2014 of Fortuna Entertainment Group N.V. ("FEGNV" or "the Parent Company"), comprise the consolidated statements of financial position as at 31 December 2014 and 31 December 2013, respectively, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2014 and 31 December 2013, respectively, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2014 were authorised for issuance on 2 April 2015 in accordance with a resolution of the directors. The Annual General Meeting to approve the financial statements will take place in May 2015.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. An amount of 67.26% of the shares of the Company are held by Fortbet Holdings Limited (formerly AIFELMONA HOLDINGS LIMITED), having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. The remaining 32.74% of the shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

DESCRIPTION OF BUSINESS

Fortuna Entertainment Group ("Fortuna Group" or "the Group") operates in the betting industry under local licences in the Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and Croatia. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey, tennis and basketball. The odds are distributed to customers via retail chains in the Czech Republic, Slovakia and Poland and via online websites in the Czech Republic, Slovakia, Hungary, Croatia and, since January 2012, also in Poland.

In May 2011 Fortuna Group started with commercial sales of scratch tickets and in July 2011 the company launched numerical lottery games within the territory of the Czech Republic.

FEGNV had the following members of its Management and Supervisory Board as at 31 December 2014:

Management Board	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová

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

On 6 June 2014 Wilfred Walsh decided not to continue in his office as a Member of the Management Board. Radim Haluza was appointed as the new Chairman of the Management Board and the Management Board was reduced to three members.

Radim Haluza resigned as a Member of, and the Chairman of, the Management Board effective 30 November 2014. Per Widerström was appointed as a new Member of, and the Chairman of, the Management Board effective 1 December 2014.

The term of office of Marek Šmrha as a Member of the Supervisory Board terminated on 31 March 2014.

9.2 BASIS OF PREPARATION

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

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

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

9.2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

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

At the date of these consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting and lottery industry which are ultimately owned by Penta Investments Limited. The consolidated financial statements were prepared by FEGNV, as the reporting entity, as at 31 December 2014 and include the following entities (together "Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA sázky a.s.[1]
FORTUNA technology s.r.o.[2]
FORTUNA software s.r.o.[3]
Fortunawin Ltd.
Fortunawin Gaming Ltd.[4]
FORTUNA SK, a.s.
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.

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

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

2 Effective 1 July 2014, FORTUNA GAME a.s. acquired 100% of the shares in Intralot Czech s.r.o. In August 2014 Intralot Czech s.r.o. changed its name to FORTUNA technology s.r.o.

3 Effective 1 January 2014, FORTUNA software s.r.o. merged into FORTUNA GAME a.s.

4 Effective 6 June 2014, Fortunawin Gaming Ltd. merged into Fortunawin Ltd.

9.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2014 and 31 December 2013, respectively, are set out below.

9.3.1 Business combinations and goodwill

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

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

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

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

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

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

9.3.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

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

9.3.3 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

9.3.4 Revenue recognition

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

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

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 recognised as the net win or loss on an event, net of tax. Open betting positions, which are accounted for as derivative financial instruments, are carried at fair value and gains and losses arising on these positions are recognised in revenue.

LOTTERY

Scratch cards are not distinguished as derivatives as set out in IAS 39. Revenue (and expenses) are recognised as soon as the scratch cards are sold. Open betting positions are recorded as a liability given the fact that the profit margins are fixed.

Open betting positions for numerical games are accounted for as derivative financial instruments and are carried at fair value and gains and losses arising on these positions are recognised in revenue.

CUSTOMER LOYALTY PROGRAMME AND CLIENT BONUSES

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

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

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 / expense is included in finance income / costs in the statement of profit or loss.

9.3.5 Cash dividend

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

9.3.6 Intangible assets

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

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

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

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

The straight-line amortisation method is used.

	Useful life
Software	3 years

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

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

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

DEVELOPMENT COSTS

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

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

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

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

9.3.7 Property, plant and equipment

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

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

The buildings also include leasehold improvements.

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

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

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

9.3.8 Leases

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

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

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

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

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

9.3.9 Recoverable amount of non-current assets

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

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

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

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

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

9.3.10 Cash and cash equivalents

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

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

9.3.11 Financial assets

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

For the purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

LOANS AND RECEIVABLES

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

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

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. The amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013, respectively.

AVAILABLE-FOR-SALE (AFS) FINANCIAL INVESTMENTS

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. The Group did not have any AFS financial investments during the years ended 31 December 2014 and 2013, respectively.

IMPAIRMENT OF FINANCIAL ASSETS

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

9.3.12 Financial liabilities

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

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS AND BORROWINGS

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

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

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

9.3.13 Derecognition of financial assets and liabilities

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

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

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

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

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

9.3.14 Derivative financial instruments and hedge accounting

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

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

For the purpose of hedge accounting, hedges are classified as:

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

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

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

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

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

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

9.3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare 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.

9.3.16 Provisions

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

Provisions are measured at 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.

9.3.17 Foreign currency translation

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

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

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

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

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

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

9.3.18 Taxation

CURRENT INCOME TAX

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

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

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

DEFERRED TAX

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

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

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

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

TAXES ON BETTING

Czech Republic

According to Czech regulations, a unified 20% tax rate is applied on the Gross Win of the Company. The amount of tax is recognised in "Government taxes and levies" and revenues are stated gross of this tax.

Slovakia

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

Poland

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

9.3.19 Employee benefit plan

PENSION PLAN

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

BONUS PLANS

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

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

9.3.20 Equity instruments

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

9.3.21 Segment Disclosure

For management purposes Fortuna Group is divided into operating segments based on geographical areas and revenue streams (sports betting or lottery). Fortuna Group follows criteria set out by IFRS 8 Operating Segments to determine the 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.

9.3.22 Contingencies

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

9.3.23 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2014:

INVESTMENT ENTITIES – AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies as an investment entity under IFRS 10.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENTS TO IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING – AMENDMENTS TO IAS 39

These amendments provide relief from discontinuing hedge accounting when the novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 LEVIES

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

9.3.24 Future accounting developments

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

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have no effect on the classification and measurement of the Group's financial assets and liabilities.

AMENDMENTS TO IAS 19 DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE

These improvements are effective from 1 July 2014 and do not have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39 as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

AMENDMENTS TO IFRS 11 JOINT ARRANGEMENTS: ACCOUNTING FOR ACQUISITIONS OF INTERESTS

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

JUDGEMENTS

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

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

Recognition of gross versus net revenues

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

ESTIMATES

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

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

Indefinite life intangible assets and goodwill

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

Betting transactions

Betting transactions are measured at the fair value of the consideration received or paid. This is usually the nominal amount of the consideration, however, in relation to unresolved bets for sports betting and lottery the fair value is estimated in accordance with IAS 39 using valuation and probability techniques, taking into account the probability of the future win. Further details are given in notes 3.4.1 and 6. Scratch cards are not distinguished as derivatives as set out in IAS 39. Revenue (and expenses) are recognised as soon as the scratch tickets are sold. Open betting positions are recorded as a liability given the fact that the profit margins are fixed.

Deferred tax

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

Recoverable amount of receivables

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

Provisions

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

9.5.25 Acquisitions in 2014

ACQUISITION OF INTRALOT CZECH

Effective 1 July 2014 the Group acquired 100% of the shares of its supplier Intralot Czech s.r.o in order to gain ownership control over its lottery terminals. In August, Intralot Czech s.r.o. changed its name to FORTUNA technology s.r.o. The Group continues in its cooperation with the former parent company Intralot in the area of software and applications development for the lottery business.

Assets acquired and liabilities assumed

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

€ 000	Fair value recognised on acquisition
Assets	
Intangible assets (note 15)	54
Property, plant and equipment (note 16)	4,231
Current receivables	715
Cash and cash equivalents	52
Liabilities	
Deferred Tax Liability	18
Trade and other payables	65
Total identifiable net assets at fair value	**4,969**
Goodwill arising on acquisition	**–**
Purchase consideration transferred	**4,969**

Property, plant and equipment acquired is the most important asset and includes mostly lottery terminals. The fair value was established using an income approach. The Group will continue to depreciate property, plant and equipment acquired over its remaining useful life.

Current receivables include mostly receivables from FORTUNA sázky. The fair value of the receivables amounts to € 715 thousand. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition, FORTUNA technology s. r. o. has contributed € 0 of revenue and € 233 thousand to profit before tax of the Group. If the combination had taken place at the beginning of the year, Group profit before tax would have been € 21,547 thousand.

Cash flows on acquisition

The Group co-financed the acquisition with a bank debt. Cash transferred net of cash and cash equivalents acquired is included in the statement of cash flows for the year ended 31 December 2014 in the line Acquisitions of subsidiary, net of cash acquired.

9.5.26 Acquisitions in 2013

ACQUISITION OF GAMESTAR

On 25 May 2013, the Group acquired instant lottery operations of Gamestar, a.s., a small company operating in the Czech Republic. In this transaction, the Group acquired licences to operate three instant lottery games within the territory of the Czech Republic which expired 31 December 2013 and intangible assets relating to these instant lottery games. The Group acquired instant lottery operations of Gamestar, a.s. in order to strengthen its market position and expand its distribution channels.

Assets acquired and liabilities assumed

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

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

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

Intangible assets acquired include distribution contracts with Česká pošta, s.p. and České dráhy, a.s. Fair value of both contracts has been estimated by applying a discounted earnings technique and the fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 8.8% p.a.
- Estimated earnings realised via each distribution contract in future periods

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

Cash flows on acquisition

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

Consideration transferred

It was agreed in the purchase agreement with the previous owner, that the purchase price will be settled on a quarterly basis until May 2017 based on actual earnings realised via acquired distribution contracts. As at the acquisition date, the fair value of the contingent consideration was estimated to be CZK 10,586 thousand (€ 387 thousand). The fair value is determined using the discounted earnings technique. Significant unobservable valuation inputs are provided below:

- An assumed discount rate of 8.8% p.a.
- Assumed probability-adjusted earnings of CZK 3,000 thousand per year

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

9.6 SEGMENT INFORMATION

For management purposes, Fortuna Group is organised into business units based on geographical areas, with the following reportable operating segments being distinguished:

- Czech Republic sports betting
- Czech Republic lottery
- Slovakia
- Poland
- Other countries

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The items included in transfer pricing comprise of bookmaking services, general management services and software development services which are primarily borne by Czech entities FORTUNA GAME a.s. and FORTUNA software s. r. o. (FORTUNA software s. r. o. merged into FORTUNA GAME a.s., effective 1 January 2014).

The following tables present revenue and profit information regarding Fortuna Group's operating segments for the years 2014 and 2013, respectively:

Year ended 31 December 2014	€ 000						
	Czech Republic sports betting	**Czech Republic lottery**	**Czech Republic total**	**Slovakia**	**Poland**	**Other countries**	**TOTAL Operating segments**
Revenue	54,065	7,553	**61,618**	28,689	19,333	(23)	**109,617**
Governmental taxes and levies (incl. license fees)	11,060	1,592	**12,652**	–	–	–	**12,652**
Depreciation and amortisation	2,382	656	**3,038**	708	527	65	**4,338**
Operating profit/(loss)	10,557	(299)	**10,258**	12,348	2,539	(1,094)	**24,051**
Capital expenditure	1,558	37	**1,595**	757	756	–	**3,108**
Non-current assets	9,660	4,326	**13,986**	1,185	1,200	32	**16,403**
Operating segment assets	17,746	9,160	**26,906**	9,857	7,419	234	**44,416**
Operating segment liabilities	9,522	2,701	**12,223**	3,229	3,442	336	**19,230**

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

Segment results for each operating segment exclude net finance costs of € 2,737 thousand and € 1,975 thousand for 2014 and 2013 and income tax expense of € 5,386 thousand and € 5,446 thousand for 2014 and 2013, respectively.

In 2014 and 2013 operating profit of Poland includes also the income of € 531 thousand and € 2,712 thousand and expenses of € 95 thousand and € 526 thousand relating to a legal dispute won in Warsaw regarding a VAT overpayment (note 8).

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

Segment assets exclude goodwill of € 45,913 thousand and € 46,415 thousand as at 31 December 2014 and 31 December 2013, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 40,635 thousand and € 43,761 thousand as at 31 December 2014 and 31 December 2013, respectively, and derivatives of € 384 thousand and € 493 thousand as at 31 December 2014 and 31 December 2013, respectively, as these liabilities are managed on a group basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

INFORMATION ABOUT PRODUCTS AND SERVICES

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

Year ended 31 December 2014	€ 000						
	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Malta	TOTAL
Total amounts staked	397,670	16,716	**414,386**	167,730	87,571	2,742	**672,429**
— of which: Sports betting – Bets	393,526	–	**393,526**	158,231	77,060	2,742	**631,559**
— of which: Sports betting – Commissions	4,144	–	**4,144**	9,499	10,511	–	**24,154**
— of which: Lottery – Scratch tickets – Bets	–	12,830	**12,830**	–	–	–	**12,830**
— of which: Lottery – Numerical games – Bets	–	3,886	**3,886**	–	–	–	**3,886**
Paid out prizes	(342,372)	(9,168)	**(351,540)**	(128,374)	(57,192)	(2,717)	**(539,823)**
Gross win	55,298	7,548	**62,846**	39,356	30,379	25	**132,606**
— of which: Sports betting – Online	36,745	–	**36,745**	21,491	8,750	25	**67,011**
— of which: Sports betting – Retail	18,553	–	**18,553**	17,865	21,629	–	**58,047**
— of which: Lottery – Scratch tickets	–	5,821	**5,821**	–	–	–	**5,821**
— of which: Lottery – Numerical games	–	1,727	**1,727**	–	–	–	**1,727**
Withholding tax paid	–	–	**–**	(9,494)	(10,511)	(25)	**(20,030)**
Other revenues	(1,232)	5	**(1,227)**	(1,174)	(535)	(23)	**(2,959)**
Revenue	**54,066**	**7,553**	**61,619**	**28,688**	**19,333**	**(23)**	**109,617**
Governmental taxes and levies	(11,060)	(1,592)	**(12,652)**	–	–	–	**(12,652)**

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

9.7 PERSONNEL EXPENSES

€ 000	2014	2013
Wages and salaries	21,475	20,086
Social security costs	6,103	5,788
Directors' remuneration	32	48
Other payroll costs	672	678
Total	**28,282**	**26,600**
Number of employees in the period:		
Average number of employees	2,514	2,519
Managers	7	7
Staff	2,507	2,512

Remuneration of key management personnel of Fortuna Group		
Wages and salaries	730	837
Social security costs	194	137
Termination benefits	704	–
Total remuneration	**1,628**	**974**

Key management includes country managing directors and Group top management.

9.8 OTHER OPERATING INCOME

€ 000	2014	2013
Gain on sale of fixed assets	24	15
Revenues from rental of real estate	190	372
Reversal of accruals and provisions	–	141
Other income	771	2,827
	985	**3,355**

Other operating income in 2014 and 2013 includes € 531 thousand and € 2 712 thousand which relate to a legal dispute won in Warsaw regarding a VAT overpayment for the period 2005-2008.

9.9 OTHER OPERATING EXPENSES

€ 000	2014	2013
Operating lease expense (Note 29)	12,047	11,814
Materials and office supplies	2,515	2,283
Marketing and advertising	8,111	6,413
Telecommunication costs	1,848	2,148
Energy and utilities	1,365	1,570
Repairs and maintenance	562	623
Taxes and fees to authorities	820	742
Bad debt expense	176	249
IT services	2,867	2,614
Third party services (legal, professional etc.)	7,571	4,945
Travelling and entertainment cost	774	754
Others	2,623	2,156
Total	**41,279**	**36,311**

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

9.10 FINANCE COSTS AND INCOME

€ 000	2014	2013
Interest on bank loans	1,411	1,483
Interest on other debts and borrowings	39	93
Other finance costs	919	738
Financial assets and liabilities at FV through P&L (contingent consideration transferred)	218	–
Foreign exchange losses	274	395
Total finance costs	**2,861**	**2,709**
Interest on bank deposits	66	105
Other finance income receivables	5	12
Financial assets and liabilities at FV through P&L	39	91
Foreign exchange gains	14	526
Total finance income	**124**	**734**
Total finance costs, net	**2,737**	**1,975**

9.11 COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ 000	2014	2013
Movements of other comprehensive income before tax		
Cash flow hedges *Gains/(losses) arising during the year*		
Interest rate swap contracts	70	(1)
Exchange differences on translation of foreign operations		
Gains/(losses) arising during the year	(499)	(3,455)
Total effect on other comprehensive income (before tax)	(429)	(3,456)

Tax effect of components of other comprehensive income		
Cash flow hedges *Gains/(losses) arising during the year*		
Interest rate swap contracts	(15)	9
Total tax effect on other comprehensive income	(15)	9

Exchange differences on translation of foreign operations include translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency, especially Czech entities.

The closing FX rate in 2014 changed from 27.425 CZK/EUR as at 31 December 2013 to 27.725 CZK/EUR as at 31 December 2014 and the average FX rate changed from 25.974 CZK/EUR in 2013 to 27.533 CZK/EUR in 2014.

The closing FX rate in 2013 changed from 25.14 CZK/EUR as at 31 December 2012 to 27.425 CZK/EUR as at 31 December 2013 and the average FX rate changed from 25.143 CZK/EUR in 2012 to 25.974 CZK/EUR in 2013.

9.12 INCOME TAX

The major components of income tax expense are:

€ 000	2014	2013
Current income tax:		
Current income tax charge	5,372	5,617
Prior year adjustments	(92)	196
Deferred tax:		
Relating to origination and reversal of temporary differences	106	(367)
Income tax expense reported in the statement of income	**5,386**	**5,446**

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 2014 and 2013, respectively, is as follows:

€ 000	2014	2013
Accounting profit before income tax	**21,314**	**21,019**
At Dutch statutory income tax rate of 25 % (2013: 25 %)	5,329	5,255
Effect on permanent and other differences	(32)	3
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	–	(66)
Unrecognised tax asset from the tax losses incurred	46	381
Tax non-deductible expenses	1,371	1,010
Non-taxable betting revenues	(9)	(83)
Non-taxable other income	(265)	(211)
Adjustments in respect to current income tax of previous years	(92)	171
Effect of higher/lower tax rates in other countries	(962)	(1,014)
At the effective income tax rate of 25 % (2013: 26%)	**5,386**	**5,446**
Income tax expense reported in the consolidated income statement	5,386	5,446
Total	**5,386**	**5,446**

DEFERRED TAX

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of income	
	As at 31 December 2014	As at 31 December 2013	As at 1 January 2013	2014	2013
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	(5)	1	5	12	(3)
Impairment adjustments and provisions	593	532	429	70	120
Tax losses carried forward	235	438	162	(188)	276
Other	81	95	112	–	(26)
Deferred tax income / (expense)				**(106)**	**367**
Deferred tax asset / (liability)	**904**	**1,066**	**708**		
Reflected in the statement of financial position as follows:					
Deferred tax asset – continuing operations	935	1,066	708		
Deferred tax liability – continuing operations	(31)	–	–		
Deferred tax asset, net	**904**	**1,066**	**708**		

Utilisation of deferred tax asset of € 235 thousand which relates to tax losses carried forward is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and it was recognized based on the management projections of future results.

Unused tax losses for which no deferred tax asset is recognised in the consolidated statement of financial position are of € 201 thousand and they expire in 2020.

Reconciliation of deferred tax asset:

€ 000	2014	2013
Opening balance as at 1 January	1,066	708
Tax income (expense) during the period recognised in profit or loss	(93)	367
Tax income (expense) during the period recognised in equity	(15)	9
Currency translation	(23)	(18)
Closing balance 31 December	**935**	**1,066**

Reconciliation of deferred tax liability:

€ 000	2014	2013
Opening balance as at 1 January	–	–
Deferred tax liability acquired as part of subsidiary	18	
Tax income (expense) during the period recognised in profit or loss	13	–
Closing balance 31 December	**31**	**–**

9.13 EARNINGS PER SHARE

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

There were no dilutive potential ordinary shares at 31 December 2014 and 2013, respectively. Basic and diluted earnings per share were the same. The following reflects the income and share data used in the basic and diluted earnings per share computations:

€ 000	2014	2013
Net profit attributable to ordinary equity holders of the parent from continuing operations	15,983	15,617
Net profit attributable to ordinary equity holders of the parent for earnings per share calculation	**15,983**	**15,617**
Weighted average number of ordinary shares for earnings per share calculation	52,000,000	52,000,000

Statement of profit or loss / €	2014	2013
Basic and diluted earnings per share from continuing operations	0.307	0.300

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

9.14 GOODWILL

	€ 000
At 1 January 2014	**46,415**
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Disposal of subsidiaries	–
Currency translation	(502)
At 31 December 2014	**45,913**

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

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

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

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

The cash flow projection covers a period of five years (2013: 6 years) and are discounted using the pre-tax discount rate of 11.41% (2013: 10.58%) for the Czech Republic. The valuation model used an average annual operating cash-flow growth rate of 3% for the next five years and growth of 3% per annum in subsequent years, which is currently the estimated growth for the betting business.

As at 31 December 2014 and 2013, respectively, Fortuna Group has not identified any impairment indicators of the recognised goodwill.

The carrying amount of goodwill has been allocated as follows:

CARRYING AMOUNT OF GOODWILL ALLOCATED TO SEGMENTS

€ 000	31.12.2014	31.12.2013
Czech Republic – sports betting	45,913	46,415
Total	**45,913**	**46,415**

Fortuna Group annually tests goodwill 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.

9.15 INTANGIBLE ASSETS

€ 000	Software	Brand name	Other intangible fixed assets	Total
Cost:				
At 1 January 2014	**5,607**	**5,963**	**695**	**12,265**
Additions	658	–	222	880
Disposals	(12)	–	(2)	(14)
Additions arising on acquisition of subsidiaries	54	–	–	54
Disposals arising on disposal of subsidiaries	–	–	–	–
Transfers	–	–	–	–
Currency translation	(61)	(64)	(8)	(133)
At 31 December 2014	**6,246**	**5,899**	**907**	**13,052**
Accumulated amortisation:				
At 1 January 2014	**3,243**	**–**	**172**	**3,415**
Amortisation for the year	1,296	–	150	1,446
Disposals	(14)	–	(3)	(17)
Transfers	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–
Currency translation	(42)	–	(3)	(45)
At 31 December 2014	**4,483**	**–**	**316**	**4,799**
Carrying amount at 31 December 2014	**1,763**	**5,899**	**591**	**8,253**
Carrying amount at 1 January 2014	**2,364**	**5,963**	**523**	**8,850**

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

Upon the acquisition of the subsidiary Fortuna sázková kancelář a.s. (merged with FORTUNA GAME a.s., effective 1 January 2012), the Consolidated Group recognised 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 on the market in the Czech Republic since 1990.

The intangible is not amortised and is tested for impairment at year-end. The carrying amount of the intangible asset was € 5,899 thousand as at 31 December 2014 (2013: € 5,963 thousand). The movement in the carrying amount represents a foreign exchange loss due to the depreciation of the Czech crown against the euro. The brand name was pledged as a security for bank loans (note 26).

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

The cash flow projection covers a period of five years (2012: 6 years) and is discounted using the pre-tax discount rate of 11.41% (2013: 10.58%) for the Czech Republic. The valuation model used an average annual operating cash-flow growth rate of 3% for the next five years and growth of 3% per annum in subsequent years, which is currently the estimated growth for the betting business.

Sensitivity to changes in assumptions

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

9.16 PROPERTY, PLANT AND EQUIPMENT

€ 000	Land and buildings	Plant and equipment	Other assets	Assets not yet in use	Total
Cost:					
At 1 January 2014	**2,235**	**15,722**	**–**	**384**	**18,341**
Additions	–	231	–	1,997	2,228
Disposals	(114)	(1,031)	–	(6)	(1,151)
Additions arising on acquisition of subsidiaries	–	4,231	–	–	4,231
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Transfers	53	1,742	–	(1,795)	–
Currency translation	(27)	(254)	–	(8)	(289)
At 31 December 2014	**2,147**	**20,641**	**–**	**572**	**23,360**
Accumulated depreciation:					
At 1 January 2014	**1,401**	**12,167**	**–**	**–**	**13,568**
Depreciation charge for the year	175	2,717	–	–	2,892
Disposals	(114)	(963)	–	–	(1,077)
Transfers	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Currency translation	(15)	(158)	–	–	(173)
At 31 December 2014	**1,447**	**13,763**	**–**	**–**	**15,210**
Carrying amount at 31 December 2014	**700**	**6,878**	**–**	**572**	**8,150**
Carrying amount at 1 January 2014	**834**	**3,555**	**–**	**384**	**4,773**

€ 000	Land and buildings	Plant and equipment	Other assets	Assets not yet in use	Total
Cost:					
At 1 January 2013	**2,324**	**15,412**	**–**	**720**	**18,456**
Additions	–	186	–	1,948	2,134
Disposals	(40)	(1,266)	–	(61)	(1,367)
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Transfers	100	2,077	–	(2,177)	–
Currency translation	(150)	(687)	–	(46)	(883)
At 31 December 2013	**2,234**	**15,722**	**–**	**384**	**18,340**
Accumulated depreciation:					
At 1 January 2013	**1,364**	**11,155**	**–**	**–**	**12,519**
Depreciation charge for the year	171	2,677	–	–	2,848
Disposals	(38)	(1,189)	–	–	(1,227)
Transfers	–	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Currency translation	(97)	(476)	–	–	(573)
At 31 December 2013	**1,400**	**12,167**	**–**	**–**	**13,567**
Carrying amount at 31 December 2013	**834**	**3,555**	**–**	**384**	**4,773**
Carrying amount at 1 January 2013	**960**	**4,257**	**–**	**720**	**5,937**

9.17 CURRENT RECEIVABLES

€ 000	31.12.2014	31.12.2013
Current receivables		
Receivables from related parties	50	84
Advance payments and deposits	563	382
Other receivables (current)	1,336	3,882
Total	**1,949**	**4,348**

For terms and conditions relating to related party receivables, refer to note 28.

Other receivables include receivables from cash shortages from former or current employees in the Czech Republic and Slovakia, which are stated net of a provision of € 932 thousand in 2014 (2013: € 894 thousand).

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

As at 31 December 2014, the provision for impairment of trade receivables (excluding receivables from employees mentioned above) amounted to € 35 thousand (2013: € 45 thousand). See the table below for the movements in the provision for impairment of receivables.

Movement in the provision for impairment of trade receivables	Individually impaired € 000
At 1 January 2014	**45**
Amount written off during the year	(2)
Amounts recovered during the year	(13)
Charge for the year	5
Currency translation	–
At 31 December 2014	**35**
At 1 January 2013	**53**
Amount written off during the year	(6)
Amounts recovered during the year	(35)
Charge for the year	37
Currency translation	(4)
At 31 December 2013	**45**

The following table relates to the ageing of current receivables. As at 31 December 2014 and 2013, respectively, most of the receivables were neither past due nor impaired.

€ 000	Neither past due nor impaired	Past due but not impaired					Total
		<30 days	31-60 days	61-90 days	91-180 days	>181 days	
31 December 2014	1,772	33	6	0	13	125	1,949
31 December 2013	4,118	40	10	1	57	122	4,348

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

9.18 OTHER ASSETS

Other non-current assets	31.12.2014 € 000	31.12.2013 € 000
Receivables from related parties	35	–
Advance payments and security deposits	1,772	1,720
Other	200	270
Total	**2,007**	**1,990**

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

Other current assets	31.12.2014 € 000	31.12.2013 € 000
Goods for sale	86	89
Other inventory	37	40
Prepayments	2,257	2,039
Total	**2,380**	**2,168**

Prepayments consist mostly of prepaid rent on Fortuna branches.

9.19 RESTRICTED CASH

€ 000	31.12.2014	31.12.2013
Restricted cash	4,718	4,761

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

9.20 CASH AND CASH EQUIVALENTS

€ 000	31.12.2014	31.12.2013
Cash at bank	13,167	14,374
Cash in hand and in transit	2,759	2,280
Cash and cash equivalents	**15,926**	**16,654**

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

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

Fortuna Group has pledged € 12,666 thousand of its cash in bank deposits as security for bank loans (2013: € 14,123 thousand).

9.21 DERIVATIVES

As of 31 December 2014, Fortuna Group held interest rate swaps with a notional amount of € 18,314 thousand which are designated as cash flow hedges (2013: € 20,596 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates.

Interest rate swaps / € 000	31.12.2014 Liabilities	31.12.2013 Liabilities
Cash flow hedge	384	453
Held for trading	–	40
Total	**384**	**493**

9.22 ISSUED CAPITAL AND RESERVES

AUTHORISED SHARES

	2014 # of shares thousands	2013 # of shares thousands
Ordinary shares of € 0.01 each	250,000	250,000
Total	**250,000**	**250,000**

ORDINARY SHARES ISSUED AND FULLY PAID

	# of shares thousands	Par value per share €	Share capital € 000
At 31 December 2014	52,000	0.01	520
At 31 December 2013	52,000	0.01	520

SHARE PREMIUM

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

STATUTORY RESERVE

In accordance with the commercial law in the Czech Republic (until 31 December 2013) and Slovakia, companies have been required to form an undistributable statutory reserve for contingencies against possible future losses and other events.

Until 31 December 2013, in the Czech Republic, contributions were at least 20% of after-tax profit in the first year in which profits were made and 5% of after-tax profit for each subsequent year, unless the fund reached at least 20% of share capital. The fund could only be used to offset losses. Since 2014, with the new legislation in place, this obligation was cancelled. As a consequence, ALICELA a.s. and RIVERHILL a.s. transferred statutory reserves to the retained earnings.

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

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

HEDGE RESERVE

The net loss on cash flow hedges recognised in equity was € 384 thousand, net of tax effect of € 80 thousand, i.e. € 304 thousand (2012: € 453 thousand, net of tax effect of € 94 thousand, i.e. € 359 thousand).

NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

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

9.23 DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 6 June 2014 in Amsterdam approved the Management Board's proposal to pay out a gross dividend of € 0.22 in cash per share for the financial year 2013. The actual payment of the dividend occurred on 26 June 2014.

The paid dividend represented approximately 73.5% of the net profit (consolidated accounts) of 2013 and it was in accordance with the communicated dividend policy – the dividend pay-out ratio is 70-100% of the net profit (consolidated accounts).

Declared and paid during the year:	2014 € 000	2013 € 000
Dividend for 2012 paid in 2013	–	34,840
Dividend for 2013 paid in 2014	11 440	–
Total	**11,440**	**34,840**

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

9.24 FAIR VALUES

FAIR VALUE HIERARCHY

As at 31 December 2014 and 2013, respectively, Fortuna Group had derivative contracts (interest rate swaps) measured at a fair value of € 384 thousand (liability), and € 493 thousand (liability) respectively, and open bets, which are also regarded as derivative contracts, at a fair value of € 444 thousand (liability), and € 444 thousand (liability), respectively.

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

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

As at 31 December 2014, the Group held the following financial instruments measured at fair value:

Financial instruments	31 December 2014 € 000	Level 1 € 000	Level 2 € 000	Level 3 € 000
Interest rate swaps	(384)	–	(384)	–
Open bets	(444)	–	–	(444)
Jackpot provision	(523)	–	–	(523)

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

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

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

Jackpot provision is recognised in fair value as derivative and is classified as long-term provision (note 25).

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

31 December 2014	Carrying amount € 000	Fair value € 000
Assets		
Restricted cash	4,718	4,718
Other non-current assets	2,007	2,007
Current receivables	1,949	1,949
Other current assets	2,380	2,380
Cash and cash equivalents	15,926	15,926
Liabilities		
Long-term bank loans	35,182	35,182
Other non-current liabilities	35	35
Trade and other payables	15,700	15,700
Current portion of long-term bank loans	5,453	5,453
Derivatives	384	384
Other current financial liabilities (includes open bets)	449	449

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

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

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

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

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, the 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 2014 and 2013, respectively, 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.

9.25 PROVISIONS

€ 000	Employee bonuses	Jackpot	Other provisions	Total
At 1 January 2014	**865**	**447**	**29**	**1,341**
Arising during the year	1,546	82	19	1,647
Utilised	(982)	–	(27)	(1,009)
Discount rate adjustment	–	–	–	–
Acquisition of a subsidiary	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Currency translation	(16)	(6)	–	(22)
At 31 December 2014	**1,413**	**523**	**21**	**1,957**
Short-term part of the provision	1,347	–	19	1,366
Long-term part of the provision	66	523	2	591
At 31 December 2014	**1,413**	**523**	**21**	**1,957**

€ 000	Employee bonuses	Jackpot	Other provisions	Total
At 1 January 2013	**530**	**345**	**12**	**887**
Arising during the year	840	138	33	1,011
Utilised	(462)	–	(16)	(478)
Discount rate adjustment	–	–	–	–
Acquisition of a subsidiary	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Currency translation	(43)	(36)	–	(79)
At 31 December 2013	**865**	**447**	**29**	**1,341**
Short-term part of the provision	805	–	29	834
Long-term part of the provision	60	447	–	507
At 31 December 2013	**865**	**447**	**29**	**1,341**

EMPLOYEE BONUSES

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

PROVISION FOR JACKPOT

Jackpot provision is accounted for at fair value as derivative. As this financial instrument is not quoted on an active market and no observable data is available, the fair value of this financial instrument is 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. It is accrued at each draw taking into account the long-term pay-out ratio.

9.26 BANK LOANS

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

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2014 € 000
Facility A	CZK	3M PRIBOR + 2.00%	shares of the subsidiary companies RIVERHILL a.s., ALICELA a.s., FORTUNA GAME a.s. and FORTUNA SK, a.s., 1/3 of shares in FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.; pledge on bank accounts of FORTUNA GAME a.s., FORTUNA SK, a.s. and FORTUNA Online Zaklady Bukmacherskie Sp. z o.o., brand name FORTUNA, registered trademarks, FORTUNA GAME and Alicela enterprises	June 2018	10,729
Facility A2	EUR	3M EURIBOR + 2.00%		June 2018	4,350
Facility A	EUR	3M EURIBOR + 2.00%		June 2018	6,538
Facility B	CZK	3M PRIBOR + 2.25%		June 2019	10,098
Facility B	EUR	3M EURIBOR + 2.25%		June 2019	8,920
of which current portion					5,453
Total long-term loans					**35,182**

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2013 € 000
Facility A	CZK	3M PRIBOR + 2.25%	shares of the subsidiary companies RIVERHILL a.s., ALICELA a.s., FORTUNA GAME a.s. and FORTUNA SK, a. s.; pledge on bank accounts of FORTUNA GAME a. s., FORTUNA SK, a. s. and FORTUNA Online Zaklady Bukmacherskie Sp. z o. o., brand name FORTUNA and registered trademarks	June 2018	13,534
Facility A	EUR	3M EURIBOR + 2.25%		June 2018	8,137
Facility B	CZK	3M PRIBOR + 2.50%		June 2019	10,198
Facility B	EUR	3M EURIBOR + 2.50%		June 2019	8,912
Revolving facility	CZK	3M PRIBOR + 2.25%		June 2018	2,980
of which current portion					4,243
Total long-term loans					**39,518**

At 31 December 2014, Fortuna Group had undrawn committed borrowing facilities of € 5,000 thousand (2013: € 2,000 thousand) for which all conditions set had been met.

At 31 December 2014 Fortuna Group was in compliance with bank loan covenants.

9.27 TRADE AND OTHER PAYABLES (CURRENT)

€ 000	31.12.2014	31.12.2013
Trade and other payables (current)		
Trade accounts and notes payable	1,395	2,641
Payables to related parties	36	35
Earn out liability	462	367
Wages and salaries payable	2,270	1,324
Social security and health contributions payable	796	706
Taxation on earning from betting and others	3,887	4,821
Unpaid wins	2,805	2,887
Other deferred income and accrued expenses	3,566	2,813
Received deposits	3	10
Other payables and estimated accounts payable	480	452
Total	**15,700**	**16,056**

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

9.28 RELATED PARTY DISCLOSURES

The consolidated financial statements include the following companies:

Consolidated entities	Country of incorporation	Nature of activity
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA sázky a.s.	Czech Republic	Lottery
FORTUNA technology s.r.o.	Czech Republic	Lottery
FORTUNA Online Zakłady Bukmakerskie Sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
Fortunawin Ltd.	Malta	Sports betting

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

Consolidated statement of financial position / € 000	**31.12.2014**	**31.12.2013**
Receivables from related parties		
Digital Park Einsteinova, a.s.	85	84
Total receivables from related parties	**85**	**84**
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s..	19	16
AB Facility, s.r.o.	1	1
Avis Accounting BV	2	4
Penta Investments Limited, Jersey	14	14
Total payables to related parties	**36**	**35**
Cash in related parties		
Privatbanka, a.s.	1,911	3,757
Total cash in related parties	**1,911**	**3,757**

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

Consolidated statement of profit or loss / € 000	**2014**	**2013**
Financial income from related parties		
Privatbanka, a.s.	11	1
Total financial income from related parties	**11**	**1**
Financial expense from related parties		
Privatbanka, a.s.	1	3
Total financial expense from related parties	**1**	**3**
Purchases from related parties		
DÔVERA zdravotná poisťovňa, a.s.	161	149
Digital Park Einsteinova, a.s.	128	151
AB Facility, s.r.o.	8	8
Avis Accounting BV	26	22
Predict Performance Improvement Ltd	74	146
Total purchases from related parties	**397**	**476**

All the above mentioned companies are part of Penta Group and the sales to and purchases from related parties are conducted at normal market prices. Outstanding balances at year-end are unsecured, and interest-free, with the settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the years ended 31 December 2014 and 2013, respectively, Fortuna Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates.

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

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

SHARES HELD BY THE MANAGEMENT

As at 31 December 2014 members of the Supervisory Board held 5,253 shares, representing 0.01% of the aggregate voting rights. Apart from as outlined by the information provided above, no other member of the Management Board, the Supervisory Board and the key management owns any shares in FEGNV.

As at 31 December 2013 key management held 4,000 shares of FEGNV, representing 0.008% of the aggregate voting rights and members of the Supervisory Board held 5,253 shares, representing 0.01% of the aggregate voting rights.

9.29 COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS – THE GROUP AS LESSEE

Operating leases mainly relate to buildings with lease terms of between three to 10 years. All operating lease contracts contain market review clauses for the case in which Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets upon the expiry of the lease period.

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

	2014	2013
Instalments due within one year	5,024	5,918
Instalments due between two and five years	7,988	4,881
Instalments due after more than five years	3,008	8
Operating lease expense (note 9)	(12,047)	(11,814)

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

FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

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

9.30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

MARKET RISK

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2014 and 2013, respectively.

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 2014 and 2013, respectively.

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 2014 and 2013, respectively including the effect of hedge accounting

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

INTEREST RATE RISK

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

Fortuna Group manages the interest rate risk by having a portfolio of fixed and variable rate loans. Fortuna Group's policy for the year ended 31 December 2014 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 referring to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2014, after taking into account the effect of the interest rate swaps eligible for hedge accounting, 45% (2013: 47%) of Fortuna Group's borrowings were at a fixed rate of interest

FOREIGN CURRENCY RISK

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

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

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

CREDIT RISK

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

In relation to its core business substance, Fortuna Group's exposure to credit risk is limited since the vast majority of sales are carried out on the basis of prepayments made by customers. A marginal part of the pre-payments is executed with the use of credit cards, where management adopts monitoring and credit control policy which minimises 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 the 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 the continuity of funding and flexibility through the use of borrowings with a range of maturities.

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2014, there were undrawn committed borrowing facilities of € 5,000 thousand (2013: € 2,000 thousand). Total committed facilities had an average maturity of 4 years in 2014 (2013: 5 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 bank cash when and if needed.

LIQUIDITY RISK PROFILE

The table below summarises the maturity profile of Fortuna Group's financial liabilities at 31 December 2014 and 2013, respectively, based on contractual undiscounted payments:

As at 31 December 2014	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	15,700	–	–	–	15,700
Bank loans (including swaps)	6,716	12,773	25,096	–	44,585
Other non-current liabilities	449	–	–	–	449
	22,865	**12,773**	**25,096**	**–**	**60,734**

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

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):

	Increase/(decrease) in interest rate by	Effect on profit before tax € 000	Effect on other comprehensive income € 000
2014			
CZK	1% / (1%)	(104) / 104	85 / (85)
EUR	1% / (1%)	(121) / 121	61 / (61)
		(225) / 225	**146 / (146)**
2013			
CZK	1% / (1%)	(148) / 148	254 / (254)
EUR	1% / (1%)	(85) / 85	116 / (116)
		(233) / 233	**370 / (370)**

FOREIGN CURRENCY RISK SENSITIVITY

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

Increase/decrease in exchange rate by 1%	(Decrease)/increase in equity € 000
As of 31 December 2014:	
CZK/EUR	(224) / 224
PLN/EUR	(6) / 6
As of 31 December 2013:	
CZK/EUR	(237) / 237
PLN/EUR	(46) / 46

Impact of changes in exchange rates on the profit or loss statement is immaterial.

CAPITAL MANAGEMENT

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

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

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

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

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

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

€ 000	31.12.2014	31.12.2013
Interest bearing loans and borrowings:		
Long-term loans	35,182	39,518
Current portion of long-term loans	5,453	4,243
Short-term loans	–	–
	40,635	**43,761**
Less cash and cash equivalents	15,926	16,654
Net debt	**24,709**	**27,107**

€ 000	2014	2013
Profit before taxation from continuing operations	21,314	21,019
Finance costs, net	2,737	1,975
Goodwill impairment	–	–
Depreciation and amortisation	4,338	3,682
EBITDA	28,390	26,676
Gearing ratio	**0.87**	**1.02**

9.31 EVENTS AFTER THE BALANCE SHEET DATE

The Company announced in March 2015 that its dividend policy is under review and the guidance is for a substantial reduction of the dividend pay-out due to investments into future growth. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2015.

Amsterdam, 2 April 2015

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

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

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

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

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

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

10

Corporate Financial Statements of Fortuna Entertainment Group N.V.

As at 31 December 2014

CONTENTS

Statement of financial position as at 31 December 2014

€ 000	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Non-current assets			
Intangible assets	5	29	88
Property, plant and equipment	6	2	4
Investments in subsidiaries	7	179,007	181,193
Other non-current assets	8	3	9
Total non-current assets		**179,041**	**181,294**
Current assets			
Receivables from related parties	20	13,583	9,124
Prepayments and other current assets	9	40	100
Cash and cash equivalents	10	65	10
Total current assets		**13,688**	**9,234**
TOTAL ASSETS		**192,729**	**190,528**
EQUITY AND LIABILITIES			
Shareholders' equity	**11**		
Share capital		520	520
Share premium		115,705	115,705
Retained earnings		13,611	8,629
Profits for the year		18,259	17,421
Total Equity		**148,095**	**142,275**
Non-current liabilities			
Loans from group companies	12, 20	16,432	46,519
Total non-current liabilities		**16,432**	**46,519**
Current liabilities			
Creditors	13	15	30
Loans from group companies	12, 20	27,801	1,256
Payables to related parties	20	326	347
Accruals and other current liabilities	14	60	101
Total current liabilities		**28,202**	**1,734**
EQUITY AND LIABILITIES		**192,729**	**190,528**

Statement of profit or loss for the year ended 31 December 2014

€ 000	Notes	2014	2013
Dividend income	15	22,561	18,927
Net royalty income		3	2
Revenues		**22,564**	**18,929**
Personnel expenses	16	(54)	(86)
Depreciation and amortisation	5, 6	(61)	(62)
Other operating expenses	17	(2,983)	(1,638)
Operating profit		**19,466**	**17,143**
Finance income	18	176	2,061
Finance cost	19	(1,383)	(1,783)
Profit before tax		18,259	17,421
Income tax expense		–	–
Net profits for the year		**18,259**	**17,421**

Statement of cash flows for the year ended 31 December 2014

€ 000	2014	2013
Cash flows from operating activities		
Profit before tax	18,259	17,421
Adjustments for:		
Depreciation and amortisation	61	62
Impairment of investment in subsidiary	2,446	1,310
Non-cash finance income	(172)	–
Interest expense	1,379	–
Operating cash flow before working capital changes	21,973	18,793
(Increase) / Decrease in other current assets	60	(1,204)
(Increase) / Decrease in receivables	(4,459)	–
(Decrease) / Increase in payables and other liabilities	(77)	106
Cash generated from operating activities	17,497	17,695
Corporate income tax paid	–	–
Net cash flows provided by / (used in) operating activities	**17,497**	**17,695**
Cash flows from investing activities		
Purchase of equipment and intangible fixed assets	–	–
Proceeds / (Acquisition) of financial fixed assets	(254)	(345)
Net cash flows provided by / (used in) investing activities	**(254)**	**(345)**
Cash flows from financing activities:		
Proceeds from borrowings	(4,749)	17,425
Return of share premium	–	(17,680)
Dividend paid	(11,440)	(17,160)
Receivable waived and additional withholding tax paid	(999)	–
Net cash flows (used in)/provided by financing activities	**(17,188)**	**(17,415)**
Net increase / (decrease) in cash and cash equivalents	55	(65)
Cash and cash equivalents at the beginning of the year	10	75
Cash and cash equivalents at the end of the year	**65**	**10**

In 2014 FEGNV received dividends of € 18,125 thousand and in 2013 of € 17,278 thousand.

Statement of changes in equity for the year ended 31 December 2014

€ 000	Share capital	Share premium	Retained earnings	Total
At 31 December 2012	**520**	**133,385**	**25,789**	**159,694**
Dividend paid	–	–	(17,160)	(17,160)
Repayment share premium	–	(17,680)	–	(17,680)
Profits for the year	–	–	17,421	17,421
At 31 December 2013	**520**	**115,705**	**26,050**	**142,275**
Dividend paid	–	–	(11,440)	(11,440)
Receivable waived and additional withholding tax paid [1]	–	–	(999)	(999)
Profits for the year	–	–	18,259	18,259
At 31 December 2014	**520**	**115,705**	**31,870**	**148,095**

1 In 2014 FEGNV settled withholding tax in respect of the dividend for 2012 paid in 2013. As a consequence thereof, the Company recorded a receivable of € 851 thousand from its shareholders. In November 2014, the Management Board decided to fully waive the receivable from its shareholders. From the fiscal point, waiving the receivable is viewed as a dividend. Therefore an additional dividend filing was made and additional withholding tax of € 148 thousand was paid by the Company. The amount of the waived receivable from shareholders and additional withholding tax, a total of € 999 thousand, was deducted from retained earnings.

10.1 CORPORATE INFORMATION

The statutory financial statements for the year ended 31 December 2014 of Fortuna Entertainment Group N.V. ("FEGNV"), comprise of the statements of financial position as at 31 December 2014 and 31 December 2013, respectively, the statements of profit or loss, statements of changes in equity and statements of cash flows for the years ended 31 December 2014 and 31 December 2013, respectively, and a summary of significant accounting policies and other explanatory notes.

The financial statements of FEGNV for the year ended 31 December 2014 were authorised for issuance in accordance with a resolution of the Directors on 2 April 2015. The Annual General Meeting to approve the financial statements will take place in May 2015.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67.26% of the shares of the Company are held by Fortbet Holdings Limited, having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. The remaining 32.74% of shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

DESCRIPTION OF BUSINESS

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in the Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and Croatia. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via retail chains in the Czech Republic, Slovakia and Poland and via online websites in the Czech Republic, Slovakia, Hungary and Croatia, and, since January 2012, also in Poland.

FEGNV had the following members of its Management and Supervisory Boards as at 31 December 2014:

Management Board	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová

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

On 6 June 2014 Wilfred Walsh decided not to continue in his office as a Member of the Management Board. Radim Haluza was appointed as the new Chairman of the Management Board and the Management Board was reduced to three members.

Radim Haluza resigned as a Member of, and as the Chairman of, the Management Board, effective 30 November 2014. Per Widerström was appointed as a new Member of, and as the Chairman of, the Management Board, effective 1 December 2014.

The term of office of Marek Šmrha as a Member of the Supervisory Board terminated on 31 March 2014.

10.2 BASIS OF PREPARATION

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

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

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

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

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2014 are set out below.

10.3.1 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. The straight-line amortisation method is used.

	Useful life
Software	5 years

10.3.2 Property, plant and equipment

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

	Useful life
Office furniture and equipment	5 years

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

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

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

10.3.3 Recoverable amount of non-current assets

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

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

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

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

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

10.3.4 Cash at bank

Cash and cash equivalents in the statement of financial position represent bank balances and are carried at face value.

10.3.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost less a provision for impairment, if any.

10.3.6 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. FEGNV determines the classification of its financial assets on initial recognition.

Trade receivables are generally accounted for at amortised cost. FEGNV reviews indicators of impairment on an ongoing basis and, where indicators exist, FEGNV makes an estimate of the assets' recoverable amounts.

10.3.7 Financial liabilities

Financial liabilities comprise interest bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, FEGNV has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of profit or loss. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of profit or loss.

10.3.8 De-recognition of financial assets and liabilities

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

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

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

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

10.3.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

10.3.10 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

10.3.11 Foreign currency translation

The presentation and functional currency of FEGNV is the Euro ("EUR" or "€").

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

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

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

10.3.12 Expenses

Costs and expenses are allocated to the year to which they relate. Losses are recognised in the year in which they are identified.

10.3.13 Contingencies

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

10.3.14 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2014:

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENTS TO IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on FEGNV.

NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING – AMENDMENTS TO IAS 39

These amendments provide relief from discontinuing hedge accounting when the novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on FEGNV as FEGNV has not novated its derivatives during the current or prior periods.

IFRIC 21 LEVIES

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on FEGNV as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on FEGNV.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on FEGNV, since FEGNV is an existing IFRS preparer.

10.3.15 Future accounting developments

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

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have no effect on the classification and measurement of FEGNV's financial assets and liabilities.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE

These improvements are effective from 1 July 2014 and are not expected to have a material impact on FEGNV. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. FEGNV is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

AMENDMENTS TO IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in separate financial statements, the adopter will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on FEGNV's financial statements.

10.4 USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

JUDGEMENTS

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

ESTIMATES

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

Recoverable amounts 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.

10.5 INTANGIBLE ASSETS

€ 000	Software	Total
Cost:		
As at 1 January 2014	**303**	**303**
Additions	–	–
Disposals	–	–
As at 31 December 2014	**303**	**303**
Accumulated amortisation:		
As at 1 January 2014	**215**	**215**
Additions	59	59
As at 31 December 2014	**274**	**274**
Carrying amount at 31 December 2014	**29**	**29**
Carrying amount at 1 January 2014	**88**	**88**

€ 000	Software	Total
Cost:		
As at 1 January 2013	**303**	**303**
Additions	–	–
Disposals	–	–
As at 31 December 2013	**303**	**303**
Accumulated amortisation:		
As at 1 January 2013	**154**	**154**
Additions	61	61
As at 31 December 2013	**215**	**215**
Carrying amount at 31 December 2013	**88**	**88**
Carrying amount at 1 January 2013	**149**	**149**

The Company entered into a contract with Virtual Racing Systems Limited, a supplier of software. The contract has a duration of 5 years, resulting in an amortisation rate of 20%.

10.6 PROPERTY, PLANT AND EQUIPMENT

€ 000	Plant and equipment	Other assets	Total
Cost:			
As at 1 January 2014	**–**	**9**	**9**
As at 31 December 2014	**–**	**9**	**9**
Accumulated amortisation:			
As at 1 January 2014	**–**	**5**	**5**
Additions	–	2	2
Disposals	–	–	–
As at 31 December 2014	**–**	**7**	**7**
Carrying amount at 31 December 2014	**–**	**2**	**2**
Carrying amount at 1 January 2014	**–**	**4**	**4**

€ 000	Plant and equipment	Other assets	Total
Cost:			
As at 1 January 2013	**–**	**9**	**9**
As at 31 December 2013	**–**	**9**	**9**
Accumulated amortisation:			
As at 1 January 2013	**–**	**4**	**4**
Additions	–	1	1
Disposals	–	–	–
As at 31 December 2013	**–**	**5**	**5**
Carrying amount at 31 December 2013	**–**	**4**	**4**
Carrying amount at 1 January 2013	**–**	**5**	**5**

Depreciation started in 2011; the depreciation rate of office furniture and equipment is set to 20%.

10.7 INVESTMENTS IN SUBSIDIARIES

FEGNV held the following subsidiaries as at 31 December 2014:

Entity name	Country of incorporation	Percentage held	Principal Activity	Historic cost € 000	Carrying amount € 000
Cost:					
(i) Fortunawin Ltd	Malta	100%	Entertainment	3,756	–
(ii) RIVERHILL a.s.	Czech Republic	100%	Holding	105,977	105,977
(iii) FORTUNA SK, a.s.	Slovak Republic	100%	Entertainment	70,000	70,000
(iv) FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.	Poland	33.33%	Entertainment	3,030	3,030
				182,763	**179,007**

MOVEMENTS IN INVESTMENTS IN SUBSIDIARIES

Movements 2014		As at 1.1.2014 € 000	Acquisition share capital € 000	Additions share premium € 000	Impairment € 000	As at 31.12.2014 € 000
Cost:						
(i)	Fortunawin Ltd	2,186	–	260	(2,446)	–
(ii)	RIVERHILL a.s.	105,977	–	–	–	105,977
(iii)	FORTUNA SK, a.s.	70,000	–	–	–	70,000
(iv)	FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.	3,030	–	–	–	3,030
As at 31 December 2014		**181,193**	**–**	**260**	**(2,446)**	**179,007**

Movements 2013		As at 1.1.2013 € 000	Acquisition share capital € 000	Additions share premium € 000	Impairment € 000	As at 31.12.2013 € 000
Cost:						
(i)	Fortunawin Ltd	3,145	–	351	(1,310)	2,186
(ii)	RIVERHILL a.s.	105,977	–	–	–	105,977
(iii)	FORTUNA SK, a.s.	70,000	–	–	–	70,000
(iv)	FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.	3,030	–	–	–	3,030
As at 31 December 2013		**182,152**	**–**	**351**	**(1,310)**	**181,193**

(i) Fortunawin Limited

On 4 December 2009 the Company founded Fortunawin Ltd, based in Malta. In 2010, the company obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, Fortunawin Ltd applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective May 25, 2011, for a period of 5 years.

At 31 December 2014 the shares are divided as follows:

Shareholder	% held	# of shares	Nominal value per share / €	Total / €
Fortuna Entertainment Group N.V.	100%	20,000	10	200,000
Total	**100%**	**20,000**		**200,000**

In 2014, basing its decision on the continuous losses of Fortunawin Limited, the management decided to impair the investment to zero.

In 2013, impairment was recognised with the carrying amount of the investment exceeding its recoverable amount by € 1,310 thousand.

(ii) RIVERHILL a.s.

On 17 December 2009 the Company acquired 100% of the registered capital of RIVERHILL a. s. (hereinafter "RIVERHILL"), based in Prague, the Czech Republic, from a related party Gratio Holdings Ltd, based in Cyprus. The purchase price amounted to € 64,359 thousand and was in compliance with an evaluation made by an independent expert. RIVERHILL is acting as a holding company for companies active in the Czech betting industry.

In January 2011 Fortuna Entertainment Group N.V. ("FEGNV") increased the share capital in its subsidiary RIVERHILL a. s. by CZK 1,025,000 thousand (€ 41,618 thousand) with a non-monetary contribution of a receivable from ALICELA a. s.

At 31 December 2014 the shares were divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share CZK 000	Total CZK 000	Total € 000
Certificated Bearer	Shares 1	100%	10	200	2,000	72
Ordinary cert. Bearer	Shares 2	100%	25	10,000	250,000	9,017
Ordinary cert. Bearer	Shares 3	100%	102	10,000	1,020,000	36,791
Ordinary cert. Bearer	Shares 3	100%	1	4,500	4,500	.162
Ordinary cert. Bearer	Shares 3	100%	1	500	500	18
			139		**1,277,000**	**46,060**

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

The net asset value of RIVERHILL as at 31 December 2014 amounted to CZK 1,279,208 thousand (€ 46,139 thousand) based on its financial statements prepared in accordance with Czech Accounting Standards.

(iii) FORTUNA SK, a.s.

On 27 January 2010 the Company acquired 100% of the registered capital of FORTUNA SK (hereinafter "FSK"), a.s., based in Bratislava, Slovakia, from the principal shareholder Penta Investments Limited, based in Jersey. The purchase price amounted to € 70,000 thousand and was in compliance with an evaluation made by an independent expert. FSK is active as a company active in the gaming industry.

At 31 December 2014 the shares were divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share €	Nominal value Total € 000	Acquisition price € 000
Book-entered, common	A	100%	18	332	6	1,260
Book-entered, common	B	100%	20	34	1	143
Book-entered, common	C	100%	98	3,320	325	68,597
			136		**332**	**70,000**

The net asset value of FSK as at 31 December 2014 amounted to € 9,815 thousand based on its financial statements prepared in accordance with Slovak Accounting Standards.

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

(iv) FORTUNA Online Zaklady Bukmacherskie Sp z.o.o.

Pursuant to a Share Purchase Agreement dated 12 May 2010 between Penta Investments Limited, Massarosa Holdings Limited and Lunga Enterprises Limited (the „sellers") and FEGNV and her subsidiaries Fortuna sázková kancelář a.s. and FORTUNA GAME a.s. on the other side (the" Buyers"), 100% of the outstanding shares in the Polish-based company Fortuna Zaklady Bukmacherskie S.P. z.o.o. (hereinafter „FZB"), consisting of 26,400 ordinary shares with a nominal value of PLN 90, were acquired by the FEG Group. FEGNV acquired the shares held by Penta Investments Limited representing 33.3% of the shares in FZB. Together with Polish stamp duty of PLN 119,700 (€ 30,189), the total acquisition price of the FEGNV shares amounted to € 3,030,189.

At 31 December 2014 the shares were divided and held as follows:

Company	Nominal value per share PLN	Nominal value Total PLN	# of shares	% held
Fortuna Entertainment Group N. V.	90	792,000	8,800	33.33%
ALICELA a.s.	90	792,000	8,800	33.33%
FORTUNA GAME a.s.	90	792,000	8,800	33.33%
		2,376,000	**26,400**	**100%**

The net asset value of FZB as at 31 December 2014 amounted to PLN 19,404 thousand (€ 4,543 thousand) based on its financial statements prepared in accordance with Polish Accounting Standards.

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

10.8 OTHER NON-CURRENT ASSETS

€ 000	31.12.2014	31.12.2013
As at 1 January	**9**	**15**
Prepaid IPO insurance	(6)	(6)
As at 31 December	**3**	**9**

FEGNV paid a premium for insurance in the amount of € 30 thousand. This premium covers 5 years starting December 1, 2010 and is therefore amortised over a period of 5 years. The release in 2014 was € 6,000. From the remaining outstanding amount € 5.5 thousand (11 × € 500) relates to the next 12 months and is accounted for under prepayments and other current assets.

The remaining balance of € 3 thousand relates to a long-term deposit for office rent.

10.9 PREPAYMENTS AND OTHER CURRENT ASSETS

These consist of the following:

€ 000	31.12.2014	31.12.2013
Polish VAT receivable	20	20
Dutch VAT receivable	2	–
Prepaid office rent	–	68
Prepaid IPO insurance	6	6
Listing fee	11	–
Other	1	6
As at 31 December	**40**	**100**

10.10 CASH AND CASH EQUIVALENTS

€ 000	31.12.2014	31.12.2013
Cash at banks	65	10
As at 31 December	**65**	**10**

The total amount of cash at banks includes an amount of € 44 thousand (2013: € 3 thousand) outstanding at Privatbanka, a.s., a related company.

10.11 SHAREHOLDERS' EQUITY

AUTHORISED SHARES

	2014 # of shares thousands	2013 # of shares thousands
Ordinary shares of € 0.01 each	250,000	250,000
As at 31 December	**250,000**	**250,000**

ORDINARY SHARES ISSUED AND FULLY PAID

	# of shares thousand	Par value per share €	Share capital € 000
As at 31 December 2014	52,000	0.01	520
As at 31 December 2013	52,000	0.01	520

SHAREHOLDERS EQUITY AND CURRENT YEAR RESULTS

The difference between equity reported in the consolidated financial statements and equity reported in the corporate financial statements results from valuing the investments at costs in the corporate financial statements, whereas in the consolidated financial statements the results of the subsidiaries are fully reflected. The below schedules provide an overview of the differences.

Movements in the difference between the corporate and the consolidated equity and profit in the financial year 2014 are as follows:

€ 000	Share premium	Statutory reserve	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Non-controlling interest	Total
1 January 2014	**107,443**	**(5,414)**	**10,139**	**359**	**2,987**	**(274)**	**115,240**
Profits for the year	–	–	2,276	–	–	55	**2,331**
Other comprehensive income	–	–	–	(55)	499	**–**	**444**
Statutory reserve movement	–	4,617	(4,617)	–	–		**–**
Transfer of shares to non-controlling interest	–	–	–	–	–	–	–
31 December 2014	**107,443**	**(797)**	**7,798**	**304**	**3,486**	**(219)**	**118,015**

Difference in equity:

	€ 000
Equity according to consolidated financial statements	**30,080**
Continuing operations impact:	
Opening net assets of participants as at 1/1/2007	5,290
Capital contribution to RIVERHILL in 2007 by Penta group (Slovenské investičné družstvo)	(9,003)
Dividend paid to Penta Investments Limited in 2008-2009	2,010
Acquisition of subsidiaries by FEGNV	143,556
Results from participants in 2007-2009, attributable to combined entities shareholder	(41,660)
Results from participants in 2010	(17,159)
Results from participants (continuing operations) including IFRS adjustments in 2011 included in consolidation	(12,942)
Results from participants (continuing operations) including IFRS adjustments in 2012 included in consolidation	(13,517)
Results from participants (continuing operations) including IFRS adjustments in 2013 included in consolidation	(16,096)
Results from participants (continuing operations) including IFRS adjustments in 2014 included in consolidation	(16,638)
Other comprehensive income	3,170
Net intragroup income of FEGNV eliminated in consolidated financial statements 2010	22,155
Net intragroup income of FEGNV eliminated in consolidated financial statements 2011	15,617
Net intragroup income of FEGNV eliminated in consolidated financial statements 2012	16,638
Net intragroup income of FEGNV eliminated in consolidated financial statements 2013	17,944
Net intragroup income of FEGNV eliminated in consolidated financial statements 2014	18,969
Transfer of shares to non-controlling interest	**(318)**
Difference in equity attributable to continuing operations	**118,015**
Equity according to corporate financial statements	**148,095**

Difference in profit:

	€ 000
Profit according to consolidated financial statements	**15,928**
Results from participants, continuing operations	(16,638)
Net intragroup income of FEGNV eliminated in consolidated financial statements	18,969
Profit according to corporate financial statements	**18,259**

10.12 LOANS FROM GROUP COMPANIES

FEGNV received loans from the following subsidiaries:

- FORTUNA SK, a.s. (hereinafter “FSK”)
- FORTUNA Online Zaklady Bukmacherskie Sp. z o.o. (hereinafter “Fortuna ZB”)
- FORTUNA GAME a.s. (hereinafter “FG”)
- RIVERHILL a.s. (hereinafter “RIVERHILL”)

The following facilities were obtained:

Company	Facility € 000	Facility CZK 000	Starting date	Expiration date	Average effective interest rate %
FSK	8,439		22 Mar. 10	30 Sep. 15	3.225%[2]
FG		11,848	25 Mar. 10	30 Sep. 15	3.45%[1]
FG		183,753	24 Mar. 10	30 Sep. 15	3.45%[1]
FG		105,835	24 Mar. 10	30 Sep. 15	3.45%[1]
FG		138,969	24 Mar. 10	30 Sep. 15	3.45%[1]
FZB		115,199	18 Jun. 13	31 Dec. 19	3.45%[1]
RIVERHILL		89,539	19 Jun. 13	31 Dec. 19	2.45 %[3]
FSK	8,695		19 Jun. 13	31 Dec. 19	3.225 %[2]
Total facilities	**17,134**	**645,143**			

Movements in the loan facilities during 2014:

€ 000	FORTUNA SK	FORTUNA GAME	Fortuna ZB	RIVERHILL	Total
As at 1 January 2014	**19,060**	**19,141**	**5,021**	**3,297**	**46,519**
Additions	–	486	–	–	486
Interest	561	569	154	78	1,362
Repayments	(595)	(2,450)	(914)	–	(3,959)
To short term	–	–	–	–	–
Currency translation	–	(120)	(30)	(25)	(175)
As at 31 December 2014	**19,026**	**17,626**	**4,231**	**3,350**	**44,233**
Of which current portion	**10,175**	**17,626**	**–**	**–**	**27,801**

1 The facility bears an interest of 3 month PRIBOR + 300 points.
2 The facility bears an interest of 3 month EURIBOR + 300 points.
3 The facility bears an interest of 3 month PRIBOR + 200 points.

Movements in the loan facilities during 2013:

€ 000	FORTUNA SK	FORTUNA GAME	Fortuna ZB	RIVERHILL	Total
As at 1 January 2013	**9,392**	**19,702**	**–**	**–**	**29,094**
Additions	9,000	211	5,243	3,476	17,930
Interest	668	679	97	46	1,490
Repayments	–	–	–	–	–
To short term	–	–	–	–	–
Currency translation	–	(1,451)	(319)	(225)	(1,995)
As at 31 December 2013	**19,060**	**19,141**	**5,021**	**3,297**	**46,519**

Movements in the loans during 2014 in originating currencies:

	FORTUNA SK € 000	FORTUNA GAME CZK 000	RIVERHILL CZK 000	Fortuna ZB CZK 000	Fortuna ZB € 000
As at 1 January 2014	**19,060**	**526,789**	**90,736**	**129,198**	**326**
Additions	–	13,500		–	–
Interest	561	15,651	2,145	4,103	4
Repayments	(595)	(67,260)	–	(16,000)	(330)
As at 31 December 2014	**19,026**	**488,680**	**92,881**	**117,301**	**–**
Of which current portion	**10,175**	**488,680**	**-**	**-**	**-**

Movements in the loans during 2013 in originating currencies:

	FORTUNA SK € 000	FORTUNA GAME CZK 000	FORTUNA GAME € 000	RIVERHILL CZK 000	Fortuna ZB CZK 000	Fortuna ZB € 000
As at 1 January 2013	**9,392**	**162,862**	**13,243**	**–**	**–**	**–**
Additions	9,000	5,500	–	89,539	126,800	320
Interest	668	8,910	339	1,197	2,398	6
Repayments		–	–	–	–	–
Exchange from € to CZK	–	349,517	(13,582)	–		–
As at 31 December 2013	**19,060**	**526,789**	**–**	**90,736**	**129,198**	**326**

10.13 CREDITORS

€ 000	31.12.2014	31.12.2013
Third party creditors	15	30
	15	**30**

As at 31 December 2014 the creditors were denominated in the following currencies:

	In local currency	Equivalent in € 000
EUR	14	14
CZK	–	–
GBP	1	1

10.14 ACCRUALS AND OTHER CURRENT LIABILITIES

These consist of the following:

€ 000	31.12.2014	31.12.2013
Salary withholding taxes	3	6
VAT	–	7
Accrual audit expenses	40	40
Accrual other consultancy and administrative expenses	16	47
Vacation benefits	1	1
As at 31 December	**60**	**101**

10.15 DIVIDEND INCOME

In 2014 FEGNV recorded the following dividend income from subsidiaries:

Company	Resolution date	Relating to year/ period		Local currency amount 000	Total € 000
FORTUNA SK, a.s.	24.4.2014	2013	€	9,268	9,268
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o	20.5.2014	2013	PLN	2,940	711
RIVERHILL a.s.	9.12.2014	2013/2014	CZK	348,842	12,582
					22,561

In 2013 FEGNV recorded the following dividend income from subsidiaries:

Company	Resolution date	Relating to year/ period		Local currency amount 000	Total € 000
FORTUNA SK, a.s.	9.5.2013	2012	€	9,001	9,001
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o	23.5.2013	2012	PLN	3,389	802
RIVERHILL a.s.		2012/2013	CZK	251,102	9,124
					18,927

10.16 PERSONNEL EXPENSES

The personnel expenses in 2014 were as follows:

€ 000	Staff	Directors	Total
Salaries/ wages	17	32	49
Social security charges	1	1	2
Other personnel expenses	3	–	3
	21	**33**	**54**

The personnel expenses in 2013 were as follows:

€ 000	Staff	Directors	Total
Salaries/ wages	17	48	65
Social security charges	11	3	14
Other personnel expenses	7	–	7
	35	**51**	**86**

In 2014 and 2013, a full-time equivalent of 1 person was employed by FEGNV. At 31 December 2014, the Company employed three part-time Managing Directors (2013: 4) and 3 Supervisory Directors (2013: 4).

10.17 OTHER OPERATING EXPENSES

These consist of the following:

€ 000	2014	2013
Licence fees	–	60
Consultancy expenses	212	207
External auditor expenses	159	40
Other expenses	166	22
Impairment subsidiary expenses	2,446	1,309
	2,983	**1,638**

10.18 FINANCE INCOME

These consist of the following:

€ 000	2014	2013
Exchange rate gains on CZK loans from subsidiaries	172	2,060
Exchange rate gain other	4	1
	176	**2,061**

10.19 FINANCE COST

These consist of the following:

€ 000		2014	2013
Interest expenses (loans from subsidiaries)	(note 20)	1,379	1,532
Exchange rate losses (banks and other)		2	248
Banking expenses		2	3
		1,383	**1,783**

10.20 RELATED PARTY DISCLOSURES

As at 31 December 2014 the FEG Group consisted of the following entities, which were held as follows:

Fortuna Entertainment Group N.V.	
FORTUNA SK, a. s.	100%
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o	33,33%
Fortunawin Ltd	100%
RIVERHILL a.s.	100%
ALICELA a. s.	100%
FORTUNA GAME a.s.	100%
FORTUNA RENT s.r. o.	100%
FORTUNA sázky a.s.	92%
FORTUNA technology s.r. o.	100%
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o	33,33%
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o	33,33%

Effective 1 January 2014, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was previously a dormant company.

On July 25, 2013, FORTUNA GAME and the company E-INVEST entered into the Share Purchase Agreement, under which an 8% stake of FORTUNA sázky owned by FORTUNA GAME was sold to E-INVEST.

In October 2013, Fortuna Real, s. r. o. entered into liquidation and its name was changed to Fortuna Real, s. r. o., v likvidaci. It was dissolved in October 2014.

Based on a change of Maltese law in 2013, companies registered in Malta are no longer obliged to have a minimum of two shareholders. Therefore, one share in Fortunawin and Fortunawin Gaming, which was previously owned by Jozef Janov, was transferred to the majority shareholder of each company. As a result, Fortuna Entertainment Group N.V. became the 100% shareholder of Fortunawin and Fortunawin a 100% shareholder of Fortunawin Gaming. Effective 6 June 2014, Fortunawin Gaming Ltd. merged into Fortunawin Ltd.

Effective 1 January 2014, FORTUNA software s.r.o. merged into FORTUNA GAME a.s.

Effective 1 July 2014, FORTUNA GAME a.s. acquired 100% of the shares in Intralot Czech s.r.o., a supplier of lottery technology to the Group. In August 2014 Intralot Czech s.r.o changed its name to FORTUNA technology s.r.o.

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

€ 000	**31.12.2014**	**31.12.2013**
Receivables from related parties		
RIVERHILL a.s. (dividend receivable)	13,578	9,124
FORTUNA GAME a.s.	1	–
FORTUNA SK, a.s.	4	
	13,583	**9,124**
Cash in related parties		
Privatbanka, a.s.	44	3
	44	**3**

€ 000	**31.12.2014**	**31.12.2013**
Payables to related parties and current (portion of) loans received from related parties		
FORTUNA GAME a.s. (loan received)	17,626	1,054
FORTUNA SK, a.s. (loan received)	10,175	202
Penta Investments Limited	14	14
FORTUNA GAME a.s.	292	273
Fortuna sazkova kancelar a.s.	–	39
Avis Business Services BV	2	–
FORTUNA sazky a.s.	18	21
As at 31 December	**28,127**	**1,603**
Loans received from related parties (non-current part)		
FORTUNA SK, a.s.	8,851	19,060
RIVERHILL a.s.	3,350	3,297
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.	4,231	5,021
FORTUNA GAME a.s.	–	19,141
	16,432	**46,519**

€ 000	2014	2013
Share premium donations to related parties		
Fortunawin Ltd	260	351
	260	**351**
Other income from related parties		
FORTUNA SK, a.s. (royalty income)	53	31
FORTUNA GAME a.s. (royalty income)	6	16
	59	**47**
Dividend from related parties		
FORTUNA SK, a.s.	9,268	9,001
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.	711	802
RIVERHILL a.s.	12,582	9,124
	22,561	**18,927**
Other expenses-related parties		
Predict Performance Improvement Ltd	74	146
Avis Business Services BV	26	22
FORTUNA GAME a.s.	7	–
Privatbanka, a.s.	1	2
	108	**170**
Interest expense-related parties		
FORTUNA SK, a.s.	563	670
FORTUNA Online Zakłady Bukmacherskie Sp. z o.o.	154	97
RIVERHILL a.s.	584	46
FORTUNA GAME a.s.	78	719
	1,379	**1,532**

DIRECTOR'S REMUNERATION

Management Board € 000	Board remuneration	Salaries and other similar income	Management Bonus	Termination benefit	TOTAL
Wilfred Thomas Walsh					
2014	9	74	–	–	**83**
2013	20	146	–	–	**166**
Richard van Bruchem					
2014	16	–	–	–	**16**
2013	16	–	–	–	**16**
Janka Galáčová					
2014	7	–	–	–	**7**
2013	7	–	–	–	**7**
Radim Haluza					
2014	–	134	192	134	**460**
2013	–	109	69	–	**178**
TOTAL 2014	**32**	**208**	**192**	**134**	**566**
TOTAL 2013	**43**	**255**	**69**	**–**	**367**

Supervisory Board € 000	Board remuneration	Salaries and other similar income	Management Bonus	Other	TOTAL
Václav Brož					
2014	–	–	–	–	**–**
2013	–	–	–	–	**–**
Michal Horáček					
2014	–	–	–	–	**–**
2013	–	–	–	39	**39**
Marek Rendek					
2014	–	–	–	–	**–**
2013	5	–	–	–	**5**
TOTAL 2014	**–**	**–**	**–**	**–**	**–**
TOTAL 2013	**5**	**–**	**–**	**39**	**44**

In 2013, € 39 thousand was contributed to Kudykam s. r. o., a company of Michal Horáček, a Member of the Supervisory Board (included as other remuneration).

In 2014, € 460 thousand of the Supervisory Board and the Management Board remuneration was paid by other Group companies.

In 2013, € 217 thousand of the Supervisory Board and the Management Board remuneration was paid by other Group companies.

Expenses of Fortuna Group related to external auditor's services in the year 2014:

	€ 000
Audit services from EY	305
Audit services non EY	9
Tax services from EY	11
Non-audit services from EY	12
TOTAL	**337**

10.21 CONTINGENT LIABILITIES

All shares of RIVERHILL a.s. and FORTUNA Online Zakłady Bukmacherskie Sp. z o.o. held by the Company are pledged to Czech bank Česká spořitelna, a.s.

10.22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FEGNV's principal financial instruments comprise cash, receivables from group companies and loans drawn from group companies.

FEGNV is exposed to market risk, credit risk and liquidity risk

MARKET RISK

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

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FEGNV's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings affected. With all other variables held constant, FEGNV's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/(decrease) in interest rate by	Effect on profit before tax € 000
2014		
CZK	1% / (1%)	(254) / 254
EUR	1% / (1%)	(190) / 190
		(444) / 444
2013		
CZK	1% / (1%)	(298) / 298
EUR	1% / (1%)	(194) / 194
		(492) / 492

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. FEGNV's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency) and its net investments in foreign subsidiaries.

FEGNV does not manage its foreign currency risk.

CREDIT RISK

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

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

LIQUIDITY RISK

As FEGNV is a holding company and does not generate autonomous income, the primary source of liquidity will continue to be cash generated from its operating entities as well as existing cash.

The table below summarises the maturity profile of FEGNV's financial liabilities at 31 December 2014 based on contractual undiscounted payments (€ 000):

As at 31 December 2014	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	341	–	–	–	341
Loans from group companies	28,394	–	18,844	–	47,238
Other current liabilities	60	–	–	–	60
	28,795	**-**	**18,844**	**-**	**47,639**

CAPITAL MANAGEMENT

The primary objective of FEGNV capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value.

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

10.23 OTHER INFORMATION

APPROPRIATION OF RESULT ACCORDING TO THE ARTICLES OF ASSOCIATION

The profit of the year is at the disposal of the General Meeting of Shareholders. The profit is available for distribution as far as the shareholders' equity exceeds the issued part of the paid in share capital plus the legal reserves.

POST BALANCE SHEET EVENTS

The Company announced in March 2015 that its dividend policy is under review and the guidance is for a substantial reduction of the dividend pay-out due to investments into future growth. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2015.

Amsterdam, 2 April 2015

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

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

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

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

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

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

Defined Terms

"ALICELA"	ALICELA a.s., a joint stock company (akciová společnost), having its registered office at Prague 10, Na Výsluní 201/13, 100 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 9476
"Company", "FEG"	Fortuna Entertainment Group N.V. a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands, under number 34364038
"FORTBET HOLDINGS LIMITED"	FORTBET HOLDINGS LIMITED, a company having its registered office at AgIAS Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus.
"FORTUNA GAME"	FORTUNA GAME a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
"Fortuna PL"	FORTUNA Online Zakłady Bukmacherskie Sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the Register of Entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
"Fortuna REAL"	FORTUNA Real, s. r. o., a limited liability company (spoločnosť s ručením obmedzeným), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic and registered in the Commercial Register of the District Court of Bratislava I in Section Sro, under number 40783/B
"FORTUNA RENT"	FORTUNA RENT, s. r. o., a limited liability company (společnost s ručením omezeným) with its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
"Fortuna SazKan"	FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60.

“FORTUNA sázky”	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936
“FORTUNA SK”	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B
“FORTUNA technology”	FORTUNA technology s.r.o. (formerly Intralot Czech s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 7 – Holešovice, Jankovcova 1596/14a, 170 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 181328
“Fortuna SW”	FORTUNA software s.r.o. (formerly NAVI PRO, s.r.o.), a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 103552. Effective 1 January 2014 FORTUNA software s.r.o. merged into FORTUNA GAME a.s.
“Fortunawin”	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
“RIVERHILL”	RIVERHILL a.s., a joint stock company (akciová společnost), having its registered office at Prague 10, Na Výsluní 201/13, 100 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 9437
“Penta”	Penta Investments Limited, a limited liability company having its registered office at 47 Esplanade, JE1 0BD St. Helier, Jersey, and registered under number 109645

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