sazka GROUP



Annual Report and Accounts 2020

We are one of Europe's largest and fastest growing lottery companies

2020 Highlights

Amounts staked

€6.8bn

Gross gaming revenue ("GGR")

€2.0bn

GGR growth

6%

Adjusted EBITDA

€538m

Adjusted EBITDA margin

44%

% GGR from lotteries

60%

Online GGR (Czech Republic)

32%

Number of countries (lottery operations)

5

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Our business at a glance
Our platform

SAZKA Group (the "Group") is one of Europe's largest and fastest growing lottery companies. Our businesses operate lotteries in most of the European countries where lotteries are privately operated, including Austria, the Czech Republic, Greece and Cyprus and in Italy. We focus on the lottery segment, including numerical lotteries (draw-based games) and instant lotteries (scratch cards), and also provide complementary products, including sports betting and digital-only games. We sell our products through both extensive retail networks and digital platforms.

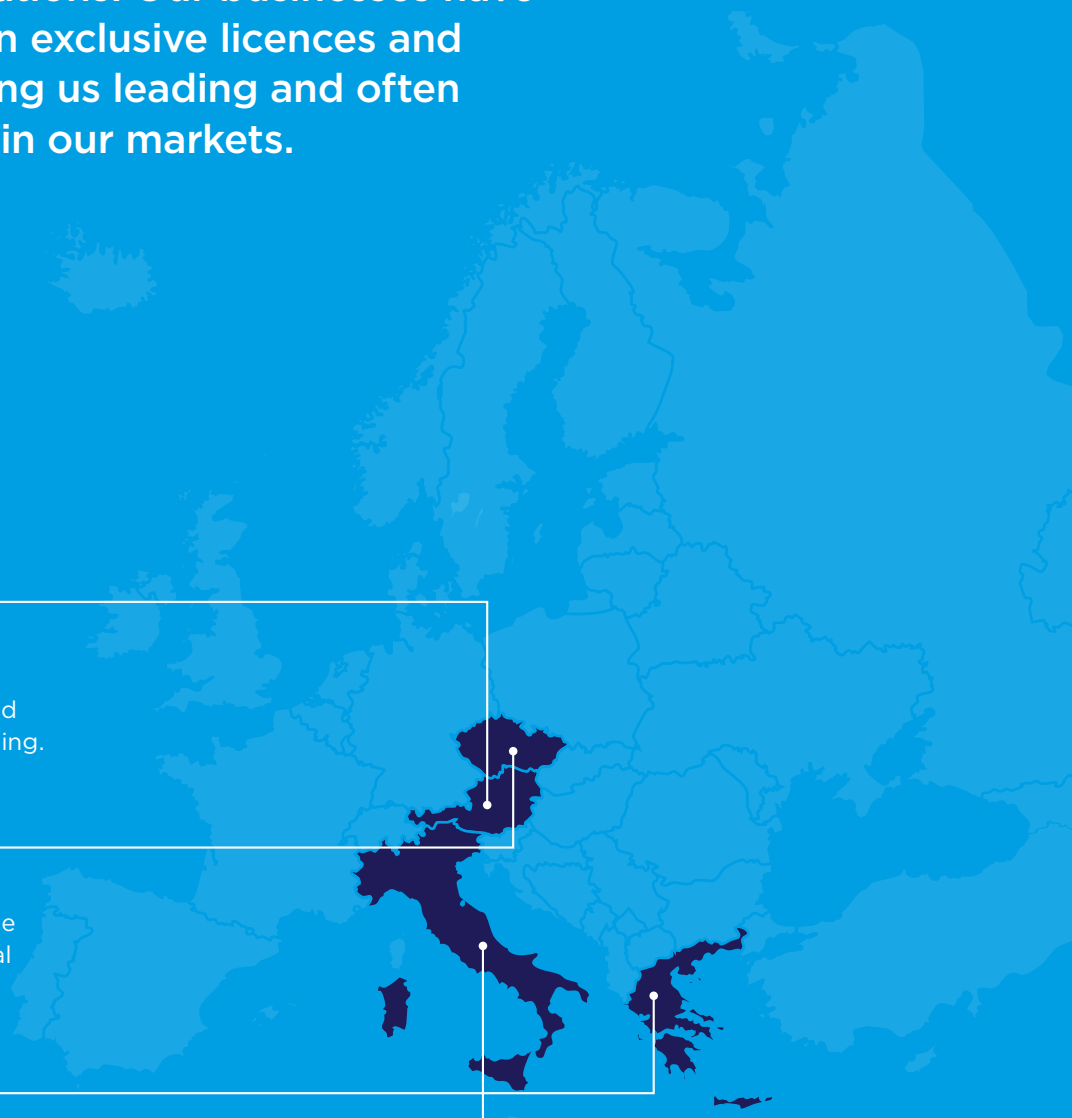
Our platform allows us to share best practice and experience and realise synergies across the group, driving organic and inorganic growth by sharing best practice and experience, including:



- Product innovations
- Marketing perspectives
- Online and digital capabilities
- Technology strategy and implementation
- Scale with suppliers
- Regulatory and responsible gaming learnings
- Reinvestment of cashlows
- Growth via M&A and tenders

Our business at a glance
Our operations

We benefit from iconic and long-established brands, unrivalled POS networks and vast experience of operations. Our businesses have long-term and often exclusive licences and concessions, allowing us leading and often exclusive positions in our markets.



Austria
In Austria, we are the exclusive operators of lotteries, land-based casinos and onshore online gaming.

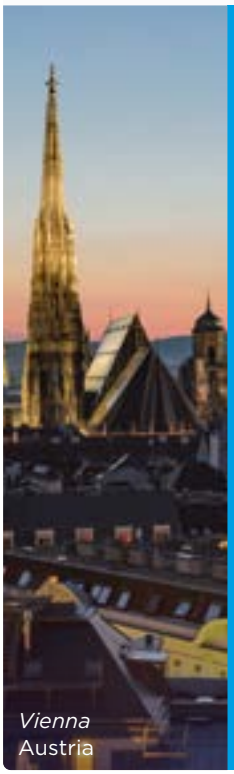
Czech Republic
In the Czech Republic, we are the market leader for both numerical lotteries and instant lotteries.

Greece and Cyprus
In Greece, we have exclusive licences to operate lotteries, land-based sports betting and video lottery terminals ("VLTs") and we own the leading online gaming business. We also have a licence to operate lotteries in Cyprus.

Italy
In Italy, we have an interest in LOTTOITALIA, a joint venture which is the exclusive operator of fixed odds numerical lotteries.

Our business at a glance
Where we currently operate

Austria


Vienna
Austria

#1 Lottery and casino operator in Austria

Exclusive lottery licence and operator of casinos

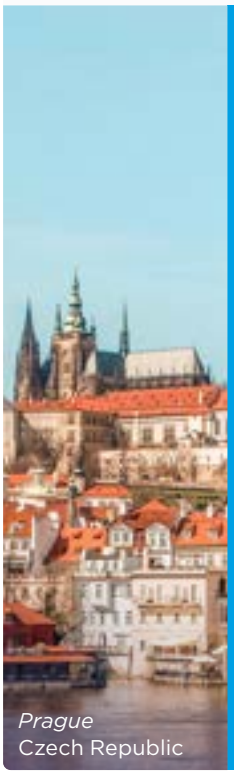
Exclusive online gaming licence

Other gaming operations include sports betting and VLT

5,100 POS

Brands

Czech Republic


Prague
Czech Republic

#1 Lottery operator in the Czech Republic

94% market share in numerical lotteries

Other gaming operations include online sports betting and digital-only games

10,500 POS

Brands

Greece and Cyprus


Athens
Greece

#1 Lottery operator in Greece and Cyprus

Exclusive lottery, land-based sports betting and VLT licences

Acquired the leading online gaming operator in 2020

13,000 POS

Brands

Italy


Rome
Italy

32.5% stake

#1 Numerical lottery operator in Italy

Exclusive licence for fixed odd numerical lotteries

33,600 POS

Brands

Our business at a glance

Our history

2011–2012
Acquisition of **100%** of **SAZKA a.s.**

2013
Acquisition of **33%** stake in **OPAP** through privatisation

2015
Acquisition of **11.3%** stake in **CASAG**

2016
Acquisition of **11.6%** stake in **Austrian Lotteries**

Acquisition of **32.5%** stake in **LOTTOITALIA**

2017–2018
Acquisition of additional stakes in **CASAG**, bringing total economic interest to **38.3%**

2019
KKCG and Emma Capital agree on the split of the assets in SAZKA Group, and KKCG becomes the sole owner of SAZKA Group

Acquisition of additional **7.3%** stake in **OPAP** via a voluntary tender offer

2020
Acquisition of **17.2%** stake in **CASAG**, bringing total economic interest to **55.5%**

OPAP's stake in **Stoiximan Group's** Greek and Cypriot business increased to **84.5%**

Acquisition of additional **4.11%** economic interest in **OPAP**

Our business at a glance
Our strategy

We continue to implement our strategy to solidify our position as the leading lottery focused gaming operator in Europe, leveraging on our unique platform to capture opportunities in our existing markets and markets adjacent to them.

Our existing operations are highly cashflow generative. We seek to invest this cash to create value through organic growth and accretive complementary acquisitions and participation in tenders.

Growth in digital business, focus on data



We aim to continue to increase our regulated mobile and online gaming presence as consumers shift towards online or multi-channel gaming, and government policy and legislation increasingly favour onshore operators in the online channel.

Our digital initiatives benefit from our trusted brands, our existing customer relationships with a large proportion of the population, our rapidly growing first-party data and analytics, and extensive traffic to our apps and websites from players who purchase their tickets through land-based channels.

We leverage these advantages to target our marketing activities and to cross-sell to other online gaming verticals. We continue to invest to boost our CRM and leverage customer data.

A substantial and rapidly growing portion of sales are already online in the Czech Republic and Austria and in certain products in Greece. We are focused on expanding online sales in Greece and Cyprus, and Italy, where the online and mobile market accounts for a relatively low proportion of the gaming market.

We are also focused on improving our first-party data on our land-based customers through loyalty schemes and other similar products, which also allow us to target our marketing campaigns.

Product innovation



In each of our existing markets we constantly evaluate opportunities to introduce new products and optimize our current offerings. We aim to offer our consumers a full range of best in class products and a unique entertainment experience.

We seek to develop and launch innovative new lottery games such as daily numerical games, annuity games and multinational pooled jackpot games, penetrating new customer segments and increasing sales to our existing customers.

Alongside lottery products, we continue to launch complementary products, including digital-only games.

Our trusted brands, extensive app and website traffic and unparalleled physical distribution networks, customer relationships with a large portion of the population and extensive data are a significant competitive advantage for cross-selling these products to our existing customers.

We develop some games in house and also maintain relationships with leading suppliers of third party content, allowing us to offer the most compelling proposition to our customers.

We also constantly seek to apply innovations and best practice from individual markets across our geographies, including in technology, marketing and product innovation.

Our business at a glance

Our strategy continued

Inorganic growth



Our M&A strategy is based on a rigorous set of return criteria and analysis of risks. We focus on regulated, developed markets, lottery and complementary products.

We evaluate opportunities to expand our stakes in our existing businesses on an ongoing basis. In a number of cases we have increased our stakes in businesses through a series of transactions, allowing us to acquire controlling stakes at attractive valuations and at a lower risk.

We also analyse opportunities to make selective bolt-on acquisitions in adjacent areas which allow us to expand our product range or strengthen our position in complementary areas.

We have acquired several of our current businesses through complex M&A processes, leveraging our industry knowledge, our access to internally generated and external capital and our M&A expertise. These acquisitions include the acquisition of SAZKA a.s. when it was in financial distress, the acquisition of our interest in OPAP during the Greek crisis, the acquisition of our interest in our Austrian businesses from multiple sellers over several years.

We monitor opportunities as countries privatize lotteries or concessions come up for renewal. We believe that our long-term investment in relationships with governments and regulators, along with our experience, size, track record of driving profitability and government revenues, and commitment to ESG make us an attractive partner for governments.

Constant focus on operational efficiency



We are highly focused on cashflow generation and see operational efficiency as an important driver of cash flow.

We have a strong track record of increasing profitability at businesses which we have acquired and costs are always a key focus at existing operations.

In addition to leveraging best practice from across the Group to grow revenues, we target purchasing, marketing and cost synergies across the Group, for example in technology and content.We also monitor opportunities to optimise personnel costs, particularly in land-based businesses. For example, in 2020 we introduced a restructuring programme at CASAG which is expected to deliver cost savings of c.€45 million a year from 2022. We focus our marketing expenditure by leveraging first-party data to generate the highest incremental revenues.

Be a good corporate citizen

Responsible gaming is a key principle of our business. We believe that we are already leaders in responsible gaming and make significant contributions to the countries where we operate, and we believe that this will become increasingly crucial to their success.

All of our operations implement responsible gaming principles including: (i) creating a safe environment for players; (ii) protecting minors and other vulnerable groups; and (iii) educating the general public about problem gambling.

We play an active role in the communities of the markets in which we operate, contributing to good causes such as medical care, sports and culture, as well as to government revenues.

Business and strategic review
Chief Executive Officer's statement

Robert Chvátal
Member of the
Board of Directors and
Chief Executive Officer



I am pleased to report that SAZKA Group has delivered a robust performance in a volatile year. Our Gross gaming revenue ("GGR") increased by 6% and our Adjusted EBITDA margin was a healthy 44%.

Our geographical diversification is one of our many strengths that has helped our performance this year as certain geographies have performed exceptionally well, helping to offset weaker trading caused by COVID-19 related restrictions elsewhere.

If we look at the year by quarter, the first quarter of 2020 started very positively, with the strong momentum across our geographies and products which we saw in 2019 continuing into the new year. Q2 was most impacted by COVID-19 with our lottery operations being impacted in Greece and Italy and casinos being closed in Austria. However our physical retail channel in the Czech Republic and for the lotteries in Austria was not extensively disrupted and our online channels performed very well. All of our businesses traded well in Q3 as lockdown measures were eased and online sales remained high. The swift return to normal trading in the markets and channels that were more affected by restrictions demonstrated resilient demand for our products and the agility of our teams. Although we faced some restrictions in Q4, they had less impact on our businesses compared with the first lockdown as Italy remained open and functional and our online platforms benefited from some new product launches.

2020 has shown that we are well positioned to weather extreme circumstances. We benefit in particular from our diverse range of products, sales channels and geographical exposure, our favourable cost structure, the strong cash flow generation of our business and our strong liquidity and access to multiple sources of capital. We also have a wealth of knowledge and expertise within the organisation, and the agility and resilience of our team meant that we were well placed to deal with and recover from the pandemic. We are confident that these same strengths position us well for future growth regardless of the development of the pandemic.

We have made great progress on our strategic objectives in 2020. I am particularly pleased with the success of our online and digital-only offerings. This was already a major strategic focus for us and our experience in the last several months has only emphasised the benefits that it can bring. The changes in consumer behaviour as a result of COVID-19 have allowed us to develop our product offering and increase our user base faster than would have otherwise been the case, with significant increases in registrations and active users as well as several exciting product launches. Importantly, we have maintained this strong momentum as restrictions have eased. The best example of this success is in our Czech business which delivered 31.5% of its GGR online. We will continue to invest in our digital platforms to drive long-term benefits.

In 2020 we also achieved important strategic milestones in Austria by closing the acquisition of an additional 17.2% stake in CASAG and signing a shareholder's agreement with ÖBAG regarding the management of CASAG. We are now making good progress in the restructuring of the Austrian casinos, which we expect to deliver around €45 million of annual cost savings, future-proofing the casinos to deliver a flexible, resilient, and profitable business.

We further strengthened our digital offering in Greece by increasing OPAP's interest in Stoiximan's Greek and Cypriot business to 84.5%. This further consolidates our position as the leader in the Greek and Cypriot markets and is complementary to OPAP's growing online presence.

I am also delighted about Apollo's strategic investment in SAZKA Entertainment AG (parent company of SAZKA Group). The investment will help to take our business to the next level and represents a vote of confidence in our platform and strategy for future growth from one of the world's leading investors in gaming and largest alternative investment managers.

Overall, I am very pleased with SAZKA Group's strong performance and strategic progress in 2020. I am proud of the resilience our businesses have shown and I would like to thank the entire SAZKA Group team for their hard work and perseverance, and for seizing opportunities to progress our strategic priorities.

Business and strategic review
Business review

Overall, the performance of the Group has been resilient in 2020 although certain businesses have been impacted by COVID-19 related closures, mainly in Q2 and Q4.

COVID-19

Before the impact of COVID-19, which began to a material extent in mid-March, in the countries in which we operate, performance across our businesses had been strong. However, between mid-March and May, the Group was impacted by lockdowns, restrictions and also consumer behaviour due to the first wave of government restrictions. Having reopened from May to November, in the last few weeks of the year we again faced some closures as a result of new government measures.

In the Czech Republic, the majority of the physical retail network remained operational throughout the year which meant that our operations were largely unaffected. The top line has also been supported by online sales of lotteries and Digital-only Games, which were very strong in Q2 and continued to grow after the easing of restrictions.

In Greece, OPAP stores and PLAY gaming halls faced periods of closure during both the first and second waves. When lockdowns were removed, activities continued to be subject to certain restrictions, including social distancing, capacity limits and, at times, prohibition on seating. However, on a like-for-like basis, trading recovered well as restrictions were removed.

In Austria, Austrian Lotteries' business remained largely unaffected by the pandemic and delivered strong GGR both offline and online. However, land-based casinos and the VLT halls were closed during both lockdowns and certain social distancing restrictions remained in place as activity resumed.

In Italy, sales of our three games were stopped from March to early May by the regulator. This did not happen during subsequent increases in cases and the majority of our POS network remained open. Therefore, apart from the impacted period in Q2, LOTTOITALIA performed well in 2020.

Innovations and technology

We have also introduced numerous new products and improvements to our existing portfolio across geographies, including launching the main jackpot game online in Greece, launching digital only games in Greece, launching an annuity game in the Czech Republic, and launching event draws – which have been very successful in the Czech Republic - in Austria.

On the tech side, Stoiximan recently launched our own sports-betting platform, we have continued to focus on first party data as a source of value and for player protection, and we have made numerous UX improvements, including launching dedicated apps for online gaming and sports betting in the Czech Republic.

Product

In FY 2020, Numerical Lotteries' GGR increased by 10% to €1,065 million, Instant Lotteries' GGR decreased by 32% to €144 million, Sports Betting's GGR decreased by 19% to €328 million, Digital-only Games' GGR grew by 463% to €145 million, and VLTs and Casinos' GGR increased by 13% to €336 million. The movements reflect, among other factors, strong online sales and sales of Digital-only Games in the Czech Republic and slower sales of certain lottery products in Greece.

Czech Republic

While GGR increased by 10%, net gaming revenue ("NGR") decreased by 8% as a result of the increase in lottery tax from 23% to 35% which took effect as of 1 January 2020. Operating EBITDA decreased by 11% compared with FY 2019 due to the lottery tax increase and increased marketing spend on major campaigns.

Greece and Cyprus

FY 2020 GGR and NGR were 30% and 32% respectively below FY 2019 reflecting the closure of all land-based activities at certain times during the year. Operating EBITDA decreased by 37% compared with FY 2019 due to these closures but was partly offset by good cost control and the positive contribution from an increased interest in Stoiximan's Greek and Cypriot business.

Austria

FY 2020 GGR and EBITDA reflect a strong performance in lotteries and Digital-only Games but weaker casino business. EBITDA for the full business was €147 million which is before an exceptional restructuring provision of €51 million relating to the Austrian casinos. EBITDA for the lottery business was €151 million.

Equity method investees: FY 2020 equity income reflects a weak Q2 due to closures but otherwise stable year-on-year performance at LOTTOITALIA.

Business and strategic review
Strategic review and case studies

We have made a number of key strategic transactions in 2020.

As a result of open market purchases throughout the year, the February and August scrip dividend, and the exit of a minority shareholding in one of the entities through which we hold our interest, the Group's ownership in OPAP increased from 40.01% to 43.12% from 31 December 2019 to 31 December 2020 (equivalent to an economic interest of 36.10%).

In March, the Group signed a shareholder agreement with ÖBAG, an entity owned by the Austrian Government, regarding the management of CASAG. In June, SAZKA Group acquired a 17.19% stake in CASAG. As a result, SAZKA Group's shareholding in CASAG increased to 55.48% and CASAG was fully consolidated as a subsidiary from 26 June. The Group also held a fixed-price purchase option for an additional 4.31% stake (which we exercised post year end), creating total economic interest in CASAG of 59.80%.

In July, the Supervisory Board of CASAG approved a plan to optimise the cost structure of CASAG's casino business in Austria. The restructuring plan is underway and expected to generate cost savings of c.€45 million per year, with the full run-rate achieved from 2022.

In July and November, the Group's subsidiary OPAP acquired a controlling interest in Stoiximan, the leading online gaming business in Greece and Cyprus. As a result of this transaction, OPAP's interest in Stoiximan increased from 36.75% to 84.49%. Through these acquisitions, OPAP has significantly strengthened its position in Digital-only Games in Greece.

Revitalising CASAG's Austrian casinos



During 2020 we became the majority shareholder of CASAG, and have begun the process of implementing significant change to reduce costs and drive revenue growth. One major initiative, project ReFIT, is focused on optimisation of the Austrian casinos as well as creating lean HQ and corporate support functions.

Historically, the casinos have been under-managed with an inefficient cost structure and high personnel costs. The ReFIT programme was initiated in cooperation with McKinsey & Company with the aim of making the casinos profitable and resilient, with a more flexible cost structure and lean operations. ReFIT will include cost reduction and operational efficiencies in all 12 Austrian casinos, as well as at HQ.

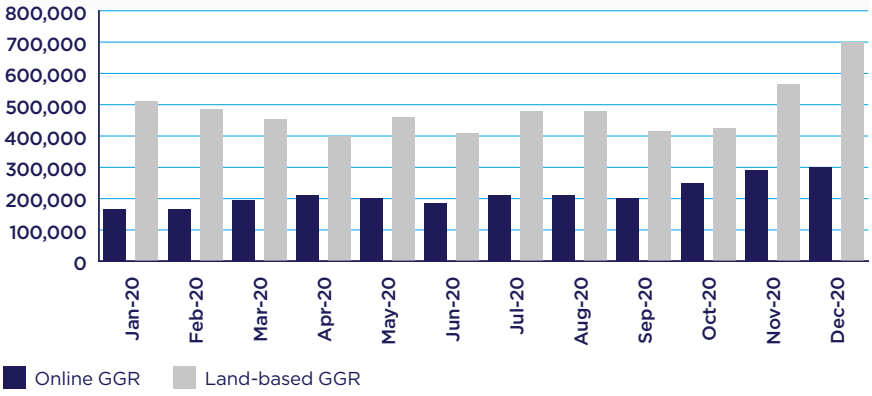
Implementation began in 2020 with total cost savings of c.€45 million p.a. expected to be realised by 2022. The majority of savings are expected in 2021 and we will then aim for continuous value creation programmes, in both Casinos and Lotteries, which we envision will begin in the second half of 2021, after major parts of ReFIT have already been put in place.

Going forward, the focus will be on on value creation through product innovation and operational efficiency to create a business with a profitable and sustainable future.

Business and strategic review

Case studies continued

Growing online sales in the Czech Republic



Digital is a core part of our strategy, including products developed specifically for and played via online and mobile platforms and multi-channel access to games also offered through our land-based retail POS network.

Since the launch of our Digital Entertainment Hub ("DEH") in March 2017 the Czech Republic has become one of our most digitally advanced markets. We currently offer all our games in the Czech Republic through online channels as well as many games only offered online: eLotteries (lottery-style products designed specifically for online), eScratches (scratch card-style products designed specifically for online) and digital-only games. The growth since launch has been very encouraging with success in online sales of both lottery products and digital-only games. In particular, the digital platform has been a great benefit this year, bringing existing users online during the pandemic and reaching new audiences across all adult age groups.

The percentage of our Czech GGR which has been derived online increased from 19.4% in 2019 to 31.5% in 2020. Importantly, the growing online sales have been accompanied by ongoing good performance of the physical retail channel, where GGR was flat year on year despite the challenges of COVID-19.

This momentum has been supported by successful cross-selling, leveraging our brands, traffic to our websites and apps from lottery players and a more granular knowledge of our customer base.

Leveraging our international experience – event draws in Austria



As a multinational operator, we constantly look for opportunities to apply best practices across the Group, driving revenue growth and cost savings. In Austria, we introduced "event draws" for the main jackpot game Lotto, starting with a Friday 13th theme. Event draws proved very successful in the Czech Republic, with fun, tailored marketing linked to specific dates or events – an example would be the appearance of a comet. The results have been very encouraging and we will increase the number of Event draws in 2021.

Stoiximan – establishing a leading position across channels in Greece and Cyprus

At the end of 2018, we completed the acquisition of a 36.75% interest in Stoiximan, the leading online gaming operator in Greece, and Betano, a fast-growing international online gaming business. Betano is already among the market leaders in Romania and Cyprus, while it has also started operations in Germany, Austria and Portugal.

In 2020 we completed the acquisition of two further interests in Stoiximan, taking our interest to 84.49% and we began to consolidate – an example of our strategy of gradually increasing our interests in businesses which we know and like.

The transaction complements our Greek subsidiary OPAP's historical strengths in land-based retail as well as its growing digital operations, cementing our position as the leading gaming operator across products and channels in Greece.

In 2020, Stoiximan recorded GGR of €268 million, showing strong momentum versus 2019.

Business model
How we create value

We grow though M&A, tenders and privatisations, and organic growth

We have acquired all our existing businesses through M&A, tenders and privatisations, subsequently driving improved revenue and cost performance organically under our management.

Inorganic growth

Our assets are highly cash flow generative, even after investments in organic growth.

We reinvest the cash they generate in organic growth initiatives, including M&A and participation in tenders, as well as returning cash to shareholders.

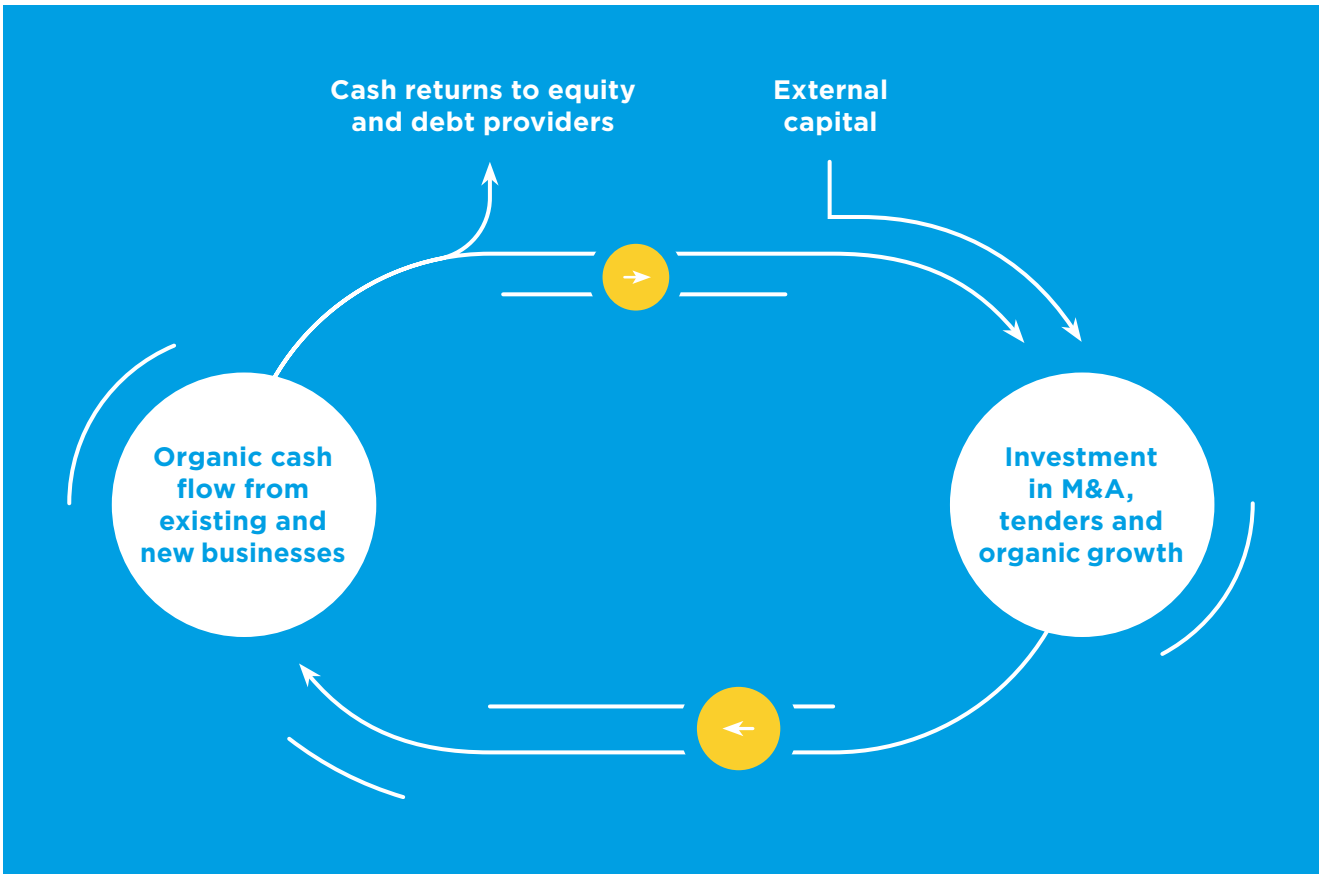
Organic growth

We create value through organic growth by leveraging the unique strengths of our platform:

- Sharing best practices and proprietary insights among markets, including product, channel and marketing innovations and operational and cost efficiency measures;
- Applying our deep understanding of consumer preferences and trends; and
- Capturing the benefits of our scale to achieve cost savings with suppliers and optimise access to external financing.

We drive revenue growth by offering our customers a complete gaming and entertainment experience, supported by:

- The strength of our brands;
- Long-established customer relationships with a broad cross-section of the population;
- Traffic to our sites, apps and physical POS; and
- Our unique and rapidly increasing first-party data and advanced analytics.



Business model continued

Our existing businesses

Our lottery operations operate under long-term and in most cases exclusive licences; our other products are offered under exclusive and non-exclusive licences, depending on the product and jurisdictions.

In most markets, our lottery operations generate revenues from product sales, primarily via agents and our own online channels. In Italy, our joint venture LOTTOITALIA receives a share of revenues from the sale of ticket sales collected by the Italian Government from the games operated on its behalf.

Our key operating costs, including taxes and commissions to agents and content providers, are linked to our sales; marketing costs, another major category, are flexible in the medium term.

Our businesses are asset light, with the vast majority of our POS network owned and operated by third parties, and limited maintenance CAPEX.

Austria, Czech Republic, Greece, Cyprus

A	Amount staked	Amount of wagers placed by customers
B	Players' winnings	Winners' pay-out
A – B = C	Gross gaming revenue (GGR)	
D	Gaming taxes	Calculated as tax base (usually GGR) multiplied by rate; varies based on type of game and country
C – D = E	Net gaming revenue (NGR)	
F	Costs	OPEX: Agent commission (variable, calculated as a % of amount staked/NGR); IT related costs from gaming suppliers like Intralot, IGT, Playtech etc. (partially fixed, partially linked to GGR or NGR); Other expenses include rental, content fees and other expense
		SG&A: Personal expenses; Marketing expenses (flexible in medium term)
E – F = G	EBITDA	

Italy

A	Amount staked	Amount of wagers placed by customers
B	Commission	Percentage of amount staked retained as fee for running the lottery
A x B = C	Revenues from contract with customers	
D	Costs	OPEX: IT related costs; Other expenses
		SG&A: Personal expenses; Marketing expenses
C – D = E	EBITDA	

Financial review
Chief Financial Officer's statement

Kenneth Morton
Chief Financial Officer



I am very pleased that despite the COVID-19 pandemic we achieved strong operating results and maintained high profitability in 2020, as well delivering a number of important M&A and financing initiatives in a challenging execution environment. Our financial performance bears witness to the resilience of our businesses and our geographical, product and channel diversification.

We continued to make good process strategically, closing several major acquisitions, including the acquisition of a 17.2% stake in CASAG in June (as a result of which we began to consolidate CASAG), the acquisition of a controlling stake in Stoiximan, and a further increase of our interest in OPAP.

In addition to financing our acquisitions, we continued to simplify and improve the Group's capital structure, refinancing several facilities at operating and holding entities in the group at the parent company level, including an €300m international bond issuance and a €640m syndicated bank loan which includes an €200m revolving credit facility. We are very pleased by the support that our relationship banks have shown us in an environment of significant uncertainty. The Group is now well positioned to finance future growth, both organic and through M&A and participation in tenders.

Last but not least, we reached an agreement with Apollo, one of the world's leading private investment funds and leading investors in gaming, for a €500m investment in new our immediate parent company, which is a great vote of confidence in our Group.

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Financial review
Financial highlights

Financial performance
Our financial performance in certain geographies was impacted by COVID-19 and related restrictive measures. These particularly impacted our physical retail channel in Greece and Cyprus and casinos in Austria and internationally (in Q1-2 and Q4), and our business in Italy (in Q1-Q2, however not in Q4). Our online businesses performed very well, with strong growth in Austria, the Czech Republic, and at Stoiximan in Greece and Cyprus, and the physical retail channel in Austria and the Czech Republic was largely unimpacted after a short period of disruption at the beginning of the first wave, however this only partially offset the negative impact on consolidated basis. Excluding the effect of new acquisitions, our GGR and NGR dropped 26.3% and 30.3% respectively. Nevertheless, the resilient and adaptive nature of our businesses, together with a high portion of variable expenses and strong cost control, allowed us to maintain a 44.4% Adjusted EBITDA margin. After the first wave of pandemic restrictions were relaxed, the affected businesses showed a strong recovery, visible in the good results of all our segments in Q3. The continuing fast paced growth in our online channel, efficiencies gained through cost-saving adjustments and new acquisitions position us well to deliver strong top-line performance and profitability in the future periods.

Acquisition of additional interest and consolidation of CASAG
In March 2020, we signed a shareholder agreement with ÖBAG, an entity through which the Austrian government holds interests in certain strategically important companies and the second largest shareholder of CASAG, the entity which comprises our Austria segment and is parent company of Austrian Lotteries. In June 2020, we purchased a 17.19% stake in CASAG. As a result, our shareholding in CASAG increased to 55.48% and CASAG has been consolidated as a subsidiary from 26 June 2020. In 2019 the Group also held a fixed-price purchase option for an additional 4.31% stake, creating total economic interest in CASAG of 59.80%. The call option was exercised in January 2021

Acquisition of additional interest and consolidation of Stoiximan
From 2018 we have held a 36.75% interest in Stoiximan, the leading online gaming business in Greece and Cyprus, and Betano, a fast-growing international online gaming business. During 2020, we acquired further interests in Stoiximan, reaching a total interest of 84.49%, while retaining our original minority stake in Betano. Stoiximan has been consolidated as a subsidiary from 18 November 2020.

Financing and simplification of capital structure
During 2020 we undertook a number of major financing transactions and continued to implement our strategy of simplification and optimisation of the Group's capital structure.

In February 2020, the Company issued €300 million of notes due 2027. This followed our successful debut international bond issuance in November 2019. We used the proceeds of the issuance to refinance bank loans at our subsidiaries CAME and IGH.

In June 2020, CAME drew a €105 million bank loan with a maturity date of 30 September 2025. The proceeds were used to pay the consideration for the acquisition of the 17.19% stake in CASAG.

In October 2020, OPAP issued €200 million of 7-year retail bonds, with a yield of 2.10%.

In November, we drew a €100 million bilateral bank loan at the Company level.

IIn December 2020, we refinanced the €100 million bilateral bank loan at the Company level, €105m CAME loan and €226 million bank loan of our Czech business, using the proceeds from a €640 million syndicated loan facility. The facility includes a €200 million RCF, improving our liquidity.

As a result of the two major refinancings in 2020, the capital structure of the Group now consists of the syndicated loan facility and international and local bonds at the level of the Company, and debt at OPAP and CASAG. Previous midco facilities and the facility at SAZKA a.s. have now been fully repaid.

Apollo investment
In November 2020 we announced a €500 million investment by funds managed by Apollo Global Management, Inc., one of the world's leading private investment fund and leading investors in gaming, in SAZKA Entertainment A.G., a newly created holding company of the Company. The transaction closed in March 2021.

Management's discussion and analysis

The financial and operating information contained in this "Management's discussion and analysis" comprises information of SAZKA Group a.s. ("SAZKA Group" or the "Company" and, together with its subsidiaries, joint ventures and associates, the "Group" or "we").

This MD&A contains certain forward-looking statements, which are based on assumptions about our future business. Our actual results could differ materially from those contained in forward-looking statements as a result of many factors, including, but not limited to, those described under "Forward-Looking Statements" and "Risk Factors".

Financial review

Management's discussion and analysis

1. Significant transactions and developments during 2020

1.1 Financing

In February 2020, the Company completed an offering of €300 million aggregate principal amount of 3 7/8% Senior Notes due 2027 (the "2027 Senior Notes"). The 2027 Senior Notes were priced at 99.24% of par. The proceeds were used to repay and cancel debt at CAME and IGH.

In March 2020, OPAP repaid a €200 million bank loan.

In March 2020, OPAP drew a €100 million loan under a revolving facility with a maturity date of 27 March 2021. The loan was subsequently repaid in October 2020 and remains available as a committed credit line.

In April 2020, OPAP drew a €200 million bank loan with an initial maturity date in October 2020 that was subsequently extended to April 2021. In July 2020 OPAP repaid €50 million of the loan while the remaining €150 million was repaid in October 2020.

In May 2020, OPAP signed a new €100 million bank loan. This bank loan has not been drawn.

In June 2020, CAME drew a €105 million bank loan with a maturity date of 30 September 2025. The proceeds were used to pay the consideration for the acquisition of a 17.2% stake in CASAG. The loan was repaid in December 2020.

In October 2020, OPAP completed an offering of €200 million of bonds bearing interest of 2.10% and priced at 100% of par. The bonds are due 2027.

In October 2020, the Company signed a €100 million bilateral bank loan. The facility was fully drawn in November and repaid in December.

In December 2020, the Company signed a €640 million senior facilities agreement with a syndicate of banks. The financing includes a €220 million amortising facility, a €220 million non-amortising facility and a €200 million revolving credit facility. In December the Company drew €450 million to refinance the €100 million bank loan at SAZKA Group, €105 million bank loan at CAME and CZK 5,939 million (€226 million) bank loan at SAZKA a.s. The loan is secured by pledges of shares in subsidiaries of the Company and intragroup receivables and benefits from certain guarantees. This security and guarantee package is shared pari passu with the bonds issued by SAZKA Group a.s. and SAZKA Group Financing a.s., see Note 26 to the Consolidated financial statements.

1.2 Acquisitions

In March 2020, the Group signed a shareholder agreement with ÖBAG, an entity owned by the Austrian government. In June 2020, the Group purchased a 17.19% interest in CASAG. As a result, the Group's shareholding in CASAG increased to 55.48% and CASAG has been consolidated as a subsidiary from 26 June 2020.

In July and November, the Group's subsidiary OPAP acquired a controlling interest in Stoiximan, the leading online gaming business in Greece and Cyprus, for cash consideration of €154.7 million plus an estimated contingent consideration (earn-out) of €128.3 million, which will be paid in the 2021 and 2022, subject to performance criteria. As a result of this transaction, OPAP's interest in Stoiximan increased from 36.75% to 84.49%.

1.3 Other developments

In January 2020, OPAP declared an extraordinary dividend of €1.00 per share; the total gross dividend amount was €319.8 million. The dividend was paid in February 2020.

In June 2020, OPAP declared an ordinary dividend of €0.30 per share; the total gross dividend amount was €99.9 million. The dividend was paid in August 2020.

In both cases, shareholders had the option of receiving cash or shares under OPAP's scrip dividend programme. The Group elected to receive scrip in both cases which resulted in an increase its interest in OPAP by 1.88%.

During 2020, the Group increased its interest in OPAP by 1.88% through open market purchases of shares for an aggregate price of €54.5 million.

During 2020, the Group further increased its interest in OPAP through intragroup purchases by the Company from SDHH, a subsidiary in which the Group owns less than 100%, and as a result of a minority investor exiting SDVCIC.

Financial review

Management's discussion and analysis continued

As a result of the above-mentioned scrip dividend programme, open market purchases and the effect of the SDHH and SDVCIC transactions, the Group's shareholding in OPAP increased from 40.01% to 43.12% of the total issued share capital, while the Group's economic interest increased from 31.99% to 36.10%.

1.4 COVID-19

While all our digital channels continued to operate without interruption, some of our physical retail networks were affected by the first wave of COVID-19 restrictions in the first half of 2020. Subsequently, all operations resumed full activity in the third quarter, albeit with some minor restrictions in certain cases. In the fourth quarter, our physical retail networks faced some restrictions from the second wave of COVID-19, but to a lesser extent compared with the first wave.

In both waves, the measures had a limited impact on the availability of our lottery products in Austria and the Czech Republic through their land-based channels, as key categories of points of sale remained open. Our physical retail channels that were affected were those in Greece and Cyprus and casinos in Austria and internationally (in Q1-2 and Q4), and our business in Italy (in Q1-Q2, however not in Q4). Our online businesses performed very well, with strong growth in Austria, the Czech Republic, and at Stoiximan in Greece and Cyprus.

The tables below outline the quarterly development of our operating segments and illustrate the impact which the COVID-19 restrictions had on our businesses.

Austria	1Q20	2Q20	3Q20	4Q20
GGR[1]	**308.9**	**225.6**	**322.8**	**276.9**
% change from comparative period	**(8%)**	**(28%)**	**(10%)**	**(22%)**
Operating EBITDA	**46.1**	**13.9**	**63.6**	**23.5**
% change from comparative period	**(11%)**	**(66%)**	**96%**	**(72%)**

1 Includes also revenues from non-gaming business.

of which Austrian Lotteries subsegment	1Q20	2Q20	3Q20	4Q20
GGR	**206.3**	**191.9**	**216.6**	**235.1**
Operating EBITDA	**37.1**	**36.5**	**40.2**	**36.9**

Austrian Lotteries performed well and delivered strong growth during the year as a result of strong online sales and resilience in the physical retail channel, with key categories of points of sale remaining open throughout the year.

However, non-lotteries activities, primarily casinos in Austria and internationally, were impacted by both waves of COVID-19 restrictions, having a negative impact on profitability in both the second and the fourth quarter. The impact of closure was unique in this business due to the relatively high proportion of fixed costs at the casinos compared to our other businesses.

Czech Republic	1Q20	2Q20	3Q20	4Q20
GGR	**77.0**	**67.0**	**74.9**	**96.3**
% change from comparative period	**25%**	**0%**	**5%**	**12%**
Operating EBITDA	**22.3**	**24.0**	**19.6**	**17.9**
% change from comparative period	**(3%)**	**9%**	**(24%)**	**(25%)**

Our Czech Republic operations were impacted to a moderate extent by restrictions during the first wave of COVID-19, especially in April, when there was a limited period of lower sales via our physical points of sale, but recovered quickly and posted very good performance in the third and fourth quarters. Similar to our Austrian operations, online sales were very strong, achieving 31.5% share of the GGR compared to 19.4% in 2019, and the physical retail channel was resilient, with key categories of points of sale remaining open throughout the year.

Financial review

Management's discussion and analysis continued

Greece and Cyprus	1Q20	2Q20	3Q20	4Q20
GGR	328.3	179.6	391.0	230.8
% change from comparative period	(17%)	(53%)	(1%)	(48%)
Operating EBITDA	86.3	15.9	105.3	52.3
% change from comparative period	(24%)	(82%)	(2%)	(50%)

Our Greece and Cyprus operations were impacted by the first COVID-19 restrictions from the end of March to May. In June and especially during the third quarter, the business recovered and performed strongly, although still operating under certain limited restrictions, while the second lockdown impacted the business from the middle of November into the first quarter of the year 2021. The Stoiximan business was not affect by COVID-19 and delivered strong growth in 2020, however consolidated GGR only includes Stoiximan's contribution for December.

Italy

In Italy, the regulator suspended lottery draws for some weeks during the first wave of COVID. This was not repeated when COVID-19 restrictions were reintroduced later in the year, and the vast majority of the distribution network remained open. Overall, trading recovered well after operations relaunched, with the business delivering a record performance at the end of the year.

Other impacts

Impairment testing triggered by COVID-19 resulted in an aggregate impairment of non-current assets of €24.4 million in our Greece and Cyprus operations (related to the Horse Races business) and impairment of €21.1 million in Austria relating to the Austrian casino business (of which €19.4 million related to the period before we consolidated CASAG). Our Greece and Cyprus business also recorded impairments of receivables from agents and incurred additional expenses in the form of support to agents to maintain the distribution network of a total €11.4 million, and as a result of COVID-19 restrictions, inability to generate GGR from certain products caused an additional write-off of previously accrued GGR contribution assets of €13.5 million.

Under the concession agreement of our subsidiary Hellenic Lotteries S.A., it has to pay 30% of annual GGR to the Greek state, subject to a €50 million minimum annual amount. Hellenic Lotteries S.A. believes the €50.0 million minimum amount is not applicable for 2020 as the force majeure clause in the concession agreement was triggered by the pandemic-related restrictions imposed by the Greek state, and only €12.3 million (30% of actual 2020 GGR) is payable. Hellenic Lotteries S.A. has therefore filed a request for arbitration. As a prudent measure, the Group recorded gaming taxes expense for this outstanding liability of €37.7 million as of 31 December 2020.

On the other hand, our business received some benefits from governmental COVID-19 compensation programmes. Our Greek business benefited from €1.8 million of lease discounts and €12.3 million tax liability early payment discount, and our Austria business received €17.2 million in government support for furloughed staff.

1.5 Subsequent events

For developments after year end please refer to the Subsequent events note to the Consolidated Financial Statements.

Financial review

Management's discussion and analysis continued

2. Comparison of results of operations for the year ended 31 December 2020 and 31 December 2019

	Year ended 31 December		Change	
Management analysis of consolidated results	**2020**	2019	abs	%
Amount staked	**6,831.4**	5,456.8	1,374.6	25.2%
Gross gaming revenue (GGR)	**2,018.0**	1,906.1	111.9	5.9%
Gaming taxes	**(805.5)**	(595.0)	(210.5)	35.4%
Net gaming revenue (NGR)	**1,212.5**	1,311.1	(98.6)	(7.5%)
Revenue from non-gaming activities	**143.2**	147.3	(4.1)	(2.8%)
Other operating income	**96.8**	12.5	84.3	n/m
Agents' commissions	**(337.1)**	(419.8)	82.7	(19.7%)
Materials, consumables and services	**(309.8)**	(330.2)	20.4	(6.2%)
Marketing services	**(124.9)**	(92.4)	(32.5)	35.2%
Personnel expenses	**(223.2)**	(106.1)	(117.1)	n/m
Other operating expenses	**(77.7)**	(50.6)	(27.1)	53.6%
Share of profit of equity method investees (net of tax)	**79.5**	120.4	(40.9)	(34.0%)
Operating EBITDA	**459.3**	592.2	(132.9)	(22.4%)
Adjusted for:				
Inorganic business development costs	***14.8***	*10.4*	*4.4*	n/m
Adjustments in Greece and Cyprus segment (COVID-19 driven)	***66.0***	–	*66.0*	n/m
Other adjustments	***(2.0)***	*0.6*	*(2.6)*	n/m
Adjusted EBITDA	**538.1**	603.2	(65.1)	(10.8%)
Adjusted EBITDA margin	***44.4%***	*46.0%*	*(1.6%)*	
Depreciation and amortization	**(158.5)**	(112.9)	(45.6)	40.4%
Impairment of non-financial assets	**(26.1)**	(8.7)	(17.4)	n/m
Restructuring personnel cost	**(50.6)**	–	(50.6)	n/m
Gain from remeasurement of previously held interest in equity method investee	**142.7**	–	142.7	n/m
Other gains and losses	**8.9**	–	8.9	n/m
Profit from operating activities	**375.7**	**470.6**	**(94.9)**	**(20.2%)**
Interest income	**2.2**	7.5	(5.3)	(70.7%)
Interest expense	**(101.8)**	(70.3)	(31.5)	44.8%
Other finance income and expense	**(16.0)**	(50.2)	34.2	(68.1%)
Finance costs, net	**(115.6)**	**(113.0)**	**(2.6)**	**2.3%**
Profit before income tax	**260.1**	**357.6**	**(97.5)**	**(27.3%)**
Income tax expense	**(35.7)**	(46.3)	10.6	(22.9%)
Profit after tax	**224.4**	**311.3**	**(86.9)**	**(27.9%)**

Financial review

Management's discussion and analysis continued

Management analysis of results excluding CASAG and Stoiximan	Year ended 31 December 2020	2019	Change abs.	rel.
Amount staked	**4,026.4**	5,456.8	(1,430.4)	(26.2%)
Gross gaming revenue (GGR)	**1,404.7**	1,906.1	(501.4)	(26.3%)
Gaming taxes	**(491.0)**	(595.0)	104.0	(17.5%)
Net gaming revenue (NGR)	**913.7**	1,311.1	(397.4)	(30.3%)
Revenue from non-gaming activities	**116.6**	147.3	(30.7)	(20.8%)
Other operating income	**70.1**	12.5	57.6	n/m
Agents' commissions	**(286.9)**	(419.8)	132.9	(31.7%)
Materials. consumables and services	**(271.1)**	(330.2)	59.1	(17.9%)
Marketing services	**(86.8)**	(92.4)	5.6	(6.1%)
Personnel expenses	**(106.6)**	(106.1)	(0.5)	0.5%
Other operating expenses	**(63.1)**	(50.6)	(12.5)	24.7%
Share of profit of equity method investees (net of tax)	**49.5**	69.5	(20.0)	(28.8%)
Operating EBITDA	**335.4**	541.3	(205.9)	(38.0%)
Adjusted for:				
Inorganic business development costs	***14.8***	*10.4*	*4.4*	*n/m*
Adjustments in Greece and Cyprus segment (COVID-19 driven)	***66.0***	–	*66.0*	*n/m*
Other adjustments	***(2.0)***	*0.6*	*(2.6)*	*n/m*
Adjusted EBITDA	**414.2**	552.3	(138.1)	(25.0%)
Adjusted EBITDA margin	***45.3%***	*42.1%*	*3.2%*	–
Depreciation and amortization	**(122.4)**	(112.9)	(9.5)	8.4%
Impairment of non-financial assets	**(24.4)**	(8.7)	(15.7)	n/m
Other gains and loss	**7.5**	–	7.5	n/m
Profit from operating activities	**196.1**	**419.7**	**(223.6)**	**(53.3%)**
Interest income	**2.3**	7.5	(5.2)	(69.3%)
Interest expense	**(97.6)**	(70.3)	(27.3)	38.8%
Other finance income and expense	**(13.9)**	(50.2)	36.3	(72.3%)
Finance costs. net	**(109.2)**	**(113.0)**	**3.8**	**(3.4%)**
Profit before income tax	**86.9**	**306.7**	**(219.8)**	**(71.7%)**
Income tax expense	**(29.0)**	(46.3)	17.3	(37.4%)
Profit after tax	**57.9**	**260.4**	**(202.5)**	**(77.8%)**

In addition to the impact of COVID-19, consolidated results for 2020 are also impacted by the consolidation of CASAG following the acquisition of a controlling stake on 26 June 2020, and also by the consolidation of Stoiximan from 18 November 2020.

Financial review

Management's discussion and analysis continued

Given the substantial contribution of CASAG to all line items in the second half of the year, consolidated numbers are not fully comparable. The following commentary therefore also includes comparison of the consolidated results excluding contributions from CASAG (as a fully consolidated subsidiary from HY 2020 and as an equity method investee before) and Stoiximan (as a fully consolidated subsidiary from 18 November 2020 and as an equity method investee before) ("excluding CASAG and Stoiximan").

Results excluding CASAG and Stoiximan were calculated by deducting, per line item, contribution of Austria operating segment and Stoiximan, as disclosed in the Note 7 Operating Segments in the Consolidated Financial Statements, from the consolidated results of the Group. This includes deduction of share of profit of equity accounted investee for the period before acquisition, see also Note 20 in the Consolidated Financial Statements.

Consolidated results were influenced by the restrictions due to COVID-19, see description in section 1.4 above for more details.

Gross gaming revenue (GGR)

GGR for 2020 increased by €111.9 million, or 5.9%, to €2,018.0 million, with the effect of consolidation of CASAG in the second half more than outweighing the impact of COVID-19 restrictions.

Excluding CASAG and Stoiximan, GGR decreased by €501.4 million, or 26.3%, to €1,404.7 million, driven by a decrease in the amounts staked. While the Czech business delivered a strong performance, growing 10% year-to-year overall with the rapidly increasing share of the online business, the Greek operations suffered from the COVID-19 restrictions in both pandemic waves.

Gaming taxes

Gaming taxes for 2020 increased by €210.5 million, or 35.4%, to €805.5 million, driven by the effect of consolidation of CASAG.

Excluding CASAG and Stoiximan, gaming taxes for 2020 decreased by €104.0 million, or 17.5%, to €491.0 million, following a decrease in GGR and the impact of an increase in the lottery tax in the Czech Republic from the 23% rate valid in 2019 to 35% from January 2020.

Net gaming revenue (NGR)

NGR for 2020 decreased by €98.6 million, or 7.5%, to €1,212.5 million, driven by the factors set forth above.

Excluding CASAG and Stoiximan, NGR for 2020 decreased by €397.4 million, or 30.3%, to €913.7 million, reflecting a decrease in GGR and the additional negative impact of the lottery tax increase in the Czech Republic.

Revenue from non-gaming activities

Revenue from non-gaming activities decreased by €4.1 million, or 2.8%, to €143.2 million, with the effect of the consolidation of CASAG somewhat mitigating the impact of COVID-19 restrictions.

Excluding CASAG and Stoiximan, revenue from non-gaming activities decreased by €30.7 million, or 20.8%, to €116.6 million, following the GGR trends. Double digit growth in the Czech business could not offset impact of the lockdown restriction on revenues of the Greek operations.

Other operating income

Other operating income increased by €84.3 million to €96.8 million, driven by the effects of the consolidation of CASAG together with effect of the GGR contribution prepayment in Greece described below.

Excluding CASAG and Stoiximan, other operating income increased by €57.6 million to €70.1 million. Other operating income includes €42.5 million of the positive effect of the GGR contribution prepayment in Greece, which represent an allocation of the aggregate tax prepayment of €1.83 billion over the period of 10 years beginning in October 2020 on an accrual basis plus the income tax compensating effect. See Note 3.f iii. and Note 9 in the Consolidated Financial Statements.

Agent's commissions

Agents' commissions decreased by €82.7 million, or 19.7%, to €337.1 million driven by the factors influencing GGR and NGR set for the above.

Excluding CASAG and Stoiximan, agents' commissions decreased by €132.9 million, or 31.7%, to €286.9 million.

Financial review

Management's discussion and analysis continued

Materials, consumables and services

Materials, consumables and services decreased by €20.4 million, or 6.2%, to €309.8 million, with the effect of the consolidation of CASAG more than outweighing the impact of cost-savings measures introduced to mitigate the impact of COVID-19 restrictions.

Excluding CASAG and Stoiximan, materials, consumables and services decreased by €59.1 million, or 17.9%, to €271.1 million. All our businesses implemented cost-savings measures as a response to COVID-19 restrictions, however due to the fixed nature of parts of the costs, the relative decrease does not fully match the decrease in GGR.

Marketing services

Marketing services increased by €32.5 million, or €35.2%, to €124.9 million, where the effect of consolidation of CASAG and level of marketing services expenses in Austria measure the positive impact of cost-savings measures as a response to COVID-19 restrictions implemented throughout the Group.

Excluding CASAG and Stoiximan, marketing services decreased by €5.6 million, or 6.1%, to €86.8 million. While we made savings in marketing in some areas, we also realized targeted spending on campaigns to drive revenue growth in new product lines and the online distribution channel, with a focus on ROI.

Personnel expenses

Personnel expenses increased by €117.1 million to €223.2 million, driven by the effect of the consolidation of CASAG.

Excluding CASAG and Stoiximan, personnel expenses increased by €0.5 million, or 0.5%, to €106.6 million, due to the mostly fixed nature in the medium term of personnel expenses.

Other operating expenses

Other operating expenses increased by €27.1 million to €77.7 million, driven by the effect of the consolidation of CASAG.

Excluding CASAG and Stoiximan, other operating expenses increased by €12.5 million, or 24.7%, to €63.1 million. There is no single major driver, but a combination of smaller factors such as an increase in trade receivables provision in our Greece business and €5.2 million special support paid to our agents in Greece, who bore essentially all the costs of maintaining our dedicated agents' stores during the period they were not able to open.

Share of profit of equity accounted investees

Share of profit of equity accounted investees decreased by €40.9 million, or 34.0%, to €79.5 million, driven by the impact of COVID-19 restrictions on CASAG during the first half of the year, while it was accounted using the equity method, and LOTTOITALIA.

Excluding CASAG and Stoiximan, share of profit of equity accounted investees decreased by €20.0 million, or 28.8%, to €49.5 million, driven by the the impact of COVID-19 restrictions on LOTTOITALIA.

Operating EBITDA

Operating EBITDA decreased by €132.9 million, or 22.4%, to €459.3 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, operating EBITDA decreased by €205.9 million, or 38.0%, to €335.4 million.

Adjusted EBITDA

Adjusted EBITDA decreased by €65.1, or 10.8%, to €538.1 million.

Excluding CASAG and Stoiximan, Adjusted EBITDA decreased by €138.1 million, or 25%, to €414.2 million, as a result of the change in Operating EBITDA and the adjustment factors described below:

- During 2020 the Group adjusted EBITDA for costs incurred by the Greece and Cyprus business in connection with COVID-19 restrictions, including impairments of GGR contribution asset, agents' receivables write-offs, additional costs related to GGR contribution and others, in the aggregate amount of €66.0 million. See Greece and Cyprus segment for more details.
- During 2020 the Group also adjusted EBITDA for costs associated with inorganic business development, including costs related to its UK National Lottery bid.

Financial review

Management's discussion and analysis continued

Depreciation and amortization

Depreciation and amortization increased by €45.6 million, or 40.4%, to €158.5 million, driven primarily by the effect of the consolidation of CASAG and increase in connection with investments into gaming systems and equipment.

Excluding CASAG and Stoiximan, depreciation and amortization expenses increased by €9.5 million, or 8.4%, to €122.4 million.

Impairment of non-current assets

Impairment of non-current assets of €26.1 million is primarily driven by the impact of the COVID-19 restrictions on parts of our Greece business, where an aggregate impairment of €19.0 million was recognized for brand, equipment and leased assets in the Horse Races part of the business.

Restructuring costs

Restructuring costs of €50.6 million comprises estimated costs of the restructuring plan in CASAG announced in July 2020, which is expected to generate significant run-rate costs savings from 2021 onward.

Gain from remeasurement of previously held interest in equity method investee

Gain from remeasurement of previously held interest in equity accounted investee of €142.7 comprises a non-cash upward revaluation of the 36.75% equity accounted interest in Stoximan held prior to the completion of the acquisition of additional interests in Stoiximan in November 2020 and subsequent consolidation. The fair value was estimated with reference to the purchase prices of the acquired controlling interest.

Other gains and losses

Other gains and losses of €8.9 million comprises gains from revaluation of non-derivative financial instruments held accounted at fair value.

Profit from operating activities

Profit from operating activities decreased by €94.9 million, or 20.2%, to €375.7 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, profit from operating activities decreased by €223.6 million, or 53.3%, to €196.1 million.

Interest income

Interest income decreased by €5.3 million to €2.2 million as a result of a decrease in interest-bearing financial assets during the year 2020 and declines in interest rates.

Interest expense

Interest expense increased by €31.5 million, or 44.8%, to €101.8 million as a result of an increase in external debt, primarily the issue of new bonds in the Czech Republic and Greece.

Excluding CASAG and Stoiximan, interest expense increased by €27.3 million, or 38.8%, to €97.6 million.

Other finance income and expense

Other finance income and expense decreased by €34.2 million to €16.0 million, driven primarily by the fact that 2019 results included financing fees in relation to the voluntary tender offer ("VTO") for OPAP S.A. of €40.9 million.

Excluding CASAG and Stoiximan, other finance income and expense decreased by €36.3 million to €13.9 million.

Profit before tax

Profit before income tax decreased by €97.5 million, or 27.3%, to €260.1 million as a result of factors set forth above.

Excluding CASAG and Stoiximan, profit before income tax decreased by €219.8 million to €86.9 million.

Income tax

Income tax expense decreased by €10.6 million, or 22.9%, to €35.7 million, primarily matching the decrease in taxable profit.

Excluding CASAG and Stoiximan, income tax expense decreased by €17.3 million, or 37.4%, to €29.0 million.

Profit after tax

Profit after tax decreased by €86.9 million, or 27.9%, to €224.4 million, as a result of factors set forth above.

Excluding CASAG and Stoiximan, profit after tax decreased by €495.4 to €57.9 million.

Financial review

Management's discussion and analysis continued

2.1 Austria – Segment summary

The tables below present the contribution of the Austria business to the Group's Consolidated Financial Statements, i.e. results post consolidation plus the share of profit of the business as an equity accounted investee prior to consolidation.

	Year ended 31 December 2020	
	CASAG	of which Austrian Lotteries
Amount staked	**2,473.0**	2,351.7
Gross gaming revenue (GGR)	**573.1**	451.8
Gaming taxes	**(298.7)**	(249.5)
Net gaming revenue	**274.4**	202.3
Revenue from non-gaming activities	**26.6**	1.4
Other operating income	**26.7**	12.9
Agents' commissions	**(50.2)**	(50.2)
Materials. consumables and services	**(30.6)**	(16.9)
Marketing services	**(33.4)**	(27.8)
Personnel expenses	**(116.6)**	(32.0)
Other operating expenses	**(13.1)**	(12.0)
Share of profit of equity method investees (net of tax)	**11.9**	–
Operating EBITDA	**95.7**	77.7
Operating EBITDA margin	***34.9%***	*35.4%*
Profit/loss from operating activities	**8.7**	**59.1**

	Year ended 31 December 2020	
	CASAG	of which Austrian lotteries
Gross gaming revenue (GGR)	**573.1**	451.8
Numerical Lotteries	**326.6**	326.6
Instant Lotteries	**35.9**	35.9
Sports Betting	**9.7**	9.7
Digital-only Games	**65.6**	65.6
VLTs and Casinos	**135.3**	14.0

Financial review

Management's discussion and analysis continued

The tables below present the results of the businesses comprising our Austria segment for the full years 2020 and 2019.

	Year ended 31 December		Change	
Austria segment	**2020**	2019	abs.	rel.
Amount staked	**4,656.9**	4,553.3	103.6	2.3%
Gross gaming revenue (GGR)	**1,077.5**	1,245.9	(168.4)	(13.5%)
Gaming taxes	**(563.0)**	(637.0)	74.0	(11.6%)
Net gaming revenue (NGR)	**514.5**	608.9	(94.4)	(15.5%)
Revenue from non-gaming activities	**56.7**	113.2	(56.5)	(49.9%)
Other operating income	**58.0**	19.9	38.1	n/m
Agents´ commissions	**(94.1)**	(93.1)	(1.0)	1.1%
Materials. consumables and services	**(55.4)**	(51.9)	(3.5)	6.7%
Marketing services	**(61.5)**	(72.8)	11.3	(15.5%)
Personnel expenses	**(228.0)**	(264.4)	36.4	(13.8%)
Other operating expenses	**(43.6)**	(57.5)	13.9	(24.2%)
Share of profit of equity method investees (net of tax)	**0.5**	8.3	(7.8)	(94.0%)
Operating EBITDA	**147.1**	210.6	(63.5)	(30.2%)
Operating EBITDA margin	***28.6%***	*34.6%*	–	–
Profit/loss from operating activities	**20.0**	**152.6**	**(132.6)**	**(86.9%)**

	Year ended 31 December		Change	
of which: Austrian Lotteries	**2020**	2019	abs.	rel.
Amount staked	**4,429.2**	4,141.4	287.8	6.9%
Gross gaming revenue (GGR)	**849.9**	834.0	15.9	1.9%
Gaming taxes	**(466.8)**	(456.4)	(10.4)	2.3%
Net gaming revenue	**383.1**	377.6	5.5	1.5%
Revenue from non-gaming activities	**2.9**	3.5	(0.6)	(17.1%)
Other operating income	**26.8**	22.8	4.0	17.5%
Agents´ commissions	**(94.1)**	(93.1)	(1.0)	1.1%
Materials. consumables and services	**(28.8)**	(20.0)	(8.8)	44.0%
Marketing services	**(51.6)**	(55.2)	3.6	(6.5%)
Personnel expenses	**(64.8)**	(65.7)	0.9	(1.4%)
Other operating expenses	**(22.8)**	(44.1)	21.3	(48.3%)
Share of profit of equity method investees (net of tax)	**–**	–	–	–
Operating EBITDA	**150.7**	125.8	24.9	19.8%
Operating EBITDA margin	***39.3%***	*33.3%*	–	–
Profit/loss from operating activities	**132.0**	**114.3**	**17.7**	**15.5%**

Different businesses within the Austria operating segment were impacted by the COVID-19 restriction to various degrees.

Austrian Lotteries performed well and delivered strong growth during the year as a result of strong online sales and resilience in the physical retail channel, with key categories of points of sale remaining open throughout the year.

Financial review

Management's discussion and analysis continued

However, non-lotteries activities, primarily casinos in Austria and internationally, were impacted by both waves of COVID-19 restrictions, having a negative impact on profitability in both the second and the fourth quarter. The impact of closure was unique in this business due to the relatively high proportion of fixed costs at the casinos compared to our other businesses.

Austrian Lotteries delivered a stable performance, growing GGR by 1.9% even throughout the pandemic, and improving the overall profitability through cost management. Operating EBITDA increased by €24.9 million, or 19.8% to €150.7 million, reaching 39.3% EBITDA margin, primarily benefiting from lower maintenance fees, consulting fees and certain sales dependent license fees.

The casino business in Austria was closed during almost half of the year, which together with other minor restrictions resulted in 45% decrease GGR. The management responded by introducing a restructuring plan to reduce the fixed costs, especially personnel expenses. TThe restructuring plan was announced in July 2020 and related provisions (reported below Operating EBITDA) impacted net income in the period after acquisition by €50.6 million.

2.2 Czech Republic – Segment summary

	Year ended 31 December		Change	
	2020	2019	abs.	rel.
Amount staked	**748.7**	690.9	57.8	8.4%
Gross gaming revenue (GGR)	**315.2**	286.2	29.0	10.1%
Gaming taxes	**(114.3)**	(66.8)	(47.5)	71.1%
Net gaming revenue (NGR)	**200.9**	219.4	(18.5)	(8.4%)
Revenue from non-gaming activities	**16.1**	16.6	(0.5)	(3.0%)
Other operating income	**3.5**	0.8	2.7	n/m
Agents' commissions	**(31.0)**	(32.5)	1.5	(4.6%)
Materials. consumables and services	**(43.9)**	(49.8)	5.9	(11.8%)
Marketing services	**(26.0)**	(24.7)	(1.3)	5.3%
Personnel expenses	**(20.5)**	(19.9)	(0.6)	3.0%
Other operating expenses	**(15.3)**	(15.3)	–	0.0%
Share of profit of equity method investees (net of tax)	**–**	–	–	
Operating EBITDA	**83.8**	94.6	(10.8)	(11.4%)
Adjusted for:				
Gain from cancellation of obligation to acquire IGH	**(2.0)**	–	(2.0)	n/m
Adjusted EBITDA	**81.8**	94.6	(12.8)	(13.5%)
Adjusted EBITDA to NGR margin	***40.7%***	*43.1%*	*(2.4%)*	
Profit/loss from operating activities	**77.5**	**90.0**	**(12.5)**	**(13.9%)**
Profit after tax	**47.0**	**63.2**	**(16.2)**	**(25.6%)**

	Year ended 31 December		Change	
	2020	2019	abs	%
Gross gaming revenue (GGR)	**315.2**	286.2	29.0	10.1%
Numerical Lotteries	**188.1**	189.9	(1.8)	(0.9%)
Instant Lotteries	**63.9**	64.0	(0.1)	(0.2%)
Sports Betting	**7.9**	6.6	1.3	19.7%
Digital-only Games	**55.3**	25.7	29.6	115.2%

The Czech Republic segment showed strong performance, growing GGR by €29 million, or 10.1%. Our Czech Republic operations were impacted to a moderate extent by restrictions during the first wave of COVID-19, especially in April, when there was a limited period of lower sales via our physical points of sale, but recovered quickly and posted very good performance in the third and fourth quarters. Similar to our Austrian operations, online sales

Financial review

Management's discussion and analysis continued

were very strong, achieving 31.5% share of the GGR compared to 19.4% in 2019, and the physical retail channel was resilient, with key categories of points of sale remaining open throughout the year.

However, despite the increase in GGR, NGR declined by €18.5 million, or 8.4%, as a result of an increase in gaming taxes in the Czech Republic from 23% in 2019 to 35% from January 2020.

Operating expenses of the Company decreased by €5.5 million, driven by the cost-savings measures applied in the light of COVID-19 and renegotiation of supplier contracts. The Group successfully reduced its overall operating costs, while keeping personnel costs broadly flat and even increasing its marketing spending to support the growth of new products and the online channel.

Operating EBITDA decreased by €10.8 million as a result of factors set forth above, while Adjusted EBITDA decreased by €12.8 million, after additional adjustment for non-cash gain from cancellation of an obligation of €2.0 million recorded within other operating income.

2.3 Greece and Cyprus – Segment summary

	Year ended 31 December		of which Stoiximan		Change (Stoiximan included)	
	2020	2019	**2020**	2019	abs.	rel.
Amount staked	**3,609.7**	4,765.9	**332.0**	–	(1,156.2)	(24.3%)
Gross gaming revenue (GGR)	**1,129.7**	1,619.9	**40.2**	–	(490.2)	(30.3%)
Gaming taxes	**(392.5)**	(528.2)	**(15.8)**	–	135.7	(25.7%)
Net gaming revenue (NGR)	**737.2**	1,091.7	**24.4**	–	(354.5)	(32.5%)
Revenue from non-gaming activities	**99.7**	121.9	**–**	–	(22.2)	(18.2%)
Other operating income	**66.6**	11.4	**–**	–	55.2	n/m
Agents' commissions	**(255.9)**	(387.3)	**–**	–	131.4	(33.9%)
Materials. consumables and services	**(214.1)**	(248.7)	**(8.1)**	–	34.6	(13.9%)
Marketing services	**(64.1)**	(66.9)	**(4.7)**	–	2.8	(4.2%)
Personnel expenses	**(79.6)**	(83.2)	**–**	–	3.6	(4.3%)
Other operating expenses	**(48.1)**	(34.8)	**(1.5)**	–	(13.3)	38.2%
Share of profit of equity method investees (net of tax)	**18.1**	8.5	**18.1**	8.5	9.6	112.0%
Operating EBITDA	**259.8**	412.6	**28.2**	8.5	(152.8)	(37.0%)
Adjusted for:						
Hellenic Lotteries minimum GGR contribution adjustment	***37.7***	–	**–**	–	*37.7*	*n/m*
Hellenic Lotteries GGR contribution impairment	***13.5***	*2.5*	**–**	–	*13.5*	*n/m*
Litigation provision	***5.2***	*(16.1)*	**–**	–	*5.2*	*n/m*
COVID-19 related support programs (lease discount)	***(1.8)***	–	**–**	–	*(1.8)*	*n/m*
COVID-19 related extraordinary costs (including agents' receivables write-offs)	***11.4***	–	**–**	–	*11.4*	
Other non-recurring costs and write-offs	**–**	*14.2*	**–**	–	*(14.2)*	*n/m*
Adjusted EBITDA	**325,8**	413.2	***28.2***	8.5	(87.4)	(21,0%)
Adjusted EBITDA to NGR margin	***44,19%***	*37.85%*	***n/m***	*n/m*	*6,35%*	
Profit/loss from operating activities	**262.8**	**296.2**	**28.2**	**8.5**	**(33.4)**	**(11.3%)**
Profit after tax	**210.8**	**239.3**	**171.0**	**8.5**	**(28.5)**	**(11.9%)**

Financial review

Management's discussion and analysis continued

	Year ended 31 December		Change	
	2020	2019	abs	%
Gross gaming revenue (GGR)	**1,129.7**	1,619.9	(490.2)	(30.3%)
Numerical Lotteries	**550.7**	778.6	(227.9)	(29.3%)
Instant Lotteries	**44.2**	147.5	(103.3)	(70.0%)
Sports Betting	**310.4**	396.2	(85.8)	(21.7%)
Digital-only Games	**23.9**	–	23.9	n/m
VLTs and Casinos	**200.5**	297.6	(97.1)	(32.6%)

Major factors impacting the performance of the segment

Impact of COVID-19 restrictions

Our Greece and Cyprus operations were impacted by the first COVID-19 restrictions from the end of March to May. In June and especially during the third quarter, the business recovered and performed strongly, although still operating under certain limited restrictions, while the second lockdown impacted the business from the middle of November into the first quarter of the year 2021. The Stoiximan business was not affect by COVID-19 and delivered strong growth in 2020, however consolidated GGR only includes Stoiximan's contribution for December.

Consolidation of Stoiximan

The 2020 results of the Greece and Cyprus segment include one month of contribution of Stoiximan to GGR and Operating EBITDA, following the acquisition of a controlling stake in late November. The Stoiximan business's performance for the rest of the year is reflected only as a part of the profit of equity accounted investee Kaizen.

Stoiximan's operations are 100% online and its performance was not impacted by the COVID-19 restrictions other than by a reduction in the sports calendar in Q1 and Q2. Stoiximan demonstrated a strong and consistent year-to-year growth in both GGR and profitability and is expected to contribute materially to the profitability of our Greece and Cyprus operations.

Before 18 November 2020 Stoiximan was part of a Kaizen (36.75% equity accounted investee). Table below presents the consolidated results of operations of Kaizen including information for Stoximan and Betano business units on proforma basis, as if Stoiximan was part of Kaizen for the whole year 2020.

	Year ended 31 December		Change	
	2020	2019	abs	%
Gross gaming revenue (GGR)	**360.8**	245.2	115.6	47.1%
- GGR Stoiximan	**267.8**	200.8	67.0	33.4%
- GGR Betano	**80.6**	40.0	40.6	101.5%
Net profit	**42.9**	**23.2**	**19.7**	**84.9%**

Effect of prepayment of GGR contribution

From 13 October 2020 for a period of 10 years, the Greece business will benefit from a prepayment of €1,831 million of GGR contribution (gaming tax) made in 2011. Under the license extension term the Greece business will only pay 5% contribution on the GGR from lottery and sports betting in cash, while recognizing a benefit from the prepayment on accrual basis. During 2020 this represented an income of €42.5 million. See Note 3.f iii. and Note 9 in the Consolidated Financial Statements.

Financial review

Management's discussion and analysis continued

Summary of operating performance and year-to-year comparison

Our Greece and Cyprus segment showed a decrease in GGR of €490.2 million, or 30.3%, to €1,129.7 million primarily as a result of COVID-19 restrictions described above, which negatively impacted sales through the physical retail channel. The negative impact was slightly offset by the increasing contribution of the online distribution channel and the consolidation of Stoiximan from December 2020.

Gaming taxes directionally followed the change in GGR, while they also include additional negative impact of €37.3 million representing the contractual liability from the difference between the gaming taxes paid on applicable GGR and the minimum annual amount of €50 million required according to Hellenic Lotteries S.A.'s concession agreement (see description in section 1.4 above). Consequently, NGR decreased by €354.5 million, or 32.5% on a year on year basis.

Agent's commissions followed the decrease in NGR, decreasing by €131.4 million, or 33.9%. The business introduced cost-saving measures to adjust for the negative impacts of COVID-19 and achieved savings across the cost structure, including a 4.3% reduction in personnel expenses, however these were more than offset by the impact from operating restrictions. Moreover, other operating expenses included certain COVID-19 driven one-off expenses of €11.4 million (including support to agents of €5.2 million and write-off of agents' receivables of €4.6 million) and impairment of a GGR contribution asset at Hellenic Lotteries of €13.5 million.

Operating EBITDA decreased by €152.8 million, or 37%, to €259.8 million. Adjusted for impact of one-off or non-recurring items, Adjusted EBITDA decreased by €87.4 million, or 21%, to €325.8 million.

2.4 Italy – Segment summary

	Year ended 31 December		Change	
Operating performance of LOTTOITALIA	**2020**	2019	abs.	rel.
Revenues from contract with customers	**384.4**	489.0	(104.6)	(21.4%)
Operating EBITDA	**310.6**	396.1	(85.5)	(21.6%)
Operating EBITDA margin	**80.8%**	81.0%	(0.2%)	
Profit for the period	**152.4**	213.9	(61.5)	(28.8%)
Total comprehensive income (100%)	**152.4**	213.9	(61.5)	(28.8%)
Group's share of total comprehensive income	**49.5**	**69.5**	**(20.0)**	**(28.8%)**

In Italy, the regulator suspended lottery draws during the first wave of COVID. This was not repeated when COVID-19 restrictions were reintroduced later in the year, and the vast majority of the distribution network remained open. Trading recovered well after operations relaunched, with the business delivering a record performance at the end of the year.

The segment's favourable cost base ensured that EBITDA and cashflow generation declined in line with revenues.

Financial review

Management's discussion and analysis continued

3. Consolidated statement of cash flows

Consolidated statement of cash flows	Year ended 31 December 2020	2019
Cash generated from operating activities	**289.6**	473.8
Net cash generated from operating activities	**163.1**	313.6
Net cash generated from investing activities	**239.5**	499.2
Net cash generated used in financing activities	**(297.9)**	(360.8)

Net cash generated from operating activities

Cash generated from operating activities decreased by €184.2 million to €289.6 million, driven primarily by a decrease in Operating EBITDA.

Net cash generated from operating activities decreased by €150.5 million to €163.1 million, driven by the decrease in cash generated from operating activities together with negative impact of higher interest payment due to increased borrowing, which was more than compensated by the positive impact of lower income tax payment, reflecting lower profitability as a consequence of the COVID-19 impact on the business.

Net cash generated from/used in investing activities

Net cash generated from investing activities decreased by €259.7 million to €239.5 million. The primary driver was inclusion of the proceeds from sale of the Group's Croatian business in 2019 together with proceeds from assigned receivable in connection with this transaction in the aggregate amount of €389.5 million. Excluding this effect, the prior year comparative would be €109.7 million.

Other factors include net cash gain on consolidation, as the cash balances of CASAG exceeded the cash costs of obtaining a controlling interest in CASAG and Stoiximan.

Net cash generated from/used in financing activities

Net cash used in financing activities decreased by €62.9 million to €297.9 million, which was primarily driven by payments of dividend and other distribution to the shareholder of €150.0 million (2019: €569.7 million), higher dividends paid to non-controlling interest of €226.6 million (2019: €140.8 million), expenditure for increasing of shareholding in OPAP of €54.5 million (2019: €256.6 million) and net increase in borrowings of €138.3 million (2019: €663.4 million).

3.1 Dividends, shareholder distributions and intragroup interest payments made

The table below sets out the aggregate amount of dividends, share premium reductions and interest paid on intragroup loans by the entities below in the periods indicated.

€ millions	Year ended 31 December 2020	2019
Austrian Lotteries	**176.7**	120.0
CASAG	**–**	15.0
EDHH	**6.6**	–
LOTTOITALIA	**237.2**	350.6
OPAP1	**419.7**	165.1
SAZKA	**37.1**	18.7
Stoiximan	**18.5**	12.0

1 In January 2020, OPAP declared a dividend in the total amount of €319.8 million, out of which €169.6 million was paid in cash and the remaining part was settled by issuance of new OPAP shares in February 2020. In June 2020, OPAP declared a dividend in the total amount of €99.9 million, out of which €44.2 million was paid in cash and the remaining part was settled by issuance of new OPAP shares in August 2020.

Financial review

Management's discussion and analysis continued

3.2 Capital expenditures

The table below presents a cash outflow relating to acquisition of property, plant and equipment and intangible assets for the periods indicated.

	Year ended 31 December	
€ millions	**2020**	2019
Acquisition of property, plant and equipment and intangible assets	**46.5**	37.2

4. Further information

For further information on our liquidity and capital resources and a discussion of material commitments and contingencies and critical accounting policies, please see Notes to our Consolidated Financial Statements.

Liquidity is described in Note 23 "Cash and cash equivalents" and capital resources are described in Note 24 "Equity" and Note 26 "Loans and borrowings".

Material commitments and contingencies are described in Note 32 "Contingencies". Note 26 "Loans and borrowings" and Note 27 "Leases".

Critical accounting policies are described in Note 3 "Significant accounting policies" and critical accounting estimates and judgments are described in Note 4 "Significant accounting estimates and judgements".

Pro-rata financial information is available in the Investor Relations section of the Group's website.

From time to time, subject to market conditions, the Company (directly or through a subsidiary) may engage in bond repurchase transactions in the open market or in privately negotiated transactions.

The Company regularly evaluates its financing and other strategic options to grow the business on an opportunistic basis taking into account prevailing market conditions. which may include potential private funding and public capital markets transactions. including a listing.

From time to time, subject to market conditions, the Company (directly or through a subsidiary) intends to acquire shares of OPAP in the open market or in privately negotiated transactions.

Alternative performance measures ("APMs")

This document contains certain unaudited financial and operating measures that are not defined or recognized under IFRS that we use to assess the performance of our business. Explanations of these measures are set out below. For example, in this document, we present non-IFRS financial measures such as amount staked, Operating EBITDA, Operating EBITDA margin, Adjusted EBITDA, net debt, capital expenditures, free cash flow, which we use to, among other things, evaluate the performance of our operations, develop budgets, and measure our performance against those budgets. We present some of these numbers on a pro-rata and / or pre-IFRS 16 basis. We believe that Operating EBITDA and Adjusted EBITDA assist in understanding our trading performance as they give an indication of our ability to service our indebtedness.

As there are no generally accepted accounting principles governing the calculation of non-IFRS financial and operating measures, other companies may calculate such measures differently or may use such measures for different purposes than we do, and therefore you should exercise caution in comparing these measures as reported by us to such measures or other similar measures as reported by other companies. An investor should not consider these non-IFRS measures (a) as a substitute for operating results (as determined in accordance with IFRS) or as a measure of our operating performance, (b) as a substitute for cash flow from or used in operating, investing and financing activities (as determined in accordance with IFRS) or as a measure of our ability to meet cash needs or (c) as a substitute for any other measure of performance under IFRS. These measures may not be indicative of our historical operating results or financial condition, nor are such measures meant to be predictive of our future results or financial condition. Even though the non-IFRS financial measures are used by management to assess our financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under IFRS.

Financial review

Management's discussion and analysis continued

Definitions

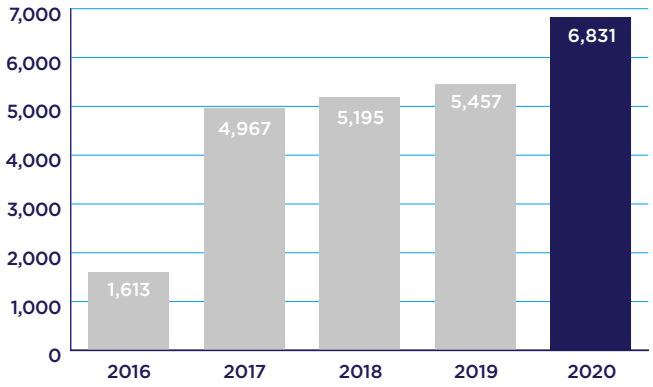
In this document:

"Austrian Lotteries"	refers to Österreichische Lotterien Gesellschaft m.b.H.
"CAME"	refers to CAME Holding GmbH
"CASAG"	refers to Casinos Austria AG
"SDHH"	refers to Sazka Delta Hellenics Holding Limited (formerly Emma Delta Hellenic Holdings limited)
"SDVCIC"	refers to SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD)
"KKCG"	refers to KKCG AG
"IGH"	refers to Italian Gaming Holding a.s.
"LOTTOITALIA"	refers to LOTTOITALIA S.r.l.
"OBAG"	refers to Österreichische Beteiligungs AG
"OPAP"	refers to OPAP S.A.
"POS"	refers to point of sale
"Stoiximan"	refers to Stoiximan Greece and Cyprus operations business unit, presently part of Kaizen Gaming Limited (formerly TCB Holdings Ltd)
"VLT"	refers to video lottery terminal
"VTO"	refers to the voluntary tender offer by the Company for OPAP shares in 2019, upon conclusion of which the Group's economic interest in OPAP was increased to 31.99%

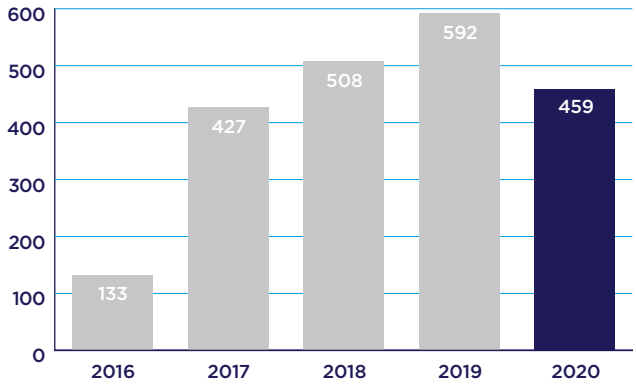
Financial review

History of growth and profitability

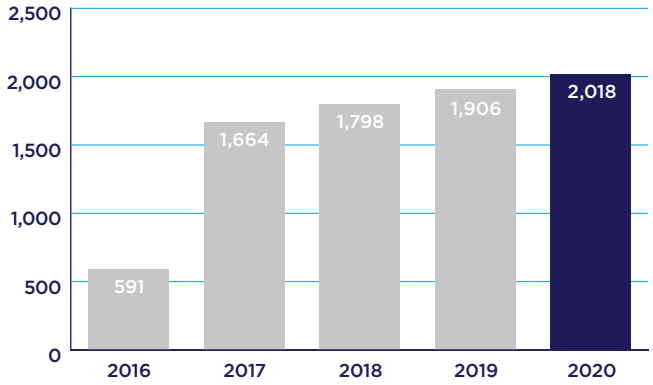
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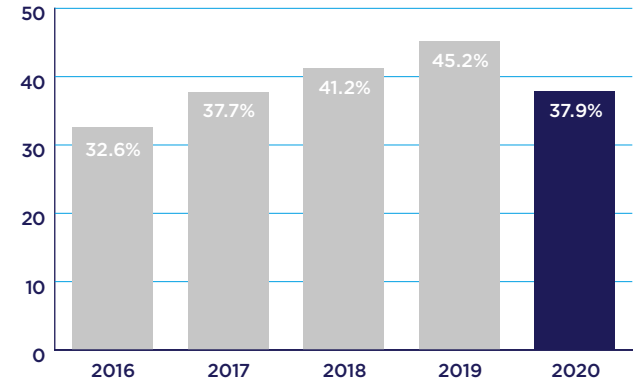
Operating EBITDA



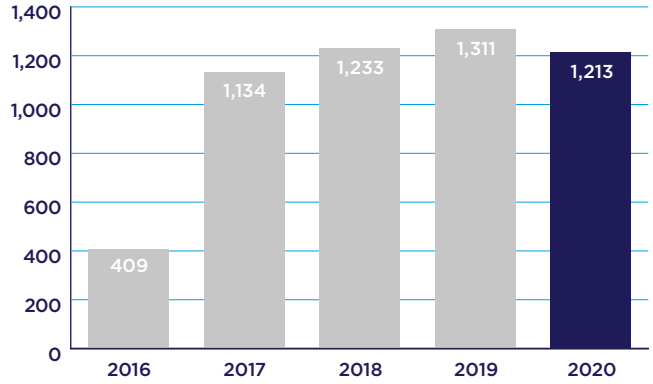
GGR



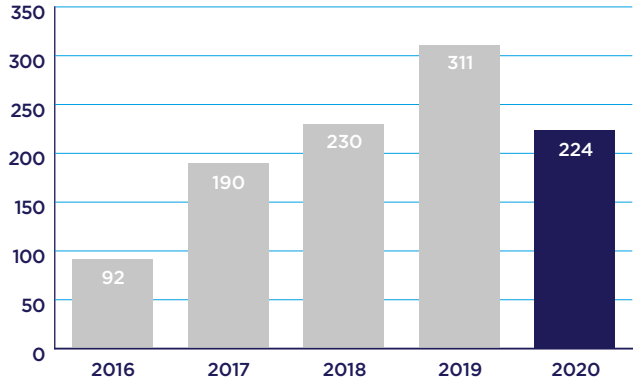
EBITDA margin



NGR



Profit after tax



Responsible gaming
At the core of our culture

We seek to contribute to local communities and the societies where we engage in business. Responsibility is one of the key differentiators of how we operate lotteries and other gaming activities, in particular compared with illegal competition. We have a clear commitment to responsible gaming principles and we put corporate responsibility at the heart of our activities.

We strive to protect the general public and especially vulnerable social groups from excessive gaming and protect minors from any participation in games of chance. However, lotteries are not generally associated with problem gambling as ticket prices are moderate, participation is infrequent, and customers have few near-wins.

We apply responsible gaming principles throughout our operations and player protection is our absolute priority. We are focused on applying data from our digital and hybrid channels to achieve player protection outcomes.

All of our lottery operators are members of the World Lottery Association ("WLA", in the case of LOTTOITALIA, Lottomatica, the Group's partner in LOTTOITALIA, is the certified entity) and the European Lotteries Association and operate in accordance with their codes of practice.

SAZKA Group engages with national public authorities and the European institutions as a constructive, transparent and accountable stakeholder, to achieve legitimate, balanced and sustainable regulations.

SAZKA Group adheres to the EU interest representatives' code of conduct and is registered in the EU.



THE EUROPEAN LOTTERIES
FOR THE BENEFIT OF SOCIETY

WORLD LOTTERY ASSOCIATION
WLA

Social responsibility
Contributing to our communities

SAZKA Group is an important contributor to societies where it operates. We are major supporters of good causes like sports, culture, health, and education.

Supporting culture in Austria



Our Austrian subsidiary Casinos Austria has been a partner of the Wiener Festwochen since 1968, when Casinos Austria was founded.

The Wiener Festwochen is a multidisciplinary arts festival that takes place every year for five or six weeks in May and June. It aims to present things not yet seen and not yet heard, and to work as a content engine linking genres, thoughts and ideas. The Wiener Festwochen combines theatre, performance, dance, music, fine arts, installation, discourse, participation, workshops, and new art forms that cannot yet be categorised. It is a space for visionary creation that opens fruitful dialogues between well established artists and emerging figures. Its visions and works favour diversity and nuance, openness and curiosity.



Social responsibility
Contributing to our communities

Supporting sport in the Czech Republic



We are a major supporter of youth sports in the Czech Republic. Around 150,000 children participate in the "Sazka Olympic Multi-contest" every school year and 1,200 elementary schools participate in this nation-wide programme. Children participate in a number of sporting disciplines which teachers directly incorporate in the physical education curriculum. Each child receives an "Olympic Diploma", which includes an analysis of the child's sporting talents and recommendation for sports to pursue further.

Furthermore, 15,000 Czech sports clubs are interconnected thanks to our unique database called "Sports around you". More than 400 events are offered and advertised through this platform every month.

Last but not least, since 2012, 2,700 children have been supported by the Czech Olympic Foundation to allow them to play their favourite sports.



Social responsibility
Contributing to our communities

Supporting health in Greece



In 2014, our Greek subsidiary OPAP began an initiative to renovate the two oldest and largest Children's Hospitals in Greece, Aghia Sophia and Pan. & Aglaias Kyriakou, which serve children from all over the country. Both hospitals, constructed in the 1940s, were in poor condition and lacking resources for fundamental operational requirements.

OPAP's key objectives have been to upgrade the nursing units and clinics and to create a pleasant and therapeutic environment for the sick children and their relatives. The construction and renovation work has involved the upgrade of electrical and technical installations based on the most up-to-date international standards and specifications as well as the installation of equipment for the areas used by the medical and nursing staff.

To date, 83% of our renovation work in both children hospitals has been completed. We have delivered a total of 27 renovation projects, including 20 Nursing units, covering a total area of 12.720 sq. meters with a capacity of 467 beds.



Risk factors

Inroductory note

We have identified the following risks and uncertainties, the occurrence of any of which, individually or in aggregate, could have a material adverse effect on our business, prospects, results of operations and financial condition. The order in which the risks are presented does not reflect their materiality, potential impact, or probability of occurrence. Please note that the risks described below are not the only risks we face.

1. The ongoing outbreak of COVID-19 and adopted legislative measures taken in response

We cannot predict the ultimate effects that the ongoing outbreak of COVID-19, as well as future epidemics of new strains of COVID-19 or of other diseases, and any resulting unfavourable social, political, and economic conditions and decrease in discretionary spending or travel may have on us.

The measures implemented by relevant government authorities in response to the COVID-19 pandemic have included, among others, suspension of the provision of public services, travel restrictions, closure of or restrictions on the normal operation of shops and other businesses, border controls and other measures intended to discourage or prohibit the movement and gathering of people. While in summer and early autumn 2020, many measures taken by European government authorities were relaxed, most European governments introduced new measures beginning in the fourth quarter of 2020. As a result of such measures, for some periods in 2020 and 2021, the majority or all of the Group's land-based points of sale in Greece and Cyprus and CASAG's casinos in Austria and internationally were closed. In Italy, draws of LOTTOITALIA's games were suspended for certain periods during the second quarter of 2020. Please refer to "Business and strategic review" on page 9 et seq., and the "Chief Financial Officers statement" on page 14 et seq. of this Annual Report" for further information on the situation and its financial impact in the markets where we operate.

There remains considerable uncertainty when current restrictions will be relaxed, and a risk that our physical networks will be subject to further restrictions should the pandemic worsen, including as a result of the spread of new variants of COVID-19. Governments may respond to increases in infection rates by reintroducing restrictions such as those described above or by implementing new restrictions.

The pandemic and responses thereto have also led to a material deterioration in both the national economies of the countries where we carry out our business activities and the global economy. The economic downturn may lower consumer spending on our products, as reductions in income of our players can make them less willing to place bets or decrease the amounts they bet. Reductions in numbers of tourists may also affect the numbers of visitors to our points of sale and economic conditions in some of our markets.

In addition, the COVID-19 pandemic has caused and may continue to cause voluntary changes in behaviour of a large proportion of the population. Businesses may also change their operations and policies in ways which could affect the behaviour of our customers. For example, sales of our products through land-based channels could decrease if customers prefer to minimise the time they spend in the locations where our products are sold or if shops introduce new restrictions on customer behaviour, or if there is structural shift to online consumption, and increased sales of our products through online channels may not fully compensate for the impact of these changes.

Our agents and suppliers may be at risk of decreasing revenue, liquidity issues and insolvency because of the economic downturn. Consequently, since our business is reliant on them (please refer to "Risks arising from dependence on agents and technology suppliers" for more details), the inability of our agents and suppliers to honour their commitments to us due to these factors may negatively affect our ability to reliably provide our products to customers.

If a significant percentage of our workforce is unable to work, either because of illness or travel or government restrictions in connection with the COVID-19 pandemic, our operations may be negatively impacted.

The COVID-19 pandemic and responses thereto have led to a material deterioration in both the global economy and the national economies of the countries where the Group operates. Government restrictions led to the suspension or cancellation of substantially all sporting events during some periods. This has negatively affected sales in our sports betting operations. While many events, leagues and sporting events have already resumed, further suspensions and cancellation could take place in the future. The longer such suspensions last, the greater their adverse impact on the financial performance of our business will be. The revenues generated from games related to events or leagues that are not cancelled or suspended and new products might not be sufficient to cover any resulting revenue shortfall.

The extent to which the COVID-19 pandemic impacts our businesses will depend on future developments, which are highly uncertain, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic. To date, several COVID-19 vaccines have been approved by regulatory authorities around the world and vaccination efforts have commenced. However, the COVID-19 pandemic has been further complicated by the emergence of new and more contagious strains of the virus and there are concerns that vaccines may not work quite as well agaist these new strains. As a result, governments may respond by reintroducing relevant restrictions which may further adversely affect the Group's businesses.

Any of the above factors could result in a material adverse effect on our business, results of operations, financial condition and prospects.

Risk factors continued

2. Regulatory risks, risk of potential loss of licenses or exclusive rights to operate our business activities

The lottery and gaming industry is highly regulated at the national level in each jurisdiction in which our subsidiaries are licensed or operate. Regulations generally govern the types of games that our businesses may operate the rules of the games and the manner in which our businesses may operate the games.

Our businesses are required to obtain, maintain and comply with the terms of licenses and concessions in order to operate gaming businesses in each country where we operate. New games often need to be approved by the relevant regulator. The terms of licenses may also require that our direct and indirect shareholders and other relevant persons, such as directors, prove to the regulator's satisfaction that they are and continue to be suitable to be associated with the licensed company or game. Public authorities have the right to amend the regulatory framework and terminate licenses or concession contracts and have the right to impose sanctions in certain cases. Despite our best efforts to comply with the relevant regulations and to cooperate with regulators, our businesses may be unable to obtain, maintain and renew all necessary registrations, licenses, permits and approvals or could incur fines or experience delays in the licensing process. Our businesses are also exposed to the risk of alteration or termination of their licenses prior to their expiration, and our licenses may also be challenged by potential competitors.

OPAP's licenses in Greece and Cyprus, CASAG's licenses in Austria and LOTTOITALIA's license in Italy provide them with exclusive rights to operate certain lottery and gaming activities in each of their respective jurisdictions. In most cases, the licenses and concession agreements in above mentioned subsidiaries as well as SAZKA a.s. in the Czech Republic are time-limited and will eventually expire.

Upon expiration, new licenses or concessions may be awarded to one or more parties through a competitive bidding process. We may be unable to obtain new licenses to allow us to continue our current operations or may only be able to do so on less favourable terms. Our businesses also face the risk that regulatory changes may open the market to broader competition. In February 2021, the Austrian government announced a proposal to change gambling regulations ("New Austrian Gaming Proposals"). As at 27 April 2021, full details of the potential changes are not yet known. Our businesses are exposed to risks related to the potential alteration or termination of their licenses prior to their expiration, and such licenses may also be challenged in court by potential competitors of their businesses.

We are actively monitoring developments related to the New Austrian Gaming Proposals and may take such action as is necessary and relevant to protect our position. We also actively monitor potential introduction of advertising restrictions in Austria and other countries in which we operate. Such restrictions may reduce our ability to successfully market our products and lead to lower customer demand. The legal, compliance and regulatory departments of SAZKA Group and its subsidiaries strive to ensure compliance with all applicable rules and regulations in the relevant jurisdictions and oversee obtaining and maintaining of and compliance with the relevant licenses and concessions. However, if we are unable to, or fail to, comply with all applicable regulatory requirements, or if the applicable regulatory environments change in a way that is adverse to us, this could result in a material adverse effect on our business, results of operations, financial condition and prospects.

Risk factors continued

3. Risk associated with changes in taxation and fees for licenses, tax audits and penalties

Our businesses are required to make payments to the countries where they operate through fees for licenses (to obtain and/or to maintain), taxes on revenues (including VAT imposed on non-gaming products) and general corporate taxes on profits. Our businesses may be subject to increases in these taxes or introduction of new taxes. For example, with effect from 1 January 2020, the Czech government increased GGR tax from 23% to 35%. We may also be exposed to Czech corporate income tax liability on unrealized foreign exchange gains, which are noncash revenues. By a way of example if a concession is granted to OPAP Cyprus to operate games, the Group expects that there would be an increase in taxes or levies that OPAP Cyprus would have to pay in the Republic of Cyprus. Furthermore, SAZKA a.s. is part of a VAT group with MND a.s., a related party of the Group. If MND a.s. were to fail to pay any VAT it owes, SAZKA a.s. would be liable to pay such amounts. In 2020, the total amount of VAT paid by MND a.s. was EUR 20.8 million. If the VAT group is ended for any reason, SAZKA a.s. would lose the benefit it currently receives from this arrangement.

As a result of the COVID-19 pandemic many countries are under increased fiscal pressure, which may increase the probability of unfavourable changes in general corporate taxation or taxation of lotteries and gaming in particular. Such changes may be more likely to be introduced in the countries where the general corporate taxes on profits and/or the gaming sector taxes, or cash receipts from such taxes, are at relatively lower levels. For example, under the OPAP's Lottery and Gaming Concession and pursuant to Greek law, from 13 October 2020, gaming-specific taxes payable by OPAP to the Greek State under this concession on a cash basis amount to 5% of GGR reflecting OPAP's prepayment of tax with a value of EUR 1.8bn. By way of further example, pursuant to the New Austrian Gaming Proposals, the Austrian government has announced that it intends to adjust gambling taxes and levies to bring these in line with "European levels". As at 27 April 2021, the changes that may be introduced in this regard and its impact on CASAG are not known.

Our businesses are from time to time subject to tax audits and investigations by tax authorities, which include review of our compliance with the direct tax or indirect tax regimes affecting our businesses and transactions. Although our tax departments aim to ensure compliance with tax regulations, the tax authorities may interpret applicable laws and rules differently or change their interpretation in ways that we have not anticipated, which may result in penalties, assessments of tax for previous periods, and interest on such amounts.

To minimize the risk of any penalties the finance departments of SAZKA Group and relevant subsidiaries together with our advisors monitor developments in the taxation policy of each jurisdiction and create policies and procedures to ensure full compliance with all applicable tax regimes.

4. Risks associated with changing consumer preferences, changes in technologies, brand loyalty and competition

The gaming industry is characterized by rapidly changing technology, including the increasing importance of online and mobile channels, which has accelerated during the COVID-19 pandemic and lockdowns. The future competitiveness of our businesses depends on our ability to respond to technological changes effectively.

Our success also depends on our ability to recognize market trends and opportunities and develop appropriate strategies in response, including the introduction of new games or new variations on ways to play existing games.

The introduction of new games or the modification of existing games may require the approval of the relevant regulatory authorities. We may face regulatory conditions and restrictions that limit our ability to create new games, enter into new market segments or otherwise grow our business.

Our future success also depends on attracting and retaining players. In order to achieve this, we aim to maintain the value of the key brands that our businesses own or use in their operations. Failing to maintain the high profile, positive perception and consumer recognition of our brands may prevent expansion of, or lead to losses in, our existing customer base.

Our businesses compete with other forms of recreational and leisure activities and other gaming vendors and venues. While our businesses hold exclusive licenses and concessions for land-based sales of certain products and games, in certain markets, such as Austria and Greece, our businesses face online competition for certain products.

Furthermore, illegal online lotteries, games, VLTs, slot machines and casino and sports betting, or games whose legal and regulatory status is unclear, compete with our businesses and in some cases their illegal status may allow them to offer products which are more attractive than our products to customers. This competition may affect our businesses negatively as it may deprive them of significant volumes of business and attract a portion of our customer base.

To mitigate these risks, we aim to increase engagement and retention of customers and focus on product development, active monitoring of trends and customer behaviour and efficient implementation of product and technology innovations.

Risk factors continued

5. Political and macroeconomic risks

Our businesses operate primarily in Austria, the Czech Republic, Greece and Cyprus, and Italy, and we are exposed to the political, economic and financial market conditions in these countries as well as of the EU and other countries into which we may expand. For example, Greece has encountered and continues to encounter significant fiscal challenges and structural weaknesses in its economy. In addition, the government responses to the COVID-19 pandemic have resulted in severe economic dislocations, including an extreme drop-in economic activity and higher rates of unemployment, to varying degrees in the countries where our businesses operate, which may lower consumer spending on our products, as reductions in income may lead to the players becoming less willing to place bets or decreasing the amounts they bet.

Our businesses are also exposed to global factors and changes such as climate change which may adversely affect the political and economic situation of the countries in which our business operate.

Political and economic events or changes may result in changes in regulation, taxes, restrictions on capital flows and dividend payments and on business in any given country, as well as other policy decisions.

Macroeconomic factors in the countries where our businesses operate (such as gross domestic product growth, unemployment rates and wage growth) can affect consumer behaviour and spending patterns. Any material future deterioration in global or local economic conditions in the markets in which our businesses operate and the surrounding countries could lead to a decrease in consumer confidence and spending affecting our products.

We engage with advisors and monitor developments in the political and economic situation, and financial markets on a regular basis to ensure that our policies and strategies (short, mid and long term) are up to date and appropriate.

6. Risks associated with less than majority ownership of certain subsidiaries and other shareholders

We indirectly own less than a majority of the shares of several of the entities that operate our businesses, including OPAP, LOTTOITALIA and STOIXIMAN as well as certain other subsidiaries. We might have different interests and views on certain issues from other shareholders (for example, business strategy and financial policy, including regarding payment of dividends).

In some cases we are party to agreements with the other shareholders prescribing governance rights and other matters which limit our ability to control such entities. As a result, we may in some circumstances need to reach agreement with the other shareholders who are party to these agreements in order to achieve certain outcomes.

The other shareholders, former shareholders, and directors nominated by such shareholders in the entities in which we do not have 100% shareholding interest might face reputational or financial issues that are out of our control, but which may negatively influence the business or reputation or brands of our businesses and of the Group itself. Although we screen potential partners and seek to ensure that they act in accordance with high professional and ethical standards, they may not always do so.

7. Risks associated with our corporate structure

As a holding company that conducts business through its subsidiaries and affiliates and has no significant assets other than the equity interests and the intercompany receivables it holds in its subsidiaries and affiliates, we are dependent on payments from our subsidiaries and other affiliates – mainly dividends, which depend on the profitability and cash flows of their respective subsidiaries. Even if our subsidiaries and affiliates generate sufficient amount of cash from their operations, their ability to provide funds to us is subject to, among other factors, local tax restrictions and local corporate law restrictions as well as regulatory restrictions related to earnings, the level of legal or statutory reserves, losses from previous years and capitalization requirements, capital controls and the terms of any applicable shareholder agreements, or might be further limited by measures implemented by local government authorities, including in connection with the ongoing COVID-19 pandemic.

8. Risks associated with new acquisitions and tenders

Any future acquisitions of companies, investments or partnerships could expose us to a number of risks or result in additional liabilities. The process of integrating businesses may be disruptive to the operations of our existing and new businesses due to unforeseen legal, regulatory, contractual, technological or other issues, difficulties in realizing operating synergies, or a failure to maintain the quality of services.

In addition, there are considerable costs associated with participation in public tenders, such as our current participation in the competition for the 4th licence to operate the UK National Lottery, and pursuing potential M&A transactions. We may not be successful in winning the tenders or closing the transactions we pursue. Furthermore, companies acquired or businesses operated under licenses which we are awarded through tenders may not achieve the levels of returns, profits or productivity expected from them.

Risk factors continued

9. Risk of inadequate compliance procedures and policies

The operations of our businesses are subject to anti-money laundering, antibribery, fraud detection, and data protection laws and regulations, and economic sanctions programs, including those administered by national regulators, the United Nations and the EU. Our businesses are exposed to the risk of money laundering and fraudulent activities by our customers, employees, agents or other third parties (including criminal organizations), including with respect to our financial and payment service offerings. In addition, our businesses are exposed to a risk of violating anticorruption laws and sanctions regulations applicable in those countries where they, their partners or their agents operate. Failure to comply with the above laws and regulations in these jurisdictions could result in significant fines, loss of licenses and damage to the reputation and brand of our businesses. The Group's businesses could also be targeted by third parties, including criminal organisations, for fraudulent activities, such as attempts to compromise the systems that process and collect payment information or to use the Group's betting services to engage in money laundering, bribery or fraud.

Compliance systems are established in the Group and the relevant key subsidiaries in order to minimize risks in the aforementioned areas. Each relevant subsidiary has units/departments tasked with ensuring compliance with legislation and license conditions relating to anti-money laundering, anti-bribery and other similar matters.

10. Risks associated with negative perceptions and publicity about the lottery and gaming industry

The gaming industry is exposed to negative perceptions and publicity generated by a variety of sources, including citizens' groups, non-governmental organizations, politicians, the media, national and local authorities, and other groups, individuals and institutions. In particular, public attention has been drawn to findings or allegations related to participation or alleged participation in gaming activities by minors, the location and concentration of gaming machines, the features of certain types of gaming machines, online games and online betting, risks related to social ills such as addiction to gaming, risks related to data protection and payment security in connection with online gaming and fraud and alleged associations with money laundering.

Excessive participation in certain games may for some individuals lead to problem gambling, which can have a significant adverse impact on their economic and psychological well-being. The nature of lotteries (which account for the majority of our profit from continuing operations) limits the frequency players are able to wager, and prize distributions reduce the frequency of wins compared to other forms of gaming, making the player less likely to form addictive behaviour. This is in contrast to certain other forms of gaming where players are more susceptible to addiction and losing large amounts of money due to the frequency with which they are able to play, more frequent wins, and larger stake sizes. There is however a risk that the public and political representatives do not distinguish between lotteries and other types of gaming and do not recognize that lower risk is associated with lotteries.

Negative perceptions about lotteries and the gaming industry in general, and our business in particular, may result in lower revenues, loss of brand value, loss of customer goodwill, changes in regulation and higher taxes, among other consequences that may be detrimental to our business.

Our businesses monitor our customer's gaming activity and actively communicate with the public and other stakeholders about responsible gaming. The company and our businesses have adopted compliance policies and procedures and are focused on the integrity of their management, employees and third-party suppliers and partners.

Responsible gaming principles are applied throughout our operations. All our subsidiaries and equity method affiliates which offer lotteries have been awarded the Level 4 Responsible Gaming Certification, the highest level of responsible gaming certification issued by the World Lottery Association. For more information about responsible gaming please refer to "Strategic Report" Section "Responsible Gaming", on page 30 et seq. of this Annual Report.

11. Risks associated with technical failures and security breaches

The ability of our businesses to successfully operate and manage their lottery and gaming products depends on the capacity and reliability of their network, internet infrastructure, central system operations and the security of their computer hardware, software and online platform infrastructure, including products and services provided by third parties. There is a risk of interruption caused by human error, problems relating to the network, central systems, software failure, natural disasters, sabotage, computer viruses, hacking, malicious software, phishing attacks and similar events. A system interruption, including one caused by third parties, may entitle the relevant regulatory agencies to revoke a concession or require us to pay damages or compensation under the concession as well as degrade customer experience and cause customers to lose confidence in our product offerings.

A growing proportion of customers use our online product offerings (and this trend is expected to continue) and as it relates to online platforms, our businesses are dependent on the interoperability of such platforms with popular operating systems, technologies, networks and standards that we do not control.

Our businesses are subject to regulation related to the use of customers' personal data and their debit and credit card information, including the obligation to keep the identity of winners confidential. Our businesses work with the sensitive personal data of customers and data about their agents, suppliers or employees. If we or our partners fail to protect personal data of customers, our businesses could face liability and fines under data protection laws and loss of goodwill.

Due to the COVID-19 pandemic most of SAZKA Group employees have been working from home for a significant period of time. This brings elevated risks associated with remote work and use of new applications to facilitate remote work.

Our businesses have prepared contingency plans and implemented various mechanisms to prevent or mitigate the interruption of their technological infrastructure by the aforementioned events. Protection of personal data is covered by close cooperation between the legal departments and data protection officers in our key subsidiaries and technology departments.

Risk factors continued

12. Risks arising from dependence on agentsand technology suppliers

Our businesses offer a significant portion of their lottery and gaming products to their customers through authorized POS operators under commercial agency agreements. The responsibilities of POS operators include accepting stakes from customers, paying out small wins, providing information, promoting sales and handling complaints and claims.

Certain key products and services required for the operation of our games (such as hardware, software, and services and support provided by staff with specialist expertise) are provided by a very limited number of suppliers and in many cases our businesses only have one supplier of such services at any particular time. This dependence on single suppliers and the small number of such suppliers can make it difficult or costly to replace them. Moreover, some of our suppliers might also be our direct competitors in different business dealings, including competition for licenses and concessions.

Our businesses rely on the products and services of their agents and suppliers to a significant degree and, in the event that they do not or are unable to fulfil their obligations under the applicable contractual arrangements, they may face delays or disruptions in their operations if they need to find a new supplier.

13. Risks associated with online gaming

Although the regulatory regime for land-based gaming operations is well established in many countries, regulation in these countries may not necessarily have been amended to take account of the ability to offer gaming services online. Some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated.

The success of the online offering of our businesses will be affected by, among other things, developments in social networks, mobile platforms, legal and regulatory developments and other factors that we are unable to predict and which are beyond our control.

Our businesses have systems and controls in place seeking to ensure that they offer their gaming products only to players who are legally permitted to access our sites and apps and to purchase our products in the relevant jurisdictions. Despite that, there can be no assurance that our businesses will successfully block customers from accessing our products in countries that restrict or prohibit online gaming or in countries that our respective businesses are not licensed to conduct online gaming. Public authorities could take the view that the systems and controls of our businesses are inadequate, either currently or as a result of technological developments affecting the Internet.

14. Risks from legal, administrative and arbitration proceedings

Our businesses may be involved in legal, administrative and arbitration proceedings or investigations by government authorities. Such proceedings or investigations may involve various governmental agencies and result in judgment or settlement agreements.

A provision is recognized in the consolidated statement of financial position if the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the expected settlement amount. For overview of significant court proceedings, please refer to "Further regulatory disclosures", Section "Significant court proceedings" on page 206 et seq. of this Annual Report.

15. Risks associated with our indebtedness

We have substantial indebtedness, including bank loans and bonds which require us to pay interest and principal amounts according to a fixed schedule and contain restrictive covenants and financial maintenance covenants that limit our financial and operational flexibility, as well as events of default and cross-default provisions. Failure to make payments as they are due or to adhere to these covenants, or a deterioration of our financial condition such that we breach the maintenance covenants, or ability to secure external financing to pay amounts due, could cause insolvency or liquidation or bankruptcy of SAZKA Group and/or one or more of its subsidiaries or affiliates.

Events such as a breach of covenants or an actual or expected deterioration in financial performance as a result of COVID-19 or for other reasons, including loss of licenses or legal proceedings, could also negatively impact our credit ratings. Credit rating downgrades could potentially increase financing costs, or even prevent us from refinancing debt as it becomes due.

16. Other financial risks

We are exposed to certain other financial risks, including currency risk, credit risk and interest rate risk. For further information on such risks please refer to the "Notes to the consolidated financial statements", Section "Risk management" on page 123 et seq. of this Annual Report.

Corporate governance
Board of Directors

Karel Komarek
Chairman of the Board



Biography

Karel is the Chairman of the Board of Directors of SAZKA Group. He has been involved with SAZKA Group since 2011 when KKCG, the private investment group that he founded, became a major shareholder. He is also the chairman of the boards of directors of companies forming part of the KKCG Group (including, among others, KKCG AG, KKCG a.s., and MND a.s.). He is also the founder of the Promeny Foundation and the current co-chair of the Kennedy Center International Committee on the Arts in Washington DC.

Pavel Saroch
Member of the Board



Biography

Pavel is a member of the Board of Directors of SAZKA Group and current CIO of KKCG Group. He is a member of the board of directors of KKCG AG, and of individuaal companies that belong to SAZKA Group, including OPAP and SAZKA a.s. where since December 2012 he has been chairman of the board of directors. He served in management positions with securities trading firms such as Ballmaier & Schultz CZ and Prague Securities. From 1999 to 2001, he was a member of the board of directors of I.F.B. In 2001, he was appointed deputy chairman of the supervisory board of ATLANTIK FT and subsequently became a member of the company's board of directors.

Katarina Kohlmayer
Member of the Board



Biography

Katarina is a member of the Board of Directors of SAZKA Group and current CFO of KKCG Group. She is in charge of KKCG Group's capital markets and other financing activities, M&A, and accounting, control and audit operations within the KKCG Group. She is alsio member of the board of directors of KKCG a.s., and of individual companies that belong to SAZKA Group, including OPAP and CASAG. Prior to joining KKCG, she served as managing director at Morgan Stanley and VTB Capital. During her professional career, she has specialised in M&A transactions and their financing in Central and Eastern European countries, Russia and the CIS.

Robert Chvatal
Member of the Board of Directors and Chief Executive Officer



Biography

Robert is a member of the Board of Directors of SAZKA Group and the Chief Executive Officer of SAZKA Group. He is also a member of the board of directors of individual companies that belong to SAZKA Group, including OPAP and SAZKA a.s., of which he is also the Chairman. He previously worked at Procter & Gamble and Reckitt Benckiser before moving to T-Mobile as Chief Marketing Director. He was later appointed as Chief Executive Officer of T-Mobile Slovakia and T-Mobile Austria. He is also the first Vice President of the Association of European Lotteries.

Audit Committee

The Company has established an Audit Committee in accordance with the requirements of the Business Corporations Act. The competence of the Audit Committee according to the applicable legislation is:

- Monitoring the effectiveness of the internal quality control and risk management systems and monitoring the process of the preparation of financial statements and consolidated financial statements;
- Recommendations to the Supervisory Board as to the auditors which shall be appointed, assessment of their independence and the discussion of any threats to the auditor´s independence if need be, including the adoption of necessary safeguards;
- Submitting to the Board of Directors or the Supervisory Body recommendations to ensure the integrity of the accounting and financial reporting and annual reports on the Audit Committee's operations; and

The Audit Committee generally meets on a monthly basis; in the year 2020, the Audit Committee held seven meetings in total. In 2020, the Audit Committee (i) provided several reports to the Supervisory Board of the Company; (ii) supplied a report to the Public Audit Oversight Board; (iii) regularly discussed ongoing transactions of the Company or its subsidiaries in Austria, the Czech Republic, Greece, Italy, and the United Kingdom; (iv) cooperated on the audit planning for the year 2020; (v) conducted other tasks, as necessary.

The members of the Audit Committee of the Company in the year 2020 were the following persons:

- Mr Otakar Hora, independent member – since 15 May 2020 (Chairman of the Audit Committee since 22 May 2020);
- Mr Jan Hrazdira, independent member – since 15 May 2020; and
- Mr Zdenek Jurak – since 15 May 2020.

Corporate governance
Senior management

Robert Chvatal
Member of the Board of Directors and Chief Executive Officer



See previous page.

Kenneth Morton
Chief Financial Officer



Biography

Ken was appointed Chief Financial Officer in February 2020. Previously, he was the head of corporate finance of KKCG. Before joining SAZKA Group, Ken worked as an investment banker at Morgan Stanley and Deutsche Bank in London, Moscow and Hong Kong, and in corporate finance at Thames Water.

Stepan Dlouhy
Chief Investment Officer



Biography

Stepan joined SAZKA Group as Chief Investment Officer in March 2016. He is also the investment director at KKCG a.s., a role he has held since 2013. Stepan is also a member of the supervisory board of Austrian Lotteries and was previously a member of the management board of LOTTOITALIA. Prior to joining SAZKA Group, Stepan worked for Chayton Capital and Deloitte Advisory.

Jan Matuska
Chief Operating Officer



Biography

Jan joined SAZKA Group as Chief Operating Officer in October 2019. Jan is responsible for the organic development of SAZKA Group operating companies, monitoring their performance and ensuring best practice exchange within the Group. He oversees and supports the implementation of SAZKA Group and operating companies' major strategic initiatives. Before joining SAZKA Group, Jan worked as principal for the global management consulting firm Kearney.

Tony Khatskevich
Chief Technology Officer



Biography

Tony joined SAZKA Group as Chief Technology Officer in September 2018. Tony leads SAZKA Group's technology and innovation strategy for SAZKA Group's digital platforms and architecture to maximise the operational success of the Group. Tony has extensive experience in Israel, the USA and Estonia heading up the technology and delivery organisations in a range of industries, including gaming, telecom, and information security. For the last six years before joining SAZKA Group Tony served as the Vice President at Playtech, the world's largest online gaming solutions supplier.

Jan Sterba
Chief Marketing Officer



Biography

Jan was appointed as Chief Marketing Officer of Sazka group in February 2020 having been responsible for developing the marketing strategy for all KKCG Group businesses since January 2013. Before joining KKCG and SAZKA Group, Jan served as a marketing specialist for the local brands of the Opavia/Danone Group before joining Reckitt Benckiser, where he spent the last four years at the London Head Office as the Global Marketing Manager responsible for the strategic development of global brands.

Forward looking statements

This Report contains "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "may," "will," "plans," "continue," "ongoing," "potential," "predict," "project," "target," "seek" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forwardlooking statements.

Any forward-looking statements are only made as of the date of this Report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Report.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we operate to differ materially from those expressed or implied by the forward-looking statements contained in this Report.

These factors include, among others:

- the ongoing outbreak of COVID-19 and legislative measures taken in response;
- the impact of regulations, loss of licenses or exclusive rights to operate our business activities;
- the impact of changes in taxation and fees for licenses, tax audits and penalties;
- changing consumer preferences, changes in technologies, brand loyalty and competition;
- the impact of politics and macroeconomy;
- our corporate structure and the impact of having less than majority ownership of certain subsidiaries;
- the impact of new acquisitions;
- inadequate compliance procedures and policies;
- negative perceptions and publicity about the lottery and gaming industry;
- technical failures and security breaches;
- dependence on agents' networks and a few technology suppliers;
- the impact of regulations and other factors that affect the success of our on-line gaming offerings;
- the impact of legal, administrative and arbitration proceedings;
- the impact of our indebtedness; and
- other factors discussed under "Risk Factors".

These risks and others described under "Risk Factors" are not exhaustive. Other sections of this Report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

With the use of all reasonable care and to the best of our knowledge, we confirm that the Consolidated Annual Report for the year 2020 gives a true and fair view of the financial situation, business activities and economic results of the Company and its consolidated group for the relevant accounting period, and perspective for future financial situation, business activities and economic results of the Company and its consolidated group.

Date: 30 April 2021	Signature of the authorised representative: **Pavel Šaroch** Member of the Board of Directors **Robert Chvátal** Member of the Board of Directors and Chief Executive Officer

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Prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Consolidated statement of comprehensive income

	Note	For 2020	For 2019
Gross gaming revenue (GGR)	8	**2,018.0**	1,906.1
Gaming taxes	8	**(805.5)**	(595.0)
Net gaming revenue (NGR)	8	**1,212.5**	1,311.1
Revenue from non-gaming activities	8	**143.2**	147.3
Other operating income	9	**96.8**	12.5
Agents' commissions		**(337.1)**	(419.8)
Materials, consumables and services	10	**(309.8)**	(330.2)
Marketing services	11	**(124.9)**	(92.4)
Personnel expenses	12	**(223.2)**	(106.1)
Other operating expenses	13	**(77.7)**	(50.6)
Share of profit of equity method investees (net of tax)	20	**79.5**	120.4
Depreciation and amortisation		**(158.5)**	(112.9)
Impairment of tangible and intangible assets including goodwill	18	**(26.1)**	(8.7)
Restructuring cost	14	**(50.6)**	–
Gain from remeasurement of previously held interest in equity method investee	5	**142.7**	–
Other gains and losses	14	**8.9**	–
Profit from operating activities		**375.7**	**470.6**
Interest income		**2.2**	7.5
Interest expense		**(101.8)**	(70.3)
Other finance income and expense		**(16.0)**	(50.2)
Finance costs, net	15	**(115.6)**	**(113.0)**
Profit before tax		**260.1**	**357.6**
Income tax expense	16	**(35.7)**	(46.3)
Profit after tax from continuing operations		**224.4**	**311.3**
Discontinued operations: gain on disposal of subsidiaries		**–**	277.3
Profit from discontinued operations, excluding gain on disposal		**–**	15.6
Profit after tax from discontinued operations	6	**–**	**292.9**
Profit after tax		**224.4**	**604.2**
Profit after tax attributable to:			
Owners of the Company		**92.8**	**428.5**
– continuing operations		**92.8**	141.8
– discontinued operations		**–**	286.7
Non-controlling interests		**131.6**	**175.7**
– continuing operations		**131.6**	169.5
– discontinued operations		**–**	6.2
Profit after tax		**224.4**	**604.2**

	Note	For 2020	For 2019
Items that are or may subsequently be reclassified to profit or loss:			
Change in translation reserve		**12.9**	(3.0)
Change in translation reserve of foreign operations disposed of reclassified to profit or loss		**–**	(2.5)
Remeasurement of hedging derivatives, net of tax	30	**(20.2)**	9.9
Net change in hedging derivatives reclassified to profit or loss, net of tax	30	**1.2**	(3.6)
Share of other comprehensive income of equity method investees		**4.0**	(4.1)
Items that will not be reclassified to profit or loss:			
Actuarial remeasurements of defined benefit liabilities, net of tax		**(8.7)**	(0.2)
Revaluation of equity instruments at fair value through OCI (FVOCI)		**(4.3)**	–
Total other comprehensive loss	17	**(15.1)**	**(3.5)**
Total comprehensive income		**209.3**	**600.7**
Total comprehensive income attributable to:			
Owners of the Company		**83.2**	**425.9**
– continuing operations		**83.2**	139.2
– discontinued operations		**–**	286.7
Non-controlling interests		**126.1**	**174.8**
– continuing operations		**126.1**	168.6
– discontinued operations		**–**	6.2
Total comprehensive income		**209.3**	**600.7**

The Notes on pages 54 to 145 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31/12/2020	31/12/2019
Assets			
Intangible assets	18	**2,403.2**	1,879.1
Goodwill	18	**1,180.6**	600.6
Property, plant and equipment	19	**463.3**	194.7
Investment property		**1.6**	1.7
Equity method investees	20	**343.2**	649.1
Trade and other receivables	21	**58.1**	29.7
Derivative financial instruments	30	**–**	9.5
Other financial assets	22	**199.6**	8.9
Deferred tax asset	16	**65.7**	20.0
Total non-current assets		**4,715.3**	**3,393.3**
Inventories		**9.9**	7.4
Trade and other receivables	21	**224.1**	246.0
Derivative financial instruments	30	**7.9**	3.5
Current tax asset		**3.5**	5.1
Other financial assets	22	**43.3**	19.2
Cash and cash equivalents	23	**872.2**	763.7
Assets held for sale		**0.8**	–
Total current assets		**1,161.7**	**1,044.9**
Total assets		**5,877.0**	**4,438.2**
Liabilities			
Loans and borrowings	26	**2,533.3**	2,252.5
Lease liabilities	27	**118.8**	59.9
Trade and other payables	28	**134.4**	12.2
Derivative financial instruments	30	**2.7**	3.7
Provisions	29	**59.6**	8.5
Employee benefit liability	31	**127.4**	3.0
Deferred tax liability	16	**366.5**	212.8
Total non-current liabilities		**3,342.7**	**2,552.6**
Loans and borrowings	26	**129.0**	99.4
Lease liabilities	27	**24.9**	8.3
Trade and other payables	28	**745.2**	360.7
Derivative financial instruments	30	**1.1**	–
Current tax liability		**68.6**	6.9
Provisions	29	**45.1**	8.2
Employee benefit liability	31	**36.9**	18.0
Total current liabilities		**1,050.8**	**501.5**
Total liabilities		**4,393.5**	**3,054.1**
Equity			
Share capital	24	**0.1**	0.1
Capital contributions and other reserves	24	**48.3**	38.7
Translation reserve		**(1.2)**	(15.3)
Hedging reserve		**(2.2)**	16.7
Retained earnings		**342.2**	488.0
Total equity attributable to owners of the Company		**387.2**	528.2
Non-controlling interest	25	**1,096.3**	855.9
Total equity		**1,483.5**	**1,384.1**
Total equity and liabilities		**5,877.0**	**4,438.2**

The Notes on pages 54 to 145 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital	Capital contributions and other reserves	Translation reserve	Hedging reserve	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2020		**0.1**	**38.7**	**(15.3)**	**16.7**	**488.0**	**528.2**	**855.9**	**1,384.1**
Profit for the year		–	–	–	–	92.8	92.8	131.6	224.4
Other comprehensive loss for the year		–	1.3	14.1	(18.9)	(6.1)	(9.6)	(5.5)	(15.1)
Total comprehensive income for the year		–	1.3	14.1	(18.9)	86.7	83.2	126.1	209.3
Transactions with owners, recorded directly in equity:									
Business combinations	5	–	–	–	–	–	–	321.9	321.9
Purchase of NCI in subsidiaries	2.3	–	–	–	–	(36.8)	(36.8)	(17.7)	(54.5)
Dividends declared		–	–	–	–	(150.0)	(150.0)	(265.0)	(415.0)
Effect of scrip dividend		–	–	–	–	–	–	37.7	37.7
Effect of change in ownership due to scrip dividend programme		–	–	–	–	(42.5)	(42.5)	42.5	–
Other movements in equity		–	8.3	–	–	(3.2)	5.1	(5.1)	–
Total transactions with owners		–	8.3	–	–	(232.5)	(224.2)	114.3	(109.9)
Balance at 31 December 2020		**0.1**	**48.3**	**(1.2)**	**(2.2)**	**342.2**	**387.2**	**1,096.3**	**1,483.5**

OPAP S.A. provides shareholders the option of receiving dividends as cash or OPAP S.A. shares via a scrip dividend programme. The Group elected to receive its dividends as OPAP S.A. shares via a scrip dividend programme (see Note 2.3). "Effect of change in ownership due to scrip dividend programme" reflects the issuance of these shares at a price above their book value per share.

Total dividend declared to non-controlling interest ("NCI") was €302.7 million including withholding tax, comprising dividend paid in cash to minority shareholders of OPAP S.A. of €265.0 million and dividend settled by issuance of new OPAP S.A. shares to non-controlling interest under its scrip dividend programme of €37.7 million.

The Notes on pages 54 to 145 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity continued

	Note	Share capital	Capital contributions and other reserves	Translation reserve	Hedging reserve	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2019		**0.1**	**463.3**	**(9.8)**	**9.7**	**347.8**	**811.1**	**962.0**	**1,773.1**
Profit for the year		–	–	–	–	428.5	**428.5**	175.7	**604.2**
Other comprehensive loss for the year		–	(4.1)	(5.5)	7.0	–	**(2.6)**	(0.9)	**(3.5)**
Total comprehensive income for the year		**–**	**(4.1)**	**(5.5)**	**7.0**	**428.5**	**425.9**	**174.8**	**600.7**
Transactions with owners, recorded directly in equity:									
Purchase of NCI in subsidiaries		–	–	–	–	(142.7)	**(142.7)**	(113.9)	**(256.6)**
Dividends declared		–	–	–	–	(149.1)	**(149.1)**	(165.9)	**(315.0)**
Effect of scrip dividend		–	–	–	–	–	**–**	25.1	**25.1**
Effect of change in ownership due to scrip dividend programme		–	–	–	–	3.9	**3.9**	(3.9)	**-**
Distribution of capital contributions		–	(420.6)	–	–	–	**(420.6)**	–	**(420.6)**
Effect of disposals of subsidiaries		–	–	–	–	–	**–**	(22.4)	**(22.4)**
Other movements in equity		–	0.1	–	–	(0.4)	**(0.3)**	0.1	**(0.2)**
Total transactions with owners		**–**	**(420.5)**	**–**	**–**	**(288.3)**	**(708.8)**	**(280.9)**	**(989.7)**
Balance at 31 December 2019		**0.1**	**38.7**	**(15.3)**	**16.7**	**488.0**	**528.2**	**855.9**	**1,384.1**

OPAP S.A. provides shareholders the option of receiving dividends as cash or OPAP S.A. shares via a scrip dividend programme. The Group elected to receive its dividends as OPAP S.A. shares via cash. "Effect of change in ownership due to scrip dividend programme" reflects the issuance of these shares at a price above their book value per share.

Total dividend declared to NCI was €191.0 million including withholding tax, comprising dividend paid in cash to minority shareholders of OPAP S.A. of €165.9 million and dividend settled by issuance of new OPAP S.A. shares to non-controlling interest under its scrip dividend programme of €25.1 million.

The Notes on pages 54 to 145 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	For 2020	For 2019
Operating activities			
Profit (+) for the year from continuing operations		**224.4**	311.3
Profit (+) for the year from discontinued operations	6	**–**	292.9
Profit (+) for the year		**224.4**	**604.2**
Adjustments for:			
Income tax expense		**35.7**	51.5
Depreciation and amortisation	18,19	**158.5**	114.1
Impairment losses on intangible assets and goodwill	18,19	**26.1**	8.7
Profit (–) on sale of property, plant and equipment and intangible assets		**0.6**	–
Profit (–) on disposal of subsidiaries	6	**–**	(277.3)
Profit (–) on disposal of financial investments	14	**(8.0)**	–
Net interest expense (+)	15	**99.6**	65.5
Other finance expense relating to purchase of non-controlling interest (+)	15	**–**	40.9
Net FX gains (–)	15	**(1.0)**	(2.2)
Other financial gains (dividends)		**–**	(0.1)
Share of profit (–) of equity method investees	20	**(79.5)**	(120.4)
Revaluation of financial assets at fair value through profit or loss	14	**(0.9)**	–
Revaluation of equity method investee to fair value	5	**(142.7)**	–
Non-cash movement in legal and restructuring provisions	29	**53.8**	–
Operating result before changes in working capital and provisions		**366.6**	**484.9**
Increase (+)/decrease (–) in provisions		**(14.3)**	(29.5)
Increase (–)/decrease (+) in inventories		**0.5**	3.8
Increase (–)/decrease (+) in trade receivables and other assets		**35.0**	(5.7)
Increase (+)/decrease (–) in trade and other payables		**(98.2)**	20.3
Cash generated from operating activities		**289.6**	**473.8**
Interest paid		**(100.3)**	(65.8)
Income tax paid		**(26.2)**	(94.4)
Net cash generated from operating activities		**163.1**	**313.6**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		**(46.5)**	(37.2)
Acquisition of subsidiaries, net of cash acquired	5	**115.9**	–
Acquisition of equity method investee		**(9.4)**	–
Acquisition of financial investments	22	**(27.7)**	–
Proceeds from disposal of financial investments	22	**95.8**	–
Dividends and distribution received from equity method investees	20	**103.5**	137.9
Proceeds from sale of subsidiary, net of cash disposed of	6	**–**	272.4
Proceeds from sale of property, plant and equipment and intangible assets		**–**	0.7
Dividends received from financial investments		**–**	0.1
Interest income received		**2.1**	7.4
Net movement in current financial assets		**5.8**	0.8
Proceeds from assignment of loan receivable		**–**	117.1
Net cash generated from (+)/used in (–) investing activities		**239.5**	**499.2**
Financing activities			
Transactions with NCI without change of control		**(54.5)**	(256.6)
Dividends paid to owner of the company		**(150.0)**	(149.1)
Dividends paid to NCI	25	**(226.6)**	(140.8)
Loans and borrowings received	26	**1,424.9**	1,087.2
Repayment of loans and borrowings	26	**(1,286.6)**	(423.8)
Distribution of capital contributions		**–**	(420.6)
Repayment of principal element of lease liabilities	27	**(13.8)**	(9.1)
Net movement in restricted cash related to financing activities		**8.7**	(7.1)
Other finance expense paid relating to purchase of non-controlling interest	15	**–**	(40.9)
Net cash generated from (+)/used in (–) financing activities		**(297.9)**	**(360.8)**
Net decrease (–)/increase (+) in cash and cash equivalents		**104.7**	**452.0**
Effect of currency translation on cash and cash equivalents		**3.8**	(1.0)
Cash and cash equivalents at the beginning of the year	23	**763.7**	**312.7**
Cash and cash equivalents at the end of the year	23	**872.2**	**763.7**

The Notes on pages 54 to 145 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
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1. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The accounting policies described in Note 3 were used in preparing the consolidated financial statements for the year ended 31 December 2020 and in preparing the comparative information as of 31 December 2019.

These consolidated financial statements were approved by the Board of Directors on 30 April 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

The Group is consistent in applying the accounting policies described in Note 3 unless otherwise stated.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (its "functional currency"). The functional currency of the Company is the Czech Crown (CZK). The functional currency of major operating components of the Group is following:

CASAG	Euro (€)
OPAP	Euro (€)
SAZKA	Czech Crown (CZK)
LOTTOITALIA	Euro (€)

These IFRS consolidated financial statements are presented in Euro (€) as this is the functional currency of the majority of Group companies. All financial information is presented in millions of EUR with one decimal place and rounded to the nearest hundred thousand, unless stated otherwise.

Any differences between the amounts included in the financial statements and amounts included in the Notes are attributable to rounding.

(d) Use of estimates and judgements

When preparing the financial statements, the Group's management makes estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates, judgements and assumptions are based on past experience and various other factors deemed appropriate as at the date of the preparation of financial statements and are used where the carrying amounts of assets and liabilities are not readily available from other sources or where uncertainty exists in applying the individual accounting policies. Impacts of changes in estimates are described in the individual notes.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(e) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Fair values are obtained, as appropriate, from quoted market prices, discounted cash flow projections and other valuation models.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) Significant changes in accounting policies

The accounting policies set out below have been applied consistently to the accounting periods presented in these financial statements, unless otherwise indicated.

In 2020 the Group adopted the new accounting standards and amendments to accounting standards described in Note 1.h. There were no other significant changes in accounting policies in 2020 and the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

(g) Changes in the presentation

i. Operating segments

As a consequence of continuing expansion of the Group through acquisitions, the Group reassessed its operating segments. Following the acquisition of an additional 17.19% stake in Casinos Austria AG and subsequent consolidation of Casinos Austria AG and its subsidiaries (see Note 5.a) management monitors performance and decides on resource allocation by geography rather than by product line. As a result, the Group now identifies the following operating segments:

- Czech Republic;
- Austria, which includes Austrian Lotteries;
- Greece and Cyprus, which includes Stoiximan; and
- Italy.

Management believes that the change enhances the usefulness of the financial statements for users.

Comparative information in Note 7 “Operating segments” has been restated accordingly.

Management also continues to track performance of individual product lines on a Revenue basis, and relevant information including comparatives is included in Note 8.

As a result of the change, items of goodwill generated from past acquisitions have been reallocated based on the new operating segment structure, as the segments represent the lowest level of cash-generating unit aggregation in which management monitors goodwill. The change does not impact the carrying value of goodwill or materially change the impairment risk factors or sensitivities.

ii. Employee benefit liabilities

The Group reassessed the presentation of employee benefit liabilities. Previously only post-employment plans were presented as “Employee benefit liabilities” and current employee benefits were presented as “Payables to employees” in “Current trade and other payables”. As of 31 December 2019, the Group reclassified “Payables to employees” to “Current employee benefit liabilities” in the amount of €18.0 million.

Management believes that the change enhances the usefulness of the financial statements for users by presenting all liabilities related to employee benefits under IAS 19 together on separate balance sheet lines.

1. Basis of preparation continued

iii. Finance income and expenses

The Group reassessed the presentation of its financial results to show "Interest expense" separately on the face of the statement of comprehensive income rather than aggregated with other "Finance costs" which are subject to significant volatility between periods. Full detail of finance income and expenses including for the comparative period is included in the Notes to the financial statements (see Note 15).

Management believes that the current presentation, where "Interest income" and "Interest expense" are presented separately and the remaining financial result (which mostly comprise foreign currency gains and losses) is presented together on a net basis, enhances the usefulness of the financial statements for users.

iv. Transactions with members of the Company's Board of Directors, Supervisory Board, and key management personnel

The Group clarified the definitions of members of the statutory bodies and key management personnel in the related party transactions section to reflect best market practices and guidance issued by the Czech National Bank. The presentation now includes members of the statutory bodies of the Company and C-level management of the Company, while it the past the presentation included members of statutory bodies of other Group entities and other management personnel (see Note 34).

Comparative information has been restated accordingly.

(h) New standards and amendments applicable from 1 January 2020 and 1 June 2020

The Group has applied for the first-time certain standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020.

These amendments did not have any material impact on the Group's consolidated financial statements.

i. Amendment to IFRS 3 "Business combinations"

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendment did not have any material impact on the Group's consolidated financial statements.

ii. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark ("IBOR") reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

These amendments did not have any material impact on the Group's consolidated financial statements.

iii. Amendments to IAS 1 and IAS 8 – Definition of material

The International Accounting Standard Board ("IASB") has made amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" which use a consistent definition of materiality throughout International Financial Reporting Standards ("IFRS") and the "Conceptual Framework" for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and
- The meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

These amendments did not have any material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

iv. Amendments to References to the "Conceptual Framework" in IFRS Standards

The IASB has issued a revised "Conceptual Framework" which will be used in standard-setting decisions with immediate effect. Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting;
- Reinstating prudence as a component of neutrality;
- Defining a reporting entity, which may be a legal entity, or a portion of an entity;
- Revising the definitions of an asset and a liability;
- Removing the probability threshold for recognition and adding guidance on derecognition;
- Adding guidance on different measurement basis; and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in Other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes have been made to any of the current accounting standards. However, entities that rely on the "Conceptual Framework" in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards need to apply the revised "Conceptual Framework" from 1 January 2020. These entities need to consider whether their accounting policies are still appropriate under the revised "Conceptual Framework".

These amendments did not have any material impact on the Group's consolidated financial statements.

v. Amendments to IFRS 16 "Leases" – COVID-19 related rent concessions

These amendments were endorsed by the EU on 9 October 2020 and are effective from 1 June 2020.

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 "Leases" which provides lessees with an option to treat qualifying rent concessions in the same way they would if they were not lease modifications.

The Group's operation in Greece benefited from a 40% discount on payments under leases for certain commercial premises. The effect of the 40% discount has been recorded as "Other operating income". The total impact in the year 2020 was €1.8 million.

2. General information about the Group

2.1 Description

SAZKA Group a.s. (the "Company" and, together with its subsidiaries, joint ventures and associates, the "Group"), a joint stock company, was established on 2 April 2012 and registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161. The Company's registered office is at Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Czech Republic and its Identification Number is 242 87 814. The Company carries out management, strategic business development and financing activities for the Group and holds interests in other Group companies.

As of 31 December 2020 and 2019, the immediate 100% parent of the Company was KKCG AG and its ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION (see Note 2.5). On 17 March 2021, SAZKA Entertainment AG, an entity 100% owned by KKCG AG, became the immediate parent of the Company.

2.2 Principal activity

The principal activity of the Group is the operation of lotteries and other gaming activities in accordance with applicable legislation, i.e. the operation of instant and numerical lotteries, casinos, sports and odds betting and other similar games.

In addition to lottery and betting activities, the Group also engages in certain non-lottery business activities through its points of sale and terminals (e.g. telecommunication and payment services).

2. General information about the Group continued

2.3 Composition of the Group

The Group comprises several major operating entities and subgroups, while it also includes number of entities whose contribution to the consolidation is negligible.

The following table presents the Company's effective ownership interest in major operating components of the Group as of 31 December 2020 and 31 December 2019. For a full list of the Group's ownership interests in subsidiaries, joint ventures and associates see Note 35.

				Economic interest	
	Note	Country		31/12/2020	31/12/2019
Major operating entities:					
Casinos Austria AG subgroup*	(a)	Austria	subsidiary	59.80%	38.16%
including Österreichische Lotterien GmbH subgroup	(b)	Austria	subsidiary	53.60%	37.62%
OPAP S.A. subgroup	(c)	Greece and Cyprus	subsidiary	36.10%	31.99%
including Stoiximan	(d)	Malta	business unit	30.50%	11.75%**
SAZKA a.s.	(e)	Czech Republic	subsidiary	100.00%	100.00%
LOTTOITALIA S.r.l.	(f)	Italy	associate	32.50%	32.50%

* From 26 June 2020 subsidiary, before as equity method investee.
** As of 31 December 2019, the Group's interest in Stoiximan comprised only an interest held by the Group's associate Kaizen Gaming Limited (formerly TCB Holdings Ltd), thus the Group did not exercise control over the investment.

(a) Casinos Austria AG subgroup ("CASAG") is the exclusive operator of lotteries, onshore online gaming and land-based casinos in Austria. Its subsidiaries also operate casinos outside of Austria.

The Group holds a 59.80% economic interest and controlled 55.48% of voting rights in CASAG as of 31 December 2020 (31 December 2019: 38.29%) through:

- 38.29% of shares held by the Group's 100% subsidiary Medial Beteiligungs GmbH;
- 17.19% of shares held by the Group's 100% subsidiary CAME Holding GmbH (from 26 June 2020); and
- 4.31% of shares for which the Group holds a purchase call option. The Group determines that it bears substantially all risk and rewards associated with the ownership, therefore includes the shares in its economic interest in CASAG. The call option was exercised and the shares acquired on 27 January 2021.

The Group has entered into a shareholders' agreement with Österreichische Beteiligungs AG ("OBAG"), the second largest shareholder of CASAG. The agreement specifies the governance structure and nomination rights of both parties in the key governance bodies. The agreement gives OBAG certain protective minority shareholder rights, while it also gives SAZKA certain tools to break a deadlock.

Under the terms of shareholders' agreement, the Group can make decisions relating to activities in the normal course of business, including decisions about business plans and budgets of CASAG and its subsidiaries, appointment/removal of management board members in some CASAG subsidiaries, taking up additional financial liabilities up to and within an agreed "Target Leverage Range" and dividend distributions within an agreed "Dividend Pay-out Range".

OBAG's protective minority shareholder rights include mainly those in relation to:

- Major capital expenditures;
- Issuance of shares which would result in a decrease of OBAG's interest;
- Ability to issue debt instruments which would increase CASAG's indebtedness above the Target Leverage Range;
- Related party transactions; and
- Fundamental changes to the CASAG business.

Notes to the consolidated financial statements continued

2. General information about the Group continued

Management assesses that OBAG's rights, including veto rights, are protective rather than substantive rights and determines that according to IFRS rules the Group controls CASAG. Therefore, CASAG is fully consolidated in the Group's consolidated financial statements.

(b) Österreichische Lotterien GmbH subgroup ("Austrian Lotteries") holds exclusive licences to provide draw-based lottery games, instant lotteries, football pools, onshore online gaming and VLTs in Austria.

The Group holds a 53.60% economic interest and controls 73.83% of voting rights in Austrian Lotteries through:

- 73.83% of shares held by the CASAG, creating an economic interest of 44.15%; and
- 26.17% of shares held by equity method holding company Lotto-Toto Holding GmbH, in which the Group has an economic interest of 36.11%, creating an additional economic interest of 9.45% in Austrian Lotteries.

(c) OPAP S.A. subgroup ("OPAP") is the exclusive operator of numerical lotteries, instant lotteries, land-based sports betting, VLTs and horse racing in Greece and also operates in Cyprus.

The Group held a 36.10% economic interest as of 31 December 2020 (31 December 2019: 31.99%) and controlled 43.12% of voting rights (31 December 2019: 40.01%) in OPAP through:

- 32.90% of shares (31 December 2019: 32.73%) held by the Group's subsidiary SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited), in which the Group held an economic interest of 78.64% (31 December 2019: 75.48%), creating an economic interest of 25.87% (31 December 2019: 24.71%); and
- 10.22% of shares held directly by SAZKA Group a.s. (31 December 2019: 7.28%).

Management determines that according to IFRS rules the Group controls OPAP. The key elements and judgements when assessing control according to IFRS are:

- Although the Group's shareholding in OPAP is below 50%, it is by far the largest individual shareholding. The remaining shares are widely dispersed among numerous public market investors. Since the Group acquired its first shares in OPAP in 2013, shareholder attendance at OPAP S.A.'s general meetings of shareholders has never been over 80%, therefore the Group controls the majority of votes present at such meetings;
- All shareholders' resolutions proposed at general meetings that the Group has voted in favour of have been approved; and
- The Group's appointees make up the majority of the OPAP S.A. Board of Directors (including CEO, CFO and Executive Chairman).

(d) Stoiximan operates an online gaming business in Greece and Cyprus.

The Group holds a 30.50% economic interest (31 December 2019: 11.75%) and controls 84.49% of voting rights as of 31 December 2020 in Stoiximan through:

- A 51.00% interest held from 13 July 2020 by the Group's subsidiary OPAP Investment Ltd, in which the Group has an economic interest of 36.10%, creating an economic interest of 18.41% (31 December 2019: 0.00%); and
- A 33.49% interest held through OPAP's 68.35% share in Stoiximan's part of Kaizen Gaming Limited (formerly TCB Holdings Ltd), who holds remaining 49.00% interest in Stoiximan, in which the Group has an economic interest of 24.67% (31 December 2019: 11.75%), creating an economic interest of 12.09% (31 December 2019: 11.75%).

The Group consolidates Stoiximan from 18 November 2020, following the acquisition of the additional interest and, consequently, obtaining an increased influence in Stoiximan which constituted managerial control of Stoiximan for consolidation purposes within the meaning of IFRS 10.

(e) SAZKA a.s. ("SAZKA") is the market leader in the Czech Republic for both numerical lotteries and instant lotteries and a wholly owned subsidiary of the Group.

2. General information about the Group continued

(f) LOTTOITALIA S.r.l. ("LOTTOITALIA") is the exclusive operator of fixed odds numerical lotteries in Italy and an associate of the Group. The Group owns 32.50% of shares and voting rights (31 December 2019: 32.50%).

Major changes in the Group in 2020

Company/Group companies	Previous economic interest	Current economic interest	Change	Type of transaction	Date of transaction
CASAG	38.16%	59.80%	21.64%	Business combination	26 June 2020
OPAP	31.99%	36.10%	1.88%	Scrip dividend	6 February 2020, 11 August 2020
			1.88%	Open market purchases	during the year
			0.20%	Intragroup re-purchase of NCI	24 June 2020, 14 December 2020
			0.15%	Increase of interest in SDVCIC	2 October 2020
Stoiximan	11.75%	30.50%	12.91%	Purchase of equity method investee	13 July 2020
			5.84%	Business combination	18 November 2020

For a list of all changes in the Group see Note 35.

Acquisition of controlling stake in CASAG

As of 31 December 2019, the Group owned a 38.16% share in CASAG, which was presented as an equity method investee. On 26 June 2020, the Group acquired an additional 17.19% share in CASAG and from that date the subgroup is fully consolidated (see Note 5.a).

Increase of shareholding in OPAP

i. Scrip dividend

On 6 February 2020 OPAP S.A. paid an extraordinary dividend of €1.00 per share. Shareholders had the option of receiving cash or shares under OPAP S.A.'s scrip dividend programme. The Group elected to receive scrip.

On 11 August 2020 OPAP S.A. paid a dividend of €0.30 per share. Shareholders had the option of receiving cash or shares under OPAP S.A.'s scrip dividend programme. The Group elected to receive scrip.

As a result, the Group's economic interest in OPAP S.A. increased by 1.88%.

ii. Open market purchases

During 2020, the Company directly acquired additional shares in OPAP S.A. through open market purchases. As a result, the Group's economic interest and voting rights increased by 1.88%. These additional purchases are presented in "Purchase of NCI in subsidiaries" in the Consolidated statement of cash flows.

iii. Intragroup re-purchase of NCI

During 2020, the Company purchased 0.59% of shares in OPAP S.A. held by SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) ("SDHH"). Because SDHH is not a fully owned subsidiary, the Group's economic interest in OPAP S.A. increased by 0.20% as a result.

iv. Increase of interest in SDVCIC

On 2 October 2020, an investor redeemed its shares in SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD) ("SDVCIC"). The investor received OPAP S.A. shares held by SDHH based on the closing price as of 1 October 2020. As a result, the Group's economic interest increased by 0.15%.

Acquisition of controlling interest in Stoiximan

As of 31 December 2019, OPAP S.A. held a 36.75% economic interest in Stoiximan through its equity method investee Kaizen Gaming Limited (formerly TCB Holdings Ltd), equivalent to a 11.75% Group economic interest. During 2020, the Group increased its economic interest in Stoiximan in several steps, the last of which was completed on 18 November 2020. As a result of these steps the economic interest held by OPAP increased to 84.49% (see Note 5.b). As a result of the increase in OPAP's interest in Stoiximan and the Group's increased economic interest in OPAP, the Group's economic interest in Stoiximan increased to 30.50% as of 31 December 2020.

Notes to the consolidated financial statements continued

2. General information about the Group continued

2.4 Statutory body

The Board of Directors as of 31 December 2020:

Chairman of the Board of Directors:	Karel Komárek
Member of the Board of Directors:	Pavel Šaroch
Member of the Board of Directors:	Robert Chvátal
Member of the Board of Directors:	Katarína Kohlmayer

Supervisory Board as of 31 December 2020:

Chairman of the Supervisory Board:	Tomáš Porupka

2.5 Shareholder as of 31 December 2020

KKCG AG	100.00% (sole shareholder)

Registered office:
Kapellgasse 21,
6004 Luzern
Switzerland

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the accounting periods presented in these financial statements, unless otherwise indicated.

(a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control (see ii. Subsidiaries) is transferred to the Group. Critical assumptions and judgements with respect to new acquisitions are described in Note 4.

Goodwill represents amounts arising on the acquisition of business and is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is stated at cost less accumulated impairment losses (see accounting policy 3.n and Note 18).

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see accounting policies 3.m ii.-iv.).

Any contingent consideration is measured at fair value at the date of acquisition and it is remeasured at fair value at each reporting date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. In assessing control, only substantive rights and rights that are not protective are taken into account. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii. Non-controlling interests ("NCI") (see Note 25)

According to IFRS 3 the Group measures NCI at the acquisition date as a proportion of the acquiree's identifiable net assets, or at fair value. The choice of method used is made separately for each acquisition.

3. Significant accounting policies continued

Changes of the Group's interest in a subsidiary that do not result in a loss of control are accounted for within equity as transactions with non-controlling interests.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, including the carrying amount of related goodwill, and any related NCIs and other components of equity. All amounts recognised in Other comprehensive income are accounted on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Acquisitions from entities under common control

Acquisitions from entities under common control are business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group.

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.

vi.Associates and joint ventures (equity method investees) (Note 20)

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control. Associates and joint ventures are accounted for using the equity method (presented in financial statements as equity method investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition less impairment losses. The consolidated financial statements include the Group's share of profit and other comprehensive income of equity method investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in equity method investees, the carrying amount of that interest (including any long-term loans that form part of the net investment) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments on behalf of the investee.

vii. Transactions eliminated on consolidation

Intragroup balances and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity method investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cashflow hedges, which are recognised in Other comprehensive income.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

iI. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency of the Group, the Euro, at the closing spot exchange rates at the end of the respective reporting period. The income and expenses of foreign operations are translated to Euro at average exchange rates for the period which are reasonable approximation of the exchange rate at the transaction dates. Foreign currency differences are recognised in Other comprehensive income and accumulated in equity as a separate component.

(c) Operating segments (Note 7)

Segment information is presented based on the internal management reports and information provided to the Group management, which examines the Group's performance both from a geographical and a product line perspective. Because the Group is primarily managed along the geographical lines, operating segments are recognised accordingly.

(d) Revenue recognition and accounting for winnings (Note 8)

Revenue is shown net of value added tax and estimated discounts.

i. Revenues from lottery, betting and VLTs

Gaming revenues are reported net as a difference between amounts staked and players winnings as Gross gaming revenue (GGR).

Stakes received relating to future lottery draws and games are recorded as Prepaid stakes measured at fair value. Player deposits are funds of "Digital-only Games" product line participants, who can use these funds for future lottery or other game stakes or withdraw them. Unpaid winnings are recognised based on the date of lottery draw and presented as other current payables.

Unclaimed prizes (expired winnings that the winners failed to claim) are treated in accordance with applicable regulation and lottery licence conditions, which differ from country to country. Generally unclaimed prizes remain recorded as liability, either to the state or to the gaming participants. In some cases, unclaimed winnings are credited to revenue.

Draw based games (numerical lotteries)

There are two types of draw based games – fixed odds and pari mutuel (jackpot games).

For fixed odds games, the pay-out is a fixed amount. For pari mutuel games a pay-out pool is created and in case there is no winner in a given draw and the prize is rolled to the next draw and accounted for as accrued liability or provision based on the level of estimation uncertainty (see Note 3.s ii.).

Revenue is recognised in the period when the draw takes place, net of obligation to pay the game prizes in the future assessed at fair value.

Instant lotteries (scratch cards)

Revenues from instant lottery ticket sales are recognised in the period when the sale of the lottery ticket occurs, net of related unpaid winnings obligations. Unpaid winnings obligations are calculated as a percentage of sales, based on the pay-out ratio given for each particular instant lottery product. In cases when unclaimed prizes can be recognised as revenue, a provision is recognized instead of unpaid winnings (see Note 3.s iii.).

Betting (odds bets)

Revenue is recognised when the bet event result occurs as Amount staked less actual pay-out. In the case of bets on a series of events, revenue is recognised when the last event result is known.

VLTs

Revenue is defined as the net result of all players' sessions within a period. A player's session begins when the player inserts his/her card in the machine and ends when he/she takes the card out. Revenue (GGR) is recognised at net amount (receipts – winnings) of each player's game session.

Casinos

Revenues from casino games (gaming tables and slot machines) are recognised as the net result of players' sessions within the casinos. Casino revenues arise when the gaming tables or slot machines are closed. Sold but not used chips (tokens) are recognised as a liability.

3. Significant accounting policies continued

ii. Revenue from non-gaming activities

Revenue from mobile virtual network operator services

Revenue is recognised when the flow of voice or data services takes place, regardless of when the payment or collection is made.

Unused voice and data services from prepaid call cards are deferred and recognised as revenue when the prepaid period expires.

Revenue from mobile phone top-up

Group acting as principal for the sale of electronic top-up codes to end users: In this category of contracts the Group acquires the ownership of the electronic codes and assumes the risk of inventory. The revenue is recognized when the Group's agents sell the specific codes to end users.

Group acting as agent for the sale of electronic top-up codes to end users: In this category of contracts the Group does not acquire the ownership of the electronic codes and is considered to act as a representative of the suppliers. The revenue recognised in this category is the commissions received from the suppliers.

Revenue from commissions

The Greek New Year's Eve Lottery is issued once a year with the draw on New Year's Eve. Net revenues from this lottery are attributed to the Greek State. Hellenic Lotteries S.A. produces, operates, distributes, promotes and manages it and receives a 17% management fee on amounts staked. The fee includes all company costs related to the organisation of the New Year's Eve Lottery. This commission is recognised once a year, during December.

Revenue from other services

Revenues is recognised when the performance obligation is satisfied by transferring goods or services to the customer. The Group evaluates whether it operates as a principal or as an agent when delivering these services. When the Group determines that it operates as an agent, revenues are recognised on the net basis.

(e) Gaming taxes and Net gaming revenue (NGR)

Gaming taxes, assessed as a percentage (defined in the legislation of the relevant country or the relevant licence) of revenue from stakes less wins in the period, are recognised based on recognized Gross gaming revenue (GGR) in the period.

Net gaming revenue (NGR) is calculated as Gross gaming revenue (GGR) less Gaming taxes.

(f) Other operating income (Note 9)

i. Lease income

Income from the lease of non-residential premises, office space and movable assets is recognised in the Consolidated statement of comprehensive income as other operating income on a straight-line basis over the term of the lease.

ii. Government grants in connection with COVID-19

The Group presents all government grants obtained in connection with COVID-19 in Other operating income.

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

iii. Effect of prepayment of GGR contribution by OPAP S.A.

From 13 October 2020, new terms of an exclusive licence to conduct, manage, organise and operate numerical lottery and sports betting games in Greece have become effective for a period of 10 years, based inter alia on an agreement dated 29 April 2013 between OPAP S.A. and the Greek state.

Based on the agreement, an upfront payment of €375 million made by OPAP S.A. for the licence extension comprises a licence fee and a prepayment of the future GGR contribution within the extension period in the nominal amount of €1,831 million. The agreement stipulates that during the extension period, OPAP S.A. will pay a contribution at a rate of 5% of applicable GGR instead of at a valid rate of 30%.

Any difference between:

- The €1,831 million, which represents a prepayment of the GGR contribution, plus additional compensation related to income tax expenses from related accounting gains; and

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

- The difference between a GGR contribution at 30% and cash GGR contribution at 5% (i.e. GGR contribution cash savings);

will be settled on 13 October 2030 either as an additional payable from OPAP S.A. to the Greek state, or a receivable of OPAP S.A. from the Greek State.

From 13 October 2020 for the period of 10 years, the Group accounts for the effects of the agreement in the following way:

- Intangible asset of €375 million is amortized over 10 years;
- Other operating income in the amount of €1,831 million plus income tax compensating effects is recognised on accrual basis over 10 years;
- Non-current receivables or payables are recognised to reflect the difference between gaming tax cash savings and the amounts recorded in Other operating income. The receivable or payable is discounted to present value with the effect of discounting recognised in Other finance income or expense as appropriate.

(g) Agents' commissions

Agents' commissions are commissions accrued to agents for their services. They are in most cases calculated as a portion of Amount staked, Gross gaming revenue (GGR) or Net gaming revenue (NGR).

(h) Lease payments (Note 27)

Expense relating to leases includes only leases which have a term of 12 months or less and do not contain a purchase option, leases where the underlying asset has a low value, and variable payments such as turnover rent, property taxes paid by the tenant and insurance paid by the tenant.

(i) Finance costs, net (Note 15)

Interest income is recorded for all debt instruments measured at amortised cost on an accrual basis using the effective interest method. This method defers, as part of interest income, all fees between the parties to the contract that are an integral part of the effective interest rate.

Interest expense comprises interest expense on loans and borrowings, bonds, leases and unwinding of discount of non-current provisions and other liabilities.

Other finance income and expense comprises foreign exchange gains/losses and revaluation of derivatives that do not qualify for hedge accounting (see Note 3.m iv.).

(j) Income tax expense (Note 16)

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in Other comprehensive income or directly in equity, in which case it is recognised in Other comprehensive income or equity.

Current tax is the expected tax payable on taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference or tax loss carried forward can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies continued

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, if there is an intention to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(k) Intangible assets

Intangible assets are carried at acquisition costs less accumulated amortisation and impairment losses, if any.

Intangible assets, except goodwill and other intangibles with indefinite useful lives, are amortised on a straight-line basis over their estimated useful life from the date they are available for use. The following table shows the expected useful life of individual classes of intangible assets (Note 18):

Licences	The period for which they have been issued/indefinite
Other property rights	6 - 10 years
Customer relationship, customer contracts	4 – 21 years
Software	1 – 7 years
Distribution network (contracts with providers)	20 years
Other intangible assets	3 – 10 years

Intangible assets with indefinite useful life are tested for impairment at least annually, or when there is an indicator of impairment, which is assessed quarterly.

i.Licences (Note 18)

Licences relate mainly to the Group's lottery and other gaming businesses. Licences which are determined to be intangible assets with indefinite useful life are reviewed the assessment annually to assess whether the indefinite useful life assumption continues to be appropriate.

ii. Customer relationships, customer contracts, Brands and trademarks (Note 18)

The Group capitalises major Customer relationships, customer contracts, Brands and trademarks upon the acquisition of companies which are party to such contracts or hold such brands and trademarks. The value of these intangible assets is determined based on an expert's appraisal prepared at the time of the acquisition.

Customer relationships, customer contracts and Brands and trademarks are assets which can be used in the future.

Capitalised Customer relationships, customer contracts (portfolio of customers, customer base or market share) are amortised on a straight-line basis.

Capitalised Brands and trademarks are determined to be intangible assets with an indefinite useful life on the basis of their market strength. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be appropriate.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, such as maintenance costs, is recognised in the Consolidated statement of comprehensive income as an expense.

(l) Property, plant and equipment ("PPE") (Note 19) and Investment property

Property, plant and equipment are carried at acquisition costs less accumulated depreciation and impairment losses, if any.

The cost of self-manufactured tangible fixed assets includes the cost of materials, wages and a proportion of overheads directly attributable to the construction. Acquisition cost also includes the estimated cost of dismantling and removing the tangible assets as well as the cost of land restoration.

Borrowing costs directly attributable to the acquisition of assets are capitalized until the asset is substantially complete or available for use.

Acquisition cost does not include administrative or other general overheads, or initial operating losses.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

PPE are depreciated on a straight-line basis. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The following table shows the expected useful life of individual groups of fixed assets (Note 19):

Appliances and special technical equipment	3 – 20 years
Fixtures and fittings	3 – 14 years
Vehicles	4 – 10 years
Machinery and equipment	3 – 20 years
Buildings and halls	20 – 60 years
Construction improvements to outdoor surfaces	15 – 30 years
Other tangible assets	3 – 20 years
Investment property	25 – 45 years

i. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is carried at cost less accumulated depreciation and impairment losses. When the use of a property changes from the owner-occupied to investment property, the property is reclassified from PPE to investment property.

ii. Right of use of leased assets

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the lessee recognises a right of use asset and a lease liability. The right of use of asset is depreciated and the liability accrues interest.

A right of use of asset is initially measured in the amount of recognised lease liability, plus advance payments or related accrued payments. The initial measurement of the right of use assets is increased by the following items, when significant:

- Initial direct lease costs paid by the lessee; and
- Provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

iii. Assets held for sale

Assets that are very likely to be sold within one year from the reporting period are not included in fixed assets and are stated in current assets at the lower of their carrying amount and fair value less costs to sell. Such assets are not depreciated.

iv. Subsequent expenditure

Expenditure incurred to replace part of an item of PPE is capitalised only if it results in an increase in the future economic benefits generated by the relevant tangible fixed asset. Major overhauls are capitalised as a separate item into the corresponding class of fixed assets at the moment the overhaul is executed. All other expenditure is recognised in the Consolidated statement of comprehensive income as an expense.

(m) Financial assets and liabilities

Amortised cost is the amount at which a financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and, for financial assets less any allowance for ECL. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the Consolidated statement of financial position.

3. Significant accounting policies continued

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial assets, other than financial assets at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs.

i. Financial assets at amortised cost

Amortised cost applies to instruments where the business model of the owner is to hold the financial asset to collect contractual cash flows and the contractual cash flows are solely payments of the principal amount and the interest.

Loss allowances to receivables are recognised in the amount of expected credit losses on a financial asset and their creation is reported in other operating expenses. At each reporting date, subsidiaries shall measure the loss allowance for financial asset in the amount of lifetime expected credit losses if the credit risk related to that financial asset has increased significantly since initial recognition or in the amount equal to 12-month expected credit losses ("ECL") if the credit risk has not increased significantly.

The Group recognise the following financial assets at amortised cost: trade receivables, restricted cash, other receivables and loans provided.

Restricted cash is cash not available for immediate use. Such cash cannot be used by the Group until a certain point or event in the future. Restricted cash comprises cash on bank accounts for purpose of guarantees given under the terms of game licences and for debt service under the terms of facility agreements.

Classification and measurement

Trade and other receivables and loans provided are initially recognised on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses.

When applying amortised cost, any difference between the cost and the value upon redemption is recognised in the Consolidated statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

Derecognition

The Group derecognises trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

ii. Financial assets at fair value through other comprehensive income ("FVOCI") (Note 22)

Fair value through other comprehensive income is the classification for debt instruments for which an entity has a mixed business model, i.e. the business model is achieved by both holding the financial asset to collect the contractual cash flows and through the sale of the financial assets. The contractual cash flows of instruments in this category must be solely payments of principal and interest.

The changes in fair value of FVOCI debt instruments are recognised in Other comprehensive income ("OCI"). Any interest income, foreign exchange gains/losses and impairments are recognised immediately in profit or loss. Interest income on these assets is calculated using the effective interest rate method. Fair value changes that have been recognised in OCI are recycled to profit or loss upon disposal of the debt instrument.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

On initial recognition of an equity financial instrument, an entity may make an irrevocable election (on an instrument-by-instrument basis) to designate the instrument at FVOCI. This option only applies to instruments that are not held for trading and are not derivatives.

Gains or losses recognised in OCI for such equity instruments are subsequently never reclassified from equity to profit or loss.

iii. Financial assets at fair value through profit or loss ("FVTPL") (Note 22)

An instrument is classified as at fair value through profit or loss if it is held for trading or if the business model of the owner is to manage the financial asset on a fair value basis i.e. to realise the asset through sales as opposed to holding the asset to collect contractual cash flows. This category represents the "default" or "residual" category if the requirements to be classified as amortised cost or FVOCI are not met. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss in line "Other gains and losses".

iv. Financial derivatives and hedging instruments (Note 30)

The Group primarily uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as a other derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

All derivative transactions designated as hedging instruments are documented and the effectiveness of individual hedge relationships is evaluated on continuous basis. As permitted by the transitional provisions of IFRS 9, SAZKA Group has elected to continue to apply the hedge accounting requirements of IAS 39.

The Group applies hedge accounting if:

- The hedge is in line with the Group's risk management strategy;
- The hedge relationship is formally documented at the inception of the hedge;
- The hedge relationship is expected to be effective throughout its duration;
- The effectiveness of the hedge relationship can be objectively measured;
- The hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80%-125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk; and
- For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The hedging documentation contains information about the following:

- Hedging instruments;
- Hedge effectiveness; and
- Hedged items and risks that are being hedged.

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognised directly in the Other comprehensive income to the extent that the hedge is effective. The effective portion of changes in fair value of cash flow hedge is accumulated in "Hedging reserve" in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss for the period.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity as a "Hedging reserve" remains there until the forecast transaction occurs. When the hedged item is a

3. Significant accounting policies continued

non-financial asset, the amount recognised in Other comprehensive income is included in the initial cost or other carrying amount of the asset or liability.

In other cases, the amount recognised in Other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

If cash flows relating to recognised foreign currency receivables are hedged by other hedging instruments (e.g. designating foreign currency payables as the hedging instruments), the accounting treatment is the same as the treatment for hedging with financial derivatives.

The Group decided to apply cash flow hedge accounting to mitigate the following risks:

Interest rate risk

The hedged items are future interest payments of long-term debts that are hedged by interest rate swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged is arising from interest rate changes.

Foreign currency rates risk

The hedged items are future foreign transactions that are hedged by other hedging instruments (e.g. designating foreign currency payables/receivables as the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged relates to any change in the future cash flows due to a change in foreign currency rates.

Net investment hedge of foreign operations

A net investment hedge is a specific type of foreign currency cash flow hedge that is used to eliminate or reduce the foreign exposure that arises from ownership of foreign subsidiaries, associates, joint ventures or branches (foreign operations). A net investment hedge allows the Group to hedge the currency risk associated with the translation of the net assets of these foreign operations into the parent entity's functional currency. The hedging instrument can be either a derivative instrument or a non-derivative instrument (such as a debt instrument) or a combination of both.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that the economic relationship exists between the hedged item and the hedging instrument.

If the criteria for applying net investment hedge accounting are met, the gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment is recognised in Other comprehensive income and is included in equity as "Hedging reserve".

The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in "Hedging reserve" is reclassified from equity to profit or loss as a reclassification adjustment on the disposal (or partial disposal) of the foreign operation.

Other derivatives

Derivatives that do not qualify for hedge accounting are accounted for as other derivatives. Changes in the fair value of other derivatives are recognised immediately in profit or loss.

Gaming contracts

Gaming contracts are considered to be financial derivatives under IFRS 9 if in the transaction, the gaming institution takes a position against its customers. The value of the individual contract is contingent on the outcome of a specified event and the gaming institution is not, therefore, normally guaranteed a specific commission or return. The contracts are financial derivatives and not insurance contracts, even though the underlying variable is specific to a party to the contract. The definition of insurance contracts according to IFRS 4 requires exposure to a pre-existing risk that was present before the contract is concluded, which is not met in the case of gaming bets.

Embedded derivatives in a hybrid contract with a host that is a financial asset are not separated from the host contract. Instead, the hybrid financial instrument as a whole is assessed for classification. The financial asset is carried at fair value through profit or loss if the instrument's cash flows are not solely payments of principal and interest. Changes in the fair value of such hybrid financial asset are recognised in profit or loss when they occur.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

v. Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, and lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs and subsequently at amortised cost.

The Group classifies as current any part of non-current loans and borrowings that is due within one year after the end of the reporting period.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Any change in contractual terms which results in more than 10% difference in the present value of future cash flows discounted using original interest rate is accounted as extinguishment of the financial liability, otherwise it is accounted as a modification of a financial liability with any gain or loss recognised in the profit or loss.

vi. Offsetting of financial assets and liabilities (Note 33.b)

Financial assets and liabilities are offset and the net amount presented in the Consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle the transaction on a net basis or realise the asset and the liability simultaneously.

When the offsetting is permissible, financial instruments are offset at the level of individual companies.

(n) Impairment and expected credit loss model

i. Non-financial assets and investments in subsidiaries, joint-venture and associates

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, joint ventures and associates are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least annually at the same time (see Note 18).

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes (segment or lower level). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the business combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is subsequently not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ii. Financial assets (including trade and other receivables)

IFRS 9 requires an expected credit loss ("ECL") model for recognition and measurement of impairments of financial instruments and contract assets that are measured at amortised Cost or FVOCI.

3. Significant accounting policies continued

Measurement of ECLs

Current trade and other receivables – simplified approach

For current trade and other receivables from the POS and contract assets the Group generally uses the provisioning matrix approach. In the provisioning matrix approach, an impairment is calculated as the current amount of receivables in a predetermined Days Past Due bucket, multiplied by the historical loss rate associated with that time bucket and adjusted for forward looking information.

Significant receivables are assessed individually using expected discounted cash-flows method and an expert-based approach.

Trade and other receivables subject to the provisioning matrix approach are measured at lifetime ECL.

Financial assets subject to the provisioning matrix approach are presented in the Consolidated statement of financial position net of the allowance for ECL.

Non-current trade and other receivables, other financial assets – Standard ECL model

The Group assesses, on a forward-looking basis, the ECL for exposures arising from non-current trade and other receivables, other financial assets subject to its Standard ECL model. The Group measures ECL and recognizes net ECLs on financial assets at the end of each reporting period. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets subject to the Standard ECL model are presented in the Consolidated statement of financial position net of the allowance for ECL.

The Standard ECL model developed by the Group applies a three stage approach for impairment, based on changes in credit quality since initial recognition as required by IFRS 9. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained below. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Current accounts and term deposits are placed in strong and stable credit institutions which are meeting all capital and liquidity requirements as set out by Basel III.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Significant increase in credit risk is considered to have occurred if the asset is at least 30 days past due, if the external rating grade or internal rating grade has decreased by 2 notches since initial recognition, or if asset-specific qualitative information or forward-looking information that suggest that a significant increase in credit risk has occurred is available.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

For purposes of disclosure, the Group has fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

The input parameters into the ECL model calculations are based on two approaches:

- External rating-based approach; or
- Internal rating-based approach.

The external rating-based approach is used for loans to and deposits with counterparties with an external credit rating from one of the major rating agencies. The internal rating approach is used for loans to and deposits with counterparties without such external credit rating; the credit spread for the individual ratings are calibrated on regular basis.

The forward-looking information considered by the Group in the Standard ECL model has been derived from correlation analysis. The information considered is publicly available information about the expected year-to-year changes of GDP.

Presentation of allowance for ECL in the Consolidated statement of financial position

In determining the carrying value in the Consolidated statement of financial position, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss. The revaluation reserve represents the difference between amortised cost, net of ECL, and the fair value of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

(o) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories includes the purchase price, import duties and other taxes (except for those that the Group subsequently reclaims from the tax authorities), freight, handling costs and other expenses directly attributable to the acquisition of finished goods, materials and services. Cost is reduced by trade discounts, rebates and other similar items. The cost formula used in the Group is a weighted average.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(p) Cash and cash equivalents (Note 23)

Cash is cash in hand and deposits on demand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a maturity of three months or less from the date of acquisition.

(q) Share capital (Note 24)

The issued share capital comprises fully paid shares. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(r) Loans and borrowings (Note 26)

Loans and borrowings are initially recognised at fair value and are subsequently stated at amortised cost. All directly attributable transaction costs are accounted for in accordance with the effective interest method. Any part of a long-term loan which is due within one year from the end of the reporting period is classified as a short-term loan.

(s) Provisions (Note 29)

A provision is recognised in the Consolidated statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. Significant accounting policies continued

Provisions are recognised at the expected settlement amount. Long-term liabilities are recognised as liabilities at the present value of the expenditures expected to be required to settle the liability. Where the effect of discounting is material, the discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any additions and the effects of changes in interest rates are recognised as finance income or costs in profit or loss.

Changes in estimated provisions may arise in particular due to variances from the originally estimated expenditures or due to a change in the date of settlement, or in the extent, of the liability. Changes in estimates are generally recognised in the Consolidated statement of comprehensive income as at the date that the estimate is changed. Provisions are reviewed on an ongoing basis.

i. Establishment and use of provisions

Additions to provisions are charged to the relevant expense accounts corresponding to the nature of the cost or loss. Unwinding of the discounting of provisions is charged to financial costs as interest expense. The release of provisions is recognised as a decrease in the relevant expense accounts.

ii. Jackpot provision

Certain jackpot games have uncertainty about actual winning pay-outs and the Group recognises a provision for such games. Jackpot games are games with fixed odds where unpaid winnings are transferred to the next draw as a bonus. In the next draw there are normal, regular winnings from the Amount staked in the current draw as well as bonuses transferred from the previous draw. This obligation to transfer the unpaid winnings is determined by the Licence granted by the regulator, specifically in relation to the Gaming Rules ("Herní plán loterií SAZKA") which are an integral part of the Licence. The licence is granted for a limited period of time. At the end of the Licence, if the jackpot is not won in the last draw and the licence is not extended, the jackpot must be paid to the winner or winners from the last draw. The same jackpot pay-out mechanism is also applied if the game is cancelled for any other reason during the licenced period. A provision is recognised only for obligations that cannot be avoided. If the outflow of unpaid winnings is certain then a liability is recognised directly in the financial statements.

iii. Scratch card provision

The Group recognises a provision for certain scratch card games where there is uncertainty about actual winning pay-outs. In this kind of game, there is a set pay-out ratio for each scratch card series (as a percentage of the total value of a particular type of cards sold – no matter whether the cards have been sold or not). The difference may arise between actually pay-outs (based on which cards were sold) and the theoretical pay-out. The difference between actual and theoretical pay-outs is recognised as revenue. Since there is no liability for the undistributed portion of wins, the Group uses historical experience to calculate an approximate pay-out in order to recognize a provision for wins in relation to cards that have already been distributed.

iv. Warranty provision

A warranty provision is recognised upon the sale of a particular product or the provision of a service. The provision is determined based on historical records of warranty provisions costs, taking into account all possible development scenarios and their probability.

v. Restructuring provisions

The Group recognises restructuring provision when the general recognition criteria for provisions are met, the Group has a detailed formal plan for the restructuring and raised a valid expectation in those affected that it will carry out the restructuring by announcing its main features to those affected. When an element of restructuring plan relates to employee lay-off costs or partial lay-off costs, the Group recognizes a restructuring personnel provision. When the payments made in connection with the employee lay-off are incurred in multiple year period, expected outflows are discounted to present value using a borrowing rate intrinsic to the relevant operating segment of the Group.

(t) Employee benefit liabilities (Note 31)

i. Post-employment benefit

The accounting treatment and disclosures for post-employment benefit plan rely upon whether it is a defined contribution or a defined benefit plan.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Defined contribution plan

Defined contribution plans are the post-employment benefits in which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under this plan, the actuarial and investment risk fall upon the employee.

The contributions are recognised as "Personal expenses" as "Retirement benefit expenses – defined contribution plan" in profit or loss on an accrual basis.

Defined benefit plan

For defined benefit plans, the value of the liability is equal to the present value of defined benefit payable at the balance sheet date less the fair value of plan assets. The defined benefit liability and the related expense is estimated annually by independent actuaries using the projected credit unit method.

The present value of the liability is determined by discounting the estimated future cash flows at the interest rate of high-quality corporate bonds (for liabilities denominated in EUR) or government bonds (for liabilities in CZK with similar duration. The costs of liability are recognised in profit or loss during the rendering of services.

The current service cost, past service cost and any gain or loss on settlement are recognised in the profit or loss in the line "Personal expenses" as "Retirement benefit expenses – defined benefit plan". Net interest on the net defined liability (asset) is recognised in the line "Finance costs, net".

ii. Incentive schemes and bonuses

Incentive schemes and bonus programmes are programmes which should motivate management, Executive Members of the Board of Directors and other key management personnel of relevant Group subsidiaries to meet specified targets.

Jubilee bonuses are long-term bonuses which are paid when employees reach a specified number of years of employment with the Group.

If the bonuses are not expected to be settled wholly before 12 months after the end of the reporting period these future obligations are reflected as "Long-term bonuses" and are measured using the projected unit credit method. Any actuarial gains or losses are recognised immediately to profit or loss.

iii. Other employee benefit liabilities

As "Other employee benefit liabilities" are presented liabilities for wages and salaries, holiday pay, sick leave, meal vouchers and other benefits that are settled wholly within the 12 months after the end of period in which the service was rendered.

(u) Related parties (Note 34)

A related party is a person or entity that is related to the entity preparing the consolidated financial statements (the "reporting entity").

i. A person or a close member of that person's family is related to the reporting entity if that person:

- Has control of joint control over the reporting entity; or
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity or its parent.

ii. An entity is related to the reporting entity if any of the following conditions is met:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. Significant accounting policies continued

- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (i).
- A person identified in the first bullet point has significant influence over the entity or is a member of the key management personnel of the entity (or its parent).

(v) Standards, interpretations and amendments issued before 31 December 2020 but not yet effective

The following standards, amendments and interpretations are not yet effective and are not expected to have a significant impact on the Group's consolidated financial statements.

Documents that have been endorsed by the EU:

i. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark ("IBOR") reform Phase 2

The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. More specifically, the amendments relate to how a company will account for changes in the contractual cash flows of financial instruments, how it will account for the change in its hedging relationships and the information it should disclose.

The IASB effective date is 1 January 2021.

The Group is evaluating the impact of adoption of this amendment.

ii. Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

The IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; or
- An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The IASB effective date is 1 January 2021.

The Group does not expect that amendments to IFRS 4 will have a significant impact on the Group's consolidated financial statements.

iii. Amendments to IFRS 16 "Leases" – COVID-19 related rent concessions beyond 30 June 2021

The amendment provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would for changes which are not considered lease modifications.

It is expected to be endorsed after its effective date.

The IASB effective date is 1 April 2021.

The Group is evaluating the impact of adoption of this amendment.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Documents not yet endorsed by the EU:

iv. IFRS 17 "Insurance contracts"

IFRS 17 was issued in May 2017 as replacement for IFRS 4 "Insurance contracts". It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- Discounted probability-weighted cash flows;
- An explicit risk adjustment; and
- A contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the Consolidated statement of profit or loss or directly in Other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The new standard is expected to be endorsed before its effective date. The IASB effective date is 1 January 2023. The original effective date of 1 January 2021 was amended based on the fact that amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023) were issued.

The Group does not expect that IFRS 17 will have a significant impact on the Group's consolidated financial statements.

v. Amendments to IAS 1 "Presentation of financial statements" – Classification of liabilities as current or non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists, and management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.

The amendments clarify the situations that are considered settlement of a liability.

The amendments are expected to be endorsed before their effective date. The IASB effective date is 1 January 2023. The original effective date of 1 January 2022 was amended based on the fact that the Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023) were issued.

The Group is evaluating the impact of adoption of this amendment.

vi. Amendments to IFRS 3 "Business combinations" – Reference to "Conceptional framework" & Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent Assets" – cost of fulfilling a contract

Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the "Conceptual Framework" for financial reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Interpretation 21 "Levies". The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

3. Significant accounting policies continued

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Group does not expect these amendments to have a significant impact on the Group's consolidated financial statements.

vii. Amendments to IAS 16 "Property, plant and equipment" ("PPE")

The amendment to IAS 16 "Property, plant and equipment" prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Group does not expect that these amendments will have a significant impact on the Group's consolidated financial statements.

viii. Annual Improvements 2018 – 2020

The following improvements were finalised in May 2020:

- IFRS 9 "Financial Instruments" – clarifies which fees should be included in the 10% test for derecognition of financial liabilities;
- IFRS 16 "Leases" – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives; and
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to joint ventures and associates that have taken the same IFRS 1 exemption; and
- IAS 41 "Agriculture" – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Group does not expect that these amendments will have a significant impact on the Group's consolidated financial statements.

ix. Amendments to IAS 1 "Presentation of financial statements" – disclosure of accounting policies

The amendments require companies to disclose their material accounting policy information and provide guidance on how to apply the concept of materiality to accounting policy disclosures.

It is expected to be endorsed before its effective date. IASB effective date is 1 January 2023.

The Group is evaluating the impact of adoption of this amendment.

x. Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – definition of accounting estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

It is expected to be endorsed before its effective date. IASB effective date is 1 January 2023.

The Group is evaluating the impact of adoption of this amendment.

Notes to the consolidated financial statements continued

4. Significant accounting estimates and judgements

The Group has made several significant accounting estimates and judgements. These accounting estimates and judgements are described in detail in the relevant sections of the Notes.

The Group has made the following significant accounting estimates:

- Estimates related to impairment of intangible assets and goodwill (see Note 18);
- Estimates related to valuation of employee benefit liabilities and restructuring provision (see Note 31 and Note 29); and
- Estimates related to fair value of previously held interests in business combinations achieved in stages (Note 5).

The Group has made following significant accounting judgements:

- Judgement about indefinite useful live of certain intangible assets (see Note 18);
- Judgement in respect of control over OPAP S.A. subgroup (see Note 2.3);
- Judgement in respect of control of Casinos Austria AG subgroup (see Note 2.3); and
- Judgement about execution of renewal option in respect of Greece and Cyprus gaming halls (see Note 27).

5. Business combinations

During 2020 the Group acquired interests in the following companies or groups of companies:

Company	Note	Ownership interest acquired	Acquisition date
CASAG	(a)	17.19%	26 June 2020
Stoiximan	(b)	47.74%	13 July 2020, 18 November 2020

The above stated percentages represent the direct share acquired by the parent company of each company.

Other individually and cumulatively immaterial acquisitions including acquisitions under common control are described in Note 35 and their cumulative impact is presented in the table below.

5. Business combinations continued

The acquisition had the following aggregated impact on the Group:

Recognised values on acquisition	CASAG	Stoiximan**	Other individually immaterial	Total
Assets				
Intangible assets	603.6	–	–	603.6
of which Brand	296.8	–	–	296.8
of which Licenses	255.6	–	–	255.6
of which Consumer base	44.4	–	–	44.4
Property, plant and equipment	319.1	–	0.1	319.2
Equity method investees	120.6	–	–	120.6
Trade and other receivables	1.6	–	–	1.6
Other financial assets	239.3	–	–	239.3
Deferred tax assets	20.6	–	–	20.6
Total non-current assets	**1,304.8**	**–**	**0.1**	**1,304.9**
Inventories	3.0	–	–	3.0
Trade and other receivables	66.4	3.2	0.9	70.5
Current tax asset	0.2	–	–	0.2
Other financial assets	37.3	–	–	37.3
Cash and cash equivalents	314.4	64.6	0.4	379.4
Assets held for sale	0.8	–	–	0.8
Total current assets	**422.1**	**67.8**	**1.3**	**491.2**
Total assets	**1,726.9**	**67.8**	**1.4**	**1,796.1**
Loans and borrowings	(146.7)	–	–	(146.7)
Lease liabilities	(78.0)	–	–	(78.0)
Trade and other payables	(15.3)	–	–	(15.3)
Derivative financial instruments	(0.6)	–	–	(0.6)
Provisions	(26.3)	–	–	(26.3)
Employee benefit liabilities	(120.1)	–	–	(120.1)
Deferred tax liability	(155.5)	–	–	(155.5)
Total non-current liabilities	**(542.5)**	**–**	**–**	**(542.5)**
Loans and borrowings	(37.4)	–	–	(37.4)
Lease liabilities	(15.8)	–	(0.1)	(15.9)
Trade and other payables	(386.8)	(37.0)	(0.5)	(424.3)
Derivative financial instruments	(1.0)	–	–	(1.0)
Current tax liability	(19.6)	(10.3)	–	(29.9)
Provisions	(22.3)	–	(0.1)	(22.4)
Employee benefit liabilities	(21.5)	(0.2)	–	(21.7)
Total current liabilities	**(504.4)**	**(47.5)**	**(0.7)**	**(552.6)**
Total liabilities	**(1,046.9)**	**(47.5)**	**(0.7)**	**(1,095.1)**
Net identifiable assets and liabilities	680.0	20.3	0.7	701.0
Goodwill	126.0	466.0	0.1	592.1
Non-controlling interest acquired	(318.8)	(3.2)	–	(322.0)
Fair value of previously held interest	(343.3)	(200.1)	–	(543.4)
Impact of the acquisition under common control	–	–	0.1	0.1
Consideration	**143.9**	**283.0**	**0.9**	**427.8**
Consideration paid, satisfied in cash	116.2***	154.7	0.9	271.8
Contingent consideration*	3.4	128.3	–	131.7
Purchase value of shares under of call option	24.3	–	–	24.3
Cash acquired	(314.4)	(64.6)	(0.4)	(379.4)
Net cash inflow (–)/outflow (+)	**(206.5)**	**90.1**	**0.5**	**(115.9)**

* Variable part ("earn-out") that will be determined based on subsequent events.
** Subject to ongoing acquisition accounting in Stoiximan. Acquired assets and liabilities on provisional basis.
*** Includes call option paid of €11.2 million of which €8.3 million was paid in previous years and €2.9 million paid in 2020.

Notes to the consolidated financial statements continued

5. Business combinations continued

(a) Acquisition of controlling stake in CASAG

On 31 December 2019, the Group owned a 38.16% share in Casinos Austria AG ("CASAG"), which was presented as an equity method investee. On 26 June 2020, the Group acquired an additional 17.19% share and from that date CASAG and its subsidiaries are fully consolidated. For a list of companies within the CASAG subgroup see Note 35.

i. Purchase price

The Group acquired the 17.19% stake for a price of €105.0 million plus contingent consideration estimated by management at €3.4 million.

The Group held an additional call option over 4.31% shares of CASAG. The Group determined that the risks and rewards associated with ownership lie with the Group rather than the holder of the shares. Therefore the Group used the anticipated acquisition method where the option is considered part of the consideration transferred of €35.5 million.

As part of accounting for a business combination achieved in stages, the acquirer remeasures any previously held interest at fair value and enters this amount into the purchase price allocation calculation.

CASAG holds a controlling stake in Austrian Lotteries of 73.83%. Non-controlling interest of 26.17% in Austrian Lotteries comprises the shares held by Lotto-Toto Holding GmbH, in which the Group has an effective interest of 36.11% through its equity method investees CLS Beteiligungs GmbH ("CLS") and LTB Beteiligungs GmbH ("LTB"), creating an additional economic interest of 9.45% in Austrian Lotteries. Following the full consolidation of Austrian Lotteries from 26 June 2020, the fair value of CLS's and LTB's interests in Austrian Lotteries became part of the total consideration on acquisition and is eliminated from the values of the equity method investees.

The Group determined that the fair value of the previously held interest in all material aspects approximated the carrying value of the investment of €343.3 million, therefore there is no impact on profit or loss in connection with the remeasurement of the previously held interest.

ii. Acquired assets and assumed liabilities

The Group measured assets acquired and liabilities assumed at fair value. As a result of acquisition accounting, several newly identifiable intangible assets were recognised, as well as certain changes to fair value of previously identified assets and liabilities. The Group used 5-year business plans and cash flow forecast discounted at WACC in the range from 7.8% to 10.0% for the valuations. Major fair value adjustments and relevant factors are summarised below:

- Brands recognised (€296.8 million) – based on the royalty relief method applying a 5% royalty rate. The brands are considered to have an indefinite useful life.
- Gaming licences (€255.6 million) – based on the multiple period excess earnings method. The majority of licences are considered to have an indefinite useful life.
- Customer base (€44.4 million) – based on the multiple period excess earnings method, with an estimated useful life of four years.
- Fair value adjustments have been also recognised for values of equity method investees, tangible assets (fair value of leased assets and items of real estate property) and provisions.
- A net deferred tax liability of €152.4 million resulting from the recognition of intangible assets and revaluation adjustments was recognised, applying the corporate income tax rate of 25% valid in Austria as the deemed effective tax rate.
- For the remaining items of assets and liabilities management assessed that their carrying value is equal to their fair value in all material aspects.

5. Business combinations continued

iii. Non-controlling interest acquired

The Group elects to measure acquired non-controlling interest ("NCI") as the proportionate amount of acquired net assets. The table below shows the reconciliation of acquired NCI.

26/06/2020	Austrian Lotteries	CASAG (excl. Austrian Lotteries)	Total
Direct non-controlling interest percentage	46.40%	40.20%	
Net assets	617.7	62.3	
Subgroup's non-controlling interest	2.7	9.4	
Net assets attributable to the Group	615.0	52.9	
Non-controlling interest calculation	**285.4**	**21.3**	
Subgroup's non-controlling interest	2.7	9.4	
Carrying amount of non-controlling interest	**288.1**	**30.7**	**318.8**

iv. Goodwill

The goodwill on acquisition is recognised using the partial goodwill method (determined as the difference between purchase price plus fair value of previously held interest plus non-controlling interest acquired, and net identifiable assets) is attributable mainly to the value of intangibles not meeting the criteria for recognition and expected future profitability of the lottery part of the business. Goodwill from the acquisition will not be deductible for tax purposes. The goodwill is allocated to the Austrian Lotteries CGU, which is part of Austria operating segment.

v. Impact on Consolidated statement of comprehensive income and potential impact if acquisition occurred as of 1 January 2020

In the period from 26 June 2020 until 31 December 2020 CASAG contributed to "Net gaming revenue (NGR)" €274.4 million and "Loss for the period after tax" €0.3 million.

Had the acquisition occurred on 1 January 2020, management estimates that consolidated "Net gaming revenue (NGR)" would have been higher by €240.9 million and consolidated "Profit for the period after tax" would have been higher by €7.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 January 2020.

Notes to the consolidated financial statements continued

5. Business combinations continued

vi. Selected financial information of CASAG business and Austrian Lotteries

Financial information of CASAG and Austrian lotteries were obtained from the IFRS consolidated financial statements of CASAG and Austrian Lotteries for years 2019 and 2020 matched to the reporting structure of the Group.

The following table presents a consolidated summary of the performance of CASAG (including Austrian Lotteries) for the full year periods 2019 and 2020:

CASAG (including Austrian Lotteries)	**2020**	2019
Amount staked	**4,656.9**	4,553.3
Gross gaming revenue (GGR)	**1,077.5**	1,245.9
Gaming taxes	**(563.0)**	(637.0)
Net gaming revenue (NGR)	**514.5**	608.9
Revenue from non-gaming activities	**56.7**	113.2
Other operating income	**58.0**	19.9
Agents' commission	**(94.1)**	(93.1)
Materials, consumables and services	**(55.4)**	(51.9)
Marketing services	**(61.5)**	(72.8)
Personnel expenses	**(228.0)**	(264.4)
Other operating expenses	**(43.6)**	(57.5)
Share of profit of equity method investees	**0.5**	8.3
Operating EBITDA	**147.1**	210.6
Depreciation and amortisation	**(55.4)**	(52.0)
Impairment of tangible and intangible assets including goodwill	**(21.1)**	–
Restructuring cost	**(50.6)**	(6.0)
Profit from operating activities	**20.0**	**152.6**

The following table presents a consolidated summary of the performance of Austrian Lotteries for the full year periods 2019 and 2020.

Austrian Lotteries	**2020**	2019
Amount staked	**4,429.2**	4,141.4
Gross gaming revenue (GGR)	**849.9**	834.0
Gaming taxes	**(466.8)**	(456.4)
Net gaming revenue (NGR)	**383.1**	377.6
Revenue from non-gaming activities	**2.9**	3.5
Other operating income	**26.8**	22.8
Agents´ commission	**(94.1)**	(93.1)
Materials, consumables and services	**(28.8)**	(20.0)
Marketing services	**(51.6)**	(55.2)
Personnel expenses	**(64.8)**	(65.7)
Other operating expenses	**(22.8)**	(44.1)
Operating EBITDA	**150.7**	125.8
Depreciation and amortisation	**(12.4)**	(11.0)
Impairment of tangible and intangible assets including goodwill	**(1.2)**	–
Restructuring costs	**(5.1)**	(0.5)
Profit from operating activities	**132.0**	**114.3**

(b) Acquisition of controlling stake in Stoiximan

As of 31 December 2019, OPAP held a 36.75% economic interest in Stoiximan through its equity method investee Kaizen Gaming Limited (formerly TCB Holdings Ltd) ("Kaizen"), therefore the interest in Stoiximan was not presented separately in 2019 financials. During 2020 and 2019, Stoiximan did not have a separate legal form, but represented a business unit of Kaizen.

5. Business combinations continued

During 2020, the Group increased its economic interest in Stoiximan in several steps :

- On 13 June 2020, OPAP acquired a 51.00% direct stake in Stoiximan from Kaizen, while maintaining its 36.75% interest in Kaizen, which continued to hold the remaining 49% interest in Stoiximan. As a result of this transaction OPAP's economic interest in Stoiximan increased by 32.26% to 69.01%.
- On 18 November 2020, OPAP acquired an additional 31.60% interest in the Stoiximan business unit of Kaizen, which holds the remaining 49% interest in Stoiximan. As a result of this transaction, OPAP's economic interest in Stoiximan increased by 15.48% to 84.49%.

The Group consolidates Stoiximan from 18 November 2020, following the acquisition of the additional interest and, consequently, obtaining an increased influence in Stoiximan which constituted managerial control of Stoiximan for consolidation purposes within the meaning of IFRS 10. The Group's economic interest is 30.50% as of 31 December 2020.

i. Purchase price

OPAP increased its interest in Stoiximan by 47.74% for a price of €154.7 million plus outstanding premium of €14.6 million plus contingent consideration estimated by management at €113.7 million.

The contingent consideration is payable in cash on 30 June 2021 and 30 June 2022 based on the multiple of difference between EBITDA targets and actual EBITDA for the years 2020 and 2021.

The fair value of the contingent consideration of €113.7 million was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 2.7%, calculated by reference to OPAP's cost of debt.

As part of accounting for a business combination achieved in stages, the acquirer remeasures any previously held interest at fair value and enters this amount into the purchase price allocation calculation.

The carrying amount of the previously held interest in Stoiximan held through the Group's interest in Kaizen acquired in 2018 was €57.4 million on 18 November 2020, while the fair value of this interest was determined to be €200.1 million.

The gain of €142.7 million resulting from the remeasurement of the previously held equity interest to the fair value is presented within the line "Gain from remeasurement of previously held interest in equity method investee" in the Consolidated statement of comprehensive income.

ii. Acquired assets and assumed liabilities – provisional basis

The Group measured assets acquired and liabilities assumed at fair value. Acquisition accounting is prepared on a provisional basis given the acquisition was only one month before the year end.

The Group expects that it will to recognize a newly identifiable intangible asset referring to an internally generated brand.

iii. Non-controlling interest acquired – provisional basis

The Group elects to measure acquired non-controlling interest ("NCI") as the proportionate amount of acquired net assets, on a provisional basis. The table below shows reconciliation of acquired NCI.

18/11/2020	
Direct non-controlling interest percentage	15.51%
Net assets attributable to the Group	20.3
Carrying amount of direct non-controlling interest	**3.1**

iv. Goodwill – provisional basis

The goodwill on acquisition is recognised using the partial goodwill method (determined as the difference between purchase price plus fair value of previously held interest plus non-controlling interest acquired, and net identifiable assets, on provisional basis) is attributable mainly to expected future profitability of the business. Goodwill from the acquisition is not expected to be deductible for tax purposes. The goodwill is allocated to the "Stoiximan" CGU which is part of Greece and Cyprus operating segment.

The procedure of determining the purchase price allocation in accordance with IFRS 3 "Business Combinations" will be finalised within 12 months from the acquisition date.

Notes to the consolidated financial statements continued

5. Business combinations continued

v. Impact on Consolidated statement of comprehensive income and potential impact if acquisition occurred as of 1 January 2020

In the period from 18 November 2020 until 31 December 2020 Stoiximan contributed to "Net gaming revenue (NGR)" €24.4 million and "Profit for the period after tax" €6.0 million.

6. Disposals of subsidiaries

For period ended 31 December 2020

In the period ended 31 December 2020, the Group did not recognise any material disposals.

For period ended 31 December 2019

In the period ended 31 December 2019, the Group sold its business in Croatia (the "Croatian subgroup") with regulatory approvals granted on 25 April 2019 and an effective date of 30 April 2019.

Cash consideration for the sale of the Croatian subgroup was €302.6 million.

The Company also assigned receivables of €117.4 million arising from a loan provided to Sazka Group Adriatic d.o.o. to the purchaser. The consideration paid for the assigned receivable was €117.2 million.

The effect of the disposal is presented in the Consolidated statement of comprehensive income of €277.3 million.

The effect of the disposal is presented in the Consolidated statement of cash flow comprising €302.6 million sales price less net assets value disposed of €27.8 million and reclassification of foreign currency translation reserve from other comprehensive income to profit or loss upon disposal €2.4 million totalling to €272.4 million.

Result of discontinued operations	Four months ended 30 April 2019
Amount staked	173.0
Gross gaming revenue (GGR)	47.2
Net gaming revenue (NGR)	37.2
Total expense and income, net	(16.4)
Profit before tax	**20.8**
Income tax expense	(5.2)
Profit after income tax of discontinued operations	**15.6**
Gain on sale of subsidiary	**277.3**
Profit from discontinued operations	**292.9**

Cash flow from (used in) discontinued operations	2019
Net cash flow from (+)/used in (-) operating activities	13.7
Net cash flows from (+)/used in (-) investing activities	(2.2)
Net cash flows from (+)/used in (-) financing activities	(23.7)
Net decrease (–) in cash generated by the subgroup	**(12.2)**

7. Operating segments

The Group's operating segments have been changed following the acquisition of CASAG as of 26 June 2020 (see Note 1.g i.). Comparative information has been restated to reflect the change.

The tables below show the operating performance of the Group's operating segments. Operating performance in 2020 in several segments was impacted by restrictions imposed in connection with the COVID-19 pandemic and therefore does not represent a normal level of economic activity and is not fully comparable with the prior period.

The Austria segment and Stoiximan part of Greece and Cyprus segment only become consolidated during 2020. Prior to consolidation they were treated as equity accounted investees and their financial results for the period before consolidation is presented in "Share of profit of equity method investees". For more information about their pre-acquisition performance see Note 20.

7. Operating segments continued

Certain alternative performance measures, which are not defined by the IFRS, are regularly reported to and monitored by the Group management. Definitions of theses alternative non-IFRS performance measures are as follows:

"Amounts staked" represents total value of bets before wins are deducted, except for "VLTs and Casinos" and "Digital-only Games" product lines, where "Amounts staked" is presented net of wins (on GGR level) as the difference between stakes placed and wins paid during the players session (see Note 3.d).

"Operating EBITDA" is calculated as "Profit before tax" before "Finance cost, net", "Depreciation and amortization", "Impairment of tangible and intangible assets including goodwill", "Restructuring costs", "Gain from remeasurement of previously held interest in equity method investee" and "Other gains and losses". See reconciliation of Operating EBITDA to the IFRS reported balances in the table below.

2020	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Austria	*of which Austrian Lotteries*	Italy	Total reportable segments	Other and headquarter costs	Total
Amount staked	748.7	3,609.7	*332.0*	2,473.0	*2,351.7*	–	6,831.4	–	6,831.4
Gross gaming revenue (GGR)	315.2	1,129.7	*40.2*	573.1	*451.8*	–	2,018.0	–	2,018.0
Gaming taxes	(114.3)	(392.5)	*(15.8)*	(298.7)	*(249.5)*	–	(805.5)	–	(805.5)
Net gaming revenue	200.9	737.2	*24.4*	274.4	*202.3*	–	1,212.5	–	1,212.5
Revenue from non-gaming activities	16.1	99.7	–	26.6	*1.4*	–	142.4	0.8	143.2
Other operating income	3.5	66.6	–	26.7	*12.9*	–	96.8	–	96.8
Agents' commission	(31.0)	(255.9)	–	(50.2)	*(50.2)*	–	(337.1)	–	(337.1)
Materials, consumables and services	(43.9)	(214.1)	*(8.1)*	(30.6)	*(16.9)*	–	(288.6)	(21.2)	(309.8)
Marketing services	(26.0)	(64.1)	*(4.7)*	(33.4)	*(27.8)*	–	(123.5)	(1.4)	(124.9)
Personnel expenses	(20.5)	(79.6)	–	(116.6)	*(32.0)*	–	(216.7)	(6.5)	(223.2)
Other operating expenses	(15.3)	(48.1)	*(1.5)*	(13.1)	*(12.0)*	–	(76.5)	(1.2)	(77.7)
Share of profit of equity method investees	–	18.1	*18.1*	11.9	–	49.5	79.5	–	79.5
Operating EBITDA	83.8	259.8	*28.2*	95.7	*77.7*	49.5	488.8	(29.5)	459.3
Depreciation and amortisation	(6.3)	(115.3)	–	(36.1)	*(12.3)*	–	(157.7)	(0.8)	(158.5)
Impairment of tangible and intangible assets including goodwill	–	(24.4)	–	(1.7)	*(1.2)*	–	(26.1)	–	(26.1)
Restructuring costs	–	–	–	(50.6)	*(5.1)*	–	(50.6)	–	(50.6)
Gain from remeasurement of previously held interest in equity method investee	–	142.7	*142.7*	–	–	–	142.7	–	142.7
Other gains and losses	–	–	–	1.4	–	–	1.4	7.5	8.9
Profit/loss from operating activities	77.5	262.8	*170.9*	8.7	*59.1*	49.5	398.5	(22.8)	375.7
CAPEX	7.4	21.5	–	17.5	*7.2*	–	46.4	0.1	46.5
Cash and cash equivalents	56.7	506.9	*82.6*	262.3	*120.4*	–	825.9	46.3	872.2
Other financial assets	2.9	4.6	–	224.9	*196.2*	–	232.4	10.5	242.9
Loans and other borrowings	216.4	1,040.9	–	152.9	–	–	1,410.2	1,252.1	2,662.3
Net assets	225.1	1,303.8	*26.1*	633.6	*563.2*	–	2,162.5	n/a	1,483.5

Notes to the consolidated financial statements continued

7. Operating segments continued

2019	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Austria	Italy	Total reportable segments	Other and headquarter costs	Total
Amount staked	690.9	4,765.9	–	–	–	**5,456.8**	–	**5,456.8**
Gross gaming revenue (GGR)	286.2	1,619.9	–	–	–	**1,906.1**	–	**1,906.1**
Gaming taxes	(66.8)	(528.2)	–	–	–	**(595.0)**	–	**(595.0)**
Net gaming revenue (NGR)	219.4	1,091.7	–	–	–	**1,311.1**	–	**1,311.1**
Revenue from non-gaming activities	16.6	121.9	–	–	–	**138.5**	8.8	**147.3**
Other operating income	0.8	11.4	–	–	–	**12.2**	0.3	**12.5**
Agents' commission	(32.5)	(387.3)	–	–	–	**(419.8)**	–	**(419.8)**
Materials, consumables and services	(49.8)	(248.7)	–	–	–	**(298.5)**	(31.7)	**(330.2)**
Marketing services	(24.7)	(66.9)	–	–	–	**(91.6)**	(0.8)	**(92.4)**
Personnel expenses	(19.9)	(83.2)	–	–	–	**(103.1)**	(3.0)	**(106.1)**
Other operating expenses	(15.3)	(34.8)	–	–	–	**(50.1)**	(0.5)	**(50.6)**
Share of profit of equity method investees	–	8.5	8.5	42.4	69.5	**120.4**	–	**120.4**
Operating EBITDA	94.6	412.6	8.5	42.4	69.5	**619.1**	(26.9)	**592.2**
Depreciation and amortisation	(4.6)	(107.7)	–	–	–	**(112.3)**	(0.6)	**(112.9)**
Impairment of tangible and intangible assets including goodwill	–	(8.7)	–	–	–	**(8.7)**	–	**(8.7)**
Profit/loss from operating activities	**90.0**	**296.2**	***8.5***	**42.4**	**69.5**	**498.1**	**(27.5)**	**470.6**
CAPEX	**4.7**	**32.5**	**–**	**–**	**–**	**37.2**	**–**	**37.2**
Cash and cash equivalents	59.6	633.9	–	–	–	**693.5**	70.2	**763.7**
Other financial assets	3.0	9.9	–	–	–	**12.9**	15.2	**28.1**
Loans and other borrowings	257.5	1,056.4	–	–	–	**1,313.9**	1,038.0	**2,351.9**
Net assets	224.0	1,309.2	–	–	–	**1,533.2**	n/a	**1,384.1**

8. Gross gaming revenue (GGR) and Revenue from non-gaming activities

	2020	2019
Amount staked	**6,831.4**	5,456.8
Pay-outs to winners	**(4,813.4)**	(3,550.7)
Gross gaming revenue (GGR)	**2,018.0**	1,906.1
Gaming taxes	**(805.5)**	(595.0)
Net gaming revenue (NGR)	**1,212.5**	1,311.1
Revenue from non-gaming activities	**143.2**	**147.3**
Mobile phone top-up services	**87.6**	97.5
Mobile virtual network operator services	**10.6**	10.4
Other non-gaming revenue	**45.0**	39.4

Disaggregation of Gross gaming revenue (GGR) according to operating segment and product line:

2020 Gross gaming revenue (GGR)	**Czech Republic**	**Greece and Cyprus**	***of which Stoiximan***	**Austria**	***of which Austrian Lotteries***	**Total**
Numerical Lotteries	**188.1**	**550.7**	**–**	**326.6**	***326.6***	**1,065.4**
Instant Lotteries	**63.9**	**44.2**	**–**	**35.9**	***35.9***	**144.0**
Sports Betting	**7.9**	**310.4**	***26.5***	**9.7**	***9.7***	**328.0**
Digital-only Games	**55.3**	**23.9**	***13.7***	**65.6**	***65.6***	**144.8**
VLTs and Casinos	**–**	**200.5**	**–**	**135.3**	***14.0***	**335.8**
Total	**315.2**	**1,129.7**	***40.2***	**573.1**	***451.8***	**2,018.0**

8. Gross gaming revenue (GGR) and Revenue from non-gaming activities continued

2019 Gross gaming revenue (GGR)	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Austria	*of which Austrian Lotteries*	Total
Numerical Lotteries	189.9	778.6	–	–	–	**968.5**
Instant Lotteries	64.0	147.5	–	–	–	**211.5**
Sports Betting	6.6	396.2	–	–	–	**402.8**
Digital-only Games	25.7	–	–	–	–	**25.7**
VLTs and Casinos	–	297.6	–	–	–	**297.6**
Total	**286.2**	**1,619.9**	**–**	**–**	**–**	**1,906.1**

During 2020 all "Revenue from non-gaming activities" was recognised at a single point in time.

During 2019 "Other non-gaming revenue" of €8.5 million was recognised over the period of time in which the performance obligation was satisfied. The remaining "Other non-gaming revenue" was recognised at a single point in time.

For a disaggregation of "Revenue from non-gaming" activities per segment see Note 7.

9. Other operating income

	2020	2019
Other operating income	**96.8**	**12.5**
Effect of prepayment of GGR contribution	**42.5**	–
COVID-19 related income	**31.3**	–
Discount on tax liability	**12.3**	–
COVID-19 income from subsidies	**17.2**	–
COVID-19 related rent concessions	**1.8**	–
Income from leases	**4.3**	4.5
Tax returned	**2.6**	2.0
Income from subsidies	**0.3**	0.9
Remaining portion of operating income	**15.8**	5.1

"Effect of prepayment of GGR contribution" represents a portion of the total GGR contribution prepayment of €1,831 million for the 10-year period starting 13 October 2020 by OPAP S.A. on accrual basis plus related adjustments to compensate for the impact on income tax (see Note 3.f iii.).

"Discount on tax liability" represents a 25% discount of certain tax liabilities of OPAP S.A. Under measures introduced by the Greek authorities, OPAP S.A. was eligible to delay payment of these liabilities or receive this discount if it paid in line with the normal schedule.

"COVID-19 income from subsidies" mainly comprises income from measures implemented by governments to support furloughed staff during the COVID-19 pandemic in Austria.

"Tax returned" relates to reimbursement of taxes previously paid on dividends received by OPAP S.A.

Notes to the consolidated financial statements continued

10. Materials, consumables and services

	2020	2019
Materials, consumables and services	**(309.8)**	**(330.2)**
Non-gaming cost of sales	**(81.3)**	(104.1)
Fees to gaming system providers	**(80.5)**	(99.5)
Advisory and other professional services	**(74.2)**	(71.6)
Cost of IT and software services	**(21.5)**	(12.2)
Materials and consumables	**(14.9)**	(10.0)
Telecommunication services	**(14.0)**	(10.3)
Expense relating to leases (see Note 27)	**(4.9)**	(2.2)
Other services	**(18.5)**	(20.3)

"Non-gaming cost of sales" relates mainly to "Mobile virtual network operator services" and "Mobile phone top-up services".

11. Marketing services

	2020	2019
Marketing services	**(124.9)**	**(92.4)**
Advertising	**(103.7)**	(71.9)
Sponsorship and donations	**(21.2)**	(20.5)

12. Personnel expenses

	2020	2019
Personnel expenses	**(223.2)**	**(106.1)**
Wages and salaries	**(165.5)**	(81.0)
Social security and health insurance other than pensions	**(18.4)**	(6.5)
Social security state pension – defined contribution plan	**(21.1)**	(11.7)
Other social expenses	**(3.3)**	(2.2)
Retirement benefit expenses – defined benefit plan	**(7.9)**	(4.7)
Retirement benefit expenses – defined contribution plan	**(5.8)**	–
Other non-current employee benefits expense	**(1.2)**	–

"Social security state pension – defined contribution plan" comprises mandatory contributions to state pension funds as stipulated by the jurisdictions in which the Group operates. The Group's legal and constructive obligation for these pension state plans is limited to the contributions.

For description of other non-current employee benefit liabilities and post-employment benefits under defined benefit and defined contribution plans see Note 31.

13. Other operating expenses

	2020	2019
Other operating expenses	**(77.7)**	**(50.6)**
Other taxes	**(18.5)**	(14.4)
Impairment of GGR contribution tax asset	**(13.5)**	(8.0)
Repair and maintenance	**(7.2)**	(5.5)
Write-offs and Change in credit loss provisions for receivables	**(7.2)**	(4.8)
Financial support to agents	**(5.2)**	–
Remaining portion of operating expenses	**(26.1)**	(17.9)

13. Other operating expenses continued

"Impairment of GGR contribution tax assets" represents the impairment of a tax assets relating to gaming taxes payable under the Hellenic Lotteries S.A.'s scratch card concession in Greece. Hellenic Lotteries fully impaired the asset because there were indications that it would not be recovered before the end of its concession agreement.

"Financial support to agents" represents extraordinary financial support of €5.2 million provided to agents in Greece in order to reduce the financial impact of COVID-19 on our distribution network in Greece.

"Remaining portion of operating expenses" primarily comprises fees, travel expenses and insurance premium.

14. Restructuring costs and other gains and losses

In July 2020 CASAG's management announced a restructuring plan in relation to its Austrian casinos business. A "Restructuring provision" was initially recognised of €53.9 million. As of 31 December 2020, the Group revised the estimate down by €3.3 million resulting in a total Restructuring costs of €50.6 million. For information about other movements in "Restructuring provision" see Note 29.

Other gains and losses comprise gain from sale of securities in the amount of €8.0 million and revaluation of fair value through profit or loss investments (FVTPL) of €0.9 million.

15. Finance costs, net

	2020	2019
Interest income	**2.2**	**7.5**
Interest expense	**(101.8)**	**(70.3)**
Interest expense on loans, bonds and other liabilities	**(98.3)**	(67.8)
Interest expense on leases	**(3.5)**	(2.5)
Other finance income and expense	**(16.0)**	**(50.2)**
Finance income from modification of loans	**8.1**	–
Foreign exchange gains/(losses)	**1.0**	2.2
Other finance income	**1.5**	1.2
Other finance expenses	**(26.6)**	(53.6)
Finance costs, net	**(115.6)**	**(113.0)**

The increase in "Interest expense on loans, bonds and other liabilities" primary relates to new bonds issued by the Company (see Note 26).

OPAP S.A. renegotiated two of its existing loan facilities to take advantage of lower interest rates which resulted in the recognition of a modification gain of €8.1 million, which is included in "Finance income from modification of loans".

"Other finance expenses" include losses from revaluation of "Other derivatives", bank fees and certain exceptional items. For the year 2020, these exceptional items included loss from the termination of interest rates hedges of €7.8 million in connection with the refinancing of a loan. For the year 2019, they included financing fees in relation to the voluntary tender offer ("VTO") for OPAP S.A. of €40.9 million, which does not fulfil the requirements to be capitalised and shown as part of effective interest expense.

16. Taxes

Deferred tax assets and liabilities

	31/12/2020	31/12/2019
Deferred tax asset	**65.7**	20.0
Deferred tax liability	**366.5**	212.8

Deferred tax assets and liabilities relating to income taxes levied by the same taxation authority were offset in individual companies for the purposes of presentation in the consolidated financial statements

In accordance with the accounting policy stated in Note 3.j, deferred tax was calculated using tax rates applicable to individual companies. Recoverability of deferred tax assets is substantiated by expected future profitability of the Group's businesses.

Change in deferred tax

The following tables show the change in deferred tax recognised in the Consolidated statement of total comprehensive income and other changes that affected deferred tax assets and liabilities:

	Balance at 01/01/2020	**Changes in 2020**				**Balance at 31/12/2020**
2020	**Deferred tax liability (–)/ asset (+)**	**Recognised in profit or loss**	**Recognised in OCI**	**Business combination**	**Other changes**	**Deferred tax liability (–)/ asset (+)**
Deferred tax asset (+)/liability (–)	**(192.8)**	**24.3**	**2.0**	**(134.9)**	**0.6**	**(300.8)**
Tangible fixed assets	**(1.1)**	**(7.8)**	**–**	**(1.8)**	**–**	**(10.7)**
Intangible fixed assets	**(210.6)**	**(4.3)**	**–**	**(144.8)**	**0.5**	**(359.2)**
Financial assets	**0.7**	**(1.2)**	**–**	**0.5**	**–**	**–**
Inventories	**0.3**	**(0.3)**	**–**	**–**	**–**	**–**
Receivables	**(1.2)**	**2.6**	**–**	**0.1**	**–**	**1.5**
Liabilities	**17.1**	**(2.5)**	**0.8**	**7.2**	**–**	**22.6**
Liabilities arising from leases	**0.4**	**5.9**	**–**	**–**	**–**	**6.3**
Provisions	**3.6**	**15.8**	**–**	**3.6**	**–**	**23.0**
Tax losses carried forward	**0.1**	**16.1**	**–**	**0.3**	**–**	**16.5**
Hedging derivatives	**(2.1)**	**–**	**1.2**	**–**	**0.1**	**(0.8)**

	Balance at 01/01/2019	Changes in 2019				Balance at 31/12/2019
2019	Deferred tax liability (–)/ asset (+)	Recognised in profit or loss	Recognised in OCI	Business combination	Other changes	Deferred tax liability (–)/ asset (+)
Deferred tax asset (+)/liability (–)	**(232.0)**	**29.1**	**0.1**	**10.0**	**–**	**(192.8)**
Tangible fixed assets	1.2	(2.3)	–	–	–	(1.1)
Intangible fixed assets	(256.6)	33.1	–	10.0	2.9	(210.6)
Financial assets	0.8	(0.1)	–	–	–	0.7
Inventories	–	0.3	–	–	–	0.3
Receivables	(8.0)	4.1	–	–	2.7	(1.2)
Liabilities	21.8	(0.2)	0.1	–	(4.6)	17.1
Liabilities arising from leases	–	0.4	–	–	–	0.4
Provisions	10.8	(6.2)	–	–	(1.0)	3.6
Tax losses carried forward	0.1	–	–	–	–	0.1
Hedging derivatives	(2.1)	–	–	–	–	(2.1)

16. Taxes continued

The Group has not recognised certain deferred tax assets, in accordance with accounting policy 3.j, as it is uncertain whether sufficient future taxable profits will be available against which they could be utilised. These unrecognised deferred tax assets are shown in the table below.

	2020	2019
Tax losses carried forward for which deferred tax asset is not recognised	**142.5**	55.6
Total unrecognised deferred tax asset	**34.3**	13.0

These unrecognised tax losses expire as follows:

	2020	2019
Tax losses carried forward	**142.5**	55.6
Expiring within:		
Between 1 and 5 years	**81.1**	55.6
Unlimited	**61.4**	–

Income tax

	2020	2019
Income tax expense	**(35.7)**	**(46.3)**
Current income tax	**(60.0)**	(75.4)
Deferred income tax	**24.3**	29.1

Income tax expense attributable to:	2020	2019
Continuing operation	**(35.7)**	(46.3)
Discontinued operation	**–**	(5.2)

Deferred tax is calculated using valid tax rates that are also expected to be valid when the asset is realised or the liability settled. The tax rates are country dependent and follow local legislation.

Current income tax is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Current tax comprises the tax estimate for 2020 and adjustment to the tax estimate for 2019.

Changes in corporate income tax by country/region:

There were no significant changes in corporate income tax rates relevant for the Group in 2020.

In Greece, the rate of corporate income tax and the rate used for calculation deferred tax reduced to 24.00% in 2019, while in the prior year income tax expense was calculated at applicable rate of 29.00% and deferred tax was calculated using enacted rates applicable to future periods from 25.00% to 28.00%. The change is disclosed in "Different tax rate used to determine current and deferred tax".

Notes to the consolidated financial statements continued

16. Taxes continued

Reconciliation of effective tax rate

	2020	2019
Profit before tax	**260.1**	**357.6**
Tax at statutory income tax rate of the Company (19% in 2020 and 2019)	**49.4**	67.9
Tax effect of:		
Non-deductible expenses	**22.7**	47.9
Non-taxable income	**(1.2)**	(27.2)
Profit or loss of equity method investees	**(16.3)**	(23.8)
Different tax rate in companies within the Group	**11.4**	14.5
Gain from revaluation of equity method investee	**(34.3)**	–
Different tax rate used to determine current and deferred tax	**–**	(34.5)
Accumulated tax loss claimed in the current period	**(1.2)**	(6.7)
Unrecognised deferred tax assets relating to tax losses of current period	**7.4**	3.9
Other	**(2.1)**	4.3
Actual income tax expense	**35.8**	**46.3**

"Non-deductible expenses" primarily comprises non-deductible interest, non-deductible operating costs, and non-deductible foreign exchange losses on the Company level totalling to €11.5 million.

"Gain from revaluation of equity method investee" refers to the accounting gain created as part of the Stoiximan acquisition (see Note 5.b).

"Accumulated tax loss claimed in the current period" relates to prior period tax losses, for which deferred tax assets were not recognised due to uncertainty about future recoverability. Unused losses that could be claimed in the future amount to €142.5 million.

"Unrecognised deferred tax assets" relating to tax losses in the current period relate to current period tax losses, for which deferred tax assets were not recognised due to uncertainty about future recoverability.

17. Other comprehensive loss for the year

Items that are or may be reclassified to profit or loss	31/12/2020	31/12/2019
Change in translation reserve	**12.9**	(3.0)
Change in translation reserve of foreign operations disposed of reclassified to profit or loss	**–**	(2.5)
Translation of foreign operations into the Group's presentation currency total	**12.9**	(5.5)
Share of other comprehensive income of equity method investees	**4.0**	(4.1)
Remeasurement of hedging derivatives, before tax	**(21.7)**	10.7
Deferred tax	**1.5**	(0.8)
Remeasurement of hedging derivatives, net of tax	**(20.2)**	9.9
Net change in fair value of cash flow hedges transferred to profit or loss, before tax	**1.5**	(4.5)
Deferred tax	**(0.3)**	0.9
Net change in hedging derivatives reclassified to profit or loss, net of tax	**1.2**	(3.6)
Items that will not be reclassified to profit or loss		
Actuarial gain/loss – before tax	**(9.5)**	(0.2)
Actuarial gain/loss – deferred tax	**0.8**	–
Actuarial remeasurements of defined benefit liabilities, net of tax	**(8.7)**	(0.2)
Revaluation of equity instruments at FVOCI	**(4.3)**	–
Other comprehensive loss for the year, net of income tax	**(15.1)**	**(3.5)**

2020	Capital contributions and other reserves	Translation reserve	Hedging reserve	Retained earnings	Total equity*	Non-controlling interest	Total equity
Translation of foreign operations into the Group's presentation currency total	**–**	**14.1**	**–**	**–**	**14.1**	**(1.2)**	**12.9**
Share of other comprehensive income of equity method investees	**3.9**	**–**	**–**	**–**	**3.9**	**0.1**	**4.0**
Change in fair value of hedging derivatives, net of tax	**–**	**–**	**(18.9)**	**–**	**(18.9)**	**(0.1)**	**(19.0)**
Revaluation of equity instruments at FVOCI	**(2.6)**	**–**	**–**	**–**	**(2.6)**	**(1.7)**	**(4.3)**
Actuarial gain/loss, net of tax	**–**	**–**	**–**	**(6.1)**	**(6.1)**	**(2.6)**	**(8.7)**
Total Other comprehensive loss for year 2020	**1.3**	**14.1**	**(18.9)**	**(6.1)**	**(9.6)**	**(5.5)**	**(15.1)**

* Attributable to owners of the Company

Notes to the consolidated financial statements continued

17. Other comprehensive loss for the year continued

2019	Capital contributions and other reserves	Translation reserve	Hedging reserve	Retained earnings	Total equity*	Non-controlling interest	Total equity
Translation of foreign operations into the Group's presentation currency total	–	(5.5)	–	–	**(5.5)**	–	**(5.5)**
Share of other comprehensive income of equity method investees	(4.1)	–	–	–	**(4.1)**	–	**(4.1)**
Change in fair value of hedging derivatives, net of tax	–	–	7.0	–	**7.0**	(0.7)	**6.3**
Actuarial gain/loss, net of tax	–	–	–	–	**–**	(0.2)	**(0.2)**
Other comprehensive income for the year, net of tax from continuing operations	(4.1)	(5.5)	7.0	–	**(2.6)**	(0.9)	**(3.5)**
Total Other comprehensive loss for year 2019	**(4.1)**	**(5.5)**	**7.0**	**–**	**(2.6)**	**(0.9)**	**(3.5)**

* Attributable to owners of the Company

18. Intangible assets and goodwill

2020	Note	Licences and property rights	Brands and trademarks	Customer relationships, customer contracts	Software	Intangible assets not yet available for use	Other intangible assets	Goodwill	Total
Acquisition cost		**1,216.7**	**798.0**	**8.0**	**107.6**	**0.9**	**2.4**	**622.1**	**2,755.7**
Accumulated amortisation and impairment losses		**(209.2)**	**–**	**(1.4)**	**(43.0)**	**–**	**(0.9)**	**(21.5)**	**(276.0)**
Net book value at 01/01/2020		**1,007.5**	**798.0**	**6.6**	**64.6**	**0.9**	**1.5**	**600.6**	**2,479.7**
Business combination	5	255.6	296.8	44.4	6.5	0.3	–	592.1	1,195.7
Additions		18.0	0.6	–	13.2	1.7	–	–	33.5
Disposals		–	–	–	–	–	–	–	–
Transfers		–	–	–	0.8	(1.0)	–	–	(0.2)
Amortisation expense		(72.2)	–	(6.1)	(22.0)	–	(0.1)	–	(100.4)
Impairment		(4.9)	–	–	(4.8)	–	–	–	(9.7)
Effect of currency translation		(0.1)	(2.3)	–	(0.2)	–	(0.1)	(12.1)	(14.8)
Net book value at 31/12/2020		**1,203.9**	**1,093.1**	**44.9**	**58.1**	**1.9**	**1.3**	**1,180.6**	**3,583.8**
Acquisition cost		**1,490.2**	**1,093.1**	**52.4**	**127.5**	**1.9**	**2.3**	**1,202.2**	**3,969.6**
Accumulated amortisation and impairment losses		**(286.3)**	**–**	**(7.5)**	**(69.4)**	**–**	**(1.0)**	**(21.6)**	**(385.8)**

The most significant additions to intangible assets in 2020 were acquisitions of new software and gaming system licences.

Following the operational challenges caused by the COVID-19 pandemic, there were indications that the Horse Races Single-Member S.A. (formerly Horse Races S.A.) (part of the Greece and Cyprus operating segment) licence carrying value exceeded its recoverable amount and consequently management considered that an impairment test should be conducted. The Group recognised an impairment of €4.9 million.

As of 31 December 2020, no trademarks were pledged as collateral for borrowings (see Note 32).

18. Intangible assets and goodwill continued

2019*	Note	Licences and property rights	Brands and trademarks	Customer relationships, customer contracts	Software	Intangible assets not yet available for use	Other intangible assets	Goodwill	Total
Acquisition cost		**1,216.4**	**852.5**	**8.0**	**82.7**	**0.6**	**2.5**	**909.6**	**3,072.3**
Accumulated amortisation and impairment losses		**(144.8)**	**–**	**(0.8)**	**(26.5)**	**–**	**(0.8)**	**(17.5)**	**(190.4)**
Net book value at 01/01/2019		**1,071.6**	**852.5**	**7.2**	**56.2**	**0.6**	**1.7**	**892.1**	**2,881.9**
Additions		–	–	–	28.1	0.9	–	–	**29.0**
Disposals		–	–	–	–	–	–	–	**–**
Transfers		0.3	–	–	0.3	(0.6)	–	–	**–**
Amortisation expense		(60.4)	–	(0.6)	(19.4)	–	(0.1)	–	**(80.5)**
Impairment		(4.0)	–	–	(0.7)	–	–	(4.0)	**(8.7)**
Disposal of subsidiaries		–	(55.3)	–	–	–	–	(292.2)	**(347.5)**
Effect of currency translation		–	0.8	–	0.1	–	(0.1)	4.7	**5.5**
Net book value at 31/12/2019		**1,007.5**	**798.0**	**6.6**	**64.6**	**0.9**	**1.5**	**600.6**	**2,479.7**
Acquisition cost		**1,216.7**	**798.0**	**8.0**	**107.6**	**0.9**	**2.4**	**622.1**	**2,755.7**
Accumulated amortisation and impairment losses		**(209.2)**	**–**	**(1.4)**	**(43.0)**	**–**	**(0.9)**	**(21.5)**	**(276.0)**

* The comparative table of Intangible assets and goodwill has been re-presented to show category of Customer relationships, customer contracts separately from Other intangible assets.

As of 31 December 2019 trademarks with carrying value of €73.7 million were pledged as collateral for borrowings (see Note 32).

The most significant additions to intangible assets in 2019 were acquisitions of new software.

(a) Licences and property rights

"Licences and property rights" relates mainly to the Group's lottery and other gaming businesses. Individually material licences are as follows:

- Licence to operate VLT games in Greece held by OPAP S.A. with a carrying amount of €472.4 million (31 December 2019: €506.2 million) with remaining amortisation period of 14 years;
- Licence to operate lottery games in Greece held by OPAP S.A. with a carrying amount of €365.6 million (31 December 2019: €381.9 million) with remaining amortisation period of 10 years;
- Licence to operate lottery games in Greece held by Hellenic Lotteries S.A. with a carrying amount of €84.4 million (31 December 2019: €100.3 million) with remaining amortisation period of 5 years;
- Licence to operate numerical lotteries in Austria held by Österreichische Lotterien GmbH ("Austrian Lotteries") with a carrying amount of €192.1 million, which is deemed to have an indefinite useful life. Based on historical evidence Austrian Lotteries there is no indication that Austrian Lotteries will not be able to freely obtain the licence in the foreseeable future. At present, no change in the process to obtain the licence is expected. Furthermore, no public information exists that the Austrian Government, which is one of the main shareholders in Austrian Lotteries via its interest in CASAG intends to change the process. Hence it is assumed, that Austrian Lotteries is able to obtain prolongation of the licence for future periods and thus the licence is expected to continue as indefinite and is tested for impairment; and
- Vendor licence to operate gaming software purchases in 2020 held by SAZKA a.s. with a carrying amount of €16.6 million with remaining amortisation period of 11 years.

Notes to the consolidated financial statements continued

18. Intangible assets and goodwill continued

(b) Brands and trademarks

	31/12/2020	31/12/2019
Austrian Lotteries	**296.8**	–
OPAP	**724.4**	724.4
SAZKA	**71.9**	73.6
Total	**1,093.1**	**798.0**

The determination of the indefinite useful life of "Brands and trademarks" involves historical experience, marketing considerations and the nature of the industries in which is operated. The brands and trademarks of Austrian Lotteries, OPAP and SAZKA are all well established in their respective markets and have substantial market shares. All are mature brands and generate stable cash flows (see Note 7, where OPAP brand represents Greece and Cyprus and SAZKA is brand of Czech Republic). The Group continues to invest in brand awareness and brand recognition and expects to use the brands for the foreseeable future. Therefore, the useful life of "Brands and trademarks" is expected to be indefinite and is annually tested for impairment.

(c) Goodwill

	31/12/2020	31/12/2019
Austrian Lotteries	**126.0**	–
Greece and Cyprus	**221.4**	221.4
Stoiximan	**466.1**	–
Czech Republic	**367.1**	379.2
Total	**1,180.6**	**600.6**

Items of goodwill generated from past acquisitions have been reallocated based on the new operating segment structure (see Note 1.g i.).

(d) Impairment testing

Impairment is determined by estimating the recoverable amount of the cash-generating unit to which goodwill and other non-depreciable assets relate.

In accordance with IAS 36, the Group test goodwill and indefinite-lived intangible assets (i.e. trademarks) for impairment annually as of 31 December. Indefinite-lived intangible assets acquired during the year (i.e. Austrian Lotteries license) were assessed for impairment indicators and no testing was needed.

i. Impairment test of "Brands and trademarks"

Impairment testing of trademarks was carried out by estimating the recoverable amount based on the relief from royalty method. An explicit cash flow forecast was prepared based on a business plan covering a period of five years, approved by management and valid at the impairment testing date. To reflect continuity of the trademarks beyond the explicit forecasting period a terminal value model (calculated using the Gordon growth formula) was applied. A terminal growth rate of 2% was applied (2019: 2%). Net royalties using a royalty rate of 5% (2019: 5%) consistent with past experience after tax were discounted using the weighted average cost of capital relevant for the individual elements of the business (range 7.9% – 10.5% in both years), with an uplift of 1%. Tax amortisation benefit was also reflected in the calculation.

The resulting recoverable amounts significantly exceeded the carrying amounts of the trademarks, therefore no impairment of the trademarks was recognised as of 31 December 2020 and 31 December 2019. The Group's management also carried out a sensitivity analysis and determined than no reasonable change in the key assumptions would result in an impairment.

ii. Impairment test of "Goodwill"

Impairment testing is performed on annual basis as of 31 December. The recoverable amount is estimated using fair value less costs of disposal ("FVLCD").

18. Intangible assets and goodwill continued

FVLCD is the amount obtainable from the sale of cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The estimate of FVLCD is based on:

- The market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial. Market price is used for evaluation of recoverable amount of Greece and Cyprus operating segment, representing investment in OPAP, as shares are publicly traded on the Athens Stock Exchange; and
- The market multiples method. The Group consistently uses EV/EBITDA multiple of 11.7 derived from reference to publicly traded companies to estimate the respective FVLCD. Costs of disposal are considered as immaterial. The market multiple method is used for evaluation of recoverable amount of other operating segments (Czech Republic, Austria) and Austrian Lotteries CGU.

Results

As of 31 December 2020 and 2019 the resulting recoverable amounts calculated based on FVLCD methods significantly exceeded the respective carrying amounts for all groups of CGUs to which goodwill is allocated. The Group's management also carried out a sensitivity analysis and determined that no reasonable change in the input parameters would result in an impairment.

19. Property, plant and equipment ("PPE")

2020	Note	Land – owned	Buildings – owned	Right of use – Buildings	Machinery and equipment – owned	Machinery and equipment – Right of use	Tangible assets under construction	Other tangible assets	Total
Acquisition cost		**11.1**	**43.4**	**70.9**	**60.9**	**5.7**	**0.2**	**48.6**	**240.8**
Accumulated depreciation and impairment losses		**–**	**(9.2)**	**(7.5)**	**(11.9)**	**(1.7)**	**–**	**(15.8)**	**(46.1)**
Net book value at 01/01/2020		**11.1**	**34.2**	**63.4**	**49.0**	**4.0**	**0.2**	**32.8**	**194.7**
Business combinations	5	**13.9**	**148.5**	**82.0**	**68.1**	**2.6**	**4.1**	**–**	**319.2**
Additions		**–**	**8.8**	**7.3**	**8.4**	**4.1**	**0.8**	**8.9**	**38.3**
Transfers		**–**	**0.6**	**–**	**0.1**	**–**	**(0.6)**	**–**	**0.1**
Disposals		**–**	**–**	**(5.6)**	**–**	**(0.3)**	**–**	**–**	**(5.9)**
Depreciation expense		**–**	**(11.3)**	**(15.3)**	**(16.6)**	**(2.7)**	**–**	**(12.2)**	**(58.1)**
Impairment		**–**	**–**	**(14.7)**	**(1.7)**	**–**	**–**	**–**	**(16.4)**
Effect of currency translation		**(0.1)**	**(0.7)**	**(0.3)**	**(0.1)**	**–**	**–**	**–**	**(1.2)**
Modification of leasing		**–**	**–**	**(7.4)**	**–**	**–**	**–**	**–**	**(7.4)**
Net book value at 31/12/2020		**24.9**	**180.1**	**109.4**	**107.2**	**7.7**	**4.5**	**29.5**	**463.3**
Acquisition cost		**24.9**	**200.3**	**146.6**	**135.4**	**12.0**	**4.5**	**57.1**	**580.8**
Accumulated depreciation and impairment losses		**–**	**(20.2)**	**(37.2)**	**(28.2)**	**(4.3)**	**–**	**(27.6)**	**(117.5)**

There were no individually significant additions to PPE in 2020. Additions of PPE primarily comprises regular replacement of gaming and office equipment.

Following the operational challenges brought on by the COVID-19 pandemic, there were indications that the carrying value of the licence in of Horse Races Single-Member S.A. (formerly Horse Races S.A.) (part of the Greece and Cyprus operating segment) exceeds its recoverable amount and consequently management conducted an impairment test estimating its value in use based on projected cash-flows discounted at WACC of 10.31%. The Group recognised an impairment of € 14.1 million of "Right of use – Buildings".

As a result of the impact of the COVID-19 pandemic, there were indications that the carrying value of "Machinery and equipment – owned" in Austrian Lotteries operating sub-segment exceeded their recoverable amount and consequently management considered that an impairment test should be conducted. The Group recognised an impairment of €1.2 million.

Notes to the consolidated financial statements continued

19. Property, plant and equipment ("PPE") continued

As of 31 December 2020, no PPE was pledged as collateral (see Note 32).

For a description of material leases see Note 27.

2019	Note	Land – owned	Buildings – owned	Right of use – Buildings	Machinery and equipment – owned	Machinery and equipment – Right of use	Tangible assets under construction	Other tangible assets	Total
Acquisition cost		**11.5**	**45.3**	**73.4**	**62.0**	**4.0**	**1.0**	**56.8**	**254.0**
Accumulated depreciation and impairment losses		**–**	**(9.6)**	**–**	**(4.1)**	**(0.1)**	**–**	**(20.2)**	**(34.0)**
Net book value at 01/01/2019		**11.5**	**35.7**	**73.4**	**58.0**	**3.8**	**1.0**	**36.6**	**220.0**
Additions		–	0.4	6.3	2.1	2.0	0.2	8.6	**19.6**
Transfers		(0.4)	0.2	–	0.3	–	(1.0)	–	**(0.9)**
Disposals		–	–	(0.2)	(0.3)	(0.1)	–	–	**(0.6)**
Disposals of subsidiaries		–	–	(7.7)	(2.3)	–	–	–	**(10.0)**
Depreciation expense		–	(2.4)	(7.4)	(8.4)	(1.8)	–	(12.4)	**(32.4)**
Depreciation expense of discounted operations		–	–	(0.7)	(0.4)	–	–	–	**(1.1)**
Effect of currency translation		–	0.3	(0.1)	–	0.1	–	–	**0.3**
Modification of leasing		–	–	(0.2)	–	–	–	–	**(0.2)**
Net book value at 31/12/2019		**11.1**	**34.2**	**63.4**	**49.0**	**4.0**	**0.2**	**32.8**	**194.7**
Acquisition cost		**11.1**	**43.4**	**70.9**	**60.9**	**5.7**	**0.2**	**48.6**	**240.8**
Accumulated depreciation and impairment losses		**–**	**(9.2)**	**(7.5)**	**(11.9)**	**(1.7)**	**–**	**(15.8)**	**(46.1)**

There were no individually significant additions to PPE in 2019. Additions of PPE primarily comprise regular replacement of gaming and office equipment.

During 2019 a transfer has been made from PPE to investment property of €0.9 million.

As of 31 December 2019, the net book value of buildings and adjacent land pledged as collateral (see Note 32), totals €22.9 million.

20. Equity method investees

		31/12/2020		31/12/2019	
Equity method investees	Note	**Effective ownership (%)**	**343.2**	Effective ownership (%)	649.1
LOTTOITALIA S.r.l.	(a)	**32.50%**	**229.5**	32.50%	257.1
CASAG	(b)	**subsidiary**	**–**	38.16%	250.0
Kaizen Gaming Limited (formerly TCB Holdings Ltd)	(c)	**13.27%**	**8.1**	11.75%	54.2
LTB Beteiligungs GmbH	(d)	**66.67%**	**–**	66.67%	43.9
CLS Beteiligungs GmbH	(d)	**66.67%**	**–**	66.67%	43.9
Other equity method investees of CASAG	(e)		**105.6**		**–**
Reef Casino Trust		**25.12%**	**26.3**	16.03%	–
Casino Lugano S.A.		**17.20%**	**19.5**	10.97%	–
Casinos Austria International (Cairns) Pty Ltd.		**29.90%**	**18.9**	19.80%	–
Casino Copenhagen K/S		**29.90%**	**9.9**	19.80%	–
Casino Vesterport Copenhagen K/S		**29.90%**	**9.3**	19.80%	–
Casinos Austria International Mazedonia d.o.o.		**20.93%**	**15.2**	13.36%	–
Other individually insignificant		**–**	**6.5**	–	–

For the full list of Group joint ventures and associates see Note 35.

20. Equity method investees continued

Change in value of the equity method investees includes increase in the amount of an investment by the owner and the share of profit or loss and other comprehensive income of the equity method investees less dividends declared and distributions made by the equity method investees.

Impairment testing

The Group test equity method investees anually for impairment as of 31 December. The recoverable amounts of the equity method investees were estimated using one of the following methods:

- Fair value less costs of disposal ("FVLCD") method, specifically:
  - EV/EBITDA market multiple method used for LOTTOITALIA S.r.l. (for description of the valuation method see Note 18.d); or
  - Market value for investments in listed entities used for Reef Casino Trust;
- Value in use method based on discounted cash-flow models for other entities.

The resulting recoverable amount exceeded the carrying amount of the equity method investees, which led to the conclusion that no impairment on equity method investees had to be recognised as of 31 December 2020 and 31 December 2019.

The following tables represent the assets and liabilities, revenues, profit or loss and total comprehensive income related to significant equity method investees:

(a) LOTTOITALIA S.r.l

The Group holds a share of 32.50%.

LOTTOITALIA S.r.l.	**For the year ended 31/12/2020**	For the year ended 31/12/2019
Revenues from contract with customers	**384.4**	489.0
Operating EBITDA	**310.6**	396.1
Profit for the period	**152.4**	213.9
Total comprehensive income (100%)	**152.4**	213.9
Group's share of total comprehensive income	**49.5**	**69.5**
Dividends received by subsidiary of the Company	**69.5**	66.1
Reserve distribution received by subsidiary of the Company	**7.6**	47.8

LOTTOITALIA S.r.l.	**31/12/2020**	31/12/2019
Non-current assets	**505.1**	606.9
Current assets	**255.8**	218.0
Non-current liabilities	**–**	–
Current liabilities	**(54.6)**	(33.8)
Net assets (100%)	**706.3**	791.1
Group's share (32.50%) = carrying amount of interest in associate	**229.5**	**257.1**

(b) Casinos Austria AG (up to 26 June 2020)

On 26 June 2020, the Group acquired an additional share of 17.19% in Casinos Austria AG. As a result of this transaction the Group obtained the controlling interest and the company and its subsidiaries started to be fully consolidated (see Note 2.3).

- As part of accounting for a business combination achieved in stages, the acquirer remeasures any previously held interest at fair value and enter this amount into purchase price allocation. As of 26 June 2020, the carrying amount of the Group's interest in equity method investee CASAG was considered as approximate to fair value of €258.0 million (see Note 5.a).

Notes to the consolidated financial statements continued

20. Equity method investees continued

The following tables show CASAG's contribution to the Group only for the period during which CASAG was an equity method investee:

CASAG	**For the period ended 26/06/2020**	For the year ended 31/12/2019
Amount staked	**2,183.9**	4,553.3
Gross gaming revenue (GGR)	**504.4**	1,245.9
Operating EBITDA	**69.1**	210.6
Profit for the period	**24.1**	112.0
of which attributable to shareholders of the equity method investee	**11.1**	88.0
Total comprehensive income (100%)	**34.3**	101.2
of which attributable to shareholders of the equity method investee	**20.9**	78.5
Group's share of total comprehensive income	**8.0**	**30.1**
Dividends received by subsidiary of the Company	**–**	5.7

CASAG	**Equity investee as of 26/06/2020**	31/12/2019
Non-current assets	**885.9**	915.8
Current assets	**422.1**	351.9
Non-current liabilities	**(390.1)**	(426.4)
Current liabilities	**(495.4)**	(431.9)
Net assets	**422.5**	409.4
Non-controlling interest	**(61.6)**	(69.3)
Net assets attributable to Casino Austria AG equity holders	**360.9**	340.1
Group's share (38.29%)	**138.2**	130.2
Goodwill	**119.8**	119.8
of which goodwill from initial economic share	**40.0**	40.0
of which goodwill from additional economic share	**79.8**	79.8
Carrying amount of interest in associate	**258.0**	**250.0**

(c) Kaizen Gaming Limited (formerly TCB Holdings Ltd) ("Kaizen")

During 2019 and 2020, Kaizen included two separate business units:

- Stoiximan (Greek and Cypriot business); and
- Betano (international business).

As of 31 December 2019, through its investment in OPAP the Group controlled 36.75% of voting rights, creating economic interest of 11.75% in both the Stoiximan and Betano businesses.

On 13 July 2020, Kaizen sold a 51% interest in the Stoiximan business to OPAP Investment Ltd while retaining its remaining 49% interest, and also retaining 100% interest in Betano.

Further in 18 November 2020 following the acquisition of the additional 15.48% interest by OPAP and, consequently, obtaining an increased influence in Stoiximan which constituted managerial control of Stoiximan for consolidation purposes within the meaning of IFRS 10. The Group consolidates Stoiximan business from 18 November 2020 (see Note 5.b).

Consequently, the carrying value of the investment in Kaizen has been split between an investment in Stoiximan of €57.4 million and an investment in Betano of €8.1 million using the relative fair value approach. The carrying value of Stoiximan was derecognised from the equity method investee as it was revalued to fair value and considered as part of the purchase price of the Stoiximan business.

20. Equity method investees continued

As of 31 December 2020, Kaizen represents solely the Group's investment in the Betano business (36.75% of voting rights, economic interest of 13.27%).

The following table shows the summary performance of Kaizen, which comprises of Stoiximan for the period up to 18 November 2020, and Betano for the full year:

KAIZEN	2020	2019
Gross gaming revenue (GGR)	**320.6**	245.2
Profit for the period	**36.9**	23.2
Total comprehensive income (100%)	**36.8**	23.0
Group's share of total comprehensive income	**18.1**	**8.5**
Dividends received by subsidiary of the Company	**6.8**	4.5

The Group's share of total comprehensive income does not mathematically agree to profit and OCI multiplied by ownership interest percentage due to the changes in interest percentage during the year.

The following table shows movement in the carrying amount of the investment in Kaizen, including derecognition of Stoiximan's share of carrying value during acquisition accounting for the Stoiximan consolidation:

Carrying amount of interest in associate as of 1 January 2020	**54.2**
Share on profit of Kaizen	10.8
Share on profit Stoiximan (51%)	7.3
Dividends received by subsidiary of the Company	(6.8)
Carrying amount of interest in associate Stoiximan as of 18 November 2020 transferring to PPA (see Note 5.b)	**(57.4)**
Carrying amount of interest in associate as of 31 December 2020	**8.1**

(d) CLS Beteiligungs GmbH & LTB Beteiligungs GmbH

Through its 100% subsidiary CAME Holding GmbH, the Group holds 66.67% of the shares of CLS Beteiligungs GmbH ("CLS") and LTB Beteiligungs GmbH ("LTB"). Neither entity engages in any economic activity except holding of indirect interests in Österreichische Lotterien GmbH subgroup ("Austrian Lotteries"). CLS and LTB are equity-method investees based on arrangements in the companies' Articles of Association.

LTB and CLS each hold 27.08% of the shares of Lotto-Toto-Holding GmbH ("LTH"), which holds 26.17% of shares in Austrian Lotteries. The Group's effective interest in Austrian Lotteries through CLS and LTB is 9.45%.

Following the consolidation of CASAG, which includes Austrian Lotteries, from 26 June 2020 (see Note 2.3, Note 5.a) the value of the Group's investment in Austrian Lotteries through the equity method is eliminated in consolidation.

As of 26 June 2020, the carrying amount of interest in equity method investee CLS was considered as approximate to fair value of €42.6 million (see Note 5.a).

CLS Beteiligungs GmbH	For the period from 26/06/2020 to 31/12/2020	For the period ended 26/06/2020	For the period ended 31/12/2019
Profit for the period	–	3.4	6.5
of which share of profit of equity method investee Austrian Lotteries	–	3.4	6.5
Share of OCI of equity method investee Austrian Lotteries	–	0.2	(0.4)
Total comprehensive income (100%)	–	3.6	6.1
Group's share of total comprehensive income (66.67%)	**–**	**2.4**	**4.1**
Dividends received by subsidiary of the Company	8.3	–	6.9

Notes to the consolidated financial statements continued

20. Equity method investees continued

CLS Beteiligungs GmbH	31/12/2020	Before consolidation of Austrian Lotteries as of 26/06/2020	31/12/2019
Equity method investee in Austrian Lotteries	–	51.4	65.7
Current assets	–	12.5	0.1
Non-current liabilities	–	–	–
Current liabilities	–	–	–
Net assets (100%)	–	63.9	65.8
Group's share (66.67%) = carrying amount of interest in associate	**–**	**42.6**	**43.9**

As of 26 June 2020, the carrying amount of interest in equity method investee LTB was considered as approximate to fair value of €42.7 million (see Note 5.a).

LTB Beteiligungs GmbH	For the period from 26/06/2020 to 31/12/2020	For the period ended 26/06/2020	For the period ended 31/12/2019
Profit for the period	–	3.4	6.5
of which share of profit of equity method investee Austrian Lotteries	–	3.4	6.5
Share of OCI of equity method investee Austrian Lotteries	–	0.2	(0.4)
Total comprehensive income (100%)	–	3.6	6.1
Group's share of total comprehensive income (66.67%)	**–**	**2.4**	**4.1**
Dividends received by subsidiary of the Company	8.3	–	6.9

LTB Beteiligungs GmbH	31/12/2020	Before consolidation of Austrian Lotteries as of 26/06/2020	31/12/2019
Equity method investee in Austrian Lotteries	–	51.5	65.8
Current assets	–	12.5	–
Non-current liabilities	–	–	–
Current liabilities	–	–	–
Net assets (100%)	–	64	65.8
Group's share (66.67%) = carrying amount of interest in associate	**–**	**42.7**	**43.9**

(e) Other equity method investees from CASAG

For the full list of CASAG's joint ventures and associates see Note 35.

Reef Casino Trust, in which CASAG indirectly holds a 42% stake, is classified as a joint venture because the majority of the shares are held together with the partner through an intermediary holding company. Reef Casino Trust is listed on the Australian Stock Exchange in Brisbane under the symbol "RCT".

Casinos Austria International Mazedonia d.o.o. in which CASAG has a direct 35.00% share, is classified as a joint venture because all shareholders' decisions must be made unanimously.

20. Equity method investees continued

The following tables show the financial performance of significant equity method investees of CASAG:

	Reef Casino Trust	Casino Lugano S.A.	Casinos Austria Int. (Cairns) Pty Limited	Casino Copenhagen K/S	Casino Vesterport Copenhagen K/S	Casinos Austria International Mazedonia d.o.o.	Other individually insignificant
	joint venture	associate	joint venture	joint venture	joint venture	joint venture	
Effective ownership by SAZKA Group a.s.	25.12%	17.20%	29.90%	29.90%	29.90%	20.93%	
	For the period from 26/06/2020 till 31/12/2020						
Gaming revenues including ancillary revenues	–	20.1	21.2	12.0	0.3	13.6	
Gambling levies and other taxes	(0.2)	(8.4)	(2.8)	(6.1)	(0.1)	(0.3)	
Net gaming income including ancillary revenues	(0.2)	11.7	18.4	5.9	0.2	13.3	
Profit for the period	5.1	1.2	0.5	0.8	(1.0)	2.9	
Total comprehensive income (100%)	7.0	0.1	0.5	0.8	(1.0)	2.9	
Group's share of total comprehensive income	**2.9**	**–**	**0.3**	**0.4**	**(0.5)**	**1.0**	**(0.8)**
Dividends received by subsidiary of the Company	–	0.9	0.2	–	–	1.1	0.8
	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Non-current assets	58.9	26.8	10.6	10.9	4.1	8.9	
Current assets	4.2	19.2	8.9	1.9	0.6	8.2	
of which Cash and cash equivalents	2.6	17.4	7.6	1.2	0.6	6.3	
Non-current liabilities	(0.1)	(2.0)	(9.4)	(4.4)	(1.0)	(0.6)	
of which Financial liabilities (excluding trade payables)	(0.1)	(2.0)	(0.5)	–	–	–	
Current liabilities	(1.0)	(7.8)	(6.3)	(3.0)	(4.6)	(3.6)	
of which Financial liabilities (excluding trade payables)	–	(0.6)	–	–	–	–	
Net assets (100%)	62.0	36.2	3.8	5.4	(0.9)	12.9	
CASAG's ownership	42.00%	28.76%	50.00%	50.00%	50.00%	35.00%	
Group's share	26.0	10.4	1.9	2.7	(0.5)	4.5	
Goodwill	0.3	8.1	17.0	7.2	9.8	11.9	
Carrying value licence right	–	1.0	–	–	–	–	
Retained earnings attributable to the majority shareholders	–	–	–	–	–	(1.2)	
Carrying amount of interest in associate/joint venture	**26.3**	**19.5**	**18.9**	**9.9**	**9.3**	**15.2**	**6.5**

Notes to the consolidated financial statements continued

21. Trade and other receivables

"Non-current trade and other receivables" comprises advances and deposits provided that are due in more than 12 months after the reporting date.

	31/12/2020	31/12/2019
Non-current trade and other receivables	**58.1**	**29.7**
Effect of prepayment of GGR contribution	**22.7**	–
Receivables from VLT vendors	**19.6**	22.8
Receivables from agents	**7.2**	–
Loans provided	**3.1**	2.0
Advances for pension benefits	**0.2**	0.2
Other receivables	**5.3**	4.7

"Effect of prepayment of GGR contribution" represents present value of receivable from Greek Government in relation to the 10-year license extension (see Note3.f iii.).

	31/12/2020	31/12/2019
Current trade and other receivables	**224.1**	**246.0**
Receivables from agents	**129.8**	151.9
Prepaid expenses	**25.4**	14.1
Trade receivables	**9.8**	21.8
Loans provided	**4.7**	19.2
Receivables from VAT and other taxes	**14.3**	19.6
Receivables from VLT vendors	**3.4**	3.4
Other receivables	**36.7**	16.0

Current "Receivables from agents" are collected on a weekly basis in the Czech Republic and Austria or twice a week in Greece and Cyprus. Agents must deposit cash, which can be set off against receivables from the agent, to the Group's bank accounts These deposits are recognised in "Guarantee deposits from lottery agents" (see Note 28). The Group also uses direct debit to transfer money from agents' bank accounts to the Group's bank accounts.

Current "Prepaid expenses" mainly comprise prepayments made to football clubs for advertising and sponsorship services. They also include prepaid consultancy fees and prepaid rent for storage facilities.

Current "Trade receivables" comprise mainly trade receivables related to non-gaming activities in the amount of €5.0million (31 December 2019: €14.2 million).

The disclosures for expected credit losses of "Trade and other receivables" are presented in Note 33.a.

22. Other financial assets

	31/12/2020	31/12/2019
Other non-current financial assets	**199.6**	**8.9**
Financial assets at fair value through profit or loss (FVTPL)	**180.3**	6.7
Financial assets at fair value through other comprehensive income (FVOCI)	**11.9**	–
Restricted cash	**7.4**	2.2

Non-current "Financial assets at fair value through profit or loss (FVTPL)" mainly represents CASAG's investments in externally managed funds of €169.1 million. The investments are categorised to Level 2 in the fair value hierarchy.

22. Other financial assets continued

	31/12/2020	31/12/2019
Non-current financial assets at fair value through profit or loss (FVTPL)	**180.3**	**6.7**
Managed by Raiffeisen Capital Management	**31.6**	–
Managed by Erste Asset Management	**30.4**	–
Managed by Amundi, Fund 1	**33.7**	–
Managed by Amundi, Fund 2	**20.2**	–
Managed by Amundi, Fund 3	**16.7**	–
Managed by Bankhaus Schelhammer Schattera	**36.1**	–
Oher	**11.6**	6.7

Based on the provisions of a change of control clause, the Group reclassified its investment in Grand Casino Kursaal Bern AG from the equity method investee to non-current "Financial assets at far value through other comprehensive income (FVOCI)". The investment is categorised as Level 3 in the fair value hierarchy.

Non-current "Restricted cash" represents deposits on bank accounts relating to the legal obligation for gaming licences in Belgium and the Czech Republic.

	31/12/2020	31/12/2019
Other current financial assets	**43.3**	**19.2**
Financial assets at fair value through profit or loss (FVTPL)	**38.6**	–
Fixed-term deposits (over 90 days)	**4.6**	10.0
Restricted cash	**0.1**	8.8
Receivables under a cash pooling agreement	**–**	0.4

Current "Financial assets at fair value through profit or loss (FVTPL)" mainly represents deposits in money market funds, of which €29.2 million are related to Austrian Lotteries's participation in the game "EuroMillions". The investments are categorised to Level 2 in the fair value hierarchy.

Current "Restricted cash" represents interest which will be incurred and paid in the next 12 months on certain debt facilities. The decrease in restricted cash was caused by the repayment of a bank loan at CAME Holding GmbH and a bank loan at Italian Gaming Holding a.s. (see Note 26).

The disclosures for fair value hierarchy of "Other financial assets" are presented in Note 33.f.

23. Cash and cash equivalents

	31/12/2020	31/12/2019
Cash and cash equivalents	**872.2**	**763.7**
Bank accounts	**549.6**	255.8
Fixed-term deposits	**300.6**	504.3
Cash in hand	**22.0**	3.6

As of 31 December 2020, the Group has bank accounts with a total balance of € nil million (31 December 2019: €59.2 million) pledged under various borrowing facilities (see Note 32).

Notes to the consolidated financial statements continued

24. Equity

Share capital

The Company's share capital comprises 20 ordinary shares in certificated form with a nominal value of CZK 100 thousand per share. The share capital is fully paid up. No changes were made in the share capital during the years ended 31 December 2020 or 31 December 2019.

No shares of the Group are held by the Group.

Capital contributions and other reserves

Capital contributions and other reserves represents distributable capital funds of the Company, other reserves from revaluations of FVOCI assets and reserves from share of other comprehensive income of equity method investees.

25. Non-controlling interests

For period ended 31 December 2020

As of 31 December 2020, the Group held a 36.10% economic interest in OPAP, creating a 63.90% non-controlling interest in the net assets of OPAP, plus additional individually immaterial non-controlling interests from OPAP's shareholdings in Hellenic Lotteries S.A. (NCI of 16.50%), Neurosoft S.A. (NCI of 32.28%) and Stoiximan (NCI of 15.51%).

Additionally, the Group recognised a 21.36% non-controlling interest share in the remaining net assets (excluding OPAP) of SAZKA Delta, the holding structure through which the Group holds an indirect interest in OPAP.

For a detailed description of the ownership structure of OPAP and an overview of purchases of NCI see Note 2.3.

As of 31 December 2020, the Group held a 59.80% economic interest in CASAG and a 53.60% economic interest in CASAG's subsidiary Austrian Lotteries, creating a 40.20% non-controlling interest in the net assets of CASAG and a 46.40% non-controlling interest in the net assets of Austrian Lotteries. The Group applies the look-through approach to its NCI in Austrian Lotteries and consequently the table below presents a full NCI in the net assets of Austrian Lotteries and separately the NCI in the remaining net assets of CASAG. For a detailed description of the ownership structure of CASAG and Austrian Lotteries see Note 2.3.

Additionally, the Group recognised individually immaterial non-controlling interests from CASAG's shareholding in Casino Sopron Kft (NCI of 45%), CAI Hungary Kft (NCI of 45%) and CCB Congress Center Baden BetriebsgmbH (NCI of 11%).

A reconciliation of non-controlling interest is presented in the tables below:

31/12/2020	Austrian Lotteries	CASAG subgroup (excl. Austrian Lotteries)	OPAP subgroup	SAZKA Delta Management subgroup (exl. OPAP)	Total
Non-controlling interest percentage	46.40%	40.20%	63.90%	21.36%	
Non-current assets	835.1	386.1	2,413.2	–	
Current assets	170.1	235.6	629.1	5.7	
Non-current liabilities	(66.6)	(461.6)	(1,372.8)	(186.4)	
Current liabilities	(375.4)	(89.7)	(365.7)	(4.8)	
Net assets	563.2	70.4	1,303.8	(185.5)	
Subgroup's non-controlling interest	3.7	9.3	15.3	–	
Net assets attributable to the Group	559.5	61.1	1,288.5	(185.5)	
Non-controlling interest calculation	**259.6**	**24.6**	**823.4**	**(39.6)**	
Subgroup's non-controlling interest entering consolidation	3.7	9.3	15.3	–	
Carrying amount of non-controlling interest	**263.3**	**33.9**	**838.7**	**(39.6)**	**1,096.3**

25. Non-controlling interests continued

2020	Austrian Lotteries	CASAG subgroup (excl. Austrian Lotteries)	OPAP subgroup	SAZKA Delta (excl. OPAP)	Total
Non-controlling interest percentage	46.40%	40.20%	63.90%	21.36%	
Net gaming revenue (NGR)	202.3	72.1	737.2	–	
Profit/(loss) for the year	47.5	(55.9)	215.4	(8.4)	
Other comprehensive income	(2.9)	(9.8)	(0.3)	0.1	
Total comprehensive income	44.6	(65.7)	215.1	(8.3)	
Profit allocated to non-controlling interest	**22.0**	**(22.5)**	**139.3**[2]	**(2.0)**[2]	
OCI allocated to non-controlling interest	**(1.3)**	**(3.9)**	**(0.3)**[2]	**–**	
Share of profit of subgroup's non-controlling interest entering consolidation	–	0.9	(6.1)	–	
Share of other comprehensive income of subgroup's non-controlling interest entering consolidation	–	–	–	–	
Total comprehensive income attributable to non-controlling interest	**20.7**	**(25.5)**	**132.9**	**(2.0)**	**126.1**
Net cash from operating activities	9.6	(56.2)	186.4	**8.8**	
Cash flows used in investing activities	58.1	(11.2)	(78.5)	**(24.2)**	
Net cash from financing activities	(100.0)	47.6	(234.8)	**10.9**	
Net inflow (+)/outflow (–) of cash and cash equivalents for the year	(32.3)	(19.8)	(126.9)	**(4.5)**	**(183.5)**
Dividends declared to NCI[1]	16.7	–	248.3	**–**	**265.0**

1 Total dividend declared to non-controlling interest was €265.0 million including withholding tax, consisting of dividend paid to non-controlling interest of €264.3 million (of which €226.6 million was paid in cash and €37.7 million was settled by issuance of new OPAP S.A. shares) and unpaid dividend to non-controlling interest of €0.7 million.
2 Profit and OCI allocated to non-controlling interest do not mathematically agree to profit and OCI multiplied by non-controlling interest percentage due to the changes of interest percentage during the year.

For period ended 31 December 2019

As of 31 December 2019, the Group held a 31.99% economic interest in OPAP, creating 68.01% non-controlling interest in the net assets of OPAP, plus additional individually immaterial non-controlling interests from OPAP's shareholdings in Hellenic Lotteries S.A. (NCI of 16.50%), Neurosoft S.A. (NCI of 32.28%).

Additionally, the Group recognised a 24.52% NCI share of the remaining net assets (excluding OPAP) of SAZKA Delta, the holding structure through which the Group holds an indirect interest in OPAP.

Notes to the consolidated financial statements continued

25. Non-controlling interests continued

A reconciliation of non-controlling interest is presented in the tables below:

31/12/2019	OPAP subgroup	Sazka Delta (excl. OPAP)	Other (individually immaterial)	Total
Non-controlling interest percentage	68.01%	24.52%		
Non-current assets	2,078.8	–		
Current assets	876.5	10.2		
Non-current liabilities	(1,315.5)	(6.7)		
Current liabilities	(330.6)	(194.5)		
Net assets	1,309.2	(191.0)		
Subgroup's non-controlling interest	18.2	–		
Other movements	9.0	–		
Net assets attributable to the Group	1,300.0	(191.0)		
Non-controlling interest calculation	**884.2**	**(46.8)**		
Subgroup's non-controlling interest entering consolidation	18.2	–		
Carrying amount of non-controlling interest	**902.4**	**(46.8)**	**0.3**	**855.9**

	Continuing operations		Discontinued operations		
2019	OPAP subgroup	Sazka Delta (excl. OPAP)	Croatioan subgroup	Other (individually immaterial)	Total
Non-controlling interest percentage	68.01%	24.52%	33.00%		
Net gaming revenue	1,091.7	–	37.2		
Profit / (loss) for the year	239.6	(17.0)	18.7		
Other comprehensive income	(1.1)	–	–		
Total comprehensive income	238.5	(17.0)	18.7		
Profit allocated to non-controlling interest	174.2[2]	(4.5)[2]	6.2	0.1	
OCI allocated to non-controlling interest	(0.9)	–	–	–	
Share of profit of subgroup's non-controlling interest entering consolidation	(0.3)	–	–		
Share of other comprehensive income of subgroup's non-controlling interest entering consolidation	–	–	–		
Total comprehensive income attributable to non-controlling interest	**173.0[2]**	**(4.5)[2]**	**6.2**	**0.1**	**174.8**
Net cash from operating activities	279.3	(34.5)	18.2		
Cash flows used in investing activities	(49.0)	24.8	(0.2)		
Net cash from financing activities	221.5	(0.5)	(31.8)		
Net inflow (+)/outflow (–) of cash and cash equivalents for the year	**451.8**	**(10.2)**	**(13.8)**		**427.8**
Dividends declared to NCI[1]	**(130.4)**	**(24.7)**	**(10.8)**	**–**	**(165.9)**

1 Total dividend declared to non-controlling interest was €165.9 million including withholding tax, comprising dividend paid to non-controlling interest of OPAP S.A. of €165.9 million, of which €140.1 million was paid in cash and €25.1 million was settled by issuance of new OPAP S.A. shares.

2 Profit and OCI allocated to non-controlling interest do not mathematically agree to profit and OCI multiplied by non-controlling interest percentage due to the changes of interest percentage during the year.

26. Loans and borrowings

	31/12/2020	31/12/2019
Non-current loans and borrowings	**2,533.3**	**2,252.5**
Bank loans	**1,321.7**	1,532.2
Bonds	**1,211.6**	720.3

	31/12/2020	31/12/2019
Current loans and borrowings	**129.0**	**99.4**
Current portion of long-term bank loans including accrued interest	**99.3**	83.3
Accrued interest on bonds	**10.3**	9.3
Short term bonds	**18.6**	–
Short term loans and borrowings	**0.5**	5.0
Overdrafts	**0.3**	1.8

The Group clarified the definition of bond loan and therefore has reclassified balances of €1,048.9 million from "Bonds" to "Bank loans" and the amount of €5.1 million from "Accrued interest on bonds" to "Current portion of long-term bank loans including accrued interest".

Reconciliation of movements of short-term and long-term loans and borrowings to cash flows:

	2020	2019
Balance at 1 January	**2,351.9**	**1,766.9**
Cash flows		
Loans and borrowings received	**1,424.9**	1,087.2
Repayment of loans and borrowings	**(1,286.6)**	(423.8)
Interest for previous year paid*	**(10.8)**	(4.3)
Non-cash changes		
Business combinations	**184.1**	–
Disposal of subsidiaries	**–**	(85.1)
Accrued unpaid interest	**12.1**	11.8
Non-cash settlement	**(0.9)**	(7.9)
Effect of FX differences	**(12.4)**	7.1
Balance at 31 December	**2,662.3**	**2,351.9**

* Included in "Interest paid" in "Net cash generated from operating activities".

For the reconciliation of movements of "Lease liabilities" to cash flows see Note 27.

Notes to the consolidated financial statements continued

26. Loans and borrowings continued

Debt instruments

Borrower/Issuer	Note	Currency	Principal amount in millions of EUR 31/12/2020	Maturity	Interest rate/Coupon	Book value 31/12/2020	Book value 31/12/2019
Loans and borrowings						**1,421.5**	**1,620.5**
CAME Holding GmbH	(b)	EUR	–	2020	EURIBOR + margin*	–	96.6
Casinos Austria (Swiss) AG		CHF	1.6	2024	FIXED	1.6	–
Casinos Austria (Swiss) AG		CHF	0.5	2021	FIXED	0.5	–
Casinos Austria AG		EUR	70.0	2026	EURIBOR + margin*	70.0	–
Casinos Austria AG		EUR	62.9	2026	EURIBOR + margin*	62.2	–
Hellenic Lotteries S.A.		EUR	50.0	2023	FIXED	50.2	49.7
Horse Races Single-Member S.A. (formerly Horse Races S.A.)	(j)	EUR	–	2020	EURIBOR + margin*	–	5.1
Italian Gaming Holding a.s.	(c)	EUR	–	2023	EURIBOR + margin*	–	211.9
Neurosoft S.A.		EUR	0.5	2025	EURIBOR + margin*	0.5	0.6
OPAP S.A.		EUR	300.0	2024	EURIBOR + margin*	298.3	298.8
OPAP S.A.		EUR	250.0	2023	FIXED	247.2	249.4
OPAP S.A.		EUR	100.0	2024	FIXED	100.6	100.6
OPAP S.A.		EUR	100.0	2023	EURIBOR + margin*	96.6	100.0
OPAP S.A.		EUR	50.0	2022	EURIBOR + margin*	50.2	50.2
OPAP S.A.	(d)	EUR	–	2022	FIXED	–	200.1
SAZKA a.s.	(l)	CZK	–	2024	PRIBOR + margin*	–	109.9
SAZKA a.s.	(l)	CZK	–	2025	PRIBOR + margin*	–	147.6
SAZKA Group Financing (Czech Republic) a.s.	(k)	EUR	450.0	2024	EURIBOR + margin*	443.6	–
Bonds						**1,240.5**	**729.6**
Casinos Austria International Holding GmbH		EUR	18.7	2021	4.75 %	18.6	–
OPAP S.A.	(h)	EUR	200.0	2027	2.10 %	197.1	–
SAZKA Group a.s. – CZK 6bn		CZK	228.6	2024	5.20 %	228.4	235.0
SAZKA Group a.s. – EUR 300m**	(a)	EUR	300.0	2027	3.88 %	299.8	–
SAZKA Group a.s. – EUR 300m**		EUR	300.0	2024	4.13 %	298.1	297.1
SAZKA Group Financing a.s. – EUR 200m**		EUR	200.0	2022	4.00 %	198.5	197.5
Other						**0.3**	**1.8**
Total						**2,662.3**	**2,351.9**

* Margin applicable to the outstanding loans and borrowings as of 31 December 2020 is in the range of 1.3 % – 4.6 % p.a.
** A portion of €449 million of issued bonds is used as a hedging instrument in the "Net investment hedge" (see Note 30).

(a) On 5 February 2020, the Company issued €300.0 million of senior notes.

(b) On 10 February 2020, CAME Holding GmbH fully repaid this loan.

(c) On 17 February 2020, Italian Gaming Holding a.s. fully repaid this loan.

(d) On 23 March 2020, OPAP S.A. fully repaid this loan.

(e) On 27 March 2020, OPAP S.A. drew a bank loan of €100.0 million, which was fully repaid on 2 October 2020.

(f) On 31 March 2020, OPAP S.A. issued a bank loan of €200.0 million. On 1 July 2020, €50.0 million was repaid and the maturity date extended to 1 April 2021. The loan was fully repaid on 29 October 2020.

26. Loans and borrowings continued

(g) On 26 June 2020, CAME Holding GmbH drew a bank loan of €105.0 million. On 21 December 2020, the loan was fully repaid.

(h) On 27 October 2020 OPAP S.A. issued a retail bond.

(i) On 3 November 2020, the Company drew a bank loan of €100.0 million. On 21 December 2020, the loan was fully repaid.

(j) On 7 December 2020, Horse Races Single-Member S.A. (formerly Horse Races S.A.) fully repaid this loan.

(k) On 21 December 2020, SAZKA Group Financing (Czech Republic) a.s. drew a bank loan of €450.0 million.

(l) On 21 December 2020, SAZKA a.s. fully repaid this loan.

Bonds issued by the Group have certain financial conditions attached to them, including certain financial covenants based on financial results of the Group or certain Group companies. During 2020 the Group fulfilled the covenants.

Collaterals and Pledges

The following bonds and borrowings are collateralized pari passu:

- Bonds issued on 12 December 2017 by SAZKA Group Financing a.s. in the amount of €200 million with maturity on 8 December 2022;
- Bonds issued on 23 September 2019 by SAZKA Group a.s. in the amount of CZK 6,000 million (equivalent of €228.6 million) with maturity on 23 September 2024;
- Bonds issued on 15 November 2019 by SAZKA Group a.s. in the amount of €300 million with maturity on 15 November 2024;
- Bonds issued on 5 February 2020 by SAZKA Group a.s. in the amount of €300 million with maturity on 15 February 2027; and
- Bank loans drawn on 16 December 2020 by SAZKA Group Financing (Czech Republic) a.s. in the amount of €450 million (with additional capacity up to €640 million) with maturity on 31 July 2024.

The collateral is shared under the terms of an intercreditor agreement dated 16 December 2020. The following assets owned directly or indirectly by the Company are pledged:

- Shares in companies: (i) SAZKA Czech a.s.; (ii) Italian Gaming Holding a.s.; (iii) Austrian Gaming Holding a.s.; (iv) SAZKA Group Financing (Czech Republic) a.s.; (v) RUBIDIUM HOLDINGS LIMITED; (vi) SAZKA a.s.; (vii) CAME Holding GmbH; (viii) Medial Beteiligungs GmbH; (ix) OPAP (shares held directly by SAZKA Group a.s.) (x) LOTTOITALIA S.r.l.
- Receivables: (i) from the bank account of SAZKA Group a.s. to which dividends of subsidiaries are distributed; (ii) Receivables from intragroup loans provided to SAZKA a.s., Italian Gaming Holding a.s. and CAME Holding GmbH; (iii) Receivables of SAZKA Group Financing (Czech Republic) a.s. from an intragroup loan provided to SAZKA Group a.s.

The collateral effectively (through ownership interests in consolidated entities) represents a majority of the Group's assets presented on the consolidated balance sheet.

Other securities and pledges terminated during 2020.

Medial Beteiligungs GmbH and LTB Beteiligungs shares pledged in relation to a bank loan of CAME Holding GmbH which was fully repaid in December 2020. The related pledge agreement was also terminated in December 2020.

SAZKA a.s. shares pledged in relation to a loan to SAZKA a.s. which was fully repaid in December 2020. The related pledge agreement was also terminated in December 2020.

LOTTOITALIA S.r.l. shares pledged and enterprise pledge in relation to a bank loan to Italian Gaming Holding a.s. which was fully repaid in February 2020. The related pledge agreement was terminated in March 2020.

OPAP S.A. shares pledged in relation to a loan to SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) which was fully repaid in November 2019. The related pledge agreement was terminated in March 2020.

Notes to the consolidated financial statements continued

26. Loans and borrowings continued

Medial Beteiligungs GmbH shares pledged in relation to a bank loan to CAME Holding GmbH which was fully repaid in February 2020. The related pledge agreement was also terminated in February 2020.

27. Leases

This Note provides information for leases where the Group is lessee. For the amounts recognised as a right-of use asset see Note 19.

	31/12/2020	31/12/2019
Lease liability balance as of 1 January	**68.2**	**77.2**
Business combinations	**93.9**	–
Disposal of subsidiaries	**–**	(7.7)
Payment of lease liabilities	**(13.8)**	(9.1)
New lease contracts and contract modifications	**(4.2)**	7.8
Effect of currency translation	**(0.4)**	–
Lease liability balance as of 31 December	**143.7**	**68.2**
Interest expense from leases (see Note 15)	**(3.5)**	**(2.5)**
Expense relating to short-term leases	**(1.1)**	(0.4)
Expense relating to leases of low value assets	**(1.6)**	(0.8)
Expense relating to variable lease payments	**(2.2)**	(1.0)
Total expenses relating to leases not recognised as Right of use assets according to practical expedients	**(4.9)**	**(2.2)**

"Total expenses relating to leases not recognised as Right of use assets according to practical expedients" are presented as part of Materials, consumables and services as "Expense relating to leases" see Note 10.

For the reconciliation of movements of "Loans and borrowings" to cash flows see Note 26.

Material leases

The Group's leases primarily relate to gaming halls, casinos and office space.

Lease payments for the Group's Austrian casinos are in general adjusted according to the consumer price index. The net book value of lease liability of Austrian casinos is €25.8 million.

Lease payments for the Group's Austrian gaming halls are in general fixed. The net book value of lease liability of Austrian gaming halls is €8.0 million.

Lease payments for the Group's Greece and Cyprus gaming halls are adjusted according to the consumer price index. The vast majority of the leasing contracts are of three years' duration and give to the Group the exclusive right to extend the terms up to nine years. Management assessed that renewal option will be exercised. The net book value of the Group's Greece and Cyprus gaming halls is €22.7 million (31 December 2019: €29.7 million).

The Group leases Markopoulo Park where the headquarters of the Group's subsidiary Horse Races Single-Member S.A. (formerly Horse Races S.A.) are located and where all the Greek horse racing activities of the latter take place. The duration of the lease is twenty years, expiring in 2036. The lease payments are fixed. The net book value of Markopoulo Park is €13.8 million (31 December 2019: €29.6 million).

Leases not yet commenced to which the lessee is committed

The Company is committed to leasing of an office space in the Czech Republic for a period of seven years starting during the year of 2021. Commencement date of the lease is not yet determined and the office space is not yet available for use. The present value of future committed non-cancellable lease payments is estimated to be €25.4 million.

27. Leases continued

Future variable lease payments

Certain leases are adjusted for variable lease payments that do not depend on an index or a rate. These variable lease payments are not included as a part of the lease liability at the lease commencement date. Variable lease payments are included in profit or loss when the event or condition that triggers the variability occurs.

Estimated future variable lease payments related to leases of gaming machines and gaming halls are €37.7 million over the respective lease periods.

Income from leases

The Group leases out certain non-residential premises and movable assets. In 2020 the Group recognised income from leases of €4.3 million (2019: €4.5 million); see Note 9.

	2020	2019
Income from leases in future periods	**10.5**	**8.9**
Within one year	**3.6**	4.6
From one to five years	**6.9**	4.3

28. Trade and other payables

	31/12/2020	31/12/2019
Non-current trade and other payables	**134.4**	**12.2**
Contingent consideration for the purchase of interest in Stoiximan (see Note 5.b)	**95.9**	–
Deferred purchase price for intangible assets	**15.6**	–
Liabilities arising from unpaid winnings	**15.3**	2.2
Deferred consideration for the purchase of interest in OPAP S.A.	**4.6**	6.7
Deferred revenue	**2.1**	–
Obligation to purchase IGT Czech Republic LLC	**–**	2.1
Other payables	**0.9**	1.2

Non-current "Liabilities arising from unpaid winnings" represents winnings from certain games which are paid out over an extended period.

"Deferred purchase price for intangible assets" represents a licence to operate gaming software in the Czech Republic.

	31/12/2020	31/12/2019 (Reclassified)
Current trade and other payables	**745.2**	**360.7**
Liabilities arising from unpaid winnings	**241.3**	121.0
Gaming tax liabilities	**118.8**	80.9
Trade payables to suppliers	**102.8**	73.2
Gaming tax liabilities – minimum contribution of Hellenic Lotteries S.A.	**37.7**	–
Contingent consideration for the purchase of interest in Stoiximan (see Note 5.b)	**32.4**	–
Guarantee deposits from lottery agents	**26.4**	14.7
Payables to state (social and health insurance liabilities, other taxes)	**27.9**	16.2
Purchase price for additional interest in CASAG (Note 5.a)	**24.3**	–
Vouchers	**21.4**	–
Players deposit	**29.0**	5.5
Prepaid stakes	**18.4**	13.9
Contingent consideration for the purchase of interest in CASAG (Note 5.a)	**3.4**	–
Deferred consideration for the purchase of interest in OPAP S.A.	**3.0**	3.0
Contract liabilities	**2.2**	1.1
Deferred purchase price for intangible assets	**1.2**	–
Other payables	**55.0**	31.2

Notes to the consolidated financial statements continued

28. Trade and other payables continued

The Group reclassified "Payables to employees" which were previously presented in "Current trade and other payables" to "Current employee benefit liabilities" (see Note 1.g ii., Note 31).

"Gaming tax liabilities" are due when cash for stakes is accepted. Gaming tax is calculated as the tax base multiplied by a rate, which varies based on the type of game and country by country. The tax base is the difference between "Amount staked" and prizes paid.

"Gaming tax liabilities – minimum contribution of Hellenic Lotteries S.A." represents the contractual liability from the difference between the gaming taxes paid on applicable GGR and the minimum annual amount of €50 million, required according to Hellenic Lotteries S.A.'s concession agreement. The Group has not paid this amount on the basis that restrictions imposed due to COVID-19 which impacted actual GGR generation constitute force majeure (see Note 36).

CASAG sells vouchers for food and beverages. "Vouchers" presents the value of unredeemed vouchers.

As of 31 December 2020 and 31 December 2019 "Trade and other payables" were not secured.

29. Provisions

Non-current provisions	Note	Litigation provision	Restructuring provision	Other provisions	Total
Balance at 01/01/2019		**26.6**	**–**	**5.1**	**31.7**
Additions		2.5	–	–	2.5
Utilisation		(2.5)	–	(4.6)	(7.1)
Release		(18.5)	–	(0.1)	(18.6)
Balance at 31/12/2019		**8.1**	**–**	**0.4**	**8.5**
Balance at 01/01/2020		**8.1**	**–**	**0.4**	**8.5**
Business combination	5	–	25.8	0.5	26.3
Additions		6.0	24.1	0.2	30.3
Utilisation		(3.7)	(1.2)	–	(4.9)
Release		(0.6)	–	–	(0.6)
Balance at 31/12/2020		**9.8**	**48.7**	**1.1**	**59.6**

Current provisions	Note	Litigation provision	Restructuring provision	Provision for jackpots and scratch cards	Other provisions	Total
Balance at 01/01/2019		**–**	**–**	**8.7**	**3.9**	**12.6**
Additions		–	–	8.1	–	**8.1**
Utilisation		–	–	(8.8)	(3.1)	**(11.9)**
Release		–	–	–	(0.8)	**(0.8)**
Effect of currency translation		–	–	0.2	–	**0.2**
Balance at 31/12/2019		**–**	**–**	**8.2**	**–**	**8.2**
Balance at 01/01/2020		**–**	**–**	**8.2**	**–**	**8.2**
Business combination	5	3.3	7.8	–	11.3	22.4
Additions		1.4	33.7	10.4	0.7	46.2
Utilisation		(0.1)	(10.6)	(7.8)	(1.3)	(19.8)
Release		–	(7.2)	–	(4.5)	(11.7)
Effect of currency translation		–	–	(0.2)	–	(0.2)
Balance at 31/12/2020		**4.6**	**23.7**	**10.6**	**6.2**	**45.1**

29. Provisions continued

"Restructuring provisions" comprises employee termination provision in CASAG. Following the restructuring plan of €53.9 million announced in July 2020 and subsequent negotiations with the workers' union, the restructuring takes the form of enhancement to existing termination provisions as well as the introduction of new provisions, especially stand-by-duty and part-time programmes. Following the agreement with the workers' union and allocation of employees to individual termination plans, the estimated costs of the restructuring plan in present value terms was revised to €50.6 million as of 31 December 2020 (see Note 14). Together with existing provisions, the current portion of the restructuring provisions relates primarily to golden handshake type agreements and is expected to be realised early during the year 2021, while the non-current portion of the provision is related to part-time and stand-by-duty agreements, which will be settled over time.

"Litigation provision" includes a €5.5 million provision related to a former agent's claim against OPAP (see Note 32). The remaining portion comprises provisions for other individually immaterial litigations and related legal fees.

30. Derivatives and hedging

Currency and interest rate derivatives are used only for economic hedging purposes. When hedge accounting requirements are fulfilled, derivatives are designated and recognised as "Hedging derivatives" (see Note 3.m iv.).

The following table shows the carrying amounts of derivative financial instruments:

	Carrying amount at 31/12/2020		Carrying amount at 31/12/2019	
	Hedging derivatives	**Other derivatives**	Hedging derivatives	Other derivatives
Receivables relating to derivative instruments	**7.9**	**–**	**4.7**	**8.3**
Non-current receivables	**–**	**–**	1.2	8.3
Current receivables	**7.9**	**–**	3.5	–
Liabilities relating to derivative instruments	**2.7**	**1.1**	**2.7**	**1.0**
Non-current liabilities	**2.7**	**–**	2.7	1.0
Current liabilities	**–**	**1.1**	–	–

All financial derivatives at fair value as of 31 December 2020 and 31 December 2019 were categorised to Level 2 in the fair value hierarchy. For valuation techniques see Note 33.f.

Hedging derivatives

The Group held the following hedging derivatives:

Hedging derivatives	Due date	Direction	Fixed rate	Notional value as of 31/12/2020	Average fixed rate as of 31/12/2020	Fair value as of 31/12/2020
Interest rate swaps	2023	–	3M EURIBOR	100.0	0.365	(2.7)
CZK/EUR forward and swaps*	2021	Sell EUR	–	n/m	27.16	7.8
CZK/EUR forward and swaps*	2021	Buy EUR	–	n/m	26.16	0.1
Total hedging derivatives					**–**	**5.2**

* FX forwards represent hedging instruments under a net investment hedge.

Notes to the consolidated financial statements continued

30. Derivatives and hedging continued

Hedging derivatives	Due date	Fixed rate	Notional value as of 31/12/2019	Average fixed rate as of 31/12/2019	Fair value as of 31/12/2019
Interest rate swaps	2020	3M PRIBOR	17.7	0.310	0.3
Interest rate swaps	2024	3M PRIBOR	91.5	1.729	0.9
Interest rate swaps	2024	3M PRIBOR	22.9	2.215	(0.1)
Interest rate swaps	2025	3M PRIBOR	122.0	1.894	0.3
Interest rate swaps	2025	3M PRIBOR	5.9	2.512	(0.1)
Interest rate swaps	2023	3M EURIBOR	100.0	0.365	(2.5)
CZK/EUR forward and swaps*	2020	–	n/m	26.214	3.2
Total hedging derivatives				**–**	**2.0**

* FX forwards represent hedging instruments under a net investment hedge.

Interest rate risk – cash flow hedge

The Group uses interest rate derivatives ("IRS") to mitigate the risk of fluctuating interest rates. Hedged items are the future cash flows relate to interest payments under loan agreements, in which interest payments are based on floating rates (EURIBOR, PRIBOR). IRS are used to swapping these variable rates for fixed rates. Hedge accounting criteria were fulfilled as of 31 December 2020 and 2019, and such derivatives are recognised as "Hedging derivatives" and the changes in the fair value for such derivatives are recognised directly in the Consolidated other comprehensive income. The Group hedged interest payments on "Loans and borrowings" in principal amount as of 31 December 2020 of €100.0 million (31 December 2019: €571.1 million). The Group applies a Dollar offset method to measure the effectiveness of the hedge relationship. The Group did not recognize any hedge ineffectiveness arising from these IRS cash flow hedges in the profit or loss

Net investment hedge of foreign operation

The Group uses both non-derivative financial liabilities and derivative instruments to hedge foreign currency risks resulting from net investments in foreign subsidiaries, provided that the other financial liabilities meet the same requirements as a hedging derivative.

From 5 February 2020 the non-derivative financial liability designated as the hedging instrument under the net investment hedge was changed from a bank loan of Italian Gaming Holding a.s. that was repaid on 17 February to a portion of Eurobond issued by the Company with the maturity in 2027 (see Note 26). As of 31 December 2020 and 2019, non-derivative financial liability designated as a net investment hedge was a Eurobond issued by the Company with the maturity in 2024 and portion of bond issued by the SAZKA Group Financing a.s. with maturity 2022 (see Note 26).Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that the economic relationship exists between the hedged item and the hedging instrument.

During 2020 and 2019 the Group also entered into currency forwards that have similar critical terms as the hedged item, such as currency or notional amount, to hedge foreign currency risks resulting from net investments. The hedging relationship was 100% effective.

The Group did not recognise any hedge ineffectiveness from net investment hedges in the profit or loss in 2020 or 2019. The gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment is recognised in Other comprehensive income and is included in "Hedging reserve".

30. Derivatives and hedging continued

The effect of hedge accounting recognised in profit or loss and Other comprehensive income during the period was as follows:

Cash flow hedges for 31 December 2020	Change recognised in OCI	Change reclassified from OCI to profit or loss	Change in the Hedging reserve
Cash flow hedging reserve, net of tax	**(20.2)**	**1.2**	**(19.0)**
attributable to owners of the Company	(20.1)*	1.2	(18.9)
attributable to non-controlling interest	(0.1)	–	(0.1)

* of which revaluation of hedging instruments under the "Net investment hedge" in relation to foreign operations of €(13.9) million. "Translation of foreign operations into the Group's presentation currency" in Other comprehensive income includes translation gains in relation to these foreign operations, of €19.6 million during the period.

Cash flow hedges for 31 December 2019	Change recognised in OCI	Change reclassified from OCI to profit or loss	Change in the Hedging reserve
Cash flow hedging reserve, net of tax	**9.9**	**(3.6)**	**6.3**
attributable to owners of the Company	10.6*	(3.6)	7.0
attributable to non-controlling interest	(0.7)	–	(0.7)

* of which revaluation of hedging instruments under the "Net investment hedge" in relation to foreign operations of €6.1 million. "Translation of foreign operations into the Group's presentation currency" in Other comprehensive income includes translation gains in relation to these foreign operations, in the amount of €6.3 million during the period.

Effects of cash flow hedges are recognised in consolidated other comprehensive income under "Remeasurement of hedging derivatives". "Net change in fair value of cash flow hedges transferred to profit or loss (net of tax)" for 2020 and 2019 includes reduction of IRS due to loan amortisation and payment of interest on loans. The impact in profit or loss is presented as "Interest expense".

Other derivatives (derivatives that do not qualify for hedge accounting)

The Group held the following other derivatives:

Other derivatives	Due date	Notional value as af 31/12/2020	Fair value as of 31/12/2020	Notional value as of 31/12/2019	Fair value as of 31/12/2019
IR swaps	2021	108.0	(1.1)	–	–
FX swaps	–	–	–	n/m	(0.1)
FX swaps	–	–	–	n/m	(0.9)
Total other financial derivatives		**108.0**	**(1.1)**	–	**(1.0)**

The gain from revaluation in amount of €1.1 million (2019: €0.1 million) was recognised in Other finance expense.

The Group used IRS as of 31 December 2020 to mitigate the risk of interest rates. Although the IRS economically offset the interest rate risk, hedge accounting criteria were not fulfilled as of 31 December 2020 for this derivative, apart from derivatives designated as hedging instruments above. Consequently, such derivative was recognised as "Other derivatives" and classified as financial instruments at fair value through profit or loss.

The Group used currency derivatives as of 31 December 2019 to mitigate currency risk. Although the currency derivatives economically offset the currency risk, hedge accounting criteria were not fulfilled as of 31 December 2019 for these derivatives, apart from derivatives designated as hedging instruments under net investment hedges (see section above). Consequently, such currency derivatives were recognised as "Other derivatives" and classified as financial instruments at fair value through profit or loss.

Notes to the consolidated financial statements continued

31. Employee benefit liabilities

	31/12/2020	31/12/2019
Non-current employee benefit liabilities	**127.4**	**3.0**
Post-employment benefit	**119.1**	3.0
Defined benefit plan	**119.1**	3.0
Bonuses	**8.3**	–

	31/12/2020	31/12/2019 (Reclassified)
Current employee benefit liabilities	**36.9**	**18.0**
Bonuses	**22.3**	16.2
Other employee benefit liabilities	**14.6**	1.8

The Group reclassified "Payables to employees" which were previously presented in "Current trade and other payables" to "Current employee benefit liabilities" (see Note 1.g ii.).

The increase in "Non-current employee benefit liabilities" relates mainly to the consolidation of CASAG (see Note 2.3 and Note 5.a).

Post-employment benefit

"Post-employment benefits" relate to CASAG and OPAP. Employees of CASAG born prior to 1 January 1945 and existing and former Management Board members are eligible to participate in a defined benefit plan, and other employees are entitled to participate in a defined contribution plan. OPAP employees are eligible to participate in a defined benefit plan.

Defined contribution plan

Under Austrian labour law, the employer contributes 1.53% of the gross wage or salary each month to an employee compensation fund. This fund represents a "Defined contribution plan" in accordance with IAS 19, and the related employer contributions are reported under "Retirement benefit expenses – defined contribution plan" see Note 12.

The Group is also subject to mandatory contributions to state pension plans, specific conditions are determined by the relevant jurisdictions (see Note 12).

Defined Benefit Plan

Under Greek and Austrian labour law, employees are entitled to severance payments in the event of retirement or termination by the employer with the amount of payment varying in relation to the employee's compensation and length of service. The liability arising from the obligation is valued by an independent firm of actuaries. The last actuarial valuations of the OPAP and CASAG defined benefit plans were undertaken in December 2020. As of 31 December 2020, vast majority of defined benefit plan liability relates to CASAG. The maturity of defined benefit plan obligations coincides with the expected date of retirement of individual employees.

In Austria there are two types of "Defined benefit plan" obligations. Pensions are presented on a net basis (present value of obligation is netted with fair value of plan asset out of which the obligation is to be settled directly) and severance payments are presented on a gross basis.

31. Employee benefit liabilities continued

The following tables summarizes the Group's defined benefit severance plans:

	Note	2020	2019
Opening balance as of 1 January		**3.0**	**2.5**
Current service costs		**0.9**	0.5
Past service cost		**5.1**	–
Interest costs		**0.3**	–
Settlement cost (result)		**1.0**	4.2
Total cost recognised in Consolidated statement of profit or loss		**7.3**	**4.7**
Actuarial (gain)/loss arising from demographic assumptions		**0.2**	–
Actuarial (gain)/loss arising from financial assumptions		**2.8**	0.1
Actuarial (gain)/loss arising from experience adjustment		**–**	0.1
Total actuarial (gain)/loss recognised in Other comprehensive income		**3.0**	**0.2**
Business combination	5	**73.6**	–
Payments		**(15.3)**	(4.4)
Closing balance as of 31 December		**71.6**	**3.0**

The following table summarizes the Group's defined benefit pension plans:

	Note	Present value of obligation	Fair value of plan assets	Total
Opening balance as of 1 January 2020		**–**	**–**	**–**
Current service costs		0.9	–	**0.9**
Interest costs		0.6	(0.3)	**0.3**
Total cost recognised in Consolidated statement of profit or loss		**1.5**	**(0.3)**	**1.2**
Actuarial (gain)/loss arising from financial assumptions		5.9	1.1	**7.0**
Actuarial (gain)/loss arising from experience adjustment		1.0	(1.5)	**(0.5)**
Total actuarial (gain)/loss recognised in Other comprehensive income		**6.9**	**(0.4)**	**6.5**
Business combination	5	88.5	(48.5)	40.0
FX differences		(0.1)	–	(0.1)
Contributions		1.5	(1.8)	(0.3)
Payments		(1.5)	1.7	0.2
Closing balance as of 31 December 2020		**96.8**	**(49.3)**	**47.5**

Fair value of plan assets:

Equity instruments	15.1
Bonds	23.8
Cash	1.9
Other assets	8.5
Fair value of plan assets	**49.3**

The principal actuarial assumptions used in the actuarial valuation as of 31 December 2020 and 31 December 2019 are the following:

Actuarial assumptions used:	31/12/2020	31/12/2020	31/12/2019
	Austria	**Greece and Cyprus**	**Greece and Cyprus**
Discount rate	0.96%	0.60%	1.15%
Rate of increase in salaries	2.64%	1.50%	2.00%
Average service in the company	11.7	24.9	25.8
Inflation rate	2.00%	1.50%	1.50%

Notes to the consolidated financial statements continued

31. Employee benefit liabilities continued

The following table shows the change in actuarial liability of the Group if the discount rate was 0.5% higher or lower (with no other change in input assumptions); or, if the expected rate of salary increase was 0.5% higher or lower (with no other change in input assumptions)

Sensitivity analysis	Increase in discount rate by 0.5%	Decrease in discount rate by 0.5%	Increase of expected wages by 0.5%	Decrease of expected wages by 0.5%
Actuarial liability	107.5	131.3	131.0	108.9
Percentage change	(9.75%)	10.23%	9.97%	(8.64%)

Non-current bonuses

A number of employees in CASAG are entitled to "Long-service bonuses" when they reach a specified number of years of employment with the company. Non-current employee benefit liability is recognised for these obligations in the amount of €6.3 million.

Executive Members of the Board of Directors of OPAP S.A. and other key management personnel are entitled to amounts when certain targets are fulfilled. A new programme was launched in 2020 while previous programme was terminated and paid in July 2020. Non-current employee benefit liability is recognised of €1.2 million (31 December 2019: €3.6 million as a current bonus).

Current bonuses

Represents annual bonuses liabilities.

32. Contingencies

Legal matters

OPAP

Third party lawsuits against OPAP have been filed for total claims of €363.1 million (31 December 2019: €366.7 million). The majority of these claims relate to old distribution agent arrangements, in relation to which all recent court decisions have been in favour of OPAP. The management considers any negative outcome as highly unlikely consequently no provision is recognised in connection with these claims.

In early March 2021, an Athens court of Appeal awarded compensation for loss of profit in favour of a former agent of approximately €3.0 million plus interest from June 2006 to December 2011, for a total of approximately €6.0 million. This is the second decision of the appellate court in the matter after the Supreme Court annulled in 2020 the first decision from 2017, which awarded compensation of €9.0 million plus interest. The decision is not final and OPAP S.A. will again proceed to the Supreme Court for the annulment of the decision. As of 31 December 2020, the management recorded a provision for the respective amount based on the current court's decision (see Note 29).

The same former agent also sought compensation for (i) the loss of profit incurred from 2012 to 2016 of €11.1 million and an alternative claim of approximately €3.3 million and (ii) compound interest in an amount of €4.2 million, against OPAP S.A. These proceedings have been placed on hold until the final resolution of the proceeding described above. The management believes that negative outcome is unlikely and have not recorded any provision for the claim.

CASAG

Casinos Austria are target to 15 pending lawsuits initiated by 27 claimants in connection with reductions made to employee pension plans. Pension plans of CASAG include defined contribution plans and defined benefit plans, see Note 31. For the claims in connection with defined contribution plans the management assess that negative outcome is highly unlikely and does not recorded any provision in this respect. For the claims in connection with defined benefit plans the management considers the outcome uncertain and reflects this uncertainty in the valuation of the defined benefit liability (as a result of which a positive outcome in these cases would result in a net gain for the Group).

31. Contingencies continued

Securities and pledges

Pledged assets for loans received	31/12/2020	31/12/2019
Tangible and intangible fixed assets	–	97.0
Bank accounts	–	59.2

The largest portion of pledged tangible and intangible assets represented trademarks with carrying value of € nil million (31 December 2019: €73.7 million).

SAZKA a.s. assets pledged in relation to its bank loan were fully repaid on 21 December 2020. The related pledge agreement was terminated in December 2020.

Pledged shares are described in Note 26.

33. Risk management

This section describes the financial and operational risks the Group is exposed to and its risk management methods. The key financial risks the Group faces comprise credit risk, liquidity risk and currency risk. Since the Group has third party financial indebtedness, interest rate risk exposure may also be deemed significant.

(a) Credit risk

i. Credit risk exposure

Credit risk represents the risk of loss that the Group companies would incur if a trading counterparty or business customer is unable to fulfil its obligation resulting from payment obligations, obligation to off-take a service at a certain price or non-delivery of a contracted service.

The Group's bank accounts are predominantly with international financial institutions. The Group has procedures for assessment of credit risk which are applied to all customers to whom sales are made on credit terms. In addition, the balances of receivables are continuously monitored on an individual and an aggregated level.

The Group is exposed to credit risk primarily as a result of its operating (in relation to its trade receivables) and financing activities (including in relation to deposits with banks and financial institutions, loans provided to third parties and other financial instruments).

The maximum credit risk exposure regarding financial assets is their carrying amount (if the counterparties fail to meet all their contractual obligations and, at the same time, any guarantees and pledges provided are found to be worthless).

One of the key measures to mitigate credit risk in ordinary business activities is deposits received from agents see Note 28. Receivables from agents are monitored by management on the regular basis. The Group also monitors the credit rating of the banks and financial institutions with which it transacts.

The maximum exposure to credit risks at the reporting date by type of counterparty and geographical region is provided in the tables below.

Credit risk by type of counterparty

At 31 December 2020	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current trade and other receivables	8.4	0.3	–	4.2	12.9
Other non-current financial assets	–	–	7.4	–	7.4
Current trade and other receivables	136.3	1.6	2.3	37.5	177.7
Other current financial assets	–	–	4.7	–	4.7
Cash and cash equivalents	–	–	872.2	–	872.2
Total	144.7	1.9	886.6	41.7	1,074.9

Notes to the consolidated financial statements continued

33. Risk management continued

At 31 December 2019	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current trade and other receivables	4.4	–	0.1	2.2	6.7
Other non-current financial assets	–	–	2.2	–	2.2
Current trade and other receivables	93.2	8.7	1.9	105.2	209.0
Other current financial assets	0.4	–	18.8	–	19.2
Cash and cash equivalents	0.2	–	763.5	–	763.7
Total	**98.2**	**8.7**	**786.5**	**107.4**	**1,000.8**

ii. Credit risk by region

Trade and other receivables, Other financial assets and Cash and cash equivalents	**31/12/2020**	31/12/2019
Greece	**503.2**	767.8
Austria	**282.8**	7.4
Czech Republic	**157.8**	148.5
Cyprus	**47.0**	43.2
Germany	**29.3**	–
Liechtenstein	**12.8**	–
Switzerland	**8.0**	16.8
Malta	**–**	16.3
Australia	**7.6**	–
Hungary	**5.5**	–
United Kingdom	**5.0**	0.2
Other countries	**15.9**	0.6
Total	**1,074.9**	**1,000.8**

33. Risk management continued

iii. Ageing structure of financial assets

At 31 December 2020	Current	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	ECL allowance	Total
Non-current trade and other receivables	14.1	–	–	–	–	(1.2)	12.9
Receivables from agents	8.4	–	–	–	–	(1.2)	7.2
Loans provided	3.1	–	–	–	–	–	3.1
Other receivables	2.6	–	–	–	–	–	2.6
Current trade and other receivables	167.1	10.2	1.1	1.7	47.6	(50.0)	177.7
Receivables from agents	122.9	8.7	0.4	1.1	40.9	(44.2)	129.8
Trade receivables	7.2	1.3	0.5	0.3	2.1	(1.6)	9.8
Loans provided	4.8	–	–	–	–	(0.1)	4.7
Other receivables	32.2	0.2	0.2	0.3	4.6	(4.1)	33.4
Cash and cash equivalents	872.2	–	–	–	–	–	872.2
Cash in hand	22.0	–	–	–	–	–	22.0
Bank accounts	549.6	–	–	–	–	–	549.6
Term deposits	300.6	–	–	–	–	–	300.6
Total	1,053.4	10.2	1.1	1.7	47.6	(51.2)	1,062.8
Non-current restricted cash	7.4	–	–	–	–	–	7.4
Current restricted cash	0.1	–	–	–	–	–	0.1
Term deposits (over 90 days)	4.6	–	–	–	–	–	4.6

Notes to the consolidated financial statements continued

33. Risk management continued

At 31 December 2019	Current	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	ECL allowance	Total
Non-current trade and other receivables	**6.7**	**–**	**–**	**–**	**–**	**–**	**6.7**
Loans provided	2.0	–	–	–	–	–	2.0
Other receivables	4.7	–	–	–	–	–	4.7
Current trade and other receivables	**200.7**	**4.4**	**2.6**	**0.6**	**43.9**	**(43.2)**	**209.0**
Receivables from agents	148.4	3.1	2.3	0.1	37.7	(39.7)	151.9
Trade receivables	20.6	1.2	0.2	0.2	0.8	(1.2)	21.8
Loans provided	19.3	–	–	–	–	(0.1)	19.2
Other receivables	12.4	0.1	0.1	0.3	5.4	(2.2)	16.1
Cash and cash equivalents	**763.7**	**–**	**–**	**–**	**–**	**–**	**763.7**
Cash in hand	3.6	–	–	–	–	–	3.6
Bank accounts	255.8	–	–	–	–	–	255.8
Term deposits	504.3	–	–	–	–	–	504.3
Total	**971.1**	**4.4**	**2.6**	**0.6**	**43.9**	**(43.2)**	**979.4**
Non-current restricted cash	**2.2**	**–**	**–**	**–**	**–**	**–**	**2.2**
Current restricted cash	**8.8**	**–**	**–**	**–**	**–**	**–**	**8.8**
Term deposits (over 90 days)	**10.0**	**–**	**–**	**–**	**–**	**–**	**10.0**
Cash pooling	**0.4**	**–**	**–**	**–**	**–**	**–**	**0.4**

33. Risk management continued

iv. Credit quality of financial assets at amortised cost

The Group classifies financial assets into credit quality classes. Class 1 comprise high-quality financial assets that do not have any indicators of impairment and comprise bank accounts in banks, term deposits and cash in hand. Class 2 comprises all other financial assets.

The Group monitors the risk on these assets with reference to internal and external credit ratings of the banks and evaluates that related ECL is immaterial to the Group.

At 31 December 2020	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**872.2**	**–**	**–**	**–**	**–**	**872.2**
Bank accounts in banks	**22.0**	**–**	**–**	**–**	**–**	**22.0**
Term deposits in banks	**300.6**	**–**	**–**	**–**	**–**	**300.6**
Cash in hand	**549.6**	**–**	**–**	**–**	**–**	**549.6**
Other current financial assets	**4.7**	**–**	**–**	**–**	**–**	**4.7**
Restricted cash	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Term deposits (over 90 days)	**4.6**	**–**	**–**	**–**	**–**	**4.6**
Non-current restricted cash	**7.4**	**–**	**–**	**–**	**–**	**7.4**
Class 2						
Current trade and other receivables	**4.8**	**–**	**–**	**222.9**	**(50.0)**	**177.7**
Receivables from agents	**–**	**–**	**–**	**174.0**	**(44.2)**	**129.8**
Trade receivables	**–**	**–**	**–**	**11.4**	**(1.6)**	**9.8**
Loans provided	**4.8**	**–**	**–**	**–**	**(0.1)**	**4.7**
Other receivables	**–**	**–**	**–**	**37.5**	**(4.1)**	**33.4**
Non-current trade and other receivables	**14.1**	**–**	**–**	**–**	**(1.2)**	**12.9**
Receivables from agents	**8.4**	**–**	**–**	**–**	**(1.2)**	**7.2**
Loans provided	**3.1**	**–**	**–**	**–**	**–**	**3.1**
Other receivables	**2.6**	**–**	**–**	**–**	**–**	**2.6**
Total	**903.2**	**–**	**–**	**222.9**	**(51.2)**	**1,074.9**

Notes to the consolidated financial statements continued

33. Risk management continued

At 31 December 2019	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**763.7**	**–**	**–**	**–**	**–**	**763.7**
Bank accounts in banks	255.8	–	–	–	–	255.8
Term deposits in banks	504.3	–	–	–	–	504.3
Cash in hand	3.6	–	–	–	–	3.6
Other current financial assets	**19.2**	**–**	**–**	**–**	**–**	**19.2**
Restricted cash	12.1	–	–	–	–	12.1
Term deposits (over 90 days)	6.7	–	–	–	–	6.7
Cash pooling	0.4	–	–	–	–	0.4
Non-current restricted cash	**2.2**	**–**	**–**	**–**	**–**	**2.2**
Class 2						
Current trade and other receivables	**19.3**	**–**	**–**	**232.9**	**(43.2)**	**209.0**
Receivables from agents	–	–	–	191.6	(39.7)	151.9
Trade receivables	–	–	–	23.0	(1.2)	21.8
Loans provided	19.3	–	–	–	(0.1)	19.2
Other receivables	–	–	–	18.3	(2.2)	16.1
Non-current trade and other receivables	**6.7**	**–**	**–**	**–**	**–**	**6.7**
Loans provided	2.0	–	–	–	–	2.0
Other receivables	4.7	–	–	–	–	4.7
Total	**811.1**	**–**	**–**	**232.9**	**(43.2)**	**1,000.8**

Movements of ECL allowances were as follows:

At 31 December 2020	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2019	**(0.1)**	**–**	**–**	**(38.6)**	**(38.7)**
Additions – increase in allowance recognised in profit or loss during the year	**(0.1)**	**–**	**–**	**(4.7)**	**(4.8)**
Effect of currency translation	**0.1**	**–**	**–**	**0.2**	**0.3**
Balance at 31 December 2019	**(0.1)**	**–**	**–**	**(43.1)**	**(43.2)**
Business combination	**–**	**–**	**–**	**(0.8)**	**(0.8)**
Additions – increase in allowance recognised in profit or loss during the year	**(1.2)**	**–**	**–**	**(6.5)**	**(7.7)**
Reversals – decrease in allowance recognised in profit or loss during the year	**–**	**–**	**–**	**0.2**	**0.2**
Write-offs – receivables written off during the year as uncollectible	**–**	**–**	**–**	**0.3**	**0.3**
Balance at 31 December 2020	**(1.3)**	**–**	**–**	**(49.9)**	**(51.2)**

During 2020, the ECL allowance determined through the provision matrix increased despite a decrease in current financial assets, due to the effect of deteriorating credit conditions of suppliers caused by the COVID-19 pandemic. The ECL allowance determined via the Stage model increased due to the effect of the newly recognised non-current receivables against agents.

33. Risk management continued

Impairment matrix for current trade and other receivables as of 31 December 2020:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**162.3**	**0.00%**	**–**	**162.3**
Receivables from agents	**122.9**	**–**	**–**	**122.9**
Trade receivables	**7.2**	**–**	**–**	**7.2**
Other receivables	**32.2**	**–**	**–**	**32.2**
Past due < 90 days	**10.2**	**18.63%**	**(1.9)**	**8.3**
Receivables from agents	**8.7**	**20.69%**	**(1.8)**	**6.9**
Trade receivables	**1.3**	**7.69%**	**(0.1)**	**1.2**
Other receivables	**0.2**	**–**	**–**	**0.2**
Past due 91-180 days	**1.1**	**45.45%**	**(0.5)**	**0.6**
Receivables from agents	**0.4**	**100.00%**	**(0.4)**	**–**
Trade receivables	**0.5**	**20.00%**	**(0.1)**	**0.4**
Other receivables	**0.2**	**–**	**–**	**0.2**
Past due 181-365 days	**1.7**	**76.47%**	**(1.3)**	**0.4**
Receivables from agents	**1.1**	**100.00%**	**(1.1)**	**–**
Trade receivables	**0.3**	**33.33%**	**(0.1)**	**0.2**
Other receivables	**0.3**	**33.33%**	**(0.1)**	**0.2**
Past due >365 days	**47.6**	**97.06%**	**(46.2)**	**1.4**
Receivables from agents	**40.9**	**100.00%**	**(40.9)**	**–**
Trade receivables	**2.1**	**61.90%**	**(1.3)**	**0.8**
Other receivables	**4.6**	**86.96%**	**(4.0)**	**0.6**
Total	**222.9**	**22.39%**	**(49.9)**	**173.0**

Notes to the consolidated financial statements continued

33. Risk management continued

Impairment matrix for current trade and other receivables as of 31 December 2019:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**181.4**	**0.06%**	**(0.1)**	**181.3**
Receivables from agents	148.4	–	–	148.4
Trade receivables	20.6	0.49%	(0.1)	20.5
Other receivables	12.4	–	–	12.4
Past due < 90 days	**4.4**	**6.82%**	**(0.3)**	**4.1**
Receivables from agents	3.1	6.45%	(0.2)	2.9
Trade receivables	1.2	8.33%	(0.1)	1.1
Other receivables	0.1	–	–	0.1
Past due 91-180 days	**2.6**	**69.23%**	**(1.8)**	**0.8**
Receivables from agents	2.3	73.91%	(1.7)	0.6
Trade receivables	0.2	50.00%	(0.1)	0.1
Other receivables	0.1	–	–	0.1
Past due 181-365 days	**0.6**	**50.00%**	**(0.3)**	**0.3**
Receivables from agents	0.1	100.00%	(0.1)	–
Trade receivables	0.2	50.00%	(0.1)	0.1
Other receivables	0.3	33.33%	(0.1)	0.2
Past due >365 days	**43.9**	**92.48%**	**(40.6)**	**3.3**
Receivables from agents	37.7	100.00%	(37.7)	–
Trade receivables	0.8	100.00%	(0.8)	–
Other receivables	5.4	38.89%	(2.1)	3.3
Total	**232.9**	**18.51%**	**(43.1)**	**189.8**

33. Risk management continued

(b) Offsetting arrangements

Effects of offsetting on the balance sheet 2020	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to potential offsetting (master netting or similar arrangements)		Net amounts
				Financial instruments	Cash collateral	
Assets						
Current trade and other receivables	**5.7**	**(0.9)**	**4.8**	**–**	**(4.8)**	**–**
Total	**5.7**	**(0.9)**	**4.8**	**–**	**(4.8)**	**–**
Liabilities						
Current trade and other payables	**18.3**	**(0.9)**	**17.4**	**–**	**(4.8)**	**12.6**
Total	**18.3**	**(0.9)**	**17.4**	**–**	**(4.8)**	**12.6**

Effects of offsetting on the balance sheet 2019	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to potential offsetting (master netting or similar arrangements)		Net amounts
				Financial instruments	Cash collateral	
Assets						
Other current financial assets	8.9	–	8.9	–	(8.9)	–
Current trade and other receivables	0.5	–	0.5	–	(0.5)	–
Cash and cash equivalents	66.1	–	66.1	–	(66.1)	–
Total	**75.5**	**–**	**75.5**	**–**	**(75.5)**	**–**
Liabilities						
Non-current loans and borrowings	482.7	–	482.7	–	(34.8)	447.9
Current loans and borrowings	83.3	–	83.3	–	(40.2)	43.1
Current trade and other payables	4.9	–	4.9	–	(0.5)	4.4
Total	**570.9**	**–**	**570.9**	**–**	**(75.5)**	**495.4**

Amounts subject to master netting arrangements not set off in the Consolidated statement of financial position
As of 31 December 2020, liabilities arising from fees to agents are offset in the balance sheet against receivables from agents of €0.9 million.

As of 31 December 2020, deposits received from agents could be offset against receivables from agents of €4.8 million (31 December 2019: €0.5 million).

As of 31 December 2019, short-term restricted cash could be offset against "Loans and borrowings" received by CAME Holding GmbH and Italian Gaming Holding a.s. of €8.9 million. Additionally, cash withheld on bank accounts of €6.7 million for the purposes of interest payments of such borrowings could be offset against "Loans and borrowings". As of 31 December 2020, these loans were repaid in full.

As of 31 December 2019, bank accounts pledged to financing banks as cash collateral for loans and borrowings provided to SAZKA a.s. could be offset only in case of default against liabilities from "Loans and borrowings" of €59.4 million. As of 31 December 2020, this loan was repaid in full. Such bank accounts were unrestricted.

(c) Liquidity risk

Liquidity risk represents the risk that the company might not be able to fulfil its payment obligations, primarily in respect of amounts due to providers of loans and borrowings.

The Group monitors the risk of having insufficient funds by monitoring the liquidity and maturity of investments and other financial assets and liabilities, projected cash flows from its activities and fulfilment of bank covenants.

The Group maintains free liquidity sources that comprise cash and equivalents and available amounts under credit facilities in currencies in which the future financial needs are expected.

Notes to the consolidated financial statements continued

33. Risk management continued

The Group uses IT tools for liquidity management, market management, valuation of financial instruments and for trading and risk management purposes.

The Group's management minimises liquidity risk through ongoing future cash flow management and planning. The key cash flow planning tool is annual medium-term plans prepared for the period of the at least the following five years. The key Group cash flows for the current year are broken down into individual months and updated on an ongoing basis.

As part of its liquidity risk management strategy, the Group ensures that a portion of its assets is highly liquid.

The table below presents an analysis of Group's financial assets and liabilities classified by maturity, namely by the period remaining from the reporting date till the contractual maturity. Where earlier repayment is possible, the Group makes the most prudent assessment possible, therefore expecting the earliest possible repayment of liabilities and the latest possible repayment of receivables. Assets and liabilities whose maturity is not contractually specified are grouped under the "Due on demand/undefined maturity" category.

Following table presents contractual cash flows not discounted to net present value and include interest, if applicable.

Liquidity risk analysis (by maturity):

At 31 December 2020	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Due on demand/ undefined maturity
Assets						
Non-current trade and other receivables	**12.9**	**13.2**	**–**	**12.9**	**0.3**	**–**
Other non-current financial assets	**199.6**	**199.6**	**–**	**–**	**–**	**199.6**
Current trade and other receivables	**177.7**	**177.8**	**177.8**	**–**	**–**	**–**
Current derivative financial instruments	**7.9**	**7.9**	**7.9**	**–**	**–**	**–**
Other current financial assets	**43.3**	**43.3**	**4.7**	**–**	**–**	**38.6**
Total	**441.4**	**441.8**	**190.4**	**12.9**	**0.3**	**238.2**
Cash	**872.2**	**872.2**	**–**	**–**	**–**	**872.2**
Liabilities						
Loans and borrowings	**(2,662.3)**	**(3,005.5)**	**(210.6)**	**(2,200.7)**	**(594.2)**	**–**
Non-current trade and other payables	**(132.3)**	**(132.3)**	**–**	**(111.7)**	**(20.6)**	**–**
Non-current lease liabilities	**(118.8)**	**(139.3)**	**–**	**(82.8)**	**(56.5)**	**–**
Non-current derivative financial instruments	**(2.7)**	**(2.7)**	**–**	**(2.7)**	**–**	**–**
Current trade and other payables	**(577.4)**	**(577.4)**	**(577.4)**	**–**	**–**	**–**
Current lease liabilities	**(24.9)**	**(28.9)**	**(28.9)**	**–**	**–**	**–**
Current derivative financial instruments	**(1.1)**	**(1.1)**	**(1.1)**	**–**	**–**	**–**
Total	**(3,519.5)**	**(3,887.2)**	**(818.0)**	**(2,397.9)**	**(671.3)**	**–**
Net balance – liquidity risk (financial assets & liabilities)	**(2,205.9)**	**(2,573.2)**	**(627.6)**	**(2,385.0)**	**(671.0)**	**1,110.4**
Off-balance sheet future commitment to leasing of office space	**(25.4)**	**(31.6)**	**(2.3)**	**(13.6)**	**(15.7)**	**–**
Net balance – liquidity risk (including off-balance sheet)	**(2,231.3)**	**(2,604.8)**	**(629.9)**	**(2,398.6)**	**(686.7)**	**1,110.4**

33. Risk management continued

At 31 December 2019	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Due on demand/ undefined maturity
Assets						
Non-current trade and other receivables	6.7	6.7	0	6.6	0.1	–
Non-current derivative financial instruments	9.5	9.5	–	9.5	–	–
Other non-current financial assets	8.9	8.9	–	–	–	8.9
Current trade and other receivables	209	209	209	–	–	–
Current derivative financial instruments	3.5	3.5	3.5	–	–	–
Other current financial assets	19.2	19.2	19.2	–	–	–
Total	**256.8**	**256.8**	**231.7**	**16.1**	**0.1**	**8.9**
Cash	**763.7**	**763.7**	**–**	**–**	**–**	**763.7**
Liabilities						
Loans and borrowings	(2,351.9)	(2,688.0)	(146.2)	(2,394.2)	(147.6)	–
Non-current trade and other payables	(10.0)	(10.0)	–	(9.7)	(0.3)	–
Non-current lease liabilities	(59.9)	(72.2)	–	(35.3)	(36.9)	–
Non-current derivative financial instruments	(3.7)	(3.7)	–	(3.7)	–	–
Current trade and other payables	(265.7)	(265.7)	(265.7)	–	–	–
Current lease liabilities	(8.3)	(10.6)	(10.6)	–	–	–
Total	**(2,699.5)**	**(3,050.2)**	**(422.5)**	**(2,442.9)**	**(184.8)**	**–**
Net balance – liquidity risk	**(1,679.0)**	**(2,029.7)**	**(190.8)**	**(2,426.8)**	**(184.7)**	**772.6**

(d) Interest rate risk

Risks to the Group relating to changes in market interest rates primarily relate to the loans with floating interest rates. The Group monitors developments in financial markets. The risk of an increase in interest rates is continuously monitored and the use of standard instruments to eliminate the risk (for example, interest rate swaps) is considered (Note 30).

Interest rate sensitivity from the whole loan portfolio is not material. Certain interest rate exposures are hedged by interest rate swaps while other loans and bonds have a fixed interest rate. In relation to unhedged loans, an increase/decrease in interest rates (EURIBOR and PRIBOR) by 1 percentage point would cause an increase/decrease of interest cost by €9.2 million (2019: €4.5 million).

Loans and borrowings	**31/12/2020**	**% of total loans**	31/12/2019	% of total loans
Variable rate borrowings	**1,021.5**	**38.37%**	1,022.4	43.47%
Fixed rate borrowings – maturity dates:	**1,640.8**	**61.63%**	1,329.5	56.53%
less than 1	**31.3**	**1.18%**	8.4	0.36%
1-5 years	**1,117.8**	**41.99%**	1,321.1	56.17%
over 5 years	**491.7**	**18.47%**	**–**	**–**

(e) Currency risk

The Group is exposed to risks arising from foreign currency transactions. These risks arise from sales or purchases in currencies other than the functional currency.

The Group monitors currency risks and evaluates the potential impact of fluctuations in the currency exchange rates on the Group's operations. A significant part of the foreign exchange exposure is hedged either by natural hedging, e.g. using financing in the same currency as the revenues generated and incurring revenues and expenses in the same currency, or by using FX forward and swap contracts.

Notes to the consolidated financial statements continued

33. Risk management continued

Management also evaluates potential currency risks prior to the conclusion of significant contracts or business transactions.

The Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Foreign currency denominated intercompany receivables and payables are eliminated in the consolidated balance sheet but the effect on profit or loss of their currency revaluation is not fully eliminated, if the two group companies have different functional currencies. Therefore, the total amounts of exposure to foreign exchange risk is not equal to respective items reported on the consolidated balance sheet. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the tables below:

At 31 December 2020	EUR	CZK	USD	Other
Non-current trade and other receivables	**905.5**	**–**	**–**	**0.4**
Non-current derivative financial instruments	**–**	**–**	**–**	**–**
Other non-current financial assets	**–**	**–**	**1.3**	**12.2**
Current trade and other receivables	**61.7**	**–**	**–**	**3.0**
Current derivative financial instruments	**7.9**	**–**	**–**	**–**
Other current financial assets	**–**	**–**	**–**	**–**
Cash and cash equivalents	**28.4**	**–**	**0.8**	**28.8**
Total assets	**1,003.5**	**–**	**2.1**	**44.4**
Long-term loans and borrowings	**(1,714.1)**	**–**	**–**	**(1.2)**
Non-current lease liabilities	**–**	**–**	**–**	**(14.2)**
Non-current derivative financial instruments	**–**	**–**	**–**	**–**
Non-current trade and other payables	**–**	**–**	**(15.6)**	**–**
Short-term loans and borrowings	**(120.4)**	**–**	**–**	**(0.9)**
Current lease liabilities	**–**	**–**	**–**	**(2.4)**
Current trade and other payables	**(7.7)**	**–**	**(2.8)**	**(4.0)**
Total liabilities	**(1,842.2)**	**–**	**(18.4)**	**(22.7)**
Total	**(838.7)**	**–**	**(16.3)**	**21.7**

EUR risk exposure primarily relates to financing arrangements at the Company level, for which the functional currency is CZK.

Other comprises Swiss Franc (net exposure of €13.5 million) and Australian Dollar (net exposure of €7.4 million). Net exposure to other currencies is immaterial.

33. Risk management continued

At 31 December 2019	EUR	CZK	USD	Other
Non-current trade and other receivables	–	–	–	–
Non-current derivative financial instruments	–	–	–	–
Other non-current financial assets	–	–	–	–
Current trade and other receivables	261.2	–	–	0.1
Current derivative financial instruments	3.2	–	–	–
Other current financial assets	7.9	0.1	–	–
Cash and cash equivalents	36.4	–	0.4	–
Total assets	**308.7**	**0.1**	**0.4**	**0.1**
Long-term loans and borrowings	(664.1)	–	–	–
Non-current lease liabilities	–	–	–	–
Non-current derivative financial instruments	(1.0)	–	–	–
Non-current trade and other payables	–	–	–	–
Short-term loans and borrowings	(115.9)	–	–	–
Current lease liabilities	–	–	–	–
Current trade and other payables	(3.0)	(0.7)	(2.2)	(0.7)
Total liabilities	**(784.0)**	**(0.7)**	**(2.2)**	**(0.7)**
Total	**(475.3)**	**(0.6)**	**(1.8)**	**(0.6)**

A reasonably possible strengthening (weakening) of EUR, CZK and USD against all other currencies as of 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity, net of tax	
Effect in thousands of Euro	10% currency strengthening + profit/ – loss	10% currency weakening + profit/ – loss	10% currency strengthening + increase/ – decrease	10% currency weakening + increase/ – decrease
31/12/2020				
CZK	(39.1)	39.1	(36.3)	36.3
EUR	–	–	–	–
USD	(1.6)	1.6	–	–
31/12/2019				
CZK	(0.1)	0.1	–	–
EUR	3.7	(3.7)	(41.5)	41.5
USD	(0.2)	0.2	–	–

Notes to the consolidated financial statements continued

33. Risk management continued

(f) Fair value measurement

This Group holds the following financial assets and liabilities:

Carrying amount of financial assets and liabilities	31/12/2020	31/12/2019
Assets		
Financial assets at amortised cost	**1,074.9**	**1,000.8**
Non-current trade and other receivables	**12.9**	29.5
Other non-current financial assets	**7.4**	2.2
Current trade and other receivables	**177.7**	212.4
Other current financial assets	**4.7**	19.2
Cash and cash equivalents	**872.2**	763.7
Financial assets at fair value through other comprehensive income (FVOCI)	**11.9**	**–**
Other non-current financial assets	**11.9**	–
Financial assets at fair value through profit or loss (FVTPL)	**226.8**	**19.7**
Other non-current financial assets	**180.3**	6.7
Non-current derivative financial instruments	**–**	9.5
Other current financial assets	**38.6**	–
Current derivative financial instruments	**7.9**	3.5
Total	**1,313.6**	**1,020.5**
Liabilities		
Financial liabilities at amortised cost	**(3,515.7)**	**(2,695.8)**
Long-term loans and borrowings	**(2,533.3)**	(2,252.5)
Non-current trade and other payables	**(132.3)**	(10.0)
Non-current lease liabilities	**(118.8)**	(59.9)
Short-term loans and borrowings	**(129.0)**	(99.4)
Current trade and other payables	**(577.4)**	(265.7)
Current lease liabilities	**(24.9)**	(8.3)
Financial liabilities at fair value through profit or loss (FVTPL)	**(3.8)**	**(3.7)**
Non-current derivative financial instruments	**(2.7)**	(3.7)
Current derivative financial instruments	**(1.1)**	–
Total	**(3,519.5)**	**(2,699.5)**

The Group considers that all carrying amounts of financial assets and liabilities at amortised cost are a reasonable approximation of fair values.

To provide an indication about the reliability of inputs used in determining fair value the Group has classified its financial instruments into three levels prescribed under the accounting standards (see Note 1.e).

2020	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**218.9**	**–**	**207.6**	**11.3**
Financial assets at fair value through other comprehensive income	**11.9**	**–**	**–**	**11.9**
Financial derivative assets	**7.9**	**–**	**7.9**	**–**
Financial derivative liabilities	**(3.8)**	**–**	**(3.8)**	**–**
Total	**234.9**	**–**	**211.7**	**23.2**

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the year 2020.

33. Risk management continued

2019	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	6.7	–	–	6.7
Financial derivative assets	13.0	–	13.0	–
Financial derivative liabilities	(3.7)	–	(3.7)	–
Total	**16.0**	**–**	**9.3**	**6.7**

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the year 2019.

The following table presents the changes in Level 3 items for the periods ended 31 December 2020 and 31 December 2019:

	2020	2019
Opening balance	**6.7**	**2.2**
Acquisitions	**9.1**	4.5
Reclassification from equity method investee (see Note 22)	**16.2**	–
Revaluation to fair value through other comprehensive income	**(4.3)**	–
Disposals	**(4.5)**	–
Closing balance	**23.2**	**6.7**

Level 3 FVTPL instruments comprises the Group's investment in equity shares where the shares are not publicly traded. The investment is presented at fair value, where the best estimate of fair value is transaction cost. Available resources to assess the change in fair value were monitored, but there is no indication of the change of fair value. Therefore, there is no impact on profit or loss from revaluation of Level 3 investments.

The fair values of financial derivatives fulfil the criteria of Level 2 in compliance with the IFRS 13 hierarchy.

Valuation techniques used to value financial instruments include:

- For Interest rate swaps – the present value of estimated future cash flows based on observable yield curves;
- For FX forwards and FX swaps – the present value of future cash flows based on forward exchange rates at the balance sheet date.

The Group's exposure to various risks associated with the financial instruments is presented in Note 30.

(g) Capital management

The Group aims to maximise shareholder value, to maintain access to diversified sources of capital to finance its operating and business development needs, and to ensure financial resilience.

During 2019 and 2020 the Group fulfilled all the conditions required by its external financing arrangements. Key financial ratios in the Group's external financing arrangements are based on the ratio of EBITDA to net debt and interest cover ratio.

Notes to the consolidated financial statements continued

34. Related parties

Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party. Relations between the Group and its related parties include relations with companies related through common shareholders or Directors and Key management of the Company.

Related parties other than the shareholder comprises other companies owned by the Group's shareholder KKCG AG.

All material transactions with related parties were carried out on an arm's length basis.

There were no material transactions with equity method investees (see Note 20) in the current year or in the prior year, except for dividends declared of €95.9 million in 2020 (31 December 2019: €90.1 million) and reserve distributions of €7.6 million (31 December 2019: €47.8 million).

(a) Outstanding related party balances as of 31 December 2020 and 31 December 2019

The following tables present outstanding receivables and payables from related parties of the Group as of 31 December 2020 and 31 December 2019:

Outstanding balance with parent	**31/12/2020**	31/12/2019
Assets		
Current trade and other receivables	**0.1**	8.5
Liabilities		
Current trade and other payables	**–**	–

Outstanding balance with related parties of the Group other than parent	**31/12/2020**	31/12/2019
Assets		
Non-current trade and other receivables	**2.2**	1.4
Current financial assets	**–**	0.4
Current trade and other receivables	**0.3**	0.3
Liabilities		
Current trade and other payables	**1.0**	3.1

(b) Transactions with related parties of the Group for the years ended 31 December 2020 and 31 December 2019

The following tables present transactions with related parties of the Group with effect on the Consolidated statement of comprehensive income for the years ended 31 December 2020 and 31 December 2019:

Transactions with parent	**2020**	2019
Revenue from non-gaming activities	**0.2**	8.4
Materials, consumables and services	**(0.2)**	(0.2)
Interest income	**–**	0.2
Dividend paid	**(150.0)**	(149.1)

Transactions with related parties of the Group other than parent	**2020**	2019
Revenue from non-gaming activities	**0.1**	0.3
Other operating income	**0.2**	0.1
Materials, consumables and services	**(4.5)**	(7.1)
Marketing expenses	**(1.3)**	(0.2)
Other operating expenses	**(0.2)**	(0.4)
Interest income	**0.2**	0.2
Other finance income and expense	**(0.2)**	0.2

34. Related parties continued

(c) Transactions with members of the Company's Board of Directors, Supervisory Board and Executive Management for the years ended 31 December 2020 and 31 December 2019

Bonuses, remuneration and other personal expenses incurred in respect of members of the Board of Directors, Supervisory Board and key management personnel of the Company:

	2020		2019	
	Board of Directors and Supervisory Board	**Key management personnel**	Board of Directors and Supervisory Board	Key management personnel
Total remuneration	**1.2**	**1.6**	**2.7**	**3.4**

"Key management personnel" comprises the C-level management of the Company.

The following tables summarise the Group securities owned by members of the Board of Directors as of 31 December 2020:

	Minimum denomination	Number of notes	Total nominal value (in Euro)
SAZKA Group CZK bond	10,000 CZK	345	131,454
SAZKA Group Financing bond	1,000 EUR	25	25,000

	Number of shares	Total market value (in Euro)
OPAP shares	8,194	89,724

Notes to the consolidated financial statements continued

35. Group companies

Companies included in the consolidated group as of 31 December 2020 and 31 December 2019 and the Company's effective ownership interest are as follows.

The comparative information presents economic interest in entities within the CASAG subgroup, while the classification of entities as subsidiaries, joint ventures or associates is only valid for the period after CASAG became a subsidiary of the Group.

			Effective portion of ownership interest		
	Note	Country		31/12/2020	31/12/2019
Parent company:					
SAZKA Group a.s.		Czech Republic	n/a	n/a	n/a
Group companies:					
Austrian Gaming Holding a.s.		Czech Republic	subsidiary	100.00%	100.00%
CAME Holding GmbH		Austria	subsidiary	100.00%	100.00%
CASAG subgroup	(a)	Austria	subsidiary	59.80%	38.16%
AleaX AG		Liechtenstein	subsidiary	59.80%	–
Cachi Valle Aventuras S.A.**		Argentina	subsidiary	59.80%	38.16%
CAI Hungary Kft.		Hungary	subsidiary	32.89%	20.99%
CAI Ontario Inc.**		Canada	subsidiary	59.80%	38.16%
CAIO AG		Switzerland	subsidiary	59.80%	38.16%
CAIO DK ApS		Denmark	subsidiary	59.80%	38.16%
Casino Copenhagen K/S		Denmark	joint venture	29.90%	19.08%
Casino Event Immobilien GmbH		Germany	subsidiary	59.80%	38.16%
Casino Lugano S.A.		Switzerland	associate	17.20%	10.97%
Casino Marienlyst A/S		Denmark	joint venture	29.90%	19.08%
Casino Munkebjerg Vejle A/S		Denmark	joint venture	29.90%	19.08%
Casino Sopron Kft.		Hungary	subsidiary	32.89%	20.99%
Casino St. Moritz AG		Switzerland	subsidiary	59.80%	38.16%
Casino Vesterport Copenhagen K/S		Denmark	joint venture	29.90%	19.08%
Casinoland IT-Systeme GmbH		Germany	subsidiary	59.80%	38.16%
Casinos Austria (Swiss) AG		Switzerland	subsidiary	59.80%	38.16%
Casinos Austria AG Liegenschaftsverwaltungs- und Leasing GmbH		Austria	subsidiary	59.80%	38.16%
Casinos Austria International (Cairns) Pty Ltd.		Australia	joint venture	29.90%	19.08%
Casinos Austria International (Mazedonien) Holding GmbH		Austria	subsidiary	59.80%	38.16%
Casinos Austria International Belgium S.A.		Belgium	subsidiary	59.80%	38.16%
Casinos Austria International GmbH		Austria	subsidiary	59.80%	38.16%
Casinos Austria International Holding GmbH		Austria	subsidiary	59.80%	38.16%
Casinos Austria International Ltd.		Australia	subsidiary	59.80%	38.16%
Casinos Austria International Mazedonia d.o.o.		Macedonia	joint venture	20.93%	13.36%
Casinos Austria Liechtenstein AG		Liechtenstein	subsidiary	59.80%	38.16%
Casinos Austria Management AG	(b)	Switzerland	subsidiary	–	38.16%
Casinos Austria Management GmbH		Austria	subsidiary	59.80%	38.16%
Casinos Austria Maritime Corp.**		USA	subsidiary	59.80%	38.16%
Casinos Austria VLT AG		Switzerland	subsidiary	59.80%	38.16%
Casinos Austria of Egypt AG		Liechtenstein	joint venture	29.90%	19.08%
Casinos Denmark A/S		Denmark	joint venture	29.90%	19.08%
Casinos Odense K/S		Denmark	subsidiary	59.80%	38.16%

35. Group companies continued

	Note	Country		Effective portion of ownership interest 31/12/2020	31/12/2019
CAST Casinos Austria Sicherheitstechnologie GmbH		Austria	subsidiary	59.80%	38.16%
CCB Congress Center Baden Betriebsgmbh		Austria	subsidiary	53.22%	33.96%
Cocino GmbH		Germany	joint venture	28.11%	17.94%
Complejo Monumento Güemes S.A.**		Argentina	subsidiary	59.80%	38.16%
Cuisino Ges.m.b.H.		Austria	subsidiary	59.80%	38.16%
Entretenimientos y Juegos de Azar S.A.**		Argentina	subsidiary	59.76%	38.14%
Fortuna 1 Aps		Denmark	subsidiary	59.80%	38.16%
Glücksrad Kft.		Hungary	joint venture	29.30%	18.70%
Grand Casino Kursaal Bern AG	(c)	Switzerland	FVOCI	–	5.15%
Great Blue Heron Gaming Company**		Canada	subsidiary	43.06%	27.48%
Inmobiliaria Ovalle S.A.		Chile	subsidiary	59.80%	38.16%
Inversiones Anacaldo S.A. i.L.		Chile	associate	14.95%	9.54%
Leisure & Entertainment S.A.**		Argentina	subsidiary	59.80%	38.16%
LIE2 AG		Liechtenstein	subsidiary	59.80%	38.16%
National Videolottery of the Rep. of Macedonia-Casinos Austria LLC-Skopje		Macedonia	joint venture	10.26%	6.54%
ÖLG Holding GmbH		Austria	subsidiary	59.80%	38.16%
Österreichische Lotterien GmbH subgroup		Austria	subsidiary	53.60%	37.62%
Deutsche Sportwetten GmbH		Germany	subsidiary	34.17%	25.23%
Glücks- und Unterhaltungsspiel BetriebsgesmbH		Austria	subsidiary	53.60%	37.62%
Österreichische Sportwetten GmbH		Austria	subsidiary	34.17%	25.23%
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.		Austria	subsidiary	53.60%	37.62%
Rabcat Computer Graphics GmbH		Austria	subsidiary	51.39%	36.22%
Win2day International GmbH		Austria	subsidiary	53.60%	37.62%
WinWin International GmbH		Austria	subsidiary	53.60%	37.62%
Reef Casino Investments Pty Ltd.		Australia	joint venture	29.90%	19.08%
Reef Casino Trust		Australia	joint venture	25.12%	16.03%
Reef Corporate Services Ltd.		Australia	joint venture	29.90%	19.08%
Revolutionary Technology Systems AG		Switzerland	joint venture	29.90%	19.08%
Spielbanken Niedersachsen GmbH		Germany	subsidiary	59.80%	38.16%
Viage Productions S.A.		Belgium	subsidiary	59.80%	38.16%
CLS Beteiligungs GmbH*		Austria	associate	66.67%	66.67%
Emma Delta Finance Plc	(d)	Cyprus	subsidiary	–	75.48%
IGH Financing a.s.	(e)	Czech Republic	subsidiary	–	100.00%
Italian Gaming Holding a.s.		Czech Republic	subsidiary	100.00%	100.00%
LOTTOITALIA S.r.l.		Italy	associate	32.50%	32.50%
LTB Beteiligungs GmbH*		Austria	associate	66.67%	66.67%
Medial Beteiligungs GmbH	(f)	Austria	subsidiary	100.00%	99.66%
OPAP S.A. subgroup	(g)	Greece	subsidiary	36.10%	31.99%
Daedalus Technologies FZC	(h)	Dubai	subsidiary	24.45%	–
Hellenic Lotteries S.A.		Greece	subsidiary	30.14%	26.71%
Horse Races Single-Member S.A. (formerly Horse Races S.A.)		Greece	subsidiary	36.10%	31.99%

Notes to the consolidated financial statements continued

35. Group companies continued

				Effective portion of ownership interest	
	Note	Country		31/12/2020	31/12/2019
Neurosoft S.A.		Greece	subsidiary	24.45%	21.66%
OPAP Cyprus Ltd		Cyprus	subsidiary	36.10%	31.99%
OPAP International Ltd		Cyprus	subsidiary	36.10%	31.99%
OPAP Investment Ltd		Cyprus	subsidiary	36.10%	31.99%
OPAP Sports Ltd		Cyprus	subsidiary	36.10%	31.99%
Stoiximan	(i)	Malta	business unit	30.50%	11.75%
Kaizen Gaming Limited (formerly TCB Holdings Ltd)*		Malta	associate	13.27%	11.75%
Tora Direct Single-Member S.A. (formerly Tora Direct S.A.)		Greece	subsidiary	36.10%	31.99%
Tora Wallet Single-Member S.A. (formerly Tora Wallet S.A.)		Greece	subsidiary	36.10%	31.99%
RUBIDIUM HOLDINGS LIMITED		Cyprus	subsidiary	100.00%	100.00%
SAZKA a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Asia a.s.		Czech Republic	subsidiary	100.00%	100.00%
Sazka Asia Vietnam Company Limited**		Vietnam	subsidiary	100.00%	100.00%
SAZKA Czech a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD)	(j)	Cyprus	subsidiary	78.64%	75.48%
SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited)	(j)	Cyprus	subsidiary	78.64%	75.48%
SAZKA Delta Management Ltd (formerly Emma Delta Management Ltd)	(k)	Cyprus	subsidiary	66.70%	66.70%
Sazka Distribution Vietnam Company Limited**		Vietnam	subsidiary	100.00%	100.00%
SAZKA FTS a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Group CZ a.s.	(l)	Czech Republic	subsidiary	100.00%	–
SAZKA Group Financing a.s.		Slovakia	subsidiary	100.00%	100.00%
SAZKA Group Financing (Czech Republic) a.s. (formerly SAZKA Group Holding a.s.)	(m)	Czech Republic	subsidiary	100.00%	–
SAZKA Group Russia LLC	(n)	Russia	subsidiary	–	100.00%
SAZKA Group UK Limited (formerly KKCG UK Limited)	(o)	United Kingdom	subsidiary	100.00%	–
SAZKAmobil 5G a.s. (formerly Italian GNTN Holding a.s.)		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Services s.r.o. (formerly Kavárna štěstí s.r.o.)		Czech Republic	subsidiary	100.00%	100.00%
SPORTLEASE a.s.		Czech Republic	subsidiary	100.00%	100.00%
Vitalpeak Limited**		Cyprus	subsidiary	100.00%	100.00%

* The equity method investees comprise a group of entities.
** Companies in liquidation.

(a) On 31 December 2019, the Group owned a 38.16% share in Casinos Austria AG, which was presented as an equity method investee. On 26 June 2020, the Group acquired an additional 17.19% share and from that date Casinos Austria AG and its subsidiaries are fully consolidated. See Note 5.a.

(b) On 22 October 2020, Casinos Austria Management AG merged with Casinos Austria (Swiss) AG.

35. Group companies continued

(c) Grand Casino Kursaal Bern AG is a financial investment of CASAG revaluated through other comprehensive income (FVOCI). It is considered as part of CASAG subgroup, even though CASAG does not exercise significant influence over the entity following impact of change of control clauses after the acquisition of CASAG by the Group.

(d) On 18 January 2020, Emma Delta Finance Plc was liquidated.

(e) On 1 June 2020, IGH Financing a.s. was liquidated.

(f) On 26 June 2020, the Group acquired an additional 0.34% share in Medial Beteiligungs GmbH. The increase represents an increase in share in the company without change of control. This additional purchase is presented as "Purchase of NCI in subsidiaries" in the Consolidated statement of cash flows.

(g) During 2020 the Group has increased its economic interest in OPAP S.A. For detailed description please see Note 2.3.

(h) On 31 March 2020, Daedalus Technologies FZC was acquired by Neurosoft S.A.

(i) Stoiximan does not have a separate legal form, but represents a business unit of Kaizen Gaming Limited (formerly TCB Holdings Ltd). It is envisioned that the Stoiximan will be legally separated in 2021. The Group consolidates Stoiximan from 18 November 2020 see Note 5.b.

(j) The controlling interest in SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD) ("SDVCIC ") is represented by the 100% of its voting rights held by SAZKA Delta Management Ltd (formerly Emma Delta Management Ltd). However, the economic interest attributable to the Group comprises the 78.64% (31 December 2019: 75.48%) of its investor shares owned by RUBIDIUM HOLDINGS LIMITED. As of 2 October 2020, the Group increased its economic interest in SDVCIC by 3.16% from 75.48% to 78.64%.

(k) 66.70% represents voting shares, the Group's economic interest in Sazka Delta Management is 78.64% (31 December 2019: 75.48%).

(l) On 10 December 2020, the Group set up a new 100% subsidiary, SAZKA Group CZ a.s. by means of acquiring a shelf company.

(m) On 25 November 2020, the Group set up a new 100% subsidiary, SAZKA Group Financing (Czech Republic) a.s. (formerly SAZKA Group Holding a.s.) by means of acquiring a company which had previously not carried out any economic activity.

(n) On 27 March 2020, SAZKA Group Russia LLC was sold. Impact of the sale was immaterial.

(o) On 20 May 2020, SAZKA Group UK Limited (formerly KKCG UK Limited) was acquired from KKCG AG.

36. Subsequent events

Strategic

So far in 2021 the Company increased its direct shareholding in OPAP by 1.21% to 11.43% through market purchases, as a result of which the Group's shareholding in OPAP increased to 44.33% and its economic interest to 37.30%.

On 27 January 2021, the Group acquired a 4.31% shareholding in Casinos Austria AG following the execution of a call option. As of 31 December 2020 Group recognised payable of €24.3 million.

On 26 March 2021, KKCG AG and the Company announced that funds managed by affiliates of Apollo Global Management, Inc. had completed the investment of €500 million in the Company announced on 10 November 2020. The investment was effected through an investment into SAZKA Entertainment AG, a newly established subsidiary of KKCG, which is now the 100% owner of the Company.

Notes to the consolidated financial statements continued

36. Subsequent events continued

Financing

On 24 March 2021, LOTTOITALIA S.r.l. declared a dividend of €152.4 million and distribution of premium reserve of €23.3 million. The Group received its share of €57.1 million on 30 March 2021.

On 30 March 2021, Österreichische Lotterien GmbH declared a dividend to be distributed in two instalments. The first part, of €60.7 million, was paid in April 2021 and the second part, of €30.3 million, is to be paid in October 2021.

On 31 March 2021, OPAP S.A. announced the management proposes the distribution of dividend of €0.45 per share.

Other

According to the Hellenic Lotteries S.A.' concession agreement, it has to pay 30% of annual GGR to the Greek state, subject to a €50 million minimum annual amount. . Hellenic Lotteries S.A. believes the €50.0 million minimum annual fee is not applicable for 2020 as the force majeure clause in the concession agreement was triggered by the pandemic-related restrictions imposed by the Greek state, and only €12.3 million (30% of actual 2020 GGR) is payable. Hellenic Lotteries S.A. has therefore filed a request for arbitration. As a prudent measure, the Group recorded a gaming taxes expenses for this outstanding liability of €37.7 million as of 31 December 2020.

COVID-19 update

In late October/early November 2020, a number of regions in Europe implemented tighter COVID-19 related restrictions. A number of these restrictions have continued into 2021.

While all our online channels continue to operate without interruption, our physical retail networks have to various degrees been affected by these restrictions, with a very limited impact in Austria (with the exception of casino operations), the Czech Republic and Italy but a greater impact in Greece and Cyprus and at casino operations in Austria and internationally.

The extent of the financial impact will largely depend on the duration of the current wave of the outbreak and the extent and nature of resulting restrictions. Below is a brief overview of the current situation in our main markets:

Austria: The Austrian Government imposed a number of restrictions from November 2020. Some of these restrictions have since been eased but a curfew and mandatory early closing for shops remain in force.

As was the case during the restrictions in force in H1 2020, these measures have had a limited impact on the availability of Austrian Lotteries products through its land-based channels.

Austrian Lotteries' online gaming offerings remain available to the public as normal. They include draw based games (including Austrian Lotteries' major products Lotto and EuroMillions), and online casino, poker, and sports betting.

CASAG had closed all its casinos and gaming halls in Austria in accordance with the restrictions but has recently reopened two casinos. Most of CASAG's international casinos are also closed.

Czech Republic: The Czech Government imposed a number of restrictions from late October 2020. However, in recent weeks, some of the restrictions have been eased.

As was the case in H1 2020, and similar to the impact of similar restrictions on Austrian Lotteries, these measures have had a very limited impact on the availability of our products through land-based channels, as key categories of points of sale (including newsstands, convenience stores and post offices) have remained open throughout the period.

Our online gaming offerings remain available to the public as normal. We are continuing to promote the use of our online platforms for lottery products as well as digital-only offerings. In 2020, 31.5% of our sales were via digital channels.

36. Subsequent events continued

Greece and Cyprus: Beginning in early November 2020, the Greek Government introduced a series of measures including nationwide and regional restrictions on the operation of various categories of retail and other venues. These restrictions resulted in total or partial shutdown of OPAP stores and gaming halls at various times.

OPAP's agents' stores reopened in almost all regions in April 2020, although VLTs and gaming halls remain shut.

During periods when the store network was shut, OPAP's online offerings continued to be available, offering an extended range of products (sports betting, Tzoker, virtual games and Digital-only Games) after the expansion of OPAP's online offering in 2020. At the same time, the full range of Stoiximan's products is available.

Retail activity in Cyprus had mostly reopened in 2021 but has recently been shut once again.

Italy: The Italian Government announced a number of new provisions from early November 2020 and some of these have continued into 2021.

However, LOTTOITALIA continues to offer its games (which were suspended by the regulator during the first wave) and convenience stores (LOTTOITALIA's largest category of points of sale) remain open in all regions.

Date: 30 April 2021	Signature of the authorised representative: **Pavel Šaroch** Member of the Board of Directors **Robert Chvátal** Member of the Board of Directors

Separate statement of comprehensive income

	Note	For 2020	For 2019
Revenue from services	5	**77.9**	245.7
Dividend income	6	**2,699.3**	4,490.7
Gain from the sale of securities	7	**396.0**	7,799.6
Other operating income		**0.3**	0.5
Materials, consumables and services	8	**(365.8)**	(740.2)
Marketing services		**(32.5)**	(20.8)
Personnel expenses	9	**(96.2)**	(62.9)
Other operating expenses		**(10.5)**	(19.6)
Depreciation and amortization		**(7.1)**	(6.7)
Profit from operating activities		**2,661.4**	**11,686.3**
Interest income	10	**405.6**	152.0
Interest expense	10	**(1,179.5)**	(433.6)
Other finance expense	10	**(512.1)**	(1,002.2)
Finance costs, net		**(1,286.0)**	**(1,283.8)**
Profit before tax		**1,375.4**	**10,402.5**
Income tax expense	11	**(114.3)**	0.1
Profit after tax		**1,261.1**	**10,402.6**
Total comprehensive income		**1,261.1**	**10,402.6**

The Notes on pages 150 to 182 are an integral part of these separate financial statements.

Separate statement of financial position

	Note	31/12/2020	31/12/2019	1/1/2019
Assets				
Intangible assets		**0.1**	0.2	0.1
Property, plant and equipment		**6.7**	16.0	25.0
Investment in subsidiaries	12	**35,068.8**	32,928.5	28,264.2
Loans provided	13	**18,444.7**	–	–
Trade and other receivables		**0.2**	–	0.2
Other financial assets		**–**	113.1	–
Deferred tax asset		**0.1**	0.1	–
Total non-current assets		**53,520.6**	**33,057.9**	**28,289.4**
Loans provided	13	**755.0**	4,858.2	3,880.5
Trade and other receivables	14	**317.1**	274.5	2.9
Derivative financial instruments	19	**206.2**	80.1	–
Current tax asset		**–**	5.7	5.7
Cash and cash equivalents	15	**487.3**	1,258.9	681.0
Total current assets		**1,765.6**	**6,474.4**	**4,570.1**
Total assets		**55,286.2**	**39,535.3**	**32,859.5**
Liabilities				
Loans and borrowings	17	**36,881.1**	18,450.0	6,788.8
Lease liabilities		**–**	9.3	18.0
Total non-current liabilities		**36,881.1**	**18,459.3**	**6,806.8**
Loans and borrowings	17	**1,708.5**	1,881.3	15.0
Lease liabilities		**6.7**	6.4	6.8
Trade and other payables	18	**254.3**	141.6	2,781.0
Employee benefit liabilities		**29.0**	14.2	8.8
Derivative financial instruments		**–**	–	2.1
Current tax liability		**108.6**	0.6	3.7
Total current liabilities		**2,107.1**	**2,044.1**	**2,817.3**
Total liabilities		**38,988.2**	**20,503.4**	**9,624,1**
Equity				
Share capital	16	**2.0**	2.0	2.0
Capital contributions	16	**1,418.7**	1,418.7	12,197.1
Retained earnings		**16,298.0**	17,611.1	11,036.3
Total equity		**16,298.0**	**19,031.9**	**23,235.4**
Total equity and liabilities		**55,286.2**	**39,535.3**	**32,859.5**

The Notes on pages 150 to 182 are an integral part of these separate financial statements.

Separate statement of changes in equity

	Note	Share capital	Capital contributions	Retained earnings and profit for the year	Total equity
Balance at 1 January 2020		**2.0**	**1,418.7**	**17,611.1**	**19,031.9**
Profit for the year		**–**	**–**	**1,261.1**	**1,261.1**
Total comprehensive income for the year		**–**	**–**	**1,261.1**	**1,261.1**
Dividends declared	**16**	**–**	**–**	**(3,995.9)**	**(3,995.9)**
Other movements in equity		**–**	**–**	**0.9**	**0.9**
Total transactions with owners		**–**	**–**	**(3,995.0)**	**(3,995.0)**
Balance at 31 December 2020	**16**	**2.0**	**1,418.7**	**14,877.2**	**16,298.0**

	Note	Share capital	Capital contributions	Retained earnings and profit for the year	Total equity
Balance at 1 January 2019		**2.0**	**12,197.1**	**11,036.3**	**23,235.4**
Profit for the year		–	–	10,402.7	10,402.7
Total comprehensive income for the year		**–**	**–**	**10,402.7**	**10,402.7**
Dividends declared	16	–	–	(3,827.0)	(3,827.0)
Distribution of Capital contributions	16	–	(10,779.2)	–	(10,799.2)
Other movements in equity			0.9	(0.9)	–
Total transactions with owners		**–**	**(10,778.3)**	**(3,827.9)**	**(14,606.2)**
Balance at 31 December 2019	16	**2.0**	**1,418.7**	**17,611.1**	**19,031.9**

The Notes on pages 150 to 182 are an integral part of these separate financial statements.

Separate statement of cash flows

	Note	For 2020	For 2019
Operating activities			
Profit (+) for the year		**1,261.1**	10,402.6
Adjustments for:			
Income tax expense		**114.3**	(0.1)
Depreciation and amortization		**7.1**	6.7
Gain (–) from the sale of securities	10	**(396.0)**	(7,799.6)
Net interest expense (+)	10	**773.9**	281.5
Net FX losses (+)	10	**329.8**	50.1
Dividend income	6	**(2,699.3)**	(4,490.7)
Other non-monetary transaction		**(55.2)**	35.2
Operating result before changes in working capital and provisions		**(664.3)**	**(1,514.3)**
Increase (+) in provisions		**12.1**	6.3
Increase (–)/decrease (+) in trade receivables and other assets		**21.1**	(464.7)
Increase (+)/decrease (–) in trade and other payables		**114.2**	(2,642.2)
Cash generated from (+)/used in (–) operating activities		**(516.9)**	**(4,615.0)**
Interest paid		**(1,111.6)**	(243.6)
Income tax paid		**(0.7)**	(3.0)
Cash generated used in (–) operating activities		**(1,629.2)**	**(4,861.6)**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		**(1.1)**	(0.8)
Acquisition of investments	12	**(3,373.9)**	(6,074.2)
Proceeds from sale of investments	12	**558.8**	7,799.7
Proceeds from sale of property, plant and equipment and intangible assets		**3.5**	–
Dividends and other distributions received	6	**3,693.3**	5,900.5
Interest income received		**274.2**	121.7
Loans provided		**(8,709.5)**	(5,019.6)
Repayment of loans provided		**–**	905.0
Assignment of loans provided	13	**–**	2,975.5
Net cash generated from (+)/used in (–) investing activities		**(7,554.7)**	**6,607.8**
Financing activities			
Dividends paid	16	**(3,995.9)**	(3,827.0)
Loans and borrowings received	17	**16,527.1**	13,674.0
Repayment of loans and borrowings	17	**(4,115.8)**	(236.0)
Distribution of capital contributions	16	**–**	(10,779.2)
Repayment of principal element of lease liabilities		**(6.7)**	(6.2)
Net cash generated from (+)/used in (–) financing activities		**8,408.7**	**(1,174.4)**
Net decrease (–)/increase (+) in cash and cash equivalents		**(775.4)**	**571.9**
Effect of currency translation on cash and cash equivalents		**3.8**	6.0
Cash and cash equivalents at the beginning of the year	15	**1,258.9**	**681.0**
Cash and cash equivalents at the end of the year	15	**487.3**	**1,258.9**

The Notes on pages 150 to 182 are an integral part of these separate financial statements.

Notes to the separate financial statements
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1. General information about the Company

1.1 Description

SAZKA Group a.s. (the "Company") was established on 2 April 2012 and registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161. The Company's registered office is at Vinohradská 1511/230, Strašnice, 100 00 Praha 10, and its Identification Number is 242 87 814. The Company carries out management, strategic business development and financing activities for the Group (the "Group" means SAZKA Group a.s. together with its subsidiaries, joint ventures and associates) and holds interests in other Group companies.

The immediate parent of the Company as of 31 December 2020 was KKCG AG and its ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION. On 17 March 2021, SAZKA Entertainment AG, an entity 100% owned by KKCG AG, became the immediate parent of the Company.

1.2 Principal activity

The Company's principal activity is the strategic management and development of companies directly or indirectly controlled by the Company.

1.3 Statutory body and Supervisory Board

The Board of Directors as of 31 December 2020:

Chairman of the Board of Directors:	Karel Komárek
Member of the Board of Directors:	Pavel Šaroch
Member of the Board of Directors:	Robert Chvátal
Member of the Board of Directors:	Katarína Kohlmayer

Supervisory Board as aof 31 December 2020:

Chairman of the Supervisory Board:	Tomáš Porupka

1.4 Shareholder as of 31 December 2020

KKCG AG	100% (sole shareholder)

Registered office:
Kapellgasse 21,
6004 Luzern
Switzerland

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with IFRS as adopted by the European Union ("IFRS"). The Company prepares financial statements in accordance with IFRS for the first time for the period ended 31 December 2020.

The accounting policies described in Note 3 were used in preparing the separate financial statements for the year ended 31 December 2020 and in preparing the comparative information as of 31 December 2019 and 1 January 2019.

The Company also prepared consolidated IFRS financial statements for the same period.

These separate financial statements were approved by the board of directors on 30 April 2021.

(b) First time adoption of IFRS

These separate financial statements of SAZKA Group a.s. have been prepared for the first time in accordance with IFRS as adopted by the European Union. The decisive day of transition to IFRS is 1 January 2019. The Company has applied the accounting policies stated in Note 3 to all accounting periods presented in these financial statements. The Company adopted IFRS due to regulatory requirements in connection with certain of its bonds (based on paragraph 19a of the Act on Accounting 563/1991).

In preparing the opening statement of financial position in accordance with IFRS, the Company restated the carrying amounts reported previously under Czech Accounting Standards.

Notes to the separate financial statements continued

2. Basis of preparation continued

See Note 4 for detailed information about the transition.

(c) Basis of measurement

The separate financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

The Company is consistent in applying the accounting policies described below.

(d) Functional and presentation currency

These IFRS separate financial statements are presented in Czech Crown (CZK), which constitutes the Company's functional currency. All financial information is presented in millions of CZK with one decimal place and rounded to the nearest hundred thousand, unless stated otherwise.

Any differences between the amounts included in the separate financial statements and the respective amounts included in the notes are attributable to rounding.

(e) Measurement of fair values

A number of the Company´s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is defined as 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 under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Fair values are obtained, as appropriate, from quoted market prices, discounted cash flow projections and other valuation models.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) Significant estimates and judgements

The Company has made several significant accounting estimates and judgments. The Group describes these accounting estimates and judgements in detail in the relevant sections of the Notes.

The Company has made significant accounting estimates related to impairment of financial investments (see Note 12).

The Company has made a significant accounting judgment related to de-facto control over OPAP S.A., classifying the investment as a subsidiary (see Note 12).

(g) Standards, interpretations and amendments issued before 31 December 2020 but not yet effective

The following standards, amendments and interpretations are not yet effective and are not expected to have a significant impact on the Company's separate financial statements.

Documents that have been endorsed by the EU:

i. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark ("IBOR") reform Phase 2

The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces an interest rate benchmark with an alternative benchmark as a result of the reform. More specifically, the amendments relate to how a company will account for changes in the contractual cash flows of financial instruments, how it will account for the change in its hedging relationships and the information it should disclose.

The IASB effective date of is 1 January 2021. The Company is evaluating the impact of adoption of this amendment.

2. Basis of preparation continued

ii. Amendments to IFRS 16 "Leases" – COVID-19 related rent concessions beyond 30 June 2021

The amendment provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would for changes which are not considered lease modifications.

This amendment is expected to be endorsed after its effective date. The IASB effective date is 1 April 2021.

The Company is evaluating the impact of adoption of this amendment.

Documents not yet endorsed by the EU:

i. IFRS 17 "Insurance contracts"

IFRS 17 was issued in May 2017 as replacement for IFRS 4 "Insurance contracts". It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- Discounted probability-weighted cash flows,
- An explicit risk adjustment, and
- A contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the Statement of profit or loss or directly in Other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the separate financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2023. The original effective date of 1 January 2021 was amended based on the fact that amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023) were issued.

The Company does not expect IFRS 17 to have a significant impact on the Company's separate financial statements.

ii. Amendments to IAS 1 "Presentation of financial statements" – Classification of liabilities as current or non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists, and management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.

The amendments clarify the situations that are considered settlement of a liability.

The amendments are expected to be endorsed before their effective date. The IASB effective date is 1 January 2023. The original effective date of 1 January 2022 was amended based on the fact that the Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023) were issued.

The Company is evaluating the impact of these amendments.

Notes to the separate financial statements continued

2. Basis of preparation continued

iii. Amendments to IFRS 3 "Business combination" – Reference to "Conceptional framework" & Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent Assets" – cost of fulfilling a contract

Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the "Conceptual Framework" for financial reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Interpretation 21 "Levies". The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Company does not expect these amendments to have a significant impact on the Company's separate financial statements.

iv. Annual Improvements 2018 – 2020

The following improvements were finalised in May 2020:

- IFRS 9 "Financial Instruments" – clarifies which fees should be included in the 10% test for derecognition of financial liabilities; and
- IFRS 16 "Leases" – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives; and
- IFRS 1 "First time Adoption of International Financial Reporting Standards" – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to joint ventures and associates that have taken the same IFRS 1 exemption; and
- IAS 41 "Agriculture" – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Company does not expect these amendments to have a significant impact on the Company's separate financial statements.

v. Amendments to IAS 1 "Presentation of financial statements" – disclosure of accounting policies

The amendments require companies to disclose their material accounting policy information and provide guidance on how to apply the concept of materiality to accounting policy disclosures.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2023.

The Company is evaluating the impact of adoption of these amendments.

vi. Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – definition of accounting estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2023.

The Company is evaluating the impact of adoption of this amendment.

vii. Amendments to IAS 16 "Property, Plant and Equipment" ("PPE")

The amendment prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

2. Basis of preparation continued

It is expected to be endorsed before its effective date. The IASB effective date is 1 January 2022.

The Company does not expect these amendments will have a significant impact on the Company's separate financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the accounting periods presented in these separate financial statements, unless otherwise indicated.

(a) Revenue recognition

Revenues are recognised over time, which is generally the period through which the services are rendered and are stated net of discounts and value added tax. Services are accounted for as a single performance obligation which is satisfied over time because the customer simultaneously receives and consumes the benefits of the performance.

(b) Leases

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of the time in exchange for consideration. For such contracts, the lessee recognizes a right of use asset and a lease liability.

i. Lease payments

The Company applies exemptions for low value and short-term leases, for which the lease payments are recognised directly in other operating expenses, together with variable payments such as turnover rent, property taxes paid by the tenant and insurance paid by the tenant.

ii. Right of use assets and lease liabilities

Right of use assets are recognised in Property, plant and Equipment in the Statement of financial position.

A right of use of asset is initially measured in the amount of the recognized lease liability plus any lease payments made at or before the commencement date, less any lease incentives received. The initial measurement of the right of use assets is increased by the following items, when significant:

- Initial direct lease costs paid by the lessee; and
- Provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Lease liabilities are initially recognized at the present value of non-cancellable lease payments, including payments under any extension option, if there is reasonable certainty that the option will be exercised. Future lease payments are discounted using the interest rate implicit in the lease. Subsequently, lease liabilities are decreased by the lease payments and increased for lease interest expenses.

iii. Lease income

Income from the lease of non-residential premises, office space and movable assets is recognized as other operating income on a straight-line basis over the term of the lease.

(c) Dividend income (Note 6)

Dividends are recognised as of the date when the Company's right to receive the relevant income was established. Profit share prepayments are recognised in current profit or loss, i.e. in the period when the profit share prepayment was declared.

(d) Interest income, Interest expense, Other finance expense (Note 10)

Interest income is recorded for all debt instruments measured at amortized cost on an accrual basis using the effective interest method. This method defers, as part of interest income, all fees between the parties to the contract that are an integral part of the effective interest rate.

Interest expenses comprise interest expense on loans and borrowings, bonds and leases on an accrual basis using the effective interest rate method.

Notes to the separate financial statements continued

3. Significant accounting policies continued

Other finance income and expense comprise foreign exchange losses/gains and gains/losses on derivative instruments that are recognized in profit or loss.

(e) Income tax expense (Note 11)

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in Other comprehensive income or directly in equity, in which case it is recognized in Other comprehensive income or equity.

Current tax is the expected tax payable on taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference or tax loss carried forward can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, if there is an intention to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

(f) Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the exchange rate determined by the Czech National Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and presented net, except those which are recorded in equity for the purpose of hedging of investments. Investments in subsidiaries in foreign currencies are valued at the transaction date and are not subsequently revalued. Investments and securities measured at fair value are translated at the exchange rate at the balance sheet date and any foreign exchange translation difference is considered to be part of the fair value re-measurement.

(g) Investments in subsidiaries

Subsidiaries are those investees that the Company controls because the Company (i) has power to direct the relevant activities of the investees that significantly affect its returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of its returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee.

Investments in subsidiaries are carried at cost. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the subsidiaries at the time of their acquisition.

3. Significant accounting policies continued

Impairment losses are recognized using an allowance account. Allowances are recognized to write down the investment to present value of estimated expected future cash flows.

(h) Financial assets and liabilities

Amortised cost is the amount at which a financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and, for financial assets, less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

i. Financial assets at amortised costs

Amortised cost applies to instruments where the business model of the owner is to hold the financial asset to collect contractual cash flows and the contractual cash flows are solely payments of the principal amount and the interest.

The Company recognises the following financial assets at amortized cost: trade receivables, other receivables, loans provided and cash and cash equivalents.

Classification

Trade and other receivables, loans provided are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs.

Derecognition

The Company derecognizes trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

ii. Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or if the business model of the owner is to manage the financial asset on a fair value basis i.e. to realize the asset through sales as opposed to holding the asset to collect contractual cash flows. This category represents the "default" or "residual" category if the requirements to be classified as amortised cost or fair value through other comprehensive income ("FVOCI") are not met. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss in line "Other finance expense".

As of the balance sheet date the Company does not have any such financial instruments.

Notes to the separate financial statements continued

3. Significant accounting policies continued

iii. Financial derivatives

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its operational, financing and investment activities. Derivatives are presented as trading derivatives, as they do not qualify for hedge accounting.

Derivative financial instruments are recognized initially at fair value. Subsequently, derivative financial instruments are measured at fair value. Changes in the fair value of the derivatives are recognized immediately in profit or loss.

iv. Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, and lease liabilities. These financial liabilities are recognised initially on the settlement date at fair value plus any directly attributable transaction costs and subsequently at amortized costs.

The Company classifies as current any part of non-current loans and borrowings that is due within one year after the end of the reporting period.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

v. Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle the transaction on a net basis or realise the asset and the liability simultaneously.

vi. Financial guarantees

Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument or other contract. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

(i) Impairment and expected credit loss model

i. Non-financial assets and investments in subsidiaries

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, associates are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. 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. Fair value is estimated either with reference to an active market (for publicly traded entities), or using market multiple method. Costs of disposal are considered as immaterial.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

ii. Financial assets (including trade and other receivables)

IFRS 9 requires an expected credit loss ("ECL") model for recognition and measurement of impairments of financial instruments and contract assets that are measured at amortized cost.

3. Significant accounting policies continued

Measurement of ECLs

Current trade and other receivables – simplified approach

For current trade and other receivables from 3rd parties the Company generally uses the provisioning matrix approach. In the provisioning matrix approach, impairment is calculated as the current amount of receivables in a predetermined Days Past Due bucket, multiplied by the historical loss rate associated with that time bucket and adjusted for forward looking information.

Significant receivables are assessed individually using the expected discounted cash-flows method and an expert-based approach.

Trade and other receivables subject to the provisioning matrix approach are measured at lifetime ECL.

Financial assets subject to the provisioning matrix approach are presented in the statement of financial position net of the allowance for ECL.

Non-current trade and other receivables, other financial assets, loans provided – Standard ECL model

The Company assesses, on a forward-looking basis, the ECL for exposures arising from non-current trade and other receivables, other financial assets subject to its Standard ECL model. The Company measures ECL and recognizes net expected credit losses on financial assets at the end of each reporting period. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) the time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets subject to the Standard ECL model are presented in the statement of financial position net of the allowance for ECL.

The Standard ECL model developed by the Company applies a three stage approach for impairment, based on changes in credit quality since initial recognition as required by IFRS 9. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained below. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Current accounts and term deposits which are placed in strong and stable credit institutions meeting all capital and liquidity requirements as set out by Basel III are considered by the Company to bear a "low credit risk".

The Company continuously assesses whether the low credit risk assumption is valid at each balance sheet date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Significant increase in credit risk is considered to have occurred if the asset is at least 30 days past due, if the external rating grade or internal rating grade has decreased by two notches since initial recognition, or if asset-specific qualitative information or forward-looking information that suggest that a significant increase in credit risk has occurred is available.

Notes to the separate financial statements continued

3. Significant accounting policies continued

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

For purposes of disclosure, the Company has fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The input parameters into the ECL model calculations are based on two approaches:

- External rating-based approach; or
- Internal rating-based approach.

The external rating-based approach is used for loans to and deposits with counterparties with an external credit rating from one of the major rating agencies.

The internal rating approach is used for loans to and deposits with counterparties without such external credit rating; the credit spread for the individual ratings are calibrated on regular basis.

The forward-looking information considered by the Company in the Standard ECL model has been derived from correlation analysis. The information considered is publicly available information about the expected year-to-year changes of GDP.

Presentation of allowance for ECL in the statement of financial position

In determining the carrying value in the statement of financial position, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss. The revaluation reserve represents the difference between amortised cost, net of ECL, and fair value of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

(j) Cash and cash equivalents (Note 15)

Cash is cash on hand and deposits on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a maturity of three months or less from the date of acquisition.

(k) Share capital (Note 16)

The issued share capital comprises fully paid shares. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

(l) Loans and borrowings (Note 17)

Short-term and long-term loans are initially recognized at fair value and are subsequently stated at amortised cost. All directly attributable transaction costs are accounted for in accordance with the effective interest method.

Any part of a long-term loan which is due within one year from the end of the reporting period is classified as a short-term loan.

(m) Provision

A provision is recognized in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. Significant accounting policies continued

Provisions are recognized at the expected settlement amount. Non-current provisions are recognized as liabilities at the present value of the expenditures expected to be required to settle the liability. Where the effect of discounting is material, the discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any additions and the effects of changes in interest rates are recognized as finance income or costs in profit or loss.

Changes in estimated provisions may arise in particular due to variances from the originally estimated expenditures or due to a change in the date of settlement, or in the extent, of the liability. Changes in estimates are generally recognized in the statement of comprehensive income as at the date that the estimate is changed. Provisions are reviewed on an ongoing basis.

i. Establishment and use of provisions

Additions to provisions are charged to the relevant expense accounts corresponding to the nature of the cost or loss. Unwinding of the discounting of provisions is charged to financial costs as interest expense. The release of provisions is recognized as a decrease in the relevant expense accounts.

(n) Employee benefits

i. Other short-term employee benefits

As "Other short-term employee benefits" are presented liabilities for wages and salaries, holiday pay, sick leave, meal vouchers and other benefits that are settled wholly within the 12 months after the end of period in which the service was rendered.

(o) Consolidation

The Company prepares consolidated financial statements.

The consolidated financial statements of the broadest group of entities to which the Company as a consolidated entity belongs are prepared by KKCG AG with its registered office at Kapellgasse 21, 6004 Lucerne, Swiss Confederation. These consolidated financial statements can be obtained at the registered office of the consolidating entity.

(p) Related parties (Note 22)

The Company's related parties are considered to be the following:

- Parties which directly or indirectly control the Company, their subsidiaries and associates;
- Parties which directly or indirectly have significant influence on the Company,
- Members of the Company's or its parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- Subsidiaries and associates and joint-venture companies.

4. IFRS first time adoption

These separate financial statements of SAZKA Group a.s. have been prepared for the first time in accordance with IFRS as adopted by the European Union. The date of transition to IFRS is 1 January 2019. The Company has applied the accounting policies stated in Note 3 to all accounting periods presented in these financial statements.

In preparing the opening statement of financial position in accordance with IFRS, the Company performed the following steps:

- Recognised all assets and liabilities whose recognition is required by IFRS;
- Derecognised all assets and liabilities whose recognition is not allowed by IFRS;
- Reclassified assets, liabilities and components of equity as necessary;
- Applied IFRS in measuring all recognised assets and liabilities;

Notes to the separate financial statements continued

4. IFRS first time adoption continued

The Company has retrospectively applied all standards and interpretations, save certain exceptions described below. The Company has considered and applied all mandatory transitional exceptions of IFRS 1. Transitional provisions used for individual items of assets and liabilities are described below, including optional exemptions applied and impact on measurement in comparison with the previous GAAP (Czech accounting standards):

- The Company elected to apply an optional exemption and measure the carrying amount of investments in subsidiaries at deemed costs determined as carrying value of the investment under previous GAAP as of the transition date (see Note 12);
- The Company measured provided loans at amortized costs using effective interest rate method with provisions according to Company's ECL model. The measurement principles are substantially similar to the previous GAAP (see Note 21);
- The Company applied an ECL model to trade and other receivables, other financial assets and cash. The measurement principles are substantially similar to the previous GAAP (see Note 21);
- The Company measured received loans at amortized cost using the effective interest rate method. Prepaid expenses related to arrangement fees under previous GAAP were derecognised, as they are now included in the carrying value of the loans. On aggregate the measurement principles are substantially similar to the previous GAAP (see Note 17);
- The Company applied the optional exemption for leases.

With the exception of assets and liabilities related to lease accounting under IFRS 16, which are immaterial to the financial statements, all assets and liabilities recognised under the previous GAAP (Czech Accounting Standards) were also recognised under IFRS, following reclassifications to the IFRS reporting structure. Accounting polices applied are described in Note 3 of this Separate financial statements.

In comparison with latest published financial statements under Czech Accounting Standards, all balances and transactional amounts previously reported under Czech Accounting Standards were carried over as IFRS balances with following exceptions:

i. Lease under IFRS 16

The Company recognised Right-of-use assets and Lease liabilities according to IFRS 16, and corresponding changes in the statement of comprehensive income, where lease expenses recorded under previous GAAP were replaced by corresponding amortization of Right-of-use assets and interest expense on lease Liabilities. At the date of transition, the Company measured:

- The lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS.
- A right-of-use asset as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition. At the date of transition, the Company excluded initial direct costs from the measurement of the Right-of-use asset and applied IAS 36 to this asset.

ii. Investment in subsidiaries

In line with transitional provisions of IFRS 1 the Company elected to measure the carrying amount of investments in subsidiaries at deemed costs determined as the carrying value of the investment under the previous GAAP as of the transition date (see Note 12).

As a result, there is no change in carrying value of the investments in the opening statement of financial position as of 1 January 2019, however the change impacts value of the investments as of 31 December 2019. The reason for the difference is the provisions of the previous GAAP, in which the investments held in foreign currency were remeasured using FX rate as of the reporting date against a revaluation reserve which was an element of equity. Under IFRS, the investments are held at cost and not remeasured for these FX rate changes.

4. IFRS first time adoption continued

iii. Provisions to investment in subsidiaries

Under the previous GAAP during the financial year 2019 the Company recorded an impairment to its investment in subsidiary Italian Gaming Holding a.s. equal to the amount of received dividend.

Under IFRS, the Company performed an impairment testing of the investment as of 31 December 2019 and there was no need for recognition of the impairment recorded under the previous GAAP because the recoverable amount of the investment exceeded its carrying amount.

iv. Net investment hedge accounting

During the financial year 2019 the Company entered in a hedge accounting relationship under the previous GAAP, under which a value of the foreign currency investment – revalued through equity as of reporting date as described in the note ii above –was hedged against changes in value of foreign currency loans and FX derivatives as hedging instruments.

Upon the transition to IFRS the hedging relationship was terminated. As a consequence, FX driven changes arising from hedging instruments which were recognized in equity in accordance with the previous GAAP, i.e. FX changes in values of foreign currency loans and fair value of related FX derivatives are recorded in financial results under IFRS, impacting Net profit for the period.

The following tables shows reconciliation of Equity and Profit or Loss, respectively, with amounts reported in the latest financial statements under previous GAAP.

In CZK million	31 December 2019	1 January 2019
Total equity under previous GAAP	**17,831.2**	**23,235.4**
(i) Effect of IFRS 16 – difference between lease expense and interest expense from lease liability and depreciation of right of use asset	(0.3)	–
(ii) Effect of Investment in subsidiaries valuation – under previous GAAP FX changes recorded through equity, under IFRS no revaluation	163.7	–
(iii) Impairment of investments in subsidiaries – no impairment required under IFRS	1,037.3	–
Total reported Equity under IFRS	**19,031.9**	**23,235.4**

In CZK million	Year ended 31 December 2019
Net profit for the period under previous GAAP	**9,209.5**
(i) Effect of IFRS 16 – difference between lease expense and interest expense from lease liability and depreciation of right of use asset	(0.3)
(ii) Effect of elimination of Net investment hedge accounting – changes in value of non-derivative and derivative hedging instruments recognized in equity under previous GAAP recorded through income statement under IFRS	156.1
(iii) Effect of Impairment of investments in subsidiaries – no impairment required under IFRS	1,037.3
Net profit for the period under IFRS	**10,402.6**

5. Revenues

	2020	2019
Revenue from services	**77.9**	245.7

Revenues primarily comprise revenues from intragroup services provided to subsidiaries and, in 2019, CZK 216.8 million from the Company's parent, representing recharges of certain expenses incurred by the Company. There are no subsequent performance obligations and no contract assets arise.

Notes to the separate financial statements continued

6. Dividend income

Dividend income represents received dividends from subsidiaries as per the table below:

	2020	2019
Dividend income	**2,699.3**	**4,490.7**
Italian Gaming Holding a.s.	**1,820.6**	1,037.3
OPAP S.A.	**876.0**	–
SAZKA Group Financing a.s.	**2.7**	–
RUBIDIUM HOLDINGS LIMITED	**–**	1,722.6
SAZKA Czech a.s.	**–**	1,693.0
IGH Financing a.s.	**–**	27.5
SAZKA DELTA MANAGEMENT LTD	**–**	10.3

7. Gain from the sale of securities

	2020	2019
Gain from the sale of securities	**396.0**	7,799.6

Gain from the sale of securities in 2020 primarily comprises a gain from the intragroup sale of shares of OPAP S.A. to SAZKA DELTA HELLENIC HOLDINGS LIMITED, and gain from the sale of other financial investments.

Gain from the sale of securities in 2019 primarily comprises a gain from the sale of shares of SAZKA Group Adriatic d.o.o..

8. Materials, consumables and services

	2020	2019
Materials, consumables and services	**(365.8)**	**(740.2)**
Advisory and other professional services	**(333.5)**	(667.5)
Cost of IT and software services	**(12.3)**	(7.3)
Materials and consumables	**(1.7)**	(1.1)
Telecommunication services	**(0.4)**	(0.3)
Other services	**(17.9)**	(64.0)

Advisory and other professional services primarily comprise legal and other advisory fees. A substantial part of 2019 Advisory and other professional expenses is related to a voluntary tender for shares in OPAP S.A. (the "VTO").

9. Personnel expenses

	2020	2019
Personnel expenses	**(96.2)**	**(62.9)**
Wages and salaries	**(79.7)**	(51.0)
Social security and health insurance	**(15.3)**	(10.1)
Other social expenses	**(1.2)**	(1.8)

"Social security and health insurance" expense includes an amount of CZK 7.6 million (2019: CZK 5.2 million) related to contributions to state pension funds. The Company's legal and constructive obligation for these pension state plans is limited to the contributions.

10. Finance costs, net

	2020	2019
Interest income	**405.6**	**152.0**
Interest expense	**(1,179.5)**	**(433.6)**
Other finance expense	**(512.1)**	**(1,002.2)**
Foreign exchange losses	**(329.8)**	(50.1)
Gains/(losses) from financial derivatives, net	**(86.7)**	82.2
Other finance expenses	**(95.6)**	(1,034.3)
Finance costs, net	**(1,286.0)**	**(1,283.8)**

Interest income

Interest income primarily comprises interest from intragroup loans (see Note 13). Breakdown of interest income from intragroup loans is as follows:

	2020	2019
Intragroup interest income	**405.6**	**152.0**
SAZKA DELTA HELLENIC HOLDINGS LIMITED	**155.4**	30.3
Italian Gaming Holding a.s.	**140.9**	–
Austrian Gaming Holding a.s.	**54.6**	–
CAME Holding GmbH	**45.2**	–
Sazka a.s.	**8.4**	–
RUBIDIUM HOLDINGS LIMITED	**–**	14.2
SAZKA Group Adriatic d.o.o	**–**	50.6
Other	**1.1**	56.9

Interest expense

Interest expense primarily comprises interest from bonds and bank loans. See Note 17.

Other finance expenses

Other finance income and expenses in 2019 primarily comprise certain one-off expenses relating to the VTO in the amount of CZK 894.4 million, which do not fulfil the requirements to be capitalised and shown as part of effective interest expense.

Notes to the separate financial statements continued

11. Income tax expense

As of 31 December 2020, income tax expense in the amount of CZK 114.3 million comprises current income tax (31 December 2019: CZK deferred tax credit 0.1 million).

According to Czech legislation, the corporate income tax rate was 19% for the 2020 and 2019 financial years.

Reconciliation of effective tax rate

	2020	2019
Profit before income tax	**1,375.4**	**10,402.5**
Income tax expense at Company's statutory tax rate of 19%	**(261.3)**	(1,976.5)
Tax effects of:		
– non-deductible expenses	**(338.1)**	(378.1)
- non-taxable income from dividend	**400.4**	853.2
- non-taxable gain from the sale of securities	**35.3**	1,481.9
– non-deductible donations for charitable purposes	**(2.6)**	–
– utilization of tax losses for which no deferred tax asset was recognised	**28.3**	19.3
– transactions taxed at rates other than the statutory rate	**23.7**	–
Actual income tax expense	**(114.3)**	**(0.1)**

Non-taxable income from dividends and non-taxable gain from the sale of securities relate to the income which fulfil the conditions stipulated by the Tax Code. Accordingly, expenses related to the non-taxable income are treated as non-deductible expenses. Non-deductible expense primarily comprises non-deductible interest, non-deductible operating costs and non-deductible foreign exchange losses. Generally, the Company's operating expenses and interest expenses are deductible only to the extent that there is taxable income generated, which is limited to intragroup Revenues and Interest income.

Utilization of tax losses relates to prior period tax losses, for which deferred tax assets were not recognized due to uncertainty about future recoverability. The Company has fully utilized its tax losses in the current period.

Transactions taxed at rates other than the statutory rate represent part of the dividend income from OPAP, which was taxed at a 15% withholding tax rate. The tax effect in the table above represents the difference between the 19% statutory rate and 15% withholding tax rate.

12. Investments in subsidiaries

The following table summarizes investments in subsidiaries at 31 December 2020,31 December 2019 and 1 January 2019.

		31/12/2020	31/12/2019	1/1/2019		31/12/2020	31/12/2019	1/1/2019
Subsidiaries	Ref				Country	Ownership interest		
Austrian Gaming Holding a.s.		**5,139.9**	5,139.9	5,117.9	Czech Republic	**100.00%**	100.00%	100.00%
IGH Financing a.s.	b)	**–**	3.0	1,412.8	Czech Republic	**–**	100.00%	100.00%
Italian Gaming Holding a.s.		**9,251.6**	9,251.6	9,251.6	Czech Republic	**100.00%**	100.00%	100.00%
OPAP S.A.	a)	**8,185.5**	5,455.2	–	Greece	**10.22%**	7.28%	–
RUBIDIUM HOLDINGS LIMITED	h)	**11,266.6**	11,266.6	10,677.6	Cyprus	**100.00%**	100.00%	100.00%
SAZKAmobil 5G a.s. (formerly Italian GNTN Holding a.s.)	c)	**–**	4.8	–	Czech Republic	**–**	100.00%	–
SAZKA Asia a.s.		**80.5**	80.5	80.5	Czech Republic	**100.00%**	100.00%	100.00%
SAZKA Czech a.s.	i)	**670.5**	1,664.5	1,664.5	Czech Republic	**100.00%**	100.00%	100.00%
Sazka Delta Management Ltd (formerly Emma Delta Management Ltd)		**6.4**	6.4	6.4	Cyprus	**66.70%**	66.70%	66.70%
SAZKA Group CZ a.s.	d)	**2.2**	–	–	Czech Republic	**100.00%**	–	–
SAZKA Group Financing a.s.		**52.2**	52.2	52.2	Slovakia	**100.00%**	100.00%	100.00%
SAZKA Group Financing (Czech Republic) a.s.	e)	**133.2**	–	–	Czech Republic	**100.00%**	–	–
SAZKA Group Russia LLC		**–**	2.5	–	Russia	**–**	100.00%	100.00%
SAZKA Group UK Limited (formerly KKCG UK Limited)	f)	**278.9**	–	–	United Kingdom	**100.00%**	–	–
SAZKA Group Adriatic d.o.o	g)	**–**	–	0.1	Croatia	**–**	–	100.00%
Vitalpeak Limited		**1.3**	1.3	0.6	Cyprus	**100.00%**	100.00%	100.00%
Total		**35,068.8**	**32,928.5**	**28,264.2**				

* The ownership interest is equal to voting rights except for OPAP S.A. for which the voting rights are disclosed in this Note under heading of Control over OPAP S.A.

Changes during the year

a) During the year 2020, the Company acquired the following additional interests in OPAP S.A.:

- 1.87% through open market purchases;
- 0.48% as the result of participation in OPAP S.A.'s scrip dividend programme; and
- 0.59% bought from SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited).

The Company's direct shareholding increased from 7.28% as of 31 December 2019 to 10.22% as of 31 December 2020.

b) On 18 January 2020 IGF Financing a.s. was liquidated. Liquidation was recorded in commercial register on 1 June 2020. The movement in the prior year represent distribution of other funds in the amount of CZK 1,409.8 million.

c) On 15 September 2020, the Company disposed of SAZKAmobil 5G a.s. (formerly Italian GNTN Holding a.s.) through an intragroup sale with immaterial impact.

d) On 10 December 2020, the Company setup a new 100% subsidiary SAZKA Group CZ a.s. (by means of acquiring a shelf company).

e) On 25 November 2020, the Company setup a new 100% subsidiary SAZKA Group Financing (Czech Republic) a.s. (by means of acquiring a shelf company). On 30 December 2020, the Company made a contribution to other reserves of CZK 131.3 million.

f) On 20 May 2020, the Company acquired KKCG UK Limited from a related party. After the acquisition the company was renamed SAZKA Group UK Limited. During the period from August to December, the Company made contributions to share capital of CZK 264.4 million.

Notes to the separate financial statements continued

12. Investments in subsidiaries continued

g) On 21 May 2019, the Company sold its share in SAZKA Group Adriatic d.o.o. to EMMA GAMMA LIMITED for the selling price of CZK 7,799.7 million. Furthermore, the Company assigned the loan provided to SAZKA Group Adriatic d.o.o. For the assignment of the loan, EMMA GAMMA LIMITED paid the amount of CZK 3,024.6 million. The net effect of the assignment was recognised within the other operating expenses in the year 2019.

h) On 12 June 2019, the share premium of RUBIDIUM HOLDINGS LIMITED was increased by CZK 589.0 million.

i) During the period from October to December 2020, Sazka Czech a.s. made several distributions of other reserves in the total amount of CZK 1,245.0 million and on 24 September 2020, the Company made a contribution to other reserves of Sazka Czech a.s. of CZK 251.0 million.

Control over OPAP S.A.

The Company presents its investment in OPAP S.A. within subsidiaries. In addition to the direct interest of 10.22% (31.12.2019: 7.28%, 1.1.2019: 0%), the Company also controls an indirect interest of 32.90% in OPAP S.A. Cumulatively, SAZKA Group controls 43.12% (31.12.2019: 40.01%, 1.1.2019: 33.00%) of voting rights in OPAP S.A.

The Company makes an accounting judgment that it ultimately controls OPAP S.A. due to factors including: SAZKA Group is, with control over 43.12% (31.12.2019: 40.01%, 1.1.2019: 33.00%) of voting rights, by far the largest shareholder of OPAP S.A., as the participation in the General Meeting never exceeded 80%, therefore SAZKA Group a.s. controls the majority of votes at such meetings. Additionally, all shareholders' resolutions proposed at general meetings that the Group has voted in favour of have been approved; and the Group's appointees make up the majority of the OPAP S.A. Board of Directors (including CEO, CFO and Executive Chairman).

Impairment of financial investments

Impairment testing is performed on annual basis as of 31 December. The recoverable amount is estimated using fair value less costs of disposal ("FVLCD").

FVLCD is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The estimate of FVLCD is based on either:

- The market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial; or
- The market multiples method. The Company consistently uses EV/EBITDA multiple of 11.7 derived from reference to publicly traded companies to estimate the respective FVLCD. Costs of disposal are considered as immaterial.

Results of the impairment testing and sensitivity

Recoverable amount exceeded carrying value of investments for all investments as of 31 December 2020 and all comparative periods. See below more information on inputs and evaluation for material investments.

Austrian Gaming Holding a.s. is a holding company through which SAZKA Group holds its share in Casinos Austria AG ("CASAG") and additional indirect share its subsidiary Österreichische Lotterien GmbH ("Austrian Lotteries") (through additional intermediate holding companies). The fair value of SAZKA Group's share of the CASAG & Austrian Lotteries business estimated by applying the market multiples method significantly exceeds the carrying value of the investment. No reasonable change in input parameters would result in an impairment.

OPAP S.A. is a listed company and fair value is estimated based on market valuation. Fair value of SAZKA Group's directly held investment in OPAP exceeds the carrying value. Significant decrease in fair value of OPAP would result in a partial impairment of the investment (as the shares held directly have been purchase on open market during 2019 and 2020 and therefore are relatively close to the current market value of OPAP's shares).

RUBIDIUM HOLDINGS LIMITED is a holding company through which SAZKA Group holds further interests in OPAP (through additional intermediate holding companies in which SAZKA holds an effective interest of 78.64%). The fair value of the interest in OPAP significantly exceeds the carrying value of the investment. No reasonable change in fair value of OPAP would result in an impairment (as opposed to directly held shares in OPAP, these shares were primarily acquired before 2019 at lower prices.

12. Investments in subsidiaries continued

SAZKA Czech a.s. is a holding company through which SAZKA Group holds its share in SAZKA a.s. Fair value of SAZKA Group's share in SAZKA a.s. estimated by applying the market multiples method significantly exceeds the carrying value of the investment. No reasonable change in input parameters would result in an impairment.

Italian Gaming Holding a.s. is a holding company through which SAZKA Group holds its 32.5% share in LottoItalia. Fair value estimated by applying the market multiples method significantly exceeds the carrying value of the investment. No reasonable change in input parameters would result in an impairment.

For pledges see Note 20.

13. Loans provided

	ref	31/12/2020	31/12/2019	1/1/2019
Non-current loans		**18,444.7**	**–**	**–**
Loan to Sazka a.s.	a)	**5,046.0**		
Loan to CAME Holding GmbH	c)	**4,979.3**	–	–
Loan to SAZKA DELTA HELLENIC HOLDINGS LIMITED	b)	**4,771.4**	–	–
Loan to Italian Gaming Holding a.s.	b)	**3,648.0**	–	–
Current loans		**755.0**	**4,858.2**	**3,880.5**
Current portion of long-term loan to Sazka a.s.	a)	**632.4**	–	–
Current portion of long-term loan to Italian Gaming Holding a.s.	b)	**79.2**	–	–
Current portion of long-term loan to CAME Holding GmbH	c)	**30.5**	–	–
Current portion of long-term loan to SAZKA DELTA HELLENIC HOLDINGS LIMITED	d)	**12.9**	4,858.2	–
Loan to SAZKA Group Adriatic d.o.o.	e)	**–**	–	2,975.5
Loan to Sazka Group Russia OOO		**–**	–	1.4
Other loans		**–**	–	903.6

a) On 21 December 2020, the Company provided an intragroup loan to SAZKA a.s. in the principal amount of CZK 5,670.0 million. The loan is repayable in March 2030.

b) On 14 February 2020, the Company provided an intragroup loan to Italian Gaming Holding a.s. in the principal amount of EUR 139 million. The loan is repayable in February 2027.

c) On 7 February 2020, the Company provided an intragroup loan to CAME Holding GmbH in the principal amount of EUR 91.5 million. In June 2020, the loan was assigned from the Company to Austrian Gaming Holding a.s. as creditor. The loan is due in February 2027. Subsequently additional advances in the amount of EUR 98.2 million were provided under this agreement. In December 2020, the loan was assigned back from Austrian Gaming Holding a.s. to the Company as creditor.

d) On 12 February 2020, the Company extended the maturity of a previously provided short-term intragroup loan to Sazka Delta Hellenic Holding Limited in the principal amount of EUR 190 million. The loan is due in March 2022. In June 2020, Sazka Delta Hellenic Holding Limited made a partial principal repayment of EUR 65.4 million. In December 2020, Sazka Delta Hellenic Holding Limited drawn an additional EUR 57.2 million. The outstanding principal amount was EUR 181.8 million as of 31 December 2020.

e) In 2019, a loan to SAZKA Group Adriatic d.o.o. was assigned to EMMA GAMMA LIMITED as part of disposal of the investment (see Note 12).

All intragroup loans are made with an interest rate derived from the interest rates on the Group's external debt. During 2020 and 2019 the interest rates were in the range from 3.5% to 5.0%.

For security and guarantees provided see Note 20.

In the statement of cash flow, the amount of loans provided was decreased by CZK 5,114.0 million representing non-cash movement (see Note 17).

Notes to the separate financial statements continued

14. Trade and other receivables

	31/12/2020	31/12/2019	1/1/2019
Current trade and other receivables	**317.1**	**274.5**	**2.9**
Trade receivables	**278.8**	239.5	0.2
Receivables from VAT and other taxes	**34.3**	26.2	–
Short-term prepaid expenses	**2.8**	8.1	2.2
Other	**1.2**	0.7	0.5

15. Cash and cash equivalents

As of 31 December 2020, the Company has bank accounts with a total balance of CZK 487.3 million (31 December 2019: CZK 1,258.9 million; 1 January 2019: CZK 681.0 million). The balances on these bank accounts are unrestricted.

16. Equity

Share capital

The Company's share capital consists of 20 ordinary shares in certificated form with a nominal value of CZK 100 thousand per share. The share capital is fully paid-up. No changes were made in the share capital during the years ended 31 December 2020 or 31 December 2019.

Capital contributions

The Company's capital contributions comprise past capital increases from its parent company. The funds are freely distributable.

Dividend distribution

On 6 November 2020 the Company declared a dividend to its parent company KKCG AG as further amended on 28 December 2020 in the amount of CZK 3,995.9 (equivalent to EUR 150.0 million), which was settled in three installments:

- EUR 100.0 million paid on 6 November 2020;
- EUR 10.0 million paid on 9 November 2020; and
- EUR 40.0 million paid on 22 December 2020.

On 4 November 2019 the Company declared a dividend to its parent company KKCG AG in the amount of CZK 3,827.0, which was paid on 5 November 2019.

Distribution of capital contributions

The Company provided financial assistance to its parent company on 2 May 2019 in the form of a loan in the amount of EUR 420.1 million (CZK 10,770.9 million). On 30 July 2019, the Company distributed capital contributions in the amount of CZK 10,779.2 million, which was settled by means of offsetting against the receivable arising from the loan.

17. Loans and borrowings

	31/12/2020	31/12/2019	1/1/2019
Non-current loans and borrowings	**36,881.1**	**18,450.0**	**6,788.8**
Long-term loans	**15,433.0**	5,053.2	6,788.8
Bonds	**21,448.1**	13,396.8	–

	31/12/2020	31/12/2019	1/1/2019
Current loans and borrowings	**1,708.5**	**1,881.4**	**15.0**
Current portion of long-term loans	**1,471.3**	1,756.3	15.0
Accrued interest on bonds	**237.2**	125.1	–

17. Loans and borrowings continued

Reconciliation of movements of short-term and long-term loans and borrowings to cash flow:

	2020	2019
Balance at 1 January	**20,331.4**	**6,803,8**
Cash flows		
Loans and borrowings received	16,527.1	13,674.0
Repayment of loans and borrowings	(4,115.8)	(236.0)
Interest paid related to prior year*	(197.1)	(12.9)
Non-cash changes		
Accrued unpaid interest	265.0	202.9
Non-cash settlement**	5,058.8	35.2
Effect of FX differences	720.2	(135.6)
Balance at 31 December	**38,589.6**	**20,331.4**

* Included in "Interest paid" in "Net cash generated from operating activities".
** Non-cash settlement includes non-monetary drawings of principal of loan received from SAZKA Group Financing a.s. (see Note 13).

Loans and borrowing overview

	Ref	Currency	**Principal amount in currency of debt instrument 31/12/2020**	Principal amount in currency of debt instrument 31/12/2019	Principal amount in currency of debt instrument 1/1/2019	Maturity	Interest rate/ Coupon	**Carrying value 31/12/2020**	Carrying value 31/12/2019	Carrying value 1/1/2019
Bonds								**21,685.3**	13,521.9	–
6bn CZK	a)	CZK	**6,000.0**	6,000.0	–	2024	5.200%	**5,994.3**	5,970.2	–
300m EUR	b)	EUR	**300.0**	300.0	–	2024	4.125%	**7,821.9**	7,551.7	–
300m EUR	c)	EUR	**300.0**	–	–	2027	3.875%	**7,869.1**	–	–
Intragroup Loans								**16,904.3**	**6,809.4**	**6,803.8**
Italian Gaming Holding a.s.	d)	EUR	**–**	66.0	66.0	2020	fixed*	**–**	1,742.9	1,700.0
SAZKA Group Financing a.s.	e)	EUR	**201.8**	201.8	201.8	2022	fixed*	**5,260.9**	5,066.5	5,103.8
SAZKA Group Financing (Czech Republic) a.s.	f)	EUR	**450.0**	–	–	2024	variable*	**11,643.4**	–	–
Total								**38,589.6**	**20,331.3**	**6,803.8**

* Interest rates on intragroup loans are is derived from a Group's external loan and borrowings interest rates. During 2020 and 2019, the interest rates were in the range from 3.5% to 4.5%.

a) On 23 September 2019, the Company issued a bond (CZK Bond) in the amount of CZK 6,000.0 million with fixed interest rate of 5.20% p.a. and maturity in September 2024.

b) On 15 November 2019, the Company issued a bond (EURO bond) in the amount of EUR 300.0 million with a fixed interest rate of 4.125% p.a. and maturity in November 2024.

c) On 5 February 2020, the Company issued a bond (EURO bond) in the amount of EUR 300.0 million with a fixed interest rate of 3.875% p.a. and maturity in February 2027.

d) On 20 December 2018, the Company received an intragroup loan from its 100% subsidiary Italian Gaming Holding a.s. in the amount of EUR 66 million with fixed interest rate and maturity in December 2020. The loan was fully repaid in February 2020.

Notes to the separate financial statements continued

17. Loans and borrowings continued

e) On 12 December 2017, the Company received an intragroup loan from its 100% subsidiary SAZKA Group Financing a.s. in the amount of EUR 200 million with fixed interest rate and maturity in December 2022. In May 2018, the intragroup loan was amended and loan capacity increased up to EUR 201.8 million.

f) On 21 December 2020, the Company received an intragroup loan from its 100% subsidiary SAZKA Group Financing (Czech Republic) a.s. in the amount of EUR 450 million with variable interest rate derived from 3M EURIBOR and maturity in July 2024. The company can draw another EUR 190 million from undrawn borrowing facilities.

For security and guarantees provided see Note 20.

Bonds issued by the Company have certain financial conditions attached to them, including certain financial covenants based on financial results of the group (comprises subsidiaries and equity method investees of the Company). During 2020 the Group fulfilled the covenants.

18. Trade and other payables

	31/12/2020	31/12/2019	1/1/2019
Short-term trade and other payables	**254.3**	**141.6**	**2,781.0**
Trade payables	**97.9**	137.9	121.1
Payables to state (social and health insurance liabilities, other taxes)	**6.8**	0.9	0.7
Other payables	**149.6**	2.8	2,659.2

Payables to related parties are described in Note 22 Related parties.

Other payables as of 1 January 2019 included an intragroup liability to Italian Gaming Holding a.s. in the amount of CZK 1,234.5 million which was settled during 2019 and funds deposited at the Company based under cash pooling arrangements in amount of CZK 1,424.7 million. These cash pooling arrangements were repaid during 2019.

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

19. Derivatives

The Company used currency derivatives during 2020 and 2019 to mitigate currency risk. Although the currency derivatives economically offset currency risk, hedge accounting criteria were not fulfilled. Consequently, such currency derivatives were recognized as "Trading derivatives" classified as financial instruments at fair value through profit or loss.

Derivatives that do not qualify for hedge accounting

The Company held the following derivatives:

Derivatives	Due date	**Fair value as at 31/12/2020**	Fair value as at 31/12/2019	Fair value as at 1/1/2019
FX forwards	2021	**206.2**	–	–
FX forwards	2020	**–**	80.1	(2.1)

The Company recognised a gain on revaluation of CZK 206.2 million (2019: CZK 80.1 million) and loss on revaluation of CZK 292.9 million (2019: CZK 2.1 million), which are netted in Gains/(losses) from financial derivatives, net.

20. Contingencies

Securities and Pledges

Bonds issued by the Company are secured pari passu with the following other bonds and borrowings issued by its financing subsidiaries:

- Bonds issued on 12 December 2017 by SAZKA Group Financing a.s. in the amount of EUR 200 million with maturity on 8 December 2022; and
- Bank loans drawn on 16 December 2020 by SAZKA Group Financing (Czech Republic) a.s. in the amount of EUR 450 million (with additional capacity up to EUR 640 million) with final maturity on 31 July 2024.

The security is shared under the terms of an intercreditor agreement dated 16 December 2020. The following assets owned directly or indirectly by the Company are pledged:

- Shares in companies: (i) SAZKA Czech a.s.; (ii) Italian Gaming Holding a.s.; (iii) Austrian Gaming Holding a.s.; (iv) SAZKA Group Financing (Czech Republic) a.s.; (v) Rubidium Holdings Limited; (vi) SAZKA a.s.; (vii) CAME Holding GmbH; (viii) Medial Beteiligungs GmbH; (ix) OPAP (shares held directly by SAZKA Group a.s.) (x) LottoItalia S.r.l. (see Note 12)
- Receivables: (i) from the bank account of SAZKA Group a.s. to which dividends of subsidiaries are distributed; (ii) Receivables from an intragroup loan provided to SAZKA a.s., Italian Gaming Holding a.s. and CAME Holding GmbH; (iii) Receivables of SAZKA Group Financing (Czech Republic) a.s. from an intragroup loan provided to SAZKA Group a.s. (see Note 13).

Guarantees

The Company has provided guarantees in relation to the bonds issued by its subsidiary SAZKA Group Financing a.s. up to EUR 250 million. (2019: EUR 250 million). Fair value of the guarantee is negligible.

The Company has provided guarantees in relation to the syndicated bank loan drown in 2020 by SAZKA Group Financing (Czech Republic) a.s. Fair value of the guarantee is negligible.

Security and pledges terminated during 2020

A bank loan provided to CAME Holding GmbH was fully repaid in February 2020. The related pledge agreement was also terminated in February 2020.

A bank loan to Italian Gaming Holding a.s. was repaid in February 2020. The related pledge agreement was terminated in March 2020.

Commitments

The Company is committed to leasing of an office space in the Czech Republic for the period of 7 years starting during the year of 2021. The commencement date of the lease is not determined yet and the office space is not yet available for use. The present value of future committed non-cancellable lease payments is estimated to be CZK 123.5 million. For liquidity, see Note 21b.

21. Risk management

This section describes the financial and operational risks the Company is exposed to and its risk management methods. The key financial risks the Company faces comprise are credit risk, liquidity risk and currency risk. Since the Company has third party financial indebtedness, interest rate risk exposure may also be deemed significant.

(a) Credit risk

i. Credit risk exposure

Credit risk represents the risk of loss that the Company would incur if a trading counterparty or business customer is unable to fulfil its obligation resulting from payment obligations, obligation to off-take a service at a certain price and non-delivery of the contracted service.

Notes to the separate financial statements continued

21. Risk management continued

The Company's bank accounts are predominantly with international financial institutions. The Company is primarily exposed to credit risk primarily from its loans provided to its subsidiaries. The risk loans provided is measured and evaluated by monitoring the financial performance of the Company's investments.

The maximum credit risk exposure regarding financial assets is their carrying amount.

The maximum exposure to credit risk at the reporting date by type of counterparty and geographical region is provided in the tables below.

Credit risk by type of counterparty

At 31 December 2020	**Companies (non-financial institutions)**	**Financial institutions**	**Individuals**	**Total**
Assets				
Non-current loans provided and receivables	**18,444.9**	**–**	**–**	**18,444.9**
Current loans provided and receivables	**1,033.6**	**–**	**0.2**	**1,033.8**
Cash and cash equivalents	**–**	**487.3**	**–**	**487.3**
Total	**19,478.5**	**487.3**	**0.2**	**19,966.0**

At 31 December 2019	Companies (non-financial institutions)	Financial institutions	Individuals	Total
Assets				
Current loans provided and receivables	5,098.0	–	0.2	5,098.2
Cash and cash equivalents	–	1,258.9	–	1,258.9
Total	**5,098.0**	**1,258.9**	**0.2**	**6,357.1**

At 1 January 2019	Companies (non-financial institutions)	Financial institutions	Individuals	Total
Assets				
Non-current loans provided and receivables	0.2	–	–	0.2
Current loans provided and receivables	3,875.1	5.7	0.4	3,881.2
Cash and cash equivalents	–	681.0	–	681.0
Total	**3,875.3**	**686.7**	**0.4**	**4,562.4**

Credit risk by region

Financial assets and Cash and cash equivalents	**31/12/2020**	31/12/2019	1/1/2019
Czech Republic	**10,022.2**	1,208.0	679.4
Austria	**5,011.1**	0.2	
Cyprus	**4,784.3**	4,858.2	388.6
Greece	**147.8**	73.9	1.4
United Kingdom	**0.6**		517.4
Switzerland	**–**	216.8	–
Croatia	**–**	–	2,975.5
Total	**19,966.0**	**6,357.1**	**4,562.4**

21. Risk management continued

ii. Ageing structure of financial assets

At 31 December 2020	Current	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	ECL allowance	Total
Non-current trade and other receivables	**18,444.9**	**–**	**–**	**–**	**–**	**–**	**18,444.9**
Long-term deposits	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Long-term loans provided	**18,444.7**	**–**	**–**	**–**	**–**	**–**	**18,444.7**
Current trade and other receivables	**1,002.2**	**31.6**				**–**	**1,033.8**
Trade and other receivables	**247.2**	**31.6**	**–**	**–**	**–**	**–**	**278.8**
Current portion of long-term loans provided	**755.0**	**–**	**–**	**–**	**–**	**–**	**755.0**
Cash and cash equivalents	**487.3**	**–**	**–**	**–**	**–**	**–**	**487.3**
Bank accounts	**487.3**	**–**	**–**	**–**	**–**	**–**	**487.3**
Total	**19,934.4**	**31.6**	**–**	**–**	**–**	**–**	**19,966.0**

At 31 December 2019	Current	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	ECL allowance	Total
Current trade and other receivables	**5,098.2**	**–**	**–**	**–**	**–**	**–**	**5,098.2**
Trade and other receivables	240.0	–	–	–	–	–	240.0
Short-term loans provided	4,858.2	–	–	–	–	–	4,858.2
Cash and cash equivalents	1,258.9	–	–	–	–	–	1,258.9
Bank accounts	1,258.9	–	–	–	–	–	1,258.9
Total	**6,357.1**	**–**	**–**	**–**	**–**	**–**	**6,357.1**

At 1 January 2019	Current	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	ECL allowance	Total
Non-current trade and other receivables	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Other long-term receivables	0.2	–	–	–	–	–	0.2
Current trade and other receivables	**3,881.2**						**3,881.2**
Trade and other receivables	0.7	–	–	–	–	–	0.7
Short-term loans provided	3,880.5	–	–	–	–	–	3,880.5
Cash and cash equivalents	**681.0**	**–**	**–**	**–**	**–**	**–**	**681.0**
Bank accounts	681.0	–	–	–	–	–	681.0
Total	**4,562.4**	**–**	**–**	**–**	**–**	**–**	**4,562.4**

Notes to the separate financial statements continued

21. Risk management continued

iii. Credit quality of financial assets at amortized cost

The Company classifies financial assets into credit quality classes. Class 1 consists of high-quality financial assets that do not have any indicators of impairment and fulfil the definition for "low credit risk" exemption and own cash in hand. Class 2 consists of all other financial assets, to which the Company assigns a credit risk rating and creates an ECL provision as described in Note 3.

At 31 December 2020	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**487.3**	**–**	**–**	**–**	**–**	**487.3**
Bank accounts in banks:	**487.3**	**–**	**–**	**–**	**–**	**487.3**
Class 2						
Current loans and receivables	**755.0**	**–**	**–**	**278.8**	**–**	**1,033.8**
Trade and other receivables	**–**	**–**	**–**	**278.8**	**–**	**278.8**
Current portion of long-term loans provided	**755.0**	**–**	**–**	**–**	**–**	**755.0**
Non-current loans and receivables	**18,444.9**	**–**	**–**	**–**	**–**	**18,444.9**
Long-term deposits	**0.2**	**–**	**–**	**–**	**–**	**0.2**
Long-term loans provided	**18,444.7**	**–**	**–**	**–**	**–**	**18,444.7**
Total	**19,687.2**	**–**	**–**	**278.8**	**–**	**19,966.0**

At 31 December 2019	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1,258.9**	**–**	**–**	**–**	**–**	**1,258.9**
Bank accounts in banks:	1,258.9	–	–	–	–	1,258.9
Class 2						
Current loans and receivables	**4,858.2**	**-**	**-**	**240.0**	**–**	**5,098.2**
Trade and other receivables	–	–	–	240.0	–	240.0
Short-term loans provided	4,858.2	–	–	–	-	4,858.2
Total	**6,117.1**	**–**	**–**	**240.0**	**–**	**6,357.1**

At 1 January	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**681.0**	**–**	**–**	**–**	**–**	**681.0**
Bank accounts in banks	681.0	–	–	–	–	681.0
Class 2						
Current loans and receivables	**3,880.5**	**-**	**-**	**0.7**	**-**	**3,881.2**
Trade and other receivables	-	-	-	0.7	-	0.7
Short-term loans provided	3,880.5	-	-	-	-	3,880.5
Non-current loans and receivables	**–**	**–**	**0.2**	**–**	**–**	**0.2**
Other receivables	–	–	0.2	–	–	0.2
Total	**4,561.5**	**–**	**0.2**	**0.7**	**–**	**4,562.4**

21. Risk management continued

The Company considers provided intragroup loans as having low credit risk. The intragroup loans or the companies does not have separate external credit ratings assigned, thus the Company evaluates the risk with reference to external credit ratings assigned to rated elements of the Group. It is assumed that the individual risk would not be higher than a standalone rating assigned to OPAP S.A. The Company assumes that the individual risks would be in the range equivalent to a Moody's rating from Ba1 to Ba3.

The Company refers to Moody's tables for historic 12-months default rates (period 1998-2020) for Ba1 to Ba3 rating, which ranges from 0.29% to 0.83% and Moody's tables for historic recovery rates (period 1983-2020) of unsecured bonds of Ba rating, which is 43.46%. Based on above the Company believe that the credit risk is not material for the Company as of 31 December 2020 and all comparable periods.

(b) Liquidity risk

Liquidity risk represents the risk that the company might not be able to fulfil its payment obligations, primarily in respect of amounts due to providers of bank loans and bonds.

The Company monitors the risk of having insufficient funds by monitoring the liquidity and maturity of investments and other financial assets and liabilities, projected cash flows from its activities and fulfilment of bank covenants.

The Company maintains free liquidity sources that consist of cash and equivalents in currencies in which the future financial needs are expected.

The Company aims to balance its financing requirements using bank overdrafts, cash pooling, bank loans and leases.

The Company uses IT tools for liquidity management, valuation of financial instruments and for trading and risk management purposes.

The Company minimises liquidity risk through cash flow management and planning. The key cash flow planning tool is annual medium-term plans prepared for the period of the at least following five years. The key Company cash flows for current year are broken down into individual months and updated on an ongoing basis.

As part of its liquidity risk management strategy, the Company ensures that a portion of its assets is highly liquid.

The table below presents an analysis of the Company's financial assets and liabilities classified by maturity. Where early repayment is possible, the Company makes the most prudent assessment possible, reflecting the earliest possible repayment of liabilities and the latest possible repayment of receivables. Assets and liabilities whose maturity is not contractually specified are grouped under the "due on demand" category.

Liquidity risk analysis (by maturity):

At 31 December 2020	Carrying amount	Contractual cash flows*	1 year or less	1-5 years	More than 5 years	Due on demand
Assets						
Trade and other receivables and long-term loans provided	**19,478.7**	**23,258.3**	**1,687.7**	**9,575.7**	**11,994.9**	**–**
Derivative financial instruments	**206.2**	**233.0**	**233.0**	**–**	**–**	**–**
Total	**19,684.9**	**23,491.3**	**1,920.7**	**9,575.7**	**11,994.9**	**–**
Cash	**487.3**	**487.3**	**–**	**–**	**–**	**487.3**
Liabilities						
Loans and borrowings	**(38,589.6)**	**(45,128.5)**	**(2,980.6)**	**(33,816.8)**	**(8,331.1)**	**–**
Trade and other payables	**(247.5)**	**(247.5)**	**(247.5)**	**–**	**–**	**–**
Lease liabilities	**(6.7)**	**(6.9)**	**(6.9)**	**–**	**–**	**–**
Total	**(38,843.8)**	**(45,382.9)**	**(3,235.0)**	**(33,816.8)**	**(8,331.1)**	**–**
Off balance sheet: Future lease commitments	**(123.5)**	**(145.8)**	**(14.1)**	**(83.2)**	**(48.5)**	**–**
Net balance – liquidity risk	**(18,795.1)**	**(21,550.1)**	**(1,328.4)**	**(24,324.3)**	**3,615.3**	**487.3**

* Contractual cash flows are not discounted to net present value and include interest, if applicable.

Notes to the separate financial statements continued

21. Risk management continued

At 31 December 2019	Carrying amount	Contractual cash flows*	1 year or less	1-5 years	More than 5 years	Due on demand
Assets						
Trade and other receivables and short-term loans	5,098.3	5,127.2	5,127.2	–	–	–
Derivative financial instruments	80.1	80.1	80.1	–	–	–
Total	**5,178.4**	**5,207.3**	**5,207.3**	**–**	**–**	**–**
Cash	**1,258.9**	**1,258.9**	**–**	**–**	**–**	**1,258.9**
Liabilities						
Loans and borrowings	(20,331.3)	(24,291.5)	(2,599.1)	(21,692.4)	–	–
Non-current lease liabilities	(9.3)	(10.1)	–	(8.2)	(1.9)	–
Trade and other payables	(140.7)	(140.7)	(140.7)	–	–	–
Current lease liabilities	(6.4)	(7.1)	(7.1)	–	–	–
Total	**(20,487.7)**	**(24,449.4)**	**(2,746.9)**	**(21,700.6)**	**(1.9)**	**–**
Net balance – liquidity risk	**(14,050.4)**	**(17,983.2)**	**2,460.4**	**(21,700.6)**	**(1.9)**	**1,258.9**

* Contractual cash flows are not discounted to net present value and include interest, if applicable.

At 1 January 2019	Carrying amount	Contractual cash flows*	1 year or less	1-5 years	More than 5 years	Due on demand
Assets						
Trade and other receivables and long-term loans provided	0.2	0.4	–	0.4	–	–
Trade and other receivables and short-term loans provided	3,881.2	3,969.7	3,969.7	–	–	–
Total	**3,881.4**	**3,970.1**	**3,969.7**	**0.4**	**–**	**–**
Cash	**681.0**	**681.0**	**–**	**–**	**–**	**681.0**
Liabilities						
Loans and borrowings	(6,803.8)	(7,887.3)	(97.4)	(7,789.9)	–	–
Non-current lease liabilities	(18.0)	(18.1)	–	(18.1)	–	–
Current lease liabilities	(6.8)	(7.0)	(7.0)	–	–	–
Trade and other payables	(2,778.4)	(2,778.4)	(2,778.4)	–	–	–
Current derivative financial instruments	(2.1)	(2.1)	(2.1)	–	–	–
Total	**(9,609.1)**	**(10,641.3)**	**(3,007.0)**	**(7,634.3)**	**–**	**–**
Net balance – liquidity risk	**(5,046.7)**	**(5,990.2)**	**962.7**	**(7,633.9)**	**–**	**681.0**

* Contractual cash flows are not discounted to net present value and include interest, if applicable.

The Company has provided guarantees in relation to the bonds issued by its subsidiary SAZKA Group Financing a.s. and in relation to the syndicated bank loan drown by its subsidiary SAZKA Group Financing (Czech Republic) a.s., in total carrying amount of CZK 16,904.3 million as of 31 December 2020, which would be payable by the Company in the case of default of their financing conditions.

(c) Interest rate risk

The Company is exposed to the risk of interest rate fluctuation.

The risk is primarily attributable to the Company's loans with floating interest rates. As of 31 December 2020, the only such loan was an intragroup loan from SAZKA Group Financings (Czech Republic) a.s.). The Company monitors developments in financial markets. The risk of an increase in interest rates is continuously monitored and the use of standard instruments to mitigate the risk is considered.

21. Risk management continued

Increase/decrease in interest rates by 1 percentage point (100bp) would cause an increase/decrease of profit by CZK 116.4 million (31 December 2019: CZK 17.4 million; 1 January 2019: CZK 17.0 million).

(d) Currency risk

The Company is exposed to foreign exchange risk when financial assets and liabilities are denominated in different currencies. The company manages the risk from foreign currency transaction through use of currency derivatives and structuring the financing and cash-flow structure of the group in a way that creates effective economic hedging.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. The table below shows the split of financial assets and liabilities according to their currency (note that CZK is the functional currency of the company and thus does generate currency risk).

At 31 December 2020	CZK	EUR	USD	Other	Total
Trade and other receivables and long-term loans provided	**5,046.2**	**13,398.7**	**–**	**–**	**18,444.9**
Trade and other receivables and current portion of long-term loans provided	**870.9**	**162.2**	**–**	**0.7**	**1,033.8**
Derivative financial instruments	**–**	**206.2**	**–**	**–**	**206.2**
Cash and cash equivalents	**66.6**	**409.2**	**11.4**	**0.2**	**487.3**
Total assets	**5,983.7**	**14,176.2**	**11.4**	**0.9**	**20,172.2**
Long-term loans and borrowings	**(5,909.4)**	**(30,971.7)**	**–**	**–**	**(36,881.1)**
Current portion of long-term loans and borrowings	**(84.9)**	**(1,623.6)**	**–**	**–**	**(1,708.5)**
Lease liabilities	**(6.7)**	**–**	**–**	**–**	**(6.7)**
Trade and other payables	**(22.4)**	**(200.0)**	**–**	**(25.3)**	**(247.7)**
Total liabilities	**(6,023.4)**	**(32,795.3)**	**–**	**(25.3)**	**(38,844.0)**
Total	**(39.7)**	**(18,619.1)**	**11.4**	**(24.4)**	**(18,671.8)**

At 31 December 2019	CZK	EUR	USD	Other	Total
Trade and other receivables and short-term loans provided	217.2	4,889.3	–	–	5,106.5
Derivative financial instruments	–	80.1	–	–	80.1
Cash and cash equivalents	342.4	910.5	6.0	–	1,258.9
Total assets	**559.6**	**5,879.9**	**6.0**	**–**	**6,445.5**
Long-term loans and borrowings	(5,885.3)	(12,564.8)	–	–	(18,450.0)
Non-current lease liabilities	(9,3)	–	–	–	(9.3)
Current portion of long-term loans and borrowing	(84.9)	(1,796.4)	–	–	(1,881.3)
Current lease liabilities	(6.4)	–	–	–	(6.4)
Trade and other payables	(54.2)	(58.6)	(11.9)	(13.1)	(137.8)
Total liabilities	**(6,040.1)**	**(14,419.8)**	**(11.9)**	**(13.1)**	**(20,484.8)**
Total	**(5,480.5)**	**(8,539.9)**	**(5.9)**	**(13.1)**	**(14,039.3)**

At 1 January 2019	CZK	EUR	USD	Other	Total
Trade and other receivables and long-term loans provided	0.2	–	–	–	**0.2**
Trade and other receivables and short-term loans provided	0.6	3,880.4	0.2	–	**3,881.2**
Cash and cash equivalents	22.3	657.5	1.2	–	**681.0**
Total assets	**23.1**	**4,537.9**	**1.4**	**–**	**4,562.4**
Long-term loans and borrowings	–	(6,788.9)	–	–	**(6,788.9)**
Current portion of long-term loans and borrowing	(2.1)	(12.9)	–	–	**(15.0)**
Current lease liabilities	(6.8)	–	–	–	**(6.8)**
Derivative financial instruments	–	(2.1)	–	–	**(2.1)**
Trade and other payables	(2,762.6)	(13.1)	(3.2)	(2.1)	**(2,781.0)**
Total liabilities	**(2,771.5)**	**(6,817.0)**	**(3.2)**	**(2.1)**	**(9,593.8)**
Total	**(2,748.4)**	**(2,279.1)**	**(1.8)**	**(2.1)**	**(5,031.4)**

Notes to the separate financial statements continued

21. Risk management continued

A reasonably possible strengthening (weakening) of CZK against foreign currencies as of 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As of 31 December 2020, a 10% strengthening (weakenig) in the Czech crown would have increased (decreased) profit or loss and equity in EUR by the amount of CZK 1,861.9 million (31 December 2019: CZK 854.0 million; 1 January 2019: CZK 228.0 million) and in USD by the amount of CZK 1.1 million (31 December 2019: CZK 0.6 million; 1 January 2019: CZK 0.2 million).

(e) Fair value measurement

Derivative instruments are classified within level 2 of the fair value hierarchy.

For all remaining financial assets and liabilities accounting at amortized costs, the Company assess that their fair value approximates their carrying value in all material aspects.

Valuation techniques used to value financial instruments include:

- For FX forwards and FX swaps – present value of future cash flows based on forward exchange rates at the balance sheet date.

22. Related parties

All material transactions with related parties were carried out on an arm's length basis.

(a) Outstanding related party balances as of 31 December 2020, 31 December 2019 and 1 January 2019:

The following tables present outstanding receivables and payables from related parties of the Company as of 31 December 2020, 31 December 2019 and 1 January 2019:

Outstanding balance with parent	**31/12/2020**	31/12/2019	1/1/2019
Assets			
Current trade and other receivables	**–**	216.8	–
Liabilities			
Current trade and other payables	**–**	1.0	1.0

Outstanding balance with companies controlled by the Company	**31/12/2020**	31/12/2019	1/1/2019
Assets			
Non-current loans provided	**18,444.7**	–	–
Current loans provided	**755.0**	4,858.2	2,967.9
Current trade and other receivables	**278.0**	22.3	1.7
Liabilities			
Current loans and borrowings	**1,471.3**	1,756.2	15.0
Non-current loans and borrowings	**15,433.0**	5,053.2	6,788.8
Current trade and other payables	**5.0**	6.7	1.7

Outstanding balance with related parties of the Company with other companies controlled by the parent	**31/12/2020**	31/12/2019	1/1/2019
Liabilities			
Current trade and other payables	**10.8**	27.7	12.8

See Notes 13 and 17 for detailed split of loans and borrowings according to counterparties.

22. Related parties continued

(b) Transactions with related parties of the Company for the years ended 31 December 2020 and 31 December 2019:

The following tables present transactions with related parties of the Company with effect on the statement of comprehensive income for the years ended 31 December 2020 and 31 December 2019:

Transactions with parent	2020	2019
Revenue from sale of goods and services	–	216.8
Materials, consumables and services	4.4	4.0
Finance income	–	5.3

Transactions with companies controlled by Company	2020	2019
Revenue from services	76.8	28.2
Materials, consumables and services	11.2	16.1
Dividend income	2,699.3	4,490.7
Interest income	404.5	95.2
Interest expense	247.7	295.7
Other finance expenses	30.6	0.5

Transactions with related parties of the Company with other companies controlled by the parent	2020	2019
Materials, consumables and services	19.4	38.3
Personnel expenses	0.4	0.5
Other operating expenses	4.5	8.4
Interest income	1.2	5.4
Other finance expenses	4.1	–

Materials, consumables and services mainly comprise consulting services, rental costs and rental services, IT services and material and energy consumption. Other operating expenses mainly comprise travel expenses.

(c) Transactions with members of the Company's Board of Directors, Supervisory Board and executive management for the year ended 31 December 2020 and 31 December 2019:

Bonuses, remuneration and other personal expenses incurred in respect of members of the Board of Directors and Supervisory Board, and other management personnel with executive power.

	2020		2019	
	Board of Directors and Supervisory Board	Executive management	Board of Directors and Supervisory Board	Executive management
Wages and salaries	(5.8)	(27.5)	(2.7)	(19.6)
Social insurance	–	(4.2)	–	(2.4)
Total	**(5.8)**	**(31.6)**	(2.7)	**(22.0)**

"Key management personnel" comprise the C-level management of the Company.

There are no outstanding balances between the Company and the executive management.

Notes to the separate financial statements continued

23. Subsequent events

Significant subsequent events that occurred after 31 December 2020:

1. In January 2021, the Company received a partial repayment of an intragroup loan from Italian Gaming Holding a.s. in the amount of EUR 7.5 million (equivalent to CZK 196.4 million).

2. In January 2021, the company established a new subsidiary SAZKA GROUP UK HOLDING LTD, which is incorporated in the United Kingdom.

3. In January 2021 the Company provided an additional intragroup loan to CAME Holding GmbH in the amount of EUR 23.2 million (equivalent to CZK 605.1 million).

4. In February 2021, the Company provided a new intragroup loan to RUBIDIUM HOLDING Ltd in the amount of EUR 8.3 million (equivalent to CZK 213.8 million).

5. In February 2021, the Company received partial repayment of an intragroup loan from SAZKA DELTA HELLENIC HOLDINGS Ltd in the amount of EUR 8.3 million (equivalent to CZK 213.8 million).

6. During the first quarter of 2021 the Company increased its direct shareholding in OPAP by 0.99% to 11.21%, thus the combined shareholding is 44.11% (effective share 37.08%).

7. During the first quarter of 2021, the Company drew an intragroup loan from SAZKA Group Financing (Czech Republic) a.s. in the aggregate amount of EUR 84.9 million (equivalent to CZK 2,216.2 million).

8. COVID-19 update

In late October/early November 2020, a number of regions in Europe implemented tighter COVID-19 related restrictions. A number of these restrictions have continued into 2021. The Company is only impacted indirectly, through negative impact of COVID-19 related restriction on its investments.

While all Group's digital channels continue to operate without interruption, physical retail networks have to various degrees been affected by these restrictions, with a very limited impact in Austria, the Czech Republic and Italy but a greater impact in Greece and Cyprus.

The restrictive measures have not affected Company's ability to fulfil its obligation to lenders and have not impacted going concern assertion.

Date: 30 April 2021	Signature of the authorised representative: **Pavel Šaroch** Member of the Board of Directors	 **Robert Chvátal** Member of the Board of Directors

Independent auditor's report

To the shareholder of SAZKA Group a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of SAZKA Group a.s., with its registered office at Vinohradská 1511/230, Praha 10 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2020, of the Company's separate financial performance and separate cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of comprehensive income for the year ended 31 December 2020;
- the separate statement of financial position as at 31 December 2020;
- the separate statement of changes in equity for the year ended 31 December 2020;
- the separate statement of cash flows for the year ended 31 December 2020; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, Act on Auditors and EU Regulation.

Our audit approach

Overview



The overall materiality for the Group : EUR 13.1 million, which was determined as 5% of the average Group's profit before tax from continuing operations for the last three years (the profit before tax for the year 2020 was adjusted for the gain of EUR 142.7 million from the remeasurement to fair value of previously held equity method investee upon acquisition of control, that was considered to be a non-recurring item).

The overall materiality for the Company: CZK 442.0 million, which was determined as 0.8% of the total assets.

Significant components of the Group were subject to a full scope audit. Our audit work addressed 100% of the Group's revenues and 97% of the Group's profit for the year.

Revenue Recognition Based on Complex Information Systems – Gross Gaming Revenue (consolidated financial statements)

Impairment assessment of Intangible assets with indefinite useful lives and Goodwill (consolidated financial statements)

Impact of COVID-19 pandemic (separate and consolidated financial statements)

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the "financial statements"). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality	EUR 13.1 million (EUR 17.9 million for the previous period)
Overall materiality for the Company standing alone	CZK 442.0 million (CZK 309.0 million for the previous period)
How we determined it	Overall Group materiality was determined as 5% of the average Group's profit before tax from continuing operations for the last three years (the profit before tax for the year 2020 was adjusted for the gain of EUR 142.7 million from the remeasurement to fair value of previously held equity method investee upon acquisition of control, that was considered to be a non-recurring item). The overall materiality for the Company was determined as 0.8% of the total assets.
Rationale for the materiality benchmark applied	Materiality is a matter of professional judgment. In drawing conclusions about materiality, we considered both quantitative and qualitative factors. For the overall Group materiality, we selected the average profit before tax from continuing operations for the last three years as the benchmark. In our view, profit before tax is the benchmark against which the performance of the Group is measured the most by users, and it is a generally accepted benchmark. We chose the average profit before tax for the last three years because the 2020, financial performance of the Group was negatively affected by the COVID-19 pandemic. This is considered to be a one-off situation because the Group's long-term financial performance has been stable with reasonable growth and the performance is expected to recover after the pandemic. We decided to apply a 5% threshold, because based on our professional judgment, this percentage is within the range of acceptable and commonly used quantitative materiality thresholds for this benchmark.
	The Company is a holding entity and dividends are the primary source of its income. The ultimate objective of the Company is to increase value for shareholders through enhancing investments in its subsidiaries. Based on these facts, we determined the overall materiality for the Company based on the total assets. We selected a 0.8% threshold, because based on our professional judgment, this percentage is within the range of acceptable quantitative materiality thresholds for this benchmark.

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

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition Based on Complex Information Systems – Gross Gaming Revenue (consolidated financial statements) For the year ended 31 December 2020, the Gross gaming revenue of the Group amounted to EUR 2,018.0 million. Refer to Notes 3 d) and 8 to the consolidated financial statements. The Group operates in a regulated environment in several jurisdictions and has a variety of revenue streams across its operations. The revenue streams involve a large volume of individually immaterial daily transactions being recorded, processed, computed, and accounted for using highly complex interconnected IT systems (both in house and third-party ones), with a number of different and specialised bases for calculating revenue. The accuracy and completeness of the amounts recognized from these revenue streams are highly dependent on Information Technology (IT) systems and automated processes and controls (i.e. calculations, reconciliations) embedded in or used by these systems. The complexity arising from the increased use of the aforementioned Information Technology (IT) systems combined with the large volume and complexity of transactions being processed on a daily basis increase the risk of material misstatement in the financial statements arising from the ineffective inter-connectivity of the IT systems and data, and the risk around the degree of reliability of the amounts recognized from these revenue streams. The audit approach relies on the effectiveness of controls over IT systems, which is critical to the financial reporting, and the overall information security resilience of the Group.	We assessed the information security resilience of the Group by evaluating the design and implementation of key IT processes and controls over financial reporting. More specifically, we assessed the overall IT environment including the administration of access, changes and daily IT operations for key layers of underlying infrastructure (i.e. applications, operating system, databases, and data) for the systems in scope of the audit and tested the operating effectiveness of the related controls. In addition, in order to be able to place reliance on the system generated information (i.e. data and reports), and any IT dependent or automated controls (i.e. interfaces, calculations, reconciliations) implemented in these systems, we also tested the operating effectiveness of business process controls around revenues, and performed substantive procedures over revenues, tested reconciliations and non-standard journal entries related to revenues as part of our audit. For the instances where, at the Group level, the aforementioned systems and/or related processes and controls were outsourced to third party providers and sufficient audit evidence concerning the relevant financial statement assertions was not available from records held within the Group, we obtained and evaluated the respective assurance reports, issued by the auditors of the Service Organizations, in order to obtain the understanding of the nature of the services being provided and the control environment implemented at the Service Organizations, including the results of the testing of the operating effectiveness that was performed by the auditors of the respective Service Organizations. We have read the audit reports and assessed the conclusions provided by the respective auditors and whether the third party services were operating as intended.

Impairment assessment of Intangible assets with indefinite useful lives and Goodwill (consolidated financial statements)

Management tests goodwill and intangible assets with indefinite useful lives for impairment annually. Other intangible assets are tested when impairment indicators exist.

At 31 December 2020, goodwill measured at cost less any accumulated impairment losses, amounted to EUR 1,180.6 million in the consolidated financial statements.

For goodwill impairment test purposes, an assessment was performed for all relevant cash generating units ('CGUs'). Management determines the recoverable amount of each cash-generating unit as the greater of its value in use and its fair value less costs of disposal.

For the purpose of goodwill impairment tests, the calculations of fair value less costs of disposal use market price on active market (if available) or market multiples method. The calculations of value in use are based on cash flow projections based on financial budgets and cash projections approved by management.

At 31 December 2020, intangible assets with indefinite useful lives measured at cost less accumulated depreciation and any impairment, amounted to EUR 2.403.2 million in the consolidated financial statements.

As a result of the deterioration of the macroeconomic environment due to the impact of COVID-19 pandemic, the Group proceeded with an impairment assessment of the recoverable amount for the cash generating units that were significantly affected and reported losses.

The calculations for impairment tests for intangible assets with indefinite useful lives use cash flow projections based on financial budgets approved by management covering a five-year period and cash projections for the remaining period of the use of the concession right.

This is a key audit matter for our audit given that management in determining the recoverable amount exercised judgement in calculating the future cash flows, (e.g. expectations on market development, and discount rates applied to future cash flow forecast). Details on the assumptions used are included in Note 18 "Intangible assets and goodwill" to the consolidated financial statements.

We evaluated management's overall impairment testing process, including process for identifying indicators for impairment, preparation of impairment testing models as well as their review and approval.

The key assumptions assessed per case included, the revenue growth rates, margin trends and discount rates.

We discussed extensively with management, the suitability of the impairment model and reasonableness of the assumptions used and with the support of our valuation specialists we performed the following procedures:

- Benchmarking of the key assumptions used in management's valuation models with market trends and assumptions made in the prior year.
- Testing the mathematical accuracy of the cash flow models and agreeing relevant data to approved business plans.
- Assessing the reliability of management's forecast through a review of actual performance against previous forecasts.
- Assessing the sensitivity of impairment tests to changes in significant assumptions.
- We validated the appropriateness of the related disclosures included in Note 18 to the consolidated financial statements.

In relation to the provisional goodwill amounting to EUR 466.0 million that was recognised for STOIXIMAN Business (Greek and Cypriot operations), for which the transaction of its acquisition was completed at 18 November 2020, we have assessed whether there have been any events or indications identified that may have a negative impact on their operations and profitability. Management has a period of 12 months from the date of acquisition to finalize the acquisition accounting.

Impact of COVID-19 pandemic (separate and consolidated financial statements)

The Company and the Group prepared its financial statements using the going concern basis of accounting. Refer to Notes 1 b) and 36 to the consolidated financial statements and Notes 2 c) and 23 to the separate financial statements, for management's going concern and other relevant disclosures.

We focused on the appropriateness of the going concern basis of accounting given the potential impact that the outbreak of COVID-19 pandemic will have on the Company's and Group's operations and financial position. The ability of the Group and the Company to continue operating as a going concern is dependent on Management's ability to maintain liquidity in order to meet its current financing and operating obligations.

Management has also considered the impact of COVID-19 pandemic on the Group's future operating results and cashflows. The outbreak of COVID-19 pandemic and related restrictions that were adopted by the governments in countries where the Group operates have negatively affected its operations and future cash inflows.

Management's assessment of the going concern basis of accounting is based on financial performance and cash flow projections which are dependent on significant management judgement and can be influenced by management bias.

In assessing the appropriateness of the going concern basis of accounting used in preparing the consolidated and separate financial statements, we:

- Obtained management's assessment of the impact of COVID-19 pandemic on the Company's future operations, financial performance and cash flows, including their analysis of future liquidity requirements. We discussed with management the key assumptions made and assessed their plans to mitigate potential liquidity shortfalls.
- Obtained evidence over management's underlying cash flow projections for the Company and significant components by evaluating these against relevant external and internal sources as deemed necessary.
- Checked the mathematical accuracy of management's cash flow forecasts for the Company and significant components.
- Performed independent analysis at the significant components level to assess key assumptions underlying the cash flow forecast such as a further suspension of operations beyond Management's assessment.
- Evaluated management's conclusion that there are no material uncertainties with respect to going concern.
- Reviewed the adequacy and appropriateness of management's going concern and other relevant disclosures in the Note 36 to the consolidated financial statements and in the Note 23 to the separate financial statements and in the.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

The Group comprise the Company and its subsidiaries. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction. We identified four components (2019: three) as financially significant in 2020. Specified procedures over a specific financial statement line item were performed at one further component (2019: two) and central testing was performed on selected items, such as goodwill, external financing and the consolidation, primarily to ensure appropriate audit coverage. The components included within our audit scope were determined based on the individual components' contribution to the Group's key financial statement line items (in particular revenue and profit before tax), and considerations relating to aggregation risk within the Group. Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude on whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. Our audit work addressed 100% of the Group's revenues and 97% of the Group's profit for the year.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but does not include both of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

The audit committee of the Company is responsible for monitoring of the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 controls.
- obtain an understanding of internal controls 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 Group and the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' 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 Group and 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 Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board and audit committee, 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Information required by the Regulation (EU) No. 537/2014 of the European Parliament and of the Council

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for year 2020 by the general meeting of shareholders of the Company on 30 June 2020. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 3 years.

Provided non-audit services

To the best of our knowledge and belief, we declare that PwC Network has not provided to the Company and its subsidiaries non-audit services that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services we have provided to the Company and its subsidiaries in the period from 1 January 2020 to 31 December 2020 are disclosed on page 210 of the Annual Report.

Report on the assurance engagement in relation to compliance with the requirements of the European Single Electronic Format ("ESEF")

We have conducted a reasonable assurance engagement for the verification of compliance with the applicable requirements of Commission Regulation (EU) 2019/815 on the European Single Electronic Format (the "ESEF Regulation") of the electronic reporting format of the Group consolidated financial statements for the year ended 31 December 2020 included in the accompanying 2020 Annual Report (the "Electronic reporting format of the consolidated financial statements").

Description of a subject matter and applicable criteria

The Electronic reporting format of the consolidated financial statements has been applied by the Company to comply with the requirements of art. 3 and 4 of the ESEF Regulation.

The applicable requirements regarding the electronic reporting format contained in the ESEF Regulation determine the basis for application of the Electronic reporting format of the consolidated financial statements and, in our opinion, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of the board of directors and the supervisory board

The board of directors of the Company is responsible for the application of the Electronic reporting format of the consolidated financial statements that complies with the requirements of the ESEF Regulation. This responsibility includes the selection and application of appropriate tags in iXBRL using ESEF taxonomy and implementation of such internal control as the board of directors determines is necessary to enable the preparation of the Electronic reporting format of the consolidated financial statements which is in all material respects in compliance with the requirements of ESEF Regulation.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibility

Our responsibility was to form a reasonable assurance conclusion that the Electronic reporting format of the consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance that the Electronic reporting format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Electronic reporting format of the consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures included mainly:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic reporting format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- assessment of the risk of material departures from the requirements of the ESEF Regulation due to fraud or error;
- verification that the XHTML format was applied properly;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the marking up process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- evaluating the completeness of marking up the consolidated financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Company's use of XBRL tags selected from the ESEF taxonomy and the creation of extension tags where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

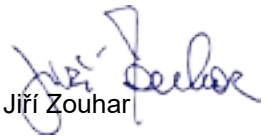
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Reasonable assurance conclusion

In our opinion, based on the procedures performed, the Electronic reporting format of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

1 May 2021

PricewaterhouseCoopers Audit, s.r.o.
represented by



Jiří Zouhar



Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

This document is a copy of the independent auditor's report issued on 1 May 2021 on the statutory annual report of SAZKA Group a.s. as prepared in accordance with the provisions of the ESEF Regulation. The attached copy of the annual report is not prepared in accordance with the ESEF Regulation and therefore does not constitute a statutory annual report and like this copy of the auditor's report, is not a statutory binding document. The original of the statutory annual report including our audit report is published in the Central Storage of Regulated Information on the website of the Czech National Bank.

Further Regulatory Disclosures

Report of the Board of Directors of SAZKA Group a.s. on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity

SAZKA Group a.s., with its registered seat at Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Identification No. 242 87 814, registered in the Commercial Register maintained by the Municipal Court in Prague under file no. B 18161 (hereinafter the "Company") was considered a controlled entity within the meaning of Section 74 et seq. of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended (hereinafter the "Business Corporations Act") in the accounting period from 1 January 2020 to 31 December 2020 (hereinafter the "Accounting Period").

In accordance with Section 82 of the Business Corporations Act, the Board of Directors of the Company, as a controlled entity, has drafted this report on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity for the Accounting Period (hereinafter also the "Report on Relations" and "Related Entities"). The Report on Relations is structured in accordance with Section 82 (2) and (4) of Business Corporation Act.

The structure of relations between the Company and other related entities

During the entire Accounting Period, the Company was a part of KKCG Group that is constituted by entities all of which are controlled, directly or indirectly, by KKCG AG, having its registered seat at Kapellgasse 21, 6004 Lucerne, Switzerland, registered under Registration No. CHE-326.367.231 (hereinafter "KKCG AG").

During the entire Accounting Period the Company was directly controlled by KKCG AG.

List of all entities of KKCG Group that are controlled, directly or indirectly, by KKCG AG, including the Company, constitutes an Annex to this Report on Relations. Information on the entities within the KKCG Group is stated as of 31 December 2020.

The role of the Company

The role of the Company, as a controlled entity, is to hold and manage equity stakes in companies active in the lottery and gaming operations and their unified management.

The method and means of control

During the entire Accounting Period, the control over the Company was exercised through a 100% share in the voting rights at the Company's General Meeting.

A summary of significant actions

In the Accounting Period, at the initiative or in the interest of KKCG AG or persons controlled by it the Company took the following actions concerning assets which had exceeded 10% of own capital of the Company as determined from the last financial statements preceding the issuance of this report:

- Prolongation of the repayment date for an intragroup loan provided to SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) for the purpose of repaying an existing loan facility pursuant to the EUR 210 million Facility Agreement originally dated 31 October 2019 (as listed in Section 5.2 below) (loan was repaid as of 31 May 2020);
- Distribution of retained profits of the Company to its sole shareholder in the amount of CZK 3,995.9 million by virtue of resolutions dated 6 November 2020 and 28 December 2020;
- Placement of short-term deposits with KKCG Structured Finance AG pursuant to a Cash Pooling Agreement originally dated 20 June 2016 (as listed in Section 5.2 below);
- Granting of an intragroup loan to Italian Gaming Holding a.s. for the purpose of repaying an existing loan facility, pursuant to a Loan Agreement dated 6 February 2020 (as listed in Section 5.1 below);
- Granting of an intragroup loan to CAME Holding GmbH for the purpose of repaying an existing loan facility, pursuant to a Loan Agreement originally dated 6 February 2020 (as listed in Section 5.1 below) (until the assignment to Austrian Gaming Holding a.s. on 22 June 2020 and from the assignment back onto the Company on 22 December 2020);

- Granting of an intragroup loan to SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) for the purpose of repaying an existing loan facility, pursuant to a Loan Agreement up to the amount of EUR 210 million originally dated 12 February 2020 (as listed in Section 5.1 below);
- Granting of an intragroup loan to Austrian Gaming Holding a.s. pursuant to a Loan Agreement up to the amount of EUR 150 million originally dated 22 June 2020 (as listed in Section 5.1 below) (until the set-off which took place on 22 December 2020);
- Provision of a sponsor's guarantee in connection with a loan to CAME Holding GmbH under a Loan Agreement (dated 23 June 2020), in favour of a financial institution, dated 23 June 2020 (until the release of security on 17 December 2020);
- Provision of a sponsor's undertaking in connection with a loan to CAME Holding GmbH under a Loan Agreement (dated 23 June 2020), in favour of a financial institution, dated 23 June 2020 (until the release of security on 17 December 2020);
- Provision of guarantee, as an Original Guarantor, under a Senior Facilities Agreement dated 16 December 2020 as listed in Section 5.1 below);
- Conclusion of an Intercreditor Agreement with SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s. and other contracting parties dated 16 December 2020 (as listed in Section 5.1 below);
- Drawing of an intragroup loan in the amount of EUR 450 million pursuant to a Term and Revolving Loan Agreement with SAZKA Group Financing (Czech Republic) a.s. dated 21 December 2020 (as listed in Section 5.1 below);
- Granting of an intragroup loan for the purpose of repaying an existing facility pursuant to a Loan Agreement with SAZKA a.s. dated 21 December 2020 (as listed in Section 5.1 below); and
- Providing security in connection with a Senior Facilities Agreement (dated 16 December 2020, as listed in Section 5.1 below) in the form of a pledge of shares in OPAP S.A. pursuant to a Share Pledge Agreement dated 29 December 2020 and related Control Agreement dated 29 December 2020.

An overview of contracts

The following contracts were concluded further between the Company and KKCG AG, or the Company and other persons controlled by KKCG AG, during the Accounting Period:

- Guarantee Facility Agreement with SAZKA Czech a.s. and other contracting parties dated 13 January 2020 (replaced by a loan to other entity dated 23 June 2020);
- Amendment No. 4 to the Facility Agreement (originally dated 31 October 2019) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 15 January 2020 (repaid as of 31 May 2020);
- Amendment No. 5 to the Facility Agreement (originally dated 31 October 2019) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 22 January 2020 (repaid as of 31 May 2020);
- Amendment No. 6 to the Facility Agreement (originally dated 31 October 2019) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 22 January 2020 (repaid as of 31 May 2020);
- Notes Purchase Agreement with SAZKA Czech a.s. and other contracting parties dated 29 January 2020;
- Indenture in relation to notes with SAZKA Czech a.s. and other contracting parties dated 5 February 2020;
- Amendment No. 7 to the Facility Agreement (originally dated 31 October 2019) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 5 February 2020 (repaid as of 31 May 2020);
- Facility Agreement with Italian Gaming Holding a.s. dated 6 February 2020;
- Facility Agreement with CAME Holding GmbH dated 6 February 2020;

Further Regulatory Disclosures continued

- Facility Agreement with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 12 February 2020;
- Deed relating to the Shareholders' Agreement (originally dated 17 August 2016) with Rubidium Holdings Limited and other contracting parties dated 12 February 2020;
- Amendment No. 1 to the Facility Agreement (dated 12 February 2020) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 28 February 2020;
- Amendment No. 1 to the Movable Assets Rent Agreement (dated 1 November 2017) with KKCG a.s. dated 3 March 2020;
- Waiver and Termination Agreement (relating to the security for a Facility Agreement originally dated 9 May 2016) with Italian Gaming Holding a.s. and another contracting party dated 3 March 2020;
- Accession to the Flight Tickets Purchase Agreement with KKCG a.s. and another contracting party dated 20 March 2020;
- Amendment No. 2 to the Facility Agreement (originally dated 12 February 2020) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) and SAZKA Delta AIF Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) dated 30 April 2020;
- Agreement on Termination of Framework Deposit Agreement (dated 19 November 2018) with IGH Financing a.s., v likvidaci, dated 11 May 2020;
- Share Purchase Agreement with KKCG AG dated 20 May 2020;
- Framework Agreement on Provision of Advisory Services with SAZKA a.s. dated 16 June 2020;
- Framework Agreement on Provision of Advisory Services with OPAP S.A. dated 16 June 2020;
- Facility Agreement with Austrian Gaming Holding a.s. dated 22 June 2020 (until the set-off which took place on 22 December 2020);
- Amendment and Restatement Agreement in relation to the Facility Agreement (dated 6 February 2020) with CAME Holding GmbH dated 22 June 2020;
- Assignment Agreement in relation to the Facility Agreement (originally dated 6 February 2020) with CAME Holding GmbH and Austrian Gaming Holding dated 22 June 2020;
- Share Purchase and Transfer Agreement with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) and SAZKA Delta AIF Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) dated 24 June 2020;
- Escrow Agreement with CAME Holding GmbH and other contracting parties dated 25 June 2020;
- Supplement No. 2 to the Shareholders' Agreement (originally dated 22 June 2017) with CAME Holding GmbH and another contracting party dated 26 June 2020;
- Share Purchase and Transfer Agreement with CAME Holding GmbH and other contracting parties dated 26 June 2020;
- Closing Agreement with CAME Holding GmbH and other contracting parties dated 26 June 2020;
- Service Order No. 1 relating to the Framework Agreement on Provision of Advisory Services (dated 16 June 2020) with OPAP S.A. dated 10 July 2020;
- Information Sharing Memorandum regarding consolidation and reporting with Casinos Austria AG dated 17 August 2020;
- Non-Disclosure Agreement with Casinos Austria AG dated 24 August 2020;
- Amendment No. 2 to the Confidentiality Agreement (originally dated 15 January 2018) with OPAP S.A. dated 27 August 2020;
- Assignment Agreement relating to the agreement on provision of advisory services (dated 29 April 2020) with SAZKA Group UK Limited and another contracting party dated 1 September 2020;

- Share Purchase Agreement with SAZKA Czech a.s. dated 15 September 2020;
- Agreement on the Provision of Contribution into the Other Capital Funds with SAZKA Czech a.s. dated 23 September 2020;
- Affiliate Side Agreement regarding provision of advisory services with SAZKA Group UK Limited and another contracting party dated 1 October 2020;
- Cooperation Agreement with SAZKA Group UK Limited dated 13 October 2020;
- Investment and Shareholder Agreement with KKCG AG, SAZKA Entertainment AG and another contracting party dated 9 November 2020;
- Side Letter with KKCG AG, SAZKA Entertainment AG and another contracting party dated 9 November 2020;
- Equity Commitment Letter with KKCG AG, SAZKA Entertainment AG and another contracting party dated 9 November 2020;
- Agreement on Sale and Purchase of Shares with KKCG AG dated 25November 2020;
- Amendment No. 3 to the Facility Agreement (originally dated 12 February 2020) with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) and SAZKA Delta AIF Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) dated 10 December 2020;
- Amendment No. 2 to the Cash Pooling Agreement (originally dated 20 June 2020) with KKCG Structured Finance AG dated 10 December 2020;
- Share Purchase and Transfer Agreement with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) and SAZKA Delta AIF Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) dated 14 December 2020;
- Amendment Agreement No. 1 in relation to the Facility Agreement (dated 22 June 2020) with Austrian Gaming Holding a.s. dated 14 December 2020;
- Framework Agreement on the Provision of Advisory Services with SAZKA Group CZ a.s. dated 16 December 2020;
- Agreement on Termination of ICT Services Agreement (dated 22 February 2018) with DataSpring s.r.o. dated 16 December 2020; ICT Services Agreement with KKCG a.s. dated 16 December 2020;
- Intercreditor Agreement with SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s. and other contracting parties dated 16 December 2020;
- Senior Facilities Agreement with SAZKA Group Financing (Czech Republic) a.s., SAZKA Czech a.s., Italian Gaming Holding a.s., SAZKA Group Financing a.s. and other contracting parties dated 16 December 2020;
- Process Agent Appointment with SAZKA Group UK Limited dated 16 December 2020;
- First Supplemental Indenture in relation to notes (dated 15 November 2019) with SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., Italian Gaming Holding a.s. and another contracting party dated 16 December 2020;
- First Supplemental Indenture in relation to notes (dated 5 February 2020) with SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., Italian Gaming Holding a.s. and another contracting party dated 16 December 2020;
- Prepayment and Release Agreement with Austrian Gaming Holding a.s., CAME Holding GmbH and another contracting party dated 17 December 2020;
- Term and Revolving Facility Agreement with SAZKA Group Financing (Czech Republic) a.s. dated 21 December 2020;
- Facility Agreement with SAZKA a.s. dated 21 December 2020;
- Assignment and Set-Off Agreement relating to the Facility Agreement (originally dated 6 February 2020) with Austrian Gaming Holding a.s. and CAME Holding GmbH dated 22 December 2020;
- Agreement on Sale and Purchase of Shares with SPORTLEASE a.s. dated 22 December 2020;

Further Regulatory Disclosures continued

- Agreement on the Assignment of Business Premisses Tenancy Agreement (originally dated 31 October 2017) with Vinohradská 230 a.s. and SAZKA Group CZ dated 22 December 2020;
- Business Premisses Tenancy Agreement with Vinohradská 230 a.s. dated 22 December 2020;
- Accession Deed with SAZKA a.s. and other contracting parties dated 23 December 2020;
- Accession Deed with Austrian Gaming Holding a.s. and other contracting parties dated 23 December 2020;
- Accession Deed with CAME Holding GmbH and other contracting parties dated 23 December 2020;
- Second Supplemental Indenture in relation to notes (dated 15 November 2019) with SAZKA a.s., Austrian Gaming Holding a.s., CAME Holding a.s. and another contracting party dated 23 December 2020;
- Second Supplemental Indenture in relation to notes (dated 5 February 2020) with SAZKA a.s., Austrian Gaming Holding a.s., CAME Holding a.s. and another contracting party dated 23 December 2020;
- Parallel Debt and Local Security Agency Agreement with SAZKA Czech a.s., SAZKA Group Financing (Czech Republic) a.s., Italian Gaming Holding a.s., SAZKA Group Financing a.s., Austrian Gaming Holding a.s., SAZKA a.s., CAME Holding GmbH and other contracting parties dated 23 December 2020;
- Amendment No. 2 regarding the Assignment of Legal Services Agreement (originally dated 15 January 2020) with SAZKA Group CZ a.s. and another contracting party dated 30 December 2020;
- Agreement on the Provision of Contribution into the Other Capital Funds with SAZKA Group Financing (Czech Republic) a.s. dated 30 December 2020; and
- Agreement on the Assignment of Agreements (framework and individual) with DataSpring s.r.o and SAZKA Group CZ a.s. dated 31 December 2020.

The following contracts concluded between the Company and KKCG AG, or between the Company and other persons controlled by KKCG AG, prior to the commencement of the Accounting Period were still in force during the Accounting Period:

- Agreement on Payroll Records Processing with KKCG a.s. dated 1 October 2015;
- Agreement on the Use of Fitness Centre with Vinohradská 230 a.s. dated 1 March 2016;
- Cash Pooling Agreement with KKCG Structured Finance AG dated 20. 6. 2016, as amended by Amendment No. 1 dated 24. 7. 2019 and Amendment No. 2 dated 10 December 2020;
- Framework Agreement on Provision of Advisory Services with KKCG a.s. dated 23 August 2016, as amended by Supplement No. 1 dated 30 June 2017 and Supplement No. 2 dated 18 March 2019;
- Shareholders' Agreement with Rubidium Holdings Limited and other contracting parties dated 24 July 2014, as amended on 17 August 2016, 18 March 2019, and 27 June 2019;
- Joint Venture Agreement with Italian Gaming Holding a.s. and other contracting parties dated 30 April 2016, as amended on 31 May 2017;
- Framework Agreement on Provision of Services with DataSpring s.r.o. dated 1 November 2016 (until the contract assignment dated 31 December 2020);
- Individual Agreement on Provision of Services with DataSpring s.r.o. dated 1 November 2016, as amended by Amendment no. 1 as of 1 November 2017 and Amendment No. 2 as of 18 September 2019 (until the contract assignment dated 31 December 2020);
- Accession to the Assumption and Guarantee Agreement with CAME Holding GmbH and other contracting parties dated 1 February 2017, as amended by an Extension Agreement dated 5 October 2018;
- Agreement with End User on the Provision of Services relating to the use of Microsoft Products with DataSpring s.r.o. dated 13 April 2017;
- Shareholders' Agreement with CAME Holding GmbH and another contracting party dated 22 June 2017, as supplemented by Supplement No. 1 dated 10 December 2019 and Supplement No. 2 dated 26 June 2020);

- Agreement on Security Inspections with Kynero Consulting a.s. dated 29 September 2017, as amended by Amendment No. 1 dated 18 June 2018;
- Framework Agreement on Provision of Accounting Services with KKCG a.s. dated 1 November 2017;
- Project Support Agreement with SAZKA Group Financing a.s. dated 14 November 2017;
- Framework Agreement on Ticketing Services in the Field of Air Transport with G-Jet s.r.o. dated 15 November 2017;
- Meeting Rooms Licence to Hire with KKCG UK Limited dated 1 January 2017;
- Business Premises Tenancy Agreement with Vinohradská 230 a.s. dated 31 October 2017, as amended on 1 March 2018, 29 June 2018, 31 August 2018, and 1 November 2019 (until the contract assignment dated 22 December 2020);
- Movable Assets Rent Agreement with KKCG a.s. dated 1 November 2017, as amended by Amendment No. 1 dated 3 March 2020;
- Financial Guarantee for obligations of SAZKA Group Financing a.s. dated 14 November 2017;
- ICT Services Agreement with DataSpring s.r.o. dated 2 February 2018 (terminated by an agreement dated 16 December 2020);
- Loan Agreement with SAZKA Group Financing a.s. dated 12 December 2017, as amended by Amendment No. 1 dated 31 May 2018;
- Agreement on the Compensation for Software Extension with KKCG a.s. dated 13 December 2017;
- Confidentiality Agreement with OPAP S.A. dated 15 January 2018, as amended by Amendment No. 1 dated 6 July 2018 and Amendment No. 2 dated 27 August 2020;
- Accession Agreement with KKCG a.s. and another contracting party dated 31 January 2018;
- Personal Data Processing Agreement with KKCG a.s. dated 16 July 2018;
- Framework Deposit Agreement with SAZKA Czech dated 24 August 2018;
- Framework Deposit Agreement with SAZKA a.s. dated 17 September 2018, as amended by Amendment No. 1 dated 21 December 2018;
- Share Pledge Agreement (originally dated 9 May 2016) with Italian Gaming Holding a.s. and an other contracting party, as amended by Side Agreement dated 29 October 2018 (until the release of pledge on 6 March 2020);
- Framework Deposit Agreement with IGH Financing a.s. dated 19 November 2018 (terminated by an agreement dated 11 May 2020);
- Subordination Agreement (originally dated 9 May 2016) with Italian Gaming Holding a.s. and another contracting party, as amended by Amendment No. 1 dated 14 December 2018 (terminated as of 3 March2020);
- Loan Agreement with Italian Gaming Holding a.s. dated 14 December 2018 (repaid on 12 February 2020);
- Framework Agreement on Provision of Advisory Services with KKCG AG dated 12 February 2019;
- Indemnity Agreement with Organisation of Football Prognostics S.A. (OPAP S.A.) dated 1 March 2019;
- Consultancy Agreement with KKCG AG dated 11 July 2019;
- Royalty Agreement with OPAP S.A. dated 20 August 2019;
- Agreement for the Provision of Consultancy and Advisory Services with OPAP S.A. dated 20 August 2019;
- Joint Cooperation and Common Interest Agreement with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited), OPAP S.A. and KKCG AG dated 22 October 2019;
- Facility Agreement with SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Limited) dated 31 October 2019, as amended by amendment no. 1 dated 29 November 2019, no. 2 dated 12 December 2019, no. 3 dated 20 December 2019, no. 4 dated 15 January 2020, no. 5 dated 22 January 2020, no. 6 dated 29 January 2020) and no. 7 dated 5 February 2020) (repaid on 31 May 2020);

Further Regulatory Disclosures continued

- Purchase Agreement in relation to bonds with SAZKA Czech a.s. and other contracting parties dated 12 November 2019;
- Indenture in relation to bonds with SAZKA Czech a.s. and other contracting parties dated 15 November 2019 as amended by First Supplemental Indenture dated 16 December2020 and Second Supplemental Indenture dated 23 December 2020; and
- Cash Pooling Agreement with Italian Gaming Holding a.s. dated 29 November 2019.

Assessment of damage suffered and its settlement

Neither based on agreements concluded during the Accounting Period between the Company and other persons in the KKCG Group, nor based on other actions taken during the Accounting Period by the Company in the interest or at the initiative of such persons, did the Company suffer any damage.

The evaluation of advantages and disadvantages resulting from the relations between the related entities

A membership in the KKCG Group, with KKCG AG as the controlling entity, enables the Company to benefit, especially, from the sharing of know-how and information (to the extent permitted by law and contractual arrangements with third parties), from the ability to take advantage of the good reputation associated with the KKCG brand and to access intragroup and bank financing (for example, through the possibility for other persons in the Group to provide collateral for financial liabilities of the Company).

The Company has not identified any disadvantages or any risks arising to it from the relationships between the Related Entities.

Annex: List of Related Entities as of 31. 12. 2020

In Prague on 30 March 2021	Signature of the authorised representative:	
	Pavel Šaroch Member of the Board of Directors SAZKA Group a.s	**Robert Chvátal** Member of the Board of Directors SAZKA Group a.s

Annex No. 1 – List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2020

Company	
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. no 36828617
AEC a.s. (formerly AEC Group a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04772148
AEC s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 31384072
AleaX AG	Fabrikstraße 4, 9496 Balzers, Liechtenstein, registration no. FL-0002.629.106-8
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, post code 702 00, identification no. 28345801;
Aricoma Group a.s.	Prague 4, Chodov, Líbalova 2348/1, post code 149 00, identification no. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 102 35, Sweden, reg. No. 559239-3473
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04047788
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, identification no. 043 08 697
AUTOCONT s.r.o.	Krasovského 14, Bratislava – mestská časť Petržalka, post code 851 01, Slovak Republic, identification no. 36 396 222
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27457621
BOSM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773877
Cachi Valle Aventuras S.A.	Av. Francisco de Uriondo 330, 4400 Salta, Argentina. Registration no. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-027729
CAI Ontario Inc.	200 BAY STREET, ROYAL BANK PLAZA, M5J 2Z4 Ontario, Canada, registration no. 1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-159.186.971
CAIO DK ApS	c/o Nordic Gambling ApS, Flæsketorvet 68, 2, 1711 København V, Denmark, registration no. 40909990
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. 038898d
Casino Odense K/S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registration no. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-009273
Casino St. Moritz AG	Kempinski Grand Hotel des Bains, Via Mezdi 29, 7500 St Moritz, Switzerland, registration no. CHE- 107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 30161 Hannover, Germany, registration no. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registration no. FL-0002.543.564-5
Casinos Austria (Swiss) AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN114288x
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration no. 0502.785.246
Casinos Austria International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN37681p
Casinos Austria International Ltd.	Mercure Hotel Level 1, 85-97 North Quay, Brisbane City QLD 4000, Australia, registration no. ACN: 065998807, ABN: 065998807

Further Regulatory Disclosures continued

Company	
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN38657z
Casinos Austria Maritime Corp.	3440 Hollywood Blvd. Ste 415, 33021 Hollywood, USA, registration no. 59-2715677
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN94404f
Casinos Austria VLT AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-279.843.175
Casinos Event Immobilien GmbH	Lister Meile 2, 30161 Hannover, Germany, registration no. HRB 201793
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registration no. FN99639d
CES EA s.r.o.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration no. 32267
Cleverlance Enterprise Solutions s.r.o. (forlmerly Cleverlance Enterprise Solutions a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 27408787
Cleverlance Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04771915
Cleverlance H2B a.s.	Brno, Slatina, Tuřanka 1519/115a, post code 627 00, identification no. 28223756
Cleverlance Slovakia s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 35942487
Cloud4com SK, s.r.o.	Bratislava, Staré Grunty 36, post code 841 04, Slovak Republic, identification no. 50569694
Cloud4com, a.s.	Prague 7, Holešovice, U Uranie 954/18, post code 170 00, identification no. 24660329
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, regitration no. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, registration no. 506335
Complejo Monumento Güemes S.A.	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registration no. FOLIO 187/88 ASIENTO 2288 LIBRO 9
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, FN67046y
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN54015i
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 28808681
DEADALUS TECHNOLOGIES FZC	Silicon Oasis Headquaters, DSOA Street, DSOA, 341568 Dubai, United Arab Emirates, tax registr. no. 100227112800003
Deutsche Sportwetten GmbH	Karmarschstr. 37+39, D-30159 Hannover, Germany, registration no. 219939
Eleganta, a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27627985
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A.	Del Milagro 142, 4400 Salta, Argentina, registration no. IGTJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04283112
Fortuna 1 ApS	c/o Casino Odense K/S, Claus Bergs Gade 7, 5000 Odensee C, Denmark, registration no. 14909087
Geologichne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, registration no.31978102
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN241637z
Great Blue Heron Gaming Com.	200 BAY STREET, ROYAL BANK PLAZA, M5J 2Z4 Ontario, Canada, registration no. 960662070
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, registration no.25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, registration no.132846101000

Company	
IGNIS HOLDING a.s. (formerly MND Oil & Gas a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07435304
INDUSTRIAL CENTER 28/23 SP. Z O.O.	ul.Twarda 18, 00-105 Warszawa, Poland, registration no.1132912313
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registration no. 14996/10019
INTERMOS Praha s.r.o.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Moskovská 13, post code 811 08, Slovak Republic, identification no. 35898411
Internet Projekt, s.r.o.	Prague 2, Nové Město, Vyšehradská 1376/43, post code 128 00, identification no. 08526541
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04828526
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 02612020
Kaizen Gaming International Limited (only activities in Greece and Cyprus)	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registration no. C43209
KAIZEN Gaming Limited (only activities in Greece and Cyprus)	Office 1/1007, Level G, Quantum House 75, Abate Rigord Street, Ta'Xbiex XBX 1120 Malta, registration no. C58362
KKCG a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 27107744
KKCG Development a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08295484
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-271.643.388
KKCG Methanol Holdings LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, United States of America, registration no. 36-4831670
KKCG Real Estate Group a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-292.174.442
KKCG Technologies s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, identification no. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, registration no. 84-2817214
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, registration no. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24193461
Leisure & Enterteinment S.A.	Del Milagro 142, 4400 Salta, Argentina, registration no. IGTJ de Salta Folio 253/4 asiento 3484 L 13
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.32- 0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 30- 0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.30- 0988055
LIE2 AG	Fabrikstrasse 4, 9496 Balzers, Liechtenstein, registration no. FL-0002.606.855-3
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D'Acquisto 5, Italy, registration no. 01294260334
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. FN84439a
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, registration no.117154k
MEDICEM Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, registration no. 38-4126132

Further Regulatory Disclosures continued

Company	
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564534000
MND a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, post code 696 18, identification no. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, registration no. HRB206722
MND Energie a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 09002359
MND Energy Trading a.s	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, registration no. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52308944
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, registration no. HRB207844
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52990680
MND Ukraine a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 08957517
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no.CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26915189
Nazvrevi Oil Company Limited	P.O.Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY, registration no. 1-32991
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration no.84923002000
Ninotsminda Oil Company Limited	195 Arch. Makarios III Ave., Neocleous House, 3030 Limassol, Cyprus, registration no. C74623
NOVECON a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08270783
OAKDALE a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27380912
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN268558p
Ontrax Göteborg AG	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556615-0032
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, registration no. 1046301405094
OPAP CYPRUS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE140568
OPAP INTERNATIONAL LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE145913
OPAP INVESTMENT LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greece, registration no.3823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE133603
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN468412t
Österreichische Lotterien GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN54472g
Österreichische Sportwetten GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN196645i
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5252630921
POM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, registration no. 36042045

Company	
Rabcat Computer Graphics GmbH	Rennweg 40-50/1/6 (1.OG), 1030 Vienna, Austria, registration no. FN276027y
Relax Rezidence Cihlářka, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564470000
RUBIDIUM HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 287956
SALEZA, a.s. (v konkurzu, v úpadku, zahájeno insolvenční řízení)	Prague 9, K Žižkovu čp. 851, post code 19093, identification no. 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05266289
Sazka Asia Vietnam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, registration no.0314057663
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24852104
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314350
SAZKA DELTA HELLENIC HOLDINGS LIMITED (formerly EMMA DELTA HELLENIC HOLDINGS LIMITED)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 320752
SAZKA DELTA MANAGEMENT LTD (formerly EMMA DELTA MANAGEMENT LTD)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314151
Sazka Distribution Viet Nam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam,
registration no.0313898374	
SAZKA Entertainment AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-366.705.452
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 01993143
SAZKA Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24287814
SAZKA Group CZ a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08993165
SAZKA Group Financing (Czech Republic) a.s. (formerly SAZKA Group Holding a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07877838
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava – mestká časť Karlova Ves, post code 841 04, Slovak Republic, identification no. 51142317
SAZKA Group UK Limited (formerly) KKCG UK Limited	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, registration no. 08869774
SAZKA Services s.r.o. (formerly Kavárna štěstí s.r.o.)	Prague 9, K Žižkovu 851/4, post code 190 00, identification no. 05111901
SAZKAmobil 5G a.s. (formerly Italian GNTN Holding a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07911319
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 5323983
Seavus AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556588-5935

1 As defined below.

Further Regulatory Disclosures continued

Company	
Seavus CISC	Area 18, 18, Baghramyan avenue, Arabkir, Yerevan city, 0019, Armenia, Code of the legal entity: 50129257
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosna I Hercegovina, Republika Srpska, reg. no. 57-01-0252-17
Seavus DOO (RS)	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg. no. 20177861
Seavus Educational and Development Center DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg.no. 29508429
Seavus Educational and Development Center DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 6643140
Seavus Enterprise Foundation	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 7026714
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Belarus, reg. no. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, ID. No. CH – 020.4.049.285-2
Seavus Group Holding BV	Hoogoorddreef 15, 1101BA Amsterdam, Netherland, reg. No. 34316211
Seavus S.R.L.	MD-2071, str. Alba-Iulia, 79/1, mun. Chisinau, Moldova, reg. No. 1020600026584
Seavus SHPK	Njësia Bashkiake nr. 5, Rruga Abdyl Frasheri, Ndërtesa 8, Hyrja 7, Ap. 25, 1019 Tiranë, ID no. L62225007B
Seavus Stockholm AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556594-4799
Seavus USA Inc.	2352 Main Street, Suite 200, Concord, MA 01742, ID. No. 000873055
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5272464443
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, post code 710 00, identification no. 25830953
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registration no. HRB 50373
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 01726587
Stoiximan Limited	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registration no. C95597
STR Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07728344
SUPERMARINE, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062773
Tatte Property, a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24841935
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27631842
TOK Poland Sp. Z o.o.	ul. Twarda 18, 00-105 Warszawa, Poland, Reg. č 5252689699
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.5641201000
TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, registration no. 81-1952040
VESTINLOG, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration no. 0474.725.225
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26203944
Vitalpeak Limited	8 Alasias street, Christodoulides Building, 3095 Limassol, Cyprus, registration no. HE 228204
VSU Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN371257t
WINWIN International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN366572d
WOODSLOCK a.s.	Prague 4, Líbalova 2348/1, post code 149 00, identification no. 27379434

Further regulatory disclosures

Disclosure of non-financial and regulatory information required by the Czech Capital Market Undertakings Act

SAZKA Group a.s. is an issuer of bonds listed on the Prague Stock Exchange under reference CZK 6bn SUN SG 5.20/2024 (ISIN: CZ0003522930).

This part of the Annual Report contains information required to be disclosed by the Company as the issuer of publicly traded instruments according to the Sections 118 par. 4) let. b) – h) and j) – l) and 118 par. 6) of the Czech Act No. 256/2004 Coll., Capital Market Undertakings Act, as amended (the "Capital Markets Undertakings Act"). In this part of the Annual Report, SAZKA Group a.s. is referred toas the "Company" and the overall holding of the companies under SAZKA Group a.s. is, for the purpose of this part, referred to as "SAZKA Group" or the "SAZKA Group structure".

1. General information about the Company

Company name:	SAZKA Group a.s.
Registered office:	Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Czech Republic
Company ID no.:	242 87 814
VAT registration no.:	CZ24287814
LEI (Legal Entity Identifier):	3157001WZJ5O35EAL536
Commercial court:	Commercial Register administered by the Municipal Court in Prague
Commercial Register file no.:	B 18161
Date of Incorporation:	2 April 2012
Establishment date:	26 January 2012
Legal form:	joint-stock company
Telephone no:	+420 225 010 612
E-mail:	ir@sazkagroup.com
Web:	www.sazkagroup.com

Description of activities:

According to the Art. 3 of the Company's Articles of Association, adopted on 26 January 2012, the Company's registered activities are (i) manufacturing, trade and services other than those listed in Annexes no. 1 to 3 of the Czech Act No. 455/1991 Coll., as amended (the "Trade Licensing Act") and (ii) the lease of property, residential and non-residential premises.

The Company manages its ownership interests in the lottery and gaming companies within the SAZKA Group and it does not undertake any business activity in the lottery and gaming market on its own. The Company is not a holder of any lottery license or operator of lottery or gaming activities. For more details about the operations of the Company and its business model, kindly refer to sections "Our business at Glance" and "Business Model" on pages 2 et seq. and 12 et seq. of this Annual Report, respectively.

Legal Framework:

Overview of key legislation applicable the Company and to the operating companies in the SAZKA Group structure:

- Czech Act No. 89/2012 Coll., the Civil Code, as amended (the "Civil Code");
- Business Corporations Act;
- Capital Market Undertakings Act;
- The Trade Licensing Act;

Further Regulatory Disclosures continued

- Czech Act No. 563/1991 Coll., the Accounting Act, as amended;

1. General information about the Company continued

- Czech Act No. 186/2016 Coll., the Gambling Act, as amended;
- Italian Civil Code from the year 1942, No. 262, and Italian concession deed No. 0058555 20/06/2016-I, as amended;
- Greek Act No. 4548/2018, on the Reform of Joint-stock Companies, as amended;
- Greek Act No. 2843/2000 related to monopoly laws, as amended;
- Greek Act No. 3229/2004, on the Supervision of the Gaming Market, as amended;
- Greek Act No. 4002/2011, on the Regulation of the Gaming Market for Video Lottery Terminals and Online Games, as amended;
- Greek Act No. 3556/2007, on Transparency Requirements for Companies Whose Shares are Traded on a Regulated Market, as amended;
- Austrian Act No. 620/1989, on gambling, as amended; and
- Cypriot Act No. 37(I)/2019), the Law Providing for the Regulation of Betting and Related Matters, as amended.

Organizational structure

The Company is a holding company, which primarily owns interests in companies within SAZKA Group and supports its subsidiaries in the areas of central management, strategic management, development of their existing and new sales channels and technologies, innovative gaming formats and marketing strategies. The Company also engages in business development activities, including providing support to its subsidiaries in relation to acquisitions and participation in tenders, and provides financing for its own activities and companies in the SAZKA Group structure. The Company as such does not conduct business activities in the gaming and lottery sector and does not hold any licences which are a necessary prerequisite to enter the gaming and lottery market. For the list of direct/indirect subsidiaries of the Company, please refer to the "Notes to the consolidated financial statements", section "Group Companies" on page 160 et seq. of this Annual Report.

Until 17 March 2021, the Company had been wholly owned and directly controlled by KKCG AG, which is a parent company of the KKCG group of companies (the "KKCG Group"). On 17 March 2021, SAZKA Entertainment AG, a company established and existing under the laws of the Swiss Confederation, with its registered seat at Kapellgasse 21, 6004 Lucerne, Switzerland, registration number CHE-366.705.452 ("SAZKA Entertainment AG"), was interposed between KKCG AG and the Company and thus became the sole shareholder of the Company.

KKCG AG is wholly owned by KKCG Holding AG, having its registered seat in Switzerland. The sole shareholder of KKCG Holding AG is Valea Holding AG, having its registered seat in Liechtenstein. The sole shareholder of Valea Holding AG is Valea Foundation, existing under the laws of Liechtenstein. Valea Foundation per se is not controlled by any other person, nor does any other person hold shares in it. The designated beneficiary of Valea Foundation is Mr Karel Komárek.

In accordance with the Company's Articles of Association, no shareholder has the possibility to influence the activities of the Company in any other way than by exercising his voting rights at General Meetings. Company's dependence on its sole shareholder is based on the shareholder's ownership interest and share in the voting rights. There are no specific measures in place to prevent potential misuse of shareholder rights over the Company beyond certain limits set out by the applicable laws and the Articles of Association of the Company.

The registered capital of the Company

The registered capital of the Company is CZK 2,000,000 and has been fully paid-up. It is divided into 20 registered common shares of nominal value of CZK 100,000 each. The shares of the Company are not traded on any stock exchange market and therefore no ISIN has been assigned to them.

1. General information about the Company continued

Description of the rights and duties attached to the shares

The rights and duties associated with all Company's shares are identical. These rights and duties are set out in the relevant provisions of Company's Articles of Association and the applicable laws, primarily the Civil Code and the Business Corporations Act. The rights attached to Company's shares include, inter alia, the right to participate in the General Meeting and to vote on matters within the competence of the General Meeting, the right to receive the distributed dividend, the right to request and obtain an explanation regarding the affairs of the Company, provided that such explanation is necessary to assess the matters included in the agenda of the General Meeting or to exercise the shareholder's rights at the General Meeting, and the right to a share in the liquidation balance. Each share in a nominal value of CZK 100,000 is assigned 1 vote and therefore the total number of votes in the Company is 20. No restrictions on voting rights have been introduced in relation to any of the shares. The obligation associated with the shares is primarily the payment for the subscribed shares within imposed deadlines. The Company has not adopted any specific dividend policy. The distribution of the dividend is governed by the relevant provisions of the Business Corporations Act.

Holding of the Compapny's shares by the persons with the managerial powers

The persons with managerial powers are neither holders of the shares or similar securities representing a share in the Company, nor holders of any options or comparable investment instruments the value of which relates to the shares or similar security representing a share in SAZKA Group. The persons with managerial powers are not contracting parties to the contracts concluded in their favour and entered into by them and the Company.

Remuneration charged for the accounting period by auditors

The table below depicts the remuneration of the Company's statutory auditor PriceWaterhouseCoopers Audit s.r.o. for services provided in 2020:

EUR thousands	Company	Other consolidated entities
Statutory audit of annual financial statements	142,164	69,048
Other assurance services	119,623	23,937
Tax advisory	–	–
Other non-audit services	–	1,702

- The services provided by the statutory auditor of the Company in 2020 (in addition to the statutory audit of annual financial statements) were:
- Review of interim consolidated financial statements of SAZKA Group and its components;
- Reporting on the financial information presented in the offering document prepared for the purpose of the bond issue by the Company;
- Non-audit assurance engagements performed according to ISAE 3000 and agreed upon procedures performed according to ISRS 4400 performed in respect of debt covenants and legislative and contractual obligations of the Company and other consolidated companies in SAZKA Group structure;
- Gap assessment of documentation related to the IT system outside the finance function.

Rating

As of the date of publication of this Annual Report, the Company has a corporate rating, as well as the rating of its two Eurobond issues, of B+ (stable outlook) by S&P Global Ratings and BB- (stable outlook) by Fitch Ratings (the "Rating Agencies"). Both of the Rating Agencies are registered in accordance with the requirements set forth by the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "Regulation"). The percentage of the total market share of neither of the Rating Agencies is less than 10% of the market share in the sense of Article 8d of the Regulation. The Company has decided not to engage rating agency with the market share lower than 10%.

Further Regulatory Disclosures continued

2. Corporate bodies of the Company

The Company had set-up and maintains the following corporate bodies:

a) General Meeting;

b) Board of Directors;

c) Supervisory Board;

d) Audit Committee.

2.1. General Meeting

The General Meeting is the main corporate body of the Company. It is possible that the resolutions of the General Meeting are adopted outside of the General Meeting as well (by means of per rollam voting). As the entirety of the Company's shares through the Accounting Period was owned by the sole shareholder, it was he who, in accordance with section 12 par. 1) of the Business Corporations Act, exercised the powers of the General Meeting in its capacity. As such, the procedural rules set out in Article 22 et seq. of Articles of Association of the Company were not applicable throughout the Accounting Period.

The powers of the General Meeting (and the powers of the sole shareholder exercising the powers of the General Meeting) include, among others, decisions on:

a) Amendments to the Articles of Association, unless the amendment results from the increase of the registered capital by the authorised Board of Directors or unless the amendment occurred as a result of any other legal circumstances;

b) Increase or reduction of the registered share capital and on authorising the Board of Directors to increase the registered capital;

c) The possibility of offsetting a financial claim towards the Company against a claim for payment of the issue price;

d) The issue of convertible or preferred bonds;

e) Election and removal of members of the Board of Directors;

f) Election and removal of members of the Supervisory Board;

g) Approval of the annual, extraordinary, or consolidated financial statements, as well as any interim financial statements if the execution of such statements is prescribed by any applicable laws;

h) The distribution of profit or any other own resources, or the settlement of loss;

i) Filing of an application for admission of the Company's equity securities to trading in the European regulated market or excluding such securities from trading in the European regulated market;

j) Winding up the company with liquidation;

k) Appointment and removal of the liquidator;

l) Approval of the proposal to distribute the liquidation balance;

m) Approval of the transfer, usufructuary lease or pledging of the enterprise or any part thereof which would entail a fundamental change in the current structure of the enterprise or a fundamental change in the line of business or registered activities of the Company;

n) Taking over the effects of any acts performed on behalf of the Company before its incorporation;

o) Approval of silent partnership agreements;

p) Giving strategic instructions to the Board of Directors which do not interfere with the business management of the Company unless such instructions relating to the business management are requested by a member of the Board of Directors;

q) Approval of the principles governing the Supervisory Board;

2. Corporate bodies of the Company continued

r) Granting and revoking of the proxy powers to act on behalf of the Company;

s) Approval of the Company's juridical acts which the General Meeting may prohibit under the law; and

t) Other decisions entrusted to the General Meeting by the law or the articles of association.

2.2. Board of Directors

The statutory body of the Company is the Board of Directors, which consists of four members who are elected and revoked by the General Meeting of the Company. The term of the office of the members of the Board of Directors is five years and the election and revocation of the Chairman of the Board of Directors is in the capacity of the Board of Directors.

The Board of Directors is responsible for business management and proper bookkeeping of the Company. It also submits the annual, extraordinary, consolidated or interim financial statements to the General Meeting for its approval, and, in compliance with the Articles of Association of the Company, the Board of Directors presents to the General Meeting the proposals to distribute profits or pay losses. On top of the above-mentioned responsibilities, the Board of Directors is vested with any and all other competences except those reserved for other corporate bodies of the Company under the Articles of Association, the law, or a decision of a public authority.

Nobody is entitled to give instructions to the Board of Directors regarding the business management. This shall not limit the right of a member of the Board of Directors to ask the General Meeting for an instruction related to the business management according to the Business Corporations Act.

The Board of Directors meets as often as it is required to ensure the smooth business operations of the Company. The Board of Directors may also adopt resolutions outside the meetings, either in writing or using technical facilities (per rollam). Per rollam resolutions of the Board of Directors are adopted if the majority of votes of all members of the Board of Directors have been cast in favour. A meeting of the Board of Directors is quorate if the majority of all of its members is present. Decisions of the Board of Directors are adopted if the majority of votes of the members present at the meeting have voted in favour of the proposal – the Chairman of the Board of Directors has a casting vote in case of equality of votes.

For the proper representation of the Company towards third parties, two members of the Board of Directors are required to act jointly.

The following persons held the office in the Board of Directors of the Company through 2020:

- Mr Karel Komárek – since 17 August 2016 (Chairman of the Board of Directors);
- Mr Pavel Šaroch – since 17 August 2016;
- Mr Robert Chvátal – since 11 July 2019; and
- Ms Katarína Kohlmayer – since 12 December 2019.

Karel Komárek – Chairman of the Board of Directors
Appointment to the Board of Directors: 17 August 2016

Date of expiration of current term: 17 August 2021

Business address: Kapellgasse 21, 6004 Luzern, Swiss Confederation

For Mr Komárek's experience and expertise please refer to Section "Board of Directors" on page 44 of this Annual Report.

Mr Komárek is the Chairman of the Board of Directors of SAZKA Entertainment AG, the Chairman of the Board of Directors of KKCG AG and a member of the statutory bodies of various other companies forming part of the KKCG Group (including, among others, MND a.s.).

Further Regulatory Disclosures continued

2. Corporate bodies of the Company continued

Pavel Šaroch – Member of the Board of Directors

Appointment to the Board of Directors: 17 August 2016

Date of expiration of current term: 17 August 2021

Business address: Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Czech Republic

For Mr Šaroch's experience and expertise please refer to Section "Board of Directors" on page 44 of this Annual Report

Mr Šaroch holds the position of the Chief Investment Officer of the KKCG Group and is also member of statutory and supervisory bodies of various other companies forming part of the KKCG Group (including, among others, SAZKA Entertainment AG, KKCG AG and KKCG a.s.). Mr Šaroch is also a member of the statutory and supervisory bodies of other companies within SAZKA Group, the following of which are considered significant:

- Chairman of the Board of Directors of SAZKA Czech a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA a.s. (Czech Republic);
- Member of the Supervisory Board of SAZKA FTS a.s. (Czech Republic);
- Chairman of the Board of Directors of Austrian Gaming Holding a.s. (Czech Republic);
- Chairman of the Board of Directors of Italian Gaming Holding a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKAmobil 5G a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA Asia a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA Group Financing (Czech Republic) a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA Group Financing a.s. (Slovak Republic);
- Vice-Chairman of the Board of Directors of OPAP S.A. (Greece);
- Member of the Board of Directors of LOTTOITALIA s.r.l. (Italy);
- Member of the Supervisory Board of Casinos Austria AG (Austria); and
- Member of the Supervisory Board of Austrian Lotteries (Austria).

Robert Chvátal – Member of the Board of Directors

Appointment to the Board of Directors: 11 July 2019

Date of expiration of current term: 11 July 2024

Business address: Vinohradská 1511/230, Strašnice, 100 00 Praha10, Czech Republic

For Mr Chvátal's experience and expertise please refer to Section "Board of Directors" on page 44 of this Annual Report.

Mr Chvátal holds the position of Chief Executive Officer of the Company and is also a member of the statutory and supervisory bodies of other companies in SAZKA Group, the following of which are considered significant:

- Member of the Board of Directors of SAZKA Czech a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA a.s. (Czech Republic);
- Member of the Board of Directors of Austrian Gaming Holding a.s. (Czech Republic);
- Member of the Board of Directors of Italian Gaming Holding a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA Group CZ a.s. (Czech Republic);
- Member of the Board of Directors of SAZKAmobil 5G a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Asia a.s. (Czech Republic);

2. Corporate bodies of the Company continued

- Member of the Board of Directors of SAZKA Group Financing a.s. (Slovak Republic);
- Member of the Board of Directors of OPAP S.A. (Greece);
- Vice President of the Supervisory Board of Casinos Austria AG (Austria);
- President of the Supervisory Board of Austrian Lotteries (Austria);
- Director of ALLWYN ENTERTAINMENT LTD (United Kingdom); and
- Director of SAZKA GROUP UK HOLDING LTD (United Kingdom).

Katarína Kohlmayer – Member of the Board of Directors
Appointment to the Board of Directors: 12 December 2019

Date of expiration of current term: 12 December 2024

Business address: Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Czech Republic

For Ms Kohlmayer's experience and expertise please refer to Section "Board of Directors" on page 44 of this Annual Report.

Ms Kohlmayer holds the position of Chief Financial Officer of the KKCG Group and is also member of statutory bodies of various other companies forming part of the KKCG Group (including, among others, KKCG a.s. and MND Group AG) and a member of the statutory and supervisory bodies of other companies in SAZKA Group, the following of which are considered significant:

- Member of the Board of Directors of OPAP S.A. (Greece);
- Member of the Supervisory Board of Casinos Austria AG (Austria);
- Member of the Board of Directors of SAZKA Group Financing (Czech Republic) a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Group CZ a.s. (Czech Republic);
- Director of ALLWYN ENTERTAINMENT LTD (United Kingdom); and
- Director of SAZKA GROUP UK HOLDING LTD (United Kingdom).

2.3. Supervisory Board

The Supervisory Board is the supervising body of the Company. The Supervisory Board consists of one member and the decision of the sole member of the Supervisory Board is considered to be the decision of the Supervisory Board as such. Members of the Supervisory Board are elected and revoked by the General Meeting for a term of five years.

The Supervisory Board supervises the exercise of powers by the Board of Directors and the activities of the Company. The Supervisory Board reviews the annual, extraordinary, consolidated and, if applicable, interim financial statements and the proposal for distribution of profits or settlement of losses, and submits its statement to the General Meeting. It is entitled to inspect any and all documents and records concerning the Company's activities and check whether the accounting records are properly maintained and accurate and whether the business or any other activity of the Company complies with the applicable laws and regulations and the Articles of Association.

Tomáš Porupka has held the position of the sole member of the Supervisory Board through 2020. Mr Porupka was elected as of 17 August 2016 and has been acting as the sole member since 11 July 2019.

Mr Tomáš Porupka – Sole member of the Supervisory Board of the Company
Appointment to the Supervisory Board: 17 August 2016

Date of expiration of current term: 17 August 2021

Business address: Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Czech Republic

Further Regulatory Disclosures continued

2. Corporate bodies of the Company continued

Experience and expertise:

Mr Porupka studied law at the Faculty of Law of Charles University in Prague and the Autonomous University in Madrid and economy at the University of Economics in Prague. He worked in international law firms in Prague and

Madrid for 11 years. Before joining KKCG AG, he worked at the Clifford Chance LLP branch in Prague as Senior Associate for five years. During his previous practice he focused on international business and acquisitions, corporate law and real estate law.

Mr Porupka is the General Counsel of KKCG Group and also a member of the supervisory bodies of other companies within SAZKA Group, the following of which are considered significant:

- Member of the Supervisory Board of SAZKA a.s. (Czech Republic);
- Sole member of the Supervisory Board of SAZKA Czech a.s. (Czech Republic);
- Sole member of the Supervisory Board of Austrian Gaming Holding a.s. (Czech Republic);
- Sole member of the Supervisory Board of Italian Gaming Holding a.s. (Czech Republic);
- Chairman of the Supervisory Board of SAZKA Group CZ a.s., (Czech Republic);
- Chairman of the Supervisory Board of SAZKA Group Financing (Czech Republic) a.s. (Czech Republic);
- Member of the Supervisory Board of IGH Financing a.s., v likvidaci (Czech Republic) (until 1 June 2020);
- Member of the Supervisory Board of SAZKAmobil 5G a.s. (Czech Republic); and
- Chairman of the Supervisory Board of SAZKA Group Financing a.s. (Slovak Republic).

2.4. Conflict of interest

The Company is not aware of any potential conflict of interest between the obligations of the members of the Board of Directors and the sole member of the Supervisory Board of the Company related to the exercise of their functions and their private interest or other obligations. However, the performance of the office as members of the Boards of Directors or Supervisory Boards of the companies specified above may constitute a conflict of interest due to the fact that they are also members of the bodies of the other companies and while performing the office of the other companies they are obliged to act in the interests of such companies. Such interest may be different to the one of the Company.

2.5. Audit committee

The Company has established an Audit Committee in accordance with the requirements of the Business Corporations Act. The sole shareholder appointed three members to the Audit Committee on 15 May 2020. The term of service of the members of the Audit Committee is five years. The election of the Chairman of the Audit Committee is in the capacity of the Audit Committee.

The competence of the Audit Committee according to the applicable legislation (the Czech Act No. 93/2009 Coll., on Auditors, as amended) is:

- Monitoring the effectiveness of the internal quality control and risk management systems and monitoring the process of the preparation of financial statements and consolidated financial statements;
- Recommendations to the Supervisory Board as to the auditors which shall be appointed, assessment of their independence and the discussion of any threats to the auditor´s independence if need be, including the adoption of necessary safeguards;
- Submitting to the Board of Directors or the Supervisory Body recommendations to ensure the integrity of the accounting and financial reporting and annual reports on the Audit Committee's operations; and
- Exercising other powers pursuant to applicable Czech and European Union legislation.

2. Corporate bodies of the Company continued

The Audit Committee is further governed by its Rules of Procedure, which were adopted by the Audit Committee at its second meeting. The Rules of Procedure define the position of a Secretary-General of the Audit Committee, who can perform certain administrative tasks. One of the attorneys providing services to the Company was elected as the Secretary-General. The Audit Committee generally meets on a monthly basis; in the year 2020, the Audit Committee held seven meetings in total.

In the course of the meetings in the year 2020, the Audit Committee had routinely cooperated with the Company's compliance, legal, and finance and accounting teams.

In 2020, the Audit Committee (i) provided several reports to the Supervisory Board of the Company; (ii) supplied a report to the Public Audit Oversight Board; (iii) regularly discussed ongoing transactions of the Company or its subsidiaries in Austria, the Czech Republic, Greece, Italy, and the United Kingdom; (iv) cooperated on the audit planning for the year 2020; (v) conducted other tasks, as necessary.

The members of the Audit Committee of the Company in the year 2020 were the following persons:

- Mr Otakar Hora, independent member – since 15 May 2020 (Chairman of the Audit Committee since 22 May 2020);
- Mr Jan Hrazdira, independent member – since 15 May 2020; and
- Mr Zdeněk Jurák – since 15 May 2020.

3. Persons with managerial powers, remuneration

3.1. Basic information

The persons with the managerial powers of the Company are:

a) the members of the Board of Directors;

b) the members of the Supervisory Board of the Company; and

c) the following other persons as of 31 December 2020:

- **Mr Kenneth Morton**, Chief Financial Officer. Responsible for defining and executing the Group-level financing, tax and reporting strategy, for supervision of the implementation of key strategic financial initiatives as well as for the leadership of budgeting.
- **Mr Štěpán Dlouhý**, Chief Investment Officer. Responsible for market monitoring and identification of investment opportunities, realisation of acquisitions, divestments, mergers, and other M&A activities as well as for negotiation of transactions terms.
- **Mr Tony Khatskevich**, Chief Technology Officer. Responsible for defining and executing the strategy of the Group in IT/Technology, for liaising with other executive managers in IT/Technology across the whole Group and participation in strategic management of their activities as well as initiation and coordination of Group-level technology initiatives.
- **Mr Ján Matuška**, Chief Operating Officer. Responsible for the organic development of SAZKA Group's business, monitoring business performance and ensuring best practice exchange within the Group. Responsible for designing business model optimisations as well as for developing relationships with strategic partners.
- **Jan Štěrba**, Chief Marketing Officer. Responsible for incorporating a marketing mindset into all facets of SAZKA Group's activities and business.

It should be noted that Mr Robert Chvátal, who is a member of the Board of Directors of the Company, also holds the position Chief Executive Officer of the Company and in this position, he leads SAZKA Group and the development and implementation of its strategy.

Further Regulatory Disclosures continued

3. Persons with managerial powers, remuneration continued

3.2. Principles of Remuneration

The Company has neither adopted any particular remuneration policy nor established any remuneration committee vis-à-vis the Board of Directors.

3.2.1. Members of the Board of Directors and Members of the Supervisory Board

The members of the Board of Directors have signed individual Agreements on the Performance of Office, which were approved by the General Meeting of the Company. The Agreements on the Performance of Office are almost identical, and their key terms are as follows:

- The function of a member of the Board of Directors is performed without remuneration.
- The function shall be performed personally, with due care and, in general, in accordance with applicable laws, the Articles of Association of the Company and the terms and conditions of the agreement.
- The Company is obliged to reimburse duly documented and reasonable costs incurred by the respective member of the Board of Directors when performing his or her function, including, for example, costs of business trips.
- The respective member of the Board of Directors is obliged to compensate damages caused to the Company as a result of breach of his or her duties while performing the function.
- The members of the Board of Directors accepted an obligation of confidentiality and noncompetition to the extent determined by applicable laws or the Articles of Association of the Company.
- The term of the agreement correlates with the term of office of the relevant member of the Board of Directors.
- No specific benefits are agreed in case of the termination of the agreement or the function of the relevant member of the Board of Directors.

The individual Agreements on Performance of Office are: Agreement on Performance of Office between the Company and Mr Karel Komárek entered into as of 17 August 2016; Agreement on Performance of Office between the Company and Mr Pavel Šaroch entered into as of 17 August 2016; Agreement on Performance of Office between the Company and Mr Robert Chvátal entered into as of 11 July 2019; and Agreement on Performance of Office between the Company and Ms Katarína Kohlmayer entered into as of 12 December 2019.

None of the members of the Board of Directors of the Company is an employee of the Company, nor did any of the members of the Board of Directors enter into any other agreement on provision of the services similar to the employment agreement.

Some members of the Board of Directors of the Company are entitled to remuneration from certain entities controlled by the Company, either by virtue of serving as members of statutory bodies or being in an employment relationship with such controlled entities and/or from the mother company of the Company.

3.2.2. Member of the Supervisory Board

The Company has neither adopted any particular remuneration policy nor established any remuneration committee vis-à-vis the Supervisory Board.

Mr Porupka, as the sole member of the Supervisory Board, has signed an Agreement on the Performance of Office, which was approved by the General Meeting of the Company. The key terms of the Agreement on the Performance of Office are as follows:

- The function of a member of the Supervisory Board is performed without remuneration.
- The function shall be performed personally, with due care and, in general, in accordance with applicable laws, the Articles of Association of the Company and the terms and conditions of the agreement.
- The Company is obliged to reimburse duly documented and reasonable costs incurred by the member of the Supervisory Board when performing his or her function, including, for example, costs of business trips.
- The member of the Supervisory Board is obliged to compensate damages caused to the Company as a result of breach of his duties while performing the function.

3. Persons with managerial powers, remuneration continued

- The member of the Supervisory Board accepted an obligation of confidentiality and noncompetition to the extent determined by applicable laws or the articles of association of the Company.
- The term of the agreement correlates with the term of office of the member of the Supervisory Board.
- No specific benefits are agreed in case of the termination of the agreement or the function of the relevant member of the Board of Directors or the Supervisory Board.

Mr Porupka is not an employee of the Company.

Mr Porupka and the Company have entered into a Legal Services Agreement. The services rendered to the Company by Mr Porupka under such agreement consist, in particular, of legal services concerning various areas of Czech law. Mr Porupka provides its legal advice in day-to-day business operations of the Company, as well as its strategic and/or long-term projects. Similar Legal Services Agreement was concluded also between Mr Porupka and SAZKA a.s. Mr Porupka receives remuneration under the Legal Services Agreements concluded with the Company and SAZKA a.s.

The individual Agreements concluded between the member of the Supervisory Board and the Company are: Agreement on Performance of the Office between the Company and Mr Tomáš Porupka entered into as of 17 August 2016; and ii) Legal Services Agreement between the Company and Mr Porupka entered into as of 31 March 2016, and the related amendments: Amendment No. 1 entered into as of 31 March 2017, Amendment No. 2 entered into as of 1 April 2019, Amendment No. 3 entered into as of 28 April 2020 and Amendment No.4 entered into as of 1 April 2021.

3.2.3. Other persons with managerial powers

The remuneration system of other persons with managerial powers is agreed in the Employment Agreements (or agreements of similar nature), which were entered into by the Company and the respective executive on ad hoc basis upon the assessment of the relevant experience, seniority, etc. in connection to the respective position. This concerns, in particular, Mr Morton (Chief Financial Officer) as of 1 February 2020, Mr Dlouhý (Chief Investment Officer) as of 1 March 2016, Mr Khatskevich (Chief Technology Officer) as of 16 March 2018, Mr Matuška (Chief Operating Officer) as of 30 April 2019 and Mr Štěrba (Chief Marketing Officer) as of 1 February 2020. The Employment Agreements are concluded for an indefinite period of time.

The remuneration system of the persons named above includes a fixed monthly salary in the amount agreed in their Employment Agreement approved by the members of the Board of Directors, and an annual bonus (not constituting a legal claim) calculated as a given percentage of the annual fixed salary, which is dependent on the fulfilment of annual key performance indicators ("KPIs"). KPIs including percentage ratio on the final amount of the annual bonus are individually set for each person in cooperation with their supervisor and comprise the goals (depending on the particular position of each person) and also include goals linked to achievement of certain economic results of the Company and/or its group (such as certain level of EBITDA). Fulfilment of the KPIs is evaluated by the CEO for the executive management and the Board of Directors for the CEO, respectively. Set and evaluated KPIs are reviewed by the HR department. Evaluation takes place in the first weeks of each year. Calculated bonus entitlements are reviewed and approved for payment by Board of Directors, usually during the month of February.

In addition, persons above are entitled to a Long Term Incentive Scheme ("LTIS"), which is a three-year incentive plan (not constituting a legal claim). LTIS bonus is calculated as a given percentage of the annual fixed salary per 3 year period based on the fulfilment of long term KPIs. KPIs are linked to achievement of certain economic results of the Company's group (such as certain level of equity). Long-term KPIs are defined and set up at the beginning of the employment by Board of Directors. The LTIS bonus is determined after the approval of the consolidated financial statements. Two thirds of the LTIS bonus are paid out in the first quarter after every third year and one third of the LTIS bonus is paid out in the first quarter after every fourth year at the latest. Entitlement to the LTIS bonus expires in the event of unilateral termination of employment by the employee or termination or immediate termination by the employer during the relevant LTIS period.

Apart from the monetary income, the executives are entitled to certain non-monetary benefits which include, for example, an above-standard medical care benefit or fitness.

No specific benefits are agreed in case of the termination of the employment of the relevant executives.

Further Regulatory Disclosures continued

3. Persons with managerial powers, remuneration continued

3.3 Summary of remuneration

The table below shows all monetary and non-monetary income received for the accounting period by persons with the managerial powers from the Company and from persons controlled by the Company.

	Financial remuneration 2020 in CZK (SAZKA Group a.s., SAZKA a.s., SAZKA Group UK Ltd.)			Non-financial remuneration
Board of Directors	24,909,672	–	–	Exclusive health care Pension insurance contribution Cafeteria system contribution
Executive management	–	–	40,949,788	Exclusive health care Company fitness centre Multisport card Medical insurance Life Assurance
Supervisory Board	–	5,828,184	–	–

4. Corporate governance and administration codes

In the Czech Republic, no binding corporate governance codes have been adopted by the legislature (or any administrative body), apart from the general rules set out by the law. The Company, as of the date of this Annual Report, did not commit to comply with any specific corporate governance code as it considers applicable regulations appropriate considering to its needs and its current size. The Company strictly adheres to applicable rules and regulations, in particular the Capital Market Undertakings Act, the Business Corporations Act and the Civil Code. The Company also follows the principle of transparency with respect to investors and regulators.

5. Diversity policy applied to the statutory body and the Supervisory Board

In the Czech Republic, there is no binding diversity regime which would be required for the Company to follow or adopt. The Company, as at the date of this Annual Report, did not commit to comply with any specific diversity regime. The Company is dedicated to diversity and equality and supports these principles in its subsidiaries. The Company also fully adheres to the Czech law No. 198/2009 Coll., on equal treatment and on the legal means of protection against discrimination and on amendment to some laws, as in force, as well as its Compliance Policies, which the Company considers sufficient for its current needs.

6. Financial reporting process

The Company's approach to risks in relation to the financial reporting process is primarily driven by the Accounting Act. The Company prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Other SAZKA Group companies, regardless of the accounting standard they use to prepare their individual financial statements, report all data for the Company's consolidation purposes according to IFRS. Unified accounting policies followed by the Company's and selected subsidiaries are defined in consolidation guidelines, which are in full compliance with generally applicable accounting standards. The guidelines are supplemented with additional documents detailing specific areas of the accounting process.

General principles applicable to the preparation of the Company's consolidated financial statements are specified in the accounting rules. As a rule, any accounting document may only be entered into the books of the Company on the basis of approved supporting documents. Approvals take place primarily online, through an approval process in the enterprise information system. The scope of each approving signatory authority is set forth in the relevant company's internal regulations. In each material organisation, the accounting function is separated from the process of managing business relations, including the administration of bank accounts and payment of liabilities; however, the situation may differ in organisations with a small number of employees, where separation of duties is not reasonably achievable.

6. Financial reporting process continued

Only users with appropriate privileges have access to the accounting system. Access privileges for the system are granted by means of a software application and are subject to approval by a superior and a system administrator. Access privileges are granted according to each employee's position. Only employees of the relevant accounting department have privileges for active operations in the accounting system. All logins to the accounting system are logged in a database and can be searched retroactively. The accounting system allows identification of the user that created, changed or reversed any accounting record, thereby allowing potential mistakes or fraud to be identified and rectified.

The accuracy of the accounts and financial statements is checked by an independent auditor, which audits stand-alone and consolidated financial statements prepared with respect to the reporting date, that is, 31 December of a given year. Selected accounting areas are also subjected to internal audits to verify whether the procedures used are in compliance with applicable law and the Company's internal regulations. Where discrepancies are found, corrective action is proposed.

7. Significant court proceedings

The following administrative and civil proceedings are considered by SAZKA Group to be material:

Czech Republic

Petition for the annulment of the contract for the sale of business to SAZKA a.s.:

In November 2011, the plaintiff (an individual) in the Czech Republic commenced an action for annulment of the contract pursuant to which SAZKA a.s. acquired its business. SAZKA a.s. joined the proceedings as co-defendant. The proceedings have so far addressed only procedural issues, such as the plaintiff's request for exemption from the court fee and appointment of attorney by the court. The Municipal Court in Prague dismissed the plaintiff's petition for the appointment of attorney, among others, on 2 November 2015, and the High Court in Prague confirmed the decision on 26 March 2018. In July 2020, the Municipal Court in Prague stopped the proceeding due to a failure to pay the court fees. On 4 August 2020, the plaintiff filed an appeal with the High Court in Prague which has subsequently ordered the plaintiff to remedy defects in the submission.

SAZKA a.s. received a resolution of the High Court in Prague (File no. 60 ICm 3145/2011) on 18 January 2021, by which the High Court in Prague confirmed the first-instance decision of the Municipal Court in Prague to terminate the proceedings. The present proceedings therefore came to an end with the stay of the proceedings, without a decision on the substance of the case. With regard to the previous steps of the plaintiff (consistent use of all ordinary and extraordinary remedies), it cannot be ruled out that the above-mentioned resolution of the High Court in Prague will be challenged by an extraordinary appeal. However, given the previous developments in the case, the Company's Board of Directors considers that potential risk of losing this proceeding is negligible.

Greece

Claims for loss of profit compensations

In July 2017, an appellate court awarded compensation for loss of profit in favour of a former agent in the amount of approximately EUR 9 million plus interest from June 2006 to December 2011, for a total amount of approximately EUR 13.5 million. The Group recognised this amount in the FY 2017 Financial Information. OPAP sought an annulment of this decision and the Supreme Court of Athens annulled and remanded the case to the appellate court for review in early 2020. The case was heard before the Athens Court of Appeal on 30 January 2020. In early March 2021, an appellate court awarded compensation for loss of profit in favour of said former agent in the amount of approximately EUR 3 million plus interest from June 2006 to December 2011, for a total of approximately EUR 6 million. The decision is not final and OPAP will proceed to the Supreme Court for the annulment of the decision.

The same former agent also sought compensation for (i) the loss of profit incurred from 2012 to 2016 in an amount of EUR 11.1 million and an alternative claim in the amount of approximately EUR 3.3 million and (ii) compound interest in an amount of EUR 4.2 million, against OPAP. These proceedings have been placed on hold until the final resolution of the proceeding described above.

Further Regulatory Disclosures continued

7. Significant court proceedings continued

Judgment No. 1645/2019:

A company providing marketing services to OPAP alleged non-payment and subsequently sued OPAP for approximately EUR 10.6 million, an alternative claim for EUR 23.7 million and a further alternative claim for EUR 4.8 million. The court of first instance dismissed the petition by Judgment No. 1645/2019 on 18 April 2019. Both the claimant and OPAP submitted appeals to the Athens Court of Appeals. The case was heard before the Athens Court of Appeal on 12 March 2020. In August 2020, an appellate court rejected claimants' appeal. This case is potentially not final as the claimant may file a writ of cassation according to the Greek civil procedure rules. In any case, the Board of the Directors is of the opinion the claimant's chances of success in case the extraordinary appeal is filed are negligible.

Termination of contract claims:

There are 479 litigation cases at various stages, initiated by the former agents of OPAP before the Courts of First Instance in Athens and the Athens Court of Appeal with respect to the invalidity of the termination of their contracts with OPAP. In most cases, the former agents are claiming compensation for the loss of profit, moral damages, and compensation for goodwill. Other agents are claiming restitution of their contract. The total amount claimed is approximately EUR 284.143 million. Most hearings took place in 2019 and 2020. The Court of First Instance has issued: i) twenty four (24) judgments in favor of OPAP which dismissed eighty (80) claims by petitioners alleging unlawful contract termination and seeking restitution of the contract, ii) Seventy two (72) judgments in favour of OPAP which dismissed one hundred ninety one (191) claims by petitioners seeking compensation for loss of profit and other damages amounting to EUR 141.769 million, iii) thirteen (13) judgements which partially recognized nineteen (19) claims by petitioners, namely for a total amount of EUR 0.493 million. For these 19 claims Court rejected all other claims raised by said Claimants amounting EUR 12.269 million and iv) Two (2) judgements which accepted two (2) claims filed by petitioners amounting of EUR 0.035 million.

In summary, to date, the Courts partially recognized claims with a total amount of EUR 0.528 million and rejected claims with a total amount of EUR 154.038 million.

Moreover, the Athens Court of Appeal dismissed nine (9) claims by petitioners alleging unlawful contract termination and seeking restitution of the contract.

Arbitration proceedings against Hellenic Asset Development Fund

In December 2018, SAZKA Delta Hellenic Holdings Limited (formerly Emma Delta Hellenic Holdings Ltd.) ("SDHH") and SAZKA Delta AIF Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) commenced arbitration proceedings against the Hellenic Asset Development Fund ("TAIPED") and the Hellenic Republic in the London Court of International Arbitration, alleging breaches of the share purchase agreement relating to the privatisation of OPAP by the Hellenic Republic in 2013, pursuant to which SDHH acquired its shares in OPAP. The claims for damages (indemnity obligations) relate to several measures and based on last updated submission of March 2021 the claimed amount totalled EUR 68 million plus interest. TAIPED filed a counterclaim against SDHH, in which the damages sought were not at the time quantified. In its second pleading on 16 July 2020, TAIPED quantified the damages sought in its original counterclaim in the amount of EUR 1.3 million plus interest and raised additional counterclaims against SDHH seeking total damages in the amount of EUR 73 million plus interest. TAIPED's counterclaims against SDHH alleged breaches by SDHH of its obligations under the share purchase agreement. Subsequently during the fourth quarter of 2020, TAIPED retracted the additional counterclaims of EUR 73 million plus interest and reduced the initial claim of approx. EUR 1.3 million leaving an outstanding counterclaim of approx. EUR 0.8 million plus interest. The hearing took place in November 2020 and the award is expected to be rendered during 2021.

7. Significant court proceedings continued

Italy

Award of the concession to operate the Lotto game in Italy:

Agenzia delle Dogane e dei Monopoli ("ADM") before the Regional Administrative Court of Lazio in connection with the award of the Lotto concession to LOTTOITALIA s.r.l. ("Italian Award Litigation"). The Italian Award Litigation was suspended until Consiglio di Stato (the State Council) decided a separate claim brought by the same plaintiffs against the ADM seeking cancellation of the open tender for the concession to operate the Lotto game, which was ultimately dismissed on 12 August 2019 by the State Council. As of the date of this Annual Report, no hearing has been scheduled for the Italian Award Litigation. It is believed that the risk of losing is remote because of the conclusions reached by the State Council in the context of the separate judgment concerning the annulment of

the tender procedure documents for the award of the Lotto game which, in compliance with the decision of the European Court of Justice, rejected the claims of Stanley International Betting Limited and Stanleybet Malta Limited.

Austria

Arbitration Proceedings according to ICSID Rules

Casinos Austria International GmbH and Casinos Austria Aktiengesellschaft ("CASAG") filed an arbitration request with the World Bank according to the International Centre for Settlement of Disputes ("ICSID") rules against the Republic of Argentina and requested damages in the amount of USD 61 million plus interest and costs.

Casinos Austria International GmbH's Argentine subsidiary Entretenimientos y Juegos de Azar Sociedad Anonima ("ENJASA") operated in the Argentine province of Salta games of chance based on an exclusive 30-year licence granted by the provincial government in Salta, Argentina. In 2013, Ente Regulador del Juego de Azar ("ENREJA"), the responsible authority, notified ENJASA about the revocation of ENJASA's licence. ENJASA was forced, through governmental decrees and resolutions, to transfer its gaming operations to other local gaming operators. The licence was revoked based on a small number of isolated events which dated back a considerable time and were individual human errors of some of ENJASA's personnel in purely administrative matters. CASAG is of the opinion that the revocation of the licence was based on fabricated breaches of the regulatory framework and of anti-money laundering provisions, in total disregard of the actual facts and of ENJASA's due process rights. Therefore, CASAG considers the revocation of the licence as an unlawful expropriation and a violation of the Austria – Argentina Bilateral Investment Treaty. The arbitration is still pending.

Cases initiated by the (mostly former) employees against CASAG due to the reduction of pension fund contribution

After the adjustments made to the long term incorporated employee pension schemes consisting in a reduction of (target) pensions by 30%, 15 lawsuits, initiated by 27 claimants, were filed against CASAG as of 14 April 2021, with the aim of getting the original pensions. Two main sets of proceedings were initiated in relation to the reduction of pension funds.

Pension fund scheme: In the first group of proceedings, the claimants contest the changes made to target pensions in CASAG's contribution backed pension fund plan. In particular the claimants ask for additional contributions into the pension fund or payment of the difference between the pension actually paid out and the unreduced pension (the reduction amount) by CASAG. CASAG's management is positive that it is unlikely for the courts to decide in favour of requested additional contributions by the company into the pension fund and/or the payment of the reduction amount. This position is also supported by legal and pension experts. The reduction was, furthermore, mutually agreed with CASAG's works council. Hence, no provision related to this proceeding has been created by CASAG (save for legal cost of around EUR 0.5m). However, in the very unlikely case of negative outcome, the costs of the proceedings could exceed EUR 100 million.

Support facility and defined benefit scheme: The second proceedings initiated in relation to pension scheme are linked to i) pensions paid by the support institution ("Unterstützungseinrichtung"), which is a separate legal entity supervised by CASAG's works council) and ii) in additional pensions paid by CASAG in a defined benefit scheme.

i) The funds for the pensions paid by the support institution are solely borne from the "Cagnotte" (tips of the players to the staff-collective which are collected centrally). Since CASAG is not liable for the funds for the pensions paid out by the support institution, there is no specific provision to be created to cover the potential costs of the proceeding.

Further Regulatory Disclosures continued

7. Significant court proceedings continued

ii) For the portion related to additional pensions in a defined benefit scheme there is a medium risk that a court would come to an adverse decision. The defined benefit plan liability is valued as if there was no reduction to the plan (so it covers the worst-case scenario). Future valuation will be assessed based on the development of these cases. If positive for CASAG, this would result in a one-time net gain (reduction of defined benefit liability) by reducing the pension provision for the defined benefit scheme. However, since the defined benefit plan is interconnected with the pension fund scheme and any savings in the defined benefit plan result in additional payments to the pension fund scheme, this would not result in a saving for CASAG. However, as these future payments are qualified as defined contribution plan according to IAS 19 no provisions for future payments would be accounted for this portion but rather those would be continuous expense.

8. Significant contracts

The Company, as well as the entities within SAZKA Group enter into various contractual relationships as part of their business. Those contractual relationships are, in the majority of the cases, concluded within the scope of their business activities and the financing thereof. In addition, these relationships are related to ensuring their business operations, security, risk reduction, use of external specialists or consultants, etc.

The following contractual relationships and other obligations are those that may be considered significant from the perspective of the Company and of SAZKA Group as of 31 December 2020:

- Agreements concerning loan financing provided by SAZKA Group Financing a.s. to the Company and the obligations arising from the issue of notes (ISIN SK 4120013475) by SAZKA Group Financing, specifically, the Loan Agreement, originally dated 12 December 2017, and the Project Support Agreement dated 14 November 2017.
- The Collaboration and Joint Venture Agreement, originally dated 30 April 2016, with Lottomatica S.p.A., laying down the rights and obligations of the parties in the LOTTOITALIA joint venture.
- The shareholders' agreement, originally dated 24 July 2014, between the Company, Georgiella Holdings Co. Limited and other parties regarding their mutual rights in relation to the holding of an ownership interest in OPAP S.A., as further amended.
- The shareholders' agreement originally dated 6 March 2020, between the Company and Österreichische Beteiligungs AG, as amended by the amendment and condition precedent satisfaction agreement and effective from 16 December 2020, based on which the parties exercise joint control over Casinos Austria AG.
- The intragroup loan financing provided by the Company to SAZKA Delta Hellenic Holdings Limited pursuant to a loan agreement originally dated 12 February 2020, for the repayment of existing intragroup facility granted to SAZKA Delta Hellenic Holdings Limited.
- Obligations resulting from the issue of notes "SAZKA GR. 5,20/24"(ISIN CZ0003522930) by the Company on 23 September 2019.
- Obligations resulting from the indenture entered into in relation to the issue of notes (ISIN XS2010038813 Rule 114A, XS2010038904 Regulation S) by the Company on 15 November 2019.
- Obligations resulting from the indenture entered into in relation to the issue of notes (XS2113254028 Rule 144A, ISIN XS2113253210 Regulation S) by the Company on 5 February 2020.
- On 16 December 2020, the Company, through its subsidiary SAZKA Group Financing (Czech Republic) a.s., entered into a Senior Facilities Agreement with a syndicate of Czech and international banks and into a Intercreditor Agreement. Under the Senior Facilities Agreement the lenders have committed to make available loan facilities in an aggregate amount equal up to EUR 640 million. The financing includes a EUR 220 million amortising Term Loan A facility and a EUR 220 million non-amortising Term Loan B facility, and a EUR 200 million Revolving credit facility (RCF). The facilities mature in July 2024. In 2020, the Company already drew loans in the amount of EUR 450 million (having EUR 110 million as available capacity under RCF). In 2021, the company drew additional EUR 80 million.
- On 9 November 2020, KKCG AG, SAZKA Entertainment AG, SAZKA Group a.s. and Primrose Holdings (Lux) S.Á R.L. entered into an Investment and Shareholding Agreement on the basis of which funds managed by affiliates of Apollo Global Management, Inc. one of the world's leading investors in gaming and the largest

alternative investment manager agreed to invest €500 million in the Company through SAZKA Entertainment AG (the "Primrose Transaction"), which was completed on 26 March 2021.

9. Description of expected financing of the activities of the Company

The Company maintains an ongoing dialogue with its current financing banks and new potential lenders, as well as regularly monitoring bond market conditions. However, there are no signed or committed financing arrangements beyond those described in this Annual Report.

10. Non-financial reporting

The Company will publish the non-financial information pursuant to Section 32g of the Accounting Act in a separate report, which will be published no later than 30 June 2021 on the Company's website (https://www.sazkagroup.com/investors).

11. Events that have a significant meaning for the assessment of solvency of the issuer

The Company is not aware of any event specific to it which would have a material impact on the assessment of the Company's solvency.

With the use of all reasonable care and to the best of our knowledge, we confirm that the Consolidated Annual Report for the year 2020 gives a true and fair view of the financial situation, business activities and economic results of the Company and its consolidated Group for the relevant accounting period, and perspective for future financial situation, business activities and economic results of the Company and its consolidated Group.

SAZKA Group

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