

SAZKA Group a.s. – Annual Report and Accounts 2021

This pdf document is a copy of the official statutory annual report of SAZKA Group a.s. issued on 29 April 2022 published in the European Single Electronic Format ("ESEF").

We are a leading multi-national lottery operator and the largest pan-European lottery operator

2021 highlights

Gross gaming revenue ("GGR")

€3.1bn

Net gaming revenue ("NGR")

€1.8bn

GGR growth

51%

Adjusted EBITDA

€967m

Adjusted EBITDA margin

53%

Online GGR (Czech Republic)

38%

SAZKA Entertainment, the parent company of SAZKA Group a.s., rebranded to Allwyn in December 2021. The Allwyn brand will support our long-term global growth ambitions.

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Our business at a glance
Our platform

SAZKA Group (the "Group") is a leading multi-national lottery operator and the largest pan-European lottery operator. We operate lotteries in multiple European countries, including Austria, the Czech Republic, Greece and Cyprus, and Italy. We primarily focus on lotteries, including draw-based and instant-win lottery games, and distribute our products through both physical retail and online channels. We leverage our strong lottery brands, large customer base and extensive physical retail and online distribution networks to provide other entertainment offerings, including sports betting, online instant-win games, iGaming and video lottery terminals ("VLTs").

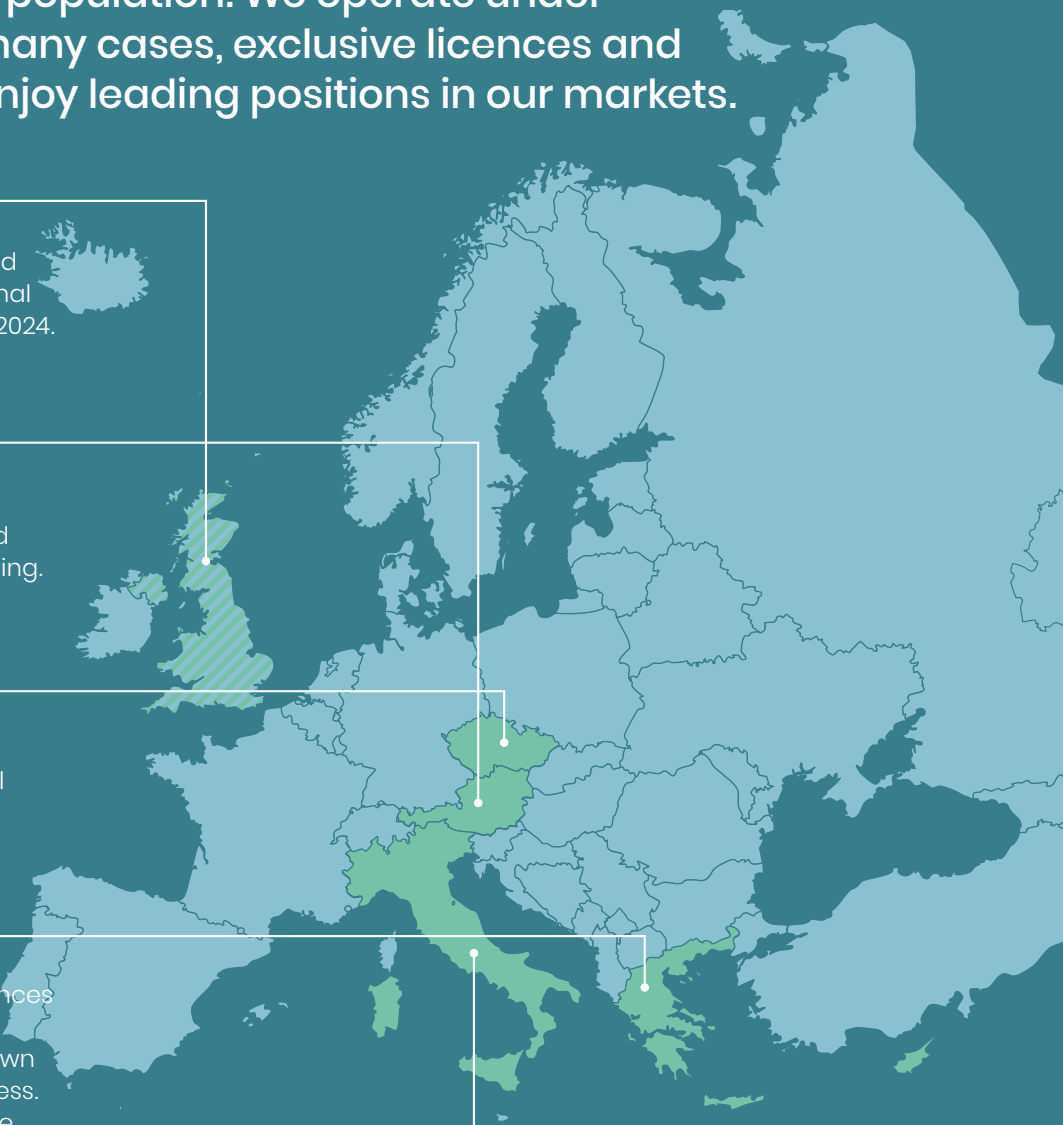
Our platform allows us to share best practice and experience and realise synergies across the Group, driving organic and inorganic growth by sharing best practice and experience, including:



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

Our business at a glance
Our operations

We benefit from long-established brands, reflecting a long history of operations, and distribution networks which are among the largest in each of our respective countries of operations. Our brands enjoy high recognition, and our games are played by a large and broad player base covering, in terms of both gender and age, a substantial portion of the adult population. We operate under long-term and, in many cases, exclusive licences and concessions, and enjoy leading positions in our markets.



UK
We were selected as the preferred applicant for the Fourth UK National Lottery licence that will run from 2024.

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 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 Lottoltalia, 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 VLTs

5,100 points of sale ("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

12,500 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 odds 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**

2021
Acquisition of additional **4.3%** stake in **CASAG**, bringing total economic interest to **59.7%**

Acquisition of additional **4.1%** economic interest in **OPAP**

€500m Apollo investment in immediate parent

Our business at a glance
Our strategy

We continue to implement our strategy of solidifying our position as a leading multinational lottery operator, leveraging our platform to capture opportunities in both our existing and new markets.

Our existing operations are highly cash flow generative. We plan to continue investing excess cash in organic growth and accretive complementary acquisition opportunities.

Growth in online and digital retail channels, focus on data and cross-selling



We aim to continue to increase our regulated online and iGaming presences as we expect consumer preferences to shift towards online and multi-channel gaming, and as government policy and legislation are expected to increasingly favour onshore operators in the online channel.

We also aim to continue cross-selling adjacent products to our existing customers. Our online and cross-selling initiatives benefit from our trusted brands, high participation rates, our rapidly growing proprietary database and analytics capabilities, and extensive traffic on our apps and websites from players who purchase their tickets through the physical retail channel.

We leverage these advantages to target our marketing activities, including hyper-personalisation of campaigns, and invest in boosting CRM and analytics capabilities to optimise use of our customer data, which allow us to tailor and personalise online content to individual users and thereby increase customers' time spent on our sites and their lifetime value to the Group.

A substantial and rapidly growing portion of sales is made through the online channel in Austria, the Czech Republic and Greece. We are focused on expanding our online sales in other markets where online accounts for a relatively lower proportion of the gaming market.

Product innovation



In each of our existing markets, we constantly evaluate opportunities to introduce new products and optimise our current offerings. We aim to offer a full range of lottery, gaming and entertainment products and personalised entertainment experiences.

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

We continue to launch complementary products across our markets, including online instant-win games, sports betting and iGaming. We believe our trusted brands, app and website traffic and well-developed physical distribution networks, together with increasing data collection and analysis capabilities, provide us with a significant competitive advantage for cross-selling these new products to our existing customers.

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

We also constantly seek to apply innovations and best practices across our geographies, including reinvigoration of scratch card games, special event draws for jackpot games, retail loyalty schemes and launches of new games.

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 business on an ongoing basis. In a number of cases, we have increased our stakes in businesses through a series of transactions, acquiring controlling stakes at attractive valuations with lower risk.

We also analyse opportunities to make selective acquisitions in adjacent markets such as online sports betting and iGaming to expand our product range and strengthen our position in complementary areas.

We have entered several of our current markets through acquisitions, leveraging our industry knowledge, access to internally-generated and external capital and our M&A expertise. These acquisitions include the acquisitions of our operations in the Czech Republic, Greece and Austria.

We monitor and pursue inorganic growth opportunities as countries privatise their lotteries and 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 safer gaming and ESG make us an attractive partner for governments.

Constant focus on operational efficiency



We are highly focused on cash flow generation and believe that operational efficiency is an important driver of cash flows. The Group's management aims to foster a culture focused on performance and operational efficiency across our operations.

We have a strong track record of increasing profitability of businesses we acquire, and costs are always a key focus with respect to our existing operations.

In addition to leveraging best practices across our markets to grow revenues, we target purchasing, marketing and cost synergies across the Group. With respect to technology and content, we have the potential to realise significant cost savings in areas such as key technologies and content suppliers as a result of our business scale and purchasing power. We focus our marketing expenditures and leverage our data to generate higher incremental revenues.

We also monitor opportunities to optimise personnel costs, particularly in land-based businesses. For example, in 2020 we introduced a restructuring programme in Austria which is expected to deliver cost savings of approximately €45 million on an annual basis beginning in 2022. Most of the restructuring programme strategies were implemented as of April 2021.

Safer Gaming



Safer gaming is a key principle of our business and is expected to continue to play an important role going forward. We operate in a highly regulated industry and believe that maintaining strong relationships with governments and regulatory agencies, and a positive perception among these and other stakeholders, is crucial.

We also make significant contributions to the countries where we operate through tax payments and charity support, and we believe that safer gaming will be increasingly crucial to our success.

We implement safer gaming principles in all of our businesses and operations, including:

- creating a safe environment for players;
- protecting minors and other vulnerable groups; and
- educating the general public about problem gambling through activities such as yearly training for employees, risk assessment of games, and responsible advertisings, among other activities.

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

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 another very strong performance in another volatile year.

Our Gross gaming revenue ("GGR") increased by 51% and our Adjusted EBITDA margin reached above 50%. Our geographical and distribution channel diversifications are two of our many strengths that have contributed to our strong performance this year. The online segment and certain geographies, in particular the Czech Republic and Italy, have performed exceptionally well, helping to offset weaker trading caused by COVID-19 related restrictions which impacted the physical retail channel in Greece and Austria.

If we look at the year by quarter, the first quarter of 2021 was impacted by COVID-19 related closures of physical retail in Greece and casinos in Austria. However, the rest of the business was largely unaffected, with lotteries across geographies performing very well. Most of Q2 was still impacted by the closures in Greece and Austria, but all material restrictions were lifted by the end of the quarter. Q3 was the first quarter in 2021 that was unaffected by material COVID-19 related restrictions, which allowed us to record excellent financial performance with highest GGR ever and significantly exceed pre-pandemic trading performance. Importantly, our online sales continued to grow despite all physical retail channels being open. Q4 was another strong quarter across geographies despite a three-week closure of casinos in Austria and some re-introduced COVID-19 related restrictions in Greece and Austria.

2021 has once again shown that we are well positioned to successfully face extreme and unexpected circumstances and our business model is exceptionally resilient. 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 strongly from the pandemic. We are confident that these same strengths position us well for future growth.

I am particularly pleased with the continuing success of our online and digital-only offerings. The changes in consumer behaviour as a result of COVID-19 have allowed us to develop our product offering and increase our online 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 and all our physical retail channels have reopened. The best example of this success is in our Czech business, which delivered 38% of its GGR online in 2021, compared with 31% in 2020. We will continue to invest in our digital platforms to drive long-term benefits.

In 2021, we also achieved important strategic milestones which position us to further grow our business. We completed Apollo's investment in SAZKA Entertainment AG (parent company of SAZKA Group) which represented a vote of confidence in our platform and strategy for future growth from one of the world's leading investors in gaming. As part of our growth strategy, we submitted a successful bid to operate the UK National Lottery, which will provide us the opportunity to further geographically diversify and operate one of the largest lotteries in Europe. In order to support our long-term global growth ambitions, we launched a rebranding initiative with SAZKA Entertainment AG, the parent company of SAZKA Group a.s., being rebranded to Allwyn. In our existing markets, we continued to increase our shareholdings in businesses which we own less than 100% of. In Austria we acquired an additional 4.31% stake in CASAG and have fully implemented the ReFIT restructuring plan expecting to deliver around €45 million of annual cost savings from 2022 onwards. In Greece, we continued to increase our interest in OPAP which we believe offers exceptional value.

Overall, I am very pleased with SAZKA Group's strong performance and strategic progress in 2021. I am proud of the resilience, agility and innovation our businesses have shown. 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 strong in 2021 although certain businesses have still been impacted by COVID-19 related closures in Q1 and Q2, and to a lesser extend in Q4.

COVID-19
COVID-19 restrictions impacted our physical retail network in Greece and our casinos in Austria and internationally in the first half of the year when these operations were largely shut. However, other parts of our business remained open throughout the whole year and COVID-19 related measures in those markets did not have any material impact on our sales. Q3 was the first quarter since Q4 2019 with no material COVID-19 related impact on any of our businesses. Despite the reopening of the physical retail POS, online sales continued to grow strongly throughout the year.

In the Czech Republic, the physical retail network remained operational throughout the year which meant that our operations were largely unaffected by the pandemic. The top line has also been supported by online sales of lotteries and iGaming, which continued to grow strongly.

In Greece, OPAP stores and PLAY gaming halls faced periods of closure during both Q1 and Q2. When physical retail businesses reopened, trading recovered swiftly. Limited restrictions were reintroduced in Q4, with visitors required to demonstrate their vaccination status.

In Austria, Austrian Lotteries' business remained largely unaffected by the pandemic and delivered strong GGR both offline and online. However, land-based casinos were closed during most of the first half of the year and for three weeks in Q4 and certain social distancing restrictions remained in place as activity resumed.

In Italy, our business was largely unaffected by the pandemic, delivering strong results throughout the year.

Innovation and technology
We have continued to focus on innovation, making our products more attractive to our customers across all geographies. Among others, we successfully launched a new annuity game, playful eScratches with local content and an online social play feature in the Czech Republic, installed beacons to enable in-store betting across retail outlets and launched our in-house online sports betting platform in Greece, and launched a retail loyalty scheme, and event draws and participated in the redesign of EuroMillions in Austria.

Across our markets, we continue our trend towards insourcing front-end development of our iGaming products to provide better user experience and enable faster implementation of changes.

Product
In FY 2021, numerical lotteries' GGR increased by 35% to €1,399.1 million, instant lotteries' GGR increased by 49% to €261.6 million, sports betting's GGR increased by 66% to €545.8 million, iGaming GGR grew by 187% to €415.6 million, and VLTs and casinos' GGR increased by 29% to €434.4 million. The movements reflect, among other factors, the consolidation of CASAG and Stoiximan, strong recovery of physical retail channel post reopening and continuing robust organic growth in online lottery and iGaming sales.

Austria
FY 2021 GGR, NGR and EBITDA reflect a strong performance in lotteries and iGaming but weaker casino business due to COVID-19 related shutdowns. GGR and NGR increased by 6% and 7%, respectively. Operating EBITDA, including certain one-off items, was €232 million, representing 58% growth year on year. Adjusted EBITDA, excluding the one-off items, increased by 47% driven by the implementation of the ReFIT restructuring programme.

Czech Republic
GGR and Net gaming revenue ("NGR") increased by 29% and 32%, respectively, compared with FY 2020. Similarly, Adjusted EBITDA increased by 35% year on year. The strong performance was primarily driven by growth in numerical lotteries and iGaming.

Greece and Cyprus
FY 2021 GGR and NGR were 34% and 38% respectively above FY 2020 reflecting the gradual reopening of all land-based activities and consolidation of Stoiximan. Adjusted EBITDA increased by 77% compared with FY 2020 due to the above-mentioned factors and benefit from an extension of OPAP's concession.

Italy
Italy delivered its best performance ever in 2021, driven by strong top-line performance. Revenues grew 30% and Adjusted EBITDA 32% year on year (reflecting the impact of COVID-19 on 2020 as well as the strong organic performance).

Business and strategic review

Strategic review and case studies GGR by cohort in the Czech Republic

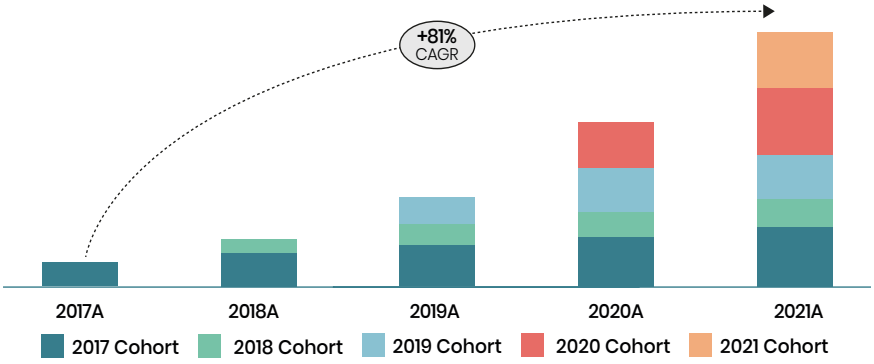
We have executed a number of key strategic transactions and initiatives in 2021.

As a result of open market purchases throughout the year and electing to receive dividends as scrip, the Group's ownership in OPAP increased from 43.12% to 47.22% from 31 December 2020 to 31 December 2021 (equivalent to an economic interest of 40.37%)

In January 2021, we acquired a further 4.31% shareholding in CASAG following the execution of a call option, resulting in an economic interest of 59.7%. In Austria, we are already seeing major benefits from the ReFIT restructuring plan that is expected to deliver around €45 million of annual cost savings from 2022 onwards.

In October 2011, the Group submitted its proposal to operate the Fourth UK National Lottery concession.

Cross-sell and up-selling customers to drive increased sales by cohort



Our very large, sticky customer base, strong brands, increasing availability of customer data through player deanonymisation both online and in the physical retail channel and our wide product offerings provide us with a strong platform for growing revenues from existing players. Complemented by our strategy to continuously broaden our product offering in all our segments, introduce and continue to improve our loyalty programmes and use gamification, we are able to successfully cross-sell our products. As a result, our average revenue per unit and long-term value per player are typically increasing while churn rates and average customer acquisition cost are low. This trend is evidenced from the GGR increase per player per cohort in the Czech Republic where the GGR per player for the 2017 cohort increased by 81% CAGR between 2017 and 2021.

Tender for the Fourth National Lottery licence in the United Kingdom

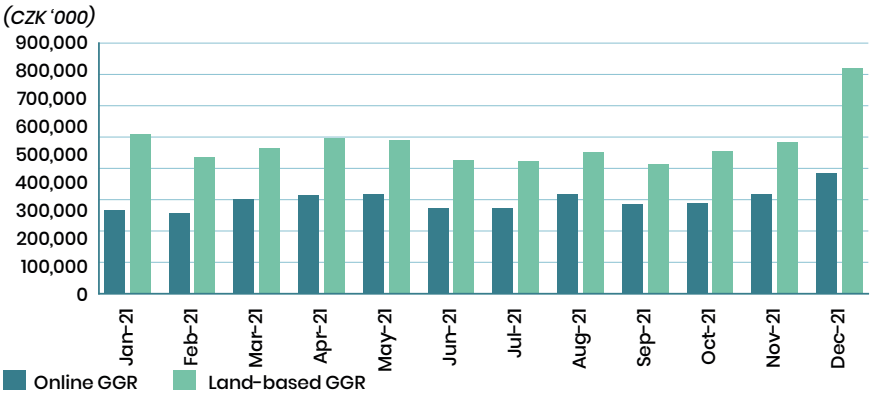


As part of our strategy of lottery-led international growth, the Company submitted its bid to operate the UK National Lottery in October 2021. We built a strong team of local experts led by Sir Keith Mills, who worked closely with the Group's lottery brands across Europe both to learn from and share best practice in lottery operations, with a particular focus on how to improve draw-based games.

After more than two years of intense work, we put together a detailed proposal to revitalize the UK National Lottery in a safe and sustainable way. Following a thorough decision process, the Gambling Commission selected SAZKA Group as the Preferred Applicant in March 2022. Our UK subsidiary Allwyn Entertainment Ltd is expected to begin day-to-day operation of the National Lottery in February 2024 when the 10-year National Lottery licence starts, subject to resolution of a pending legal challenge.

Business and strategic review
Case studies continued

Online sales in the Czech Republic continue to grow, reaching 38% of GGR in 2021



Our digital offering 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 and many games are only offered online: eLotteries (lottery-style products designed specifically for online), eScratches (scratch card-style products designed specifically for online), sports betting and iGaming. The growth in DEH since launch has been strong with success in online sales of both lottery products and iGaming.

In particular, the digital platform has been a great benefit during the pandemic, bringing existing users online and reaching new audiences across all adult age groups.

The percentage of our Czech GGR which has been derived online increased from 19% in 2019 to 38% in 2021. 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 the COVID-19 pandemic.

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.

Project ReFIT successfully completed at our Austrian casinos



During 2021 we have finalised the vast majority of project ReFIT, which has been 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 includes cost reduction and operational efficiencies in all 12 Austrian casinos, as well as at HQ. Total cost savings of c.€45 million p.a. are expected to be realised from 2022 onwards and already contributed to a major increase in our profitability in 2021. We aim for continuous value creation programmes, in both casinos and lotteries, with the focus on value creation through product innovation and operational efficiency to create a business with a profitable and sustainable future.

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 operating and capital 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 inorganic growth initiatives, including M&A and participation in tenders, as well as returning cash to shareholders.

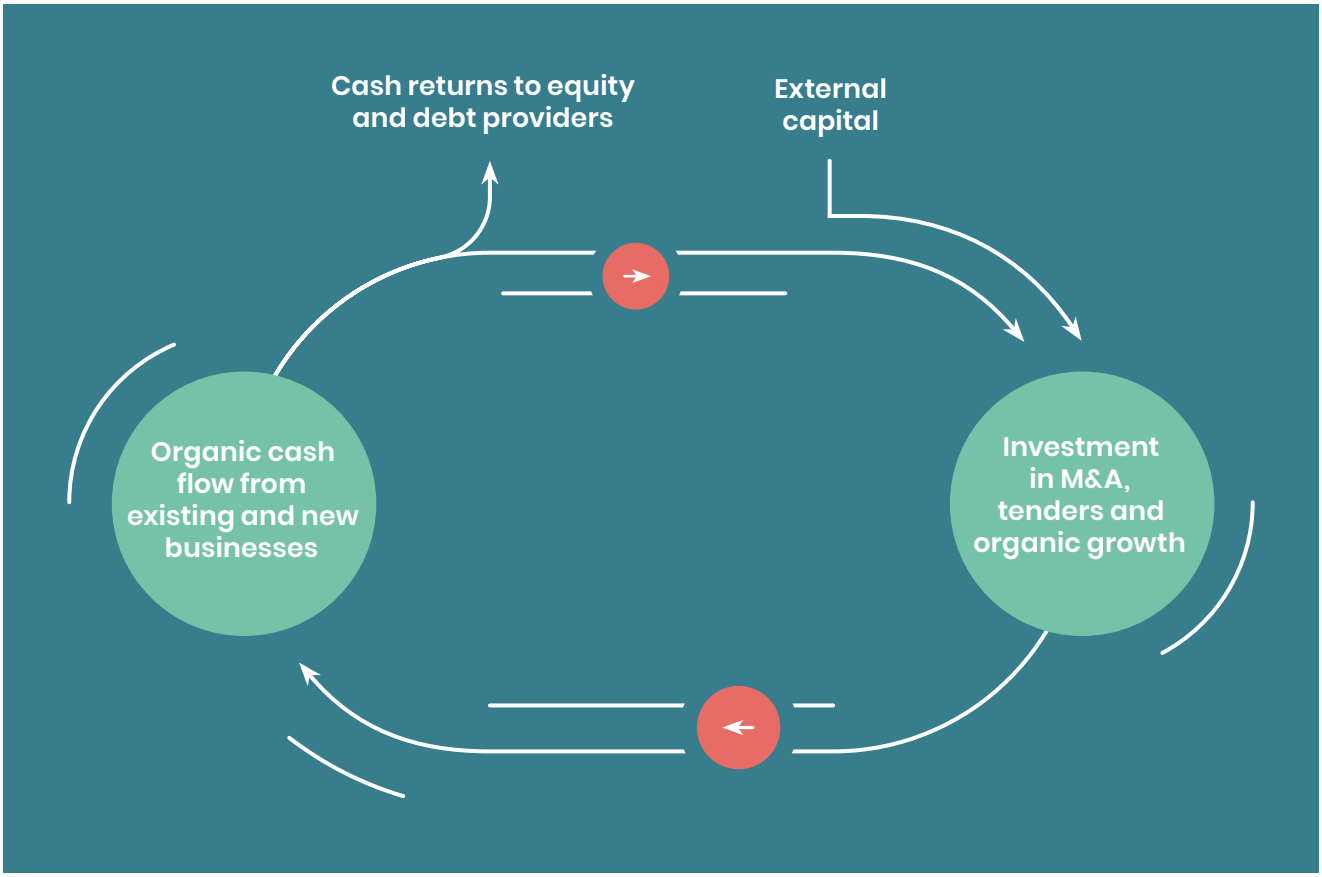
Organic growth

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.
- 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 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 such as Intralot, IGT, Playtech etc. (partially fixed, partially linked to GGR or NGR) Other expenses include rental, content fees and other expense
		SG&A	Personnel 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	Personnel expenses Marketing expenses
C – D = E	EBITDA		

Financial review
Chief Financial Officer's statement

Kenneth Morton
Chief Financial Officer



I am very pleased with the 2021 financial results of the Group. Despite the COVID-19 pandemic, we achieved very strong operating results and high profitability in 2021. Our consolidated gross gaming revenue increased by 51% year on year, reflecting the consolidation of CASAG and Stoiximan, as well as strong organic growth. Our Adjusted EBITDA margin reached 53%, which is significantly above last year's as well as pre-pandemic levels. The strong performance was particularly visible in Q3, the first quarter unaffected by the pandemic, when we recorded by far our highest GGR, NGR and Adjusted EBITDA ever. Combined with robust free cash flow generation, the Group has achieved a significant deleveraging throughout the year.

Our financial performance bears witness to the resilience of our businesses and our geographical, product and channel diversification as well as our ability to drive organic and inorganic growth.

We also continued to execute our long-term strategy, increasing our interest in existing businesses and expanding our lottery business internationally. We acquired an additional 4.31% stake in CASAG in January, further increased our interest in OPAP through open market purchases and a scrip dividend programme, and, importantly, we submitted our bid to operate the UK National Lottery.

I would like to thank all our financing partners for their continued strong support as we continue to execute our strategy of both organic and M&A growth.

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Financial review
Financial highlights

Financial performance

Despite COVID-19 related restrictive measures impacting our business in certain geographies, we recorded strong financial performance in 2021. The negative impact on the physical retail channel in Greece and Cyprus and casinos in Austria and internationally (in Q1-2 and to a lesser extend in Q4) was offset by the strong performance of the rest of our operations which were broadly unimpacted throughout the entire year. The online segment continued to grow, with the Czech Republic recording 38% of GGR generated through the online channel.

GGR increased by €1,038.5 million, or 51%, to €3,056.5 million, reflecting the consolidation of CASAG and Stoiximan, as well as organic growth, especially in the online channel (including sales of numerical lotteries and instant lotteries through the online channel and iGaming). NGR increased by €616.1 million, or 51%, to €1,828.6 million, in line with the increase in GGR. Operating EBITDA increased by €494.7 million, or 108%, to €954.0 million as a result of (i) the extension benefit of a concession in OPAP, (ii) proportionally lower agents' commissions due to online share increase, and (iii) proportionally lower personnel expenses due to successful realisation of the ReFIT programme in Austria. These positive impacts were marginally offset by higher marketing expenses. Our Adjusted EBITDA, taking into account one-off items, increased by €428.7 million, or 80%, to €966.8 million. The resilient nature of our business, high portion of variable expenses, the extension benefit of a concession in Greece and strong cost control allowed us to increase our Adjusted EBITDA margin from 44% to 53% year on year.

Our Austria segment has performed well despite casinos being impacted by COVID-19 closures in Q1-2 and Q4. Austrian Lotteries has consistently delivered robust top-line performance as a result of strong online sales and resilience in the physical retail channel, with key categories of points of sale remaining open throughout all periods.

Our Czech operations performed strongly during the whole of 2021 driven by online sales growth (both in lotteries and iGaming) and the physical retail channel remaining resilient.

Our Greece and Cyprus land-based operations were impacted by COVID-19 restrictions in Q1-2 and partially in Q4. The online segment performed very well, with Stoiximan delivering very strong growth year on year.

In Italy, the business delivered a record performance in 2021, with Q1 and Q2 being particularly strong.

The continuing fast paced growth in our online channel, resilient land-based operations, 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 in CASAG

In January 2021, we exercised a call option to acquire an additional 4.31% shareholding in Casinos Austria AG. As a result, our economic interest increased to 59.7%.

Acquisition of additional interest in OPAP

During 2021, we increased our direct shareholding in OPAP from 43.12% to 47.22%, representing economic interest of 40.37%. Increase of 4.1% was achieved through open market purchases and participation in OPAP's scrip dividend programme and intragroup transactions.

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 funds and leading investors in gaming, in SAZKA Entertainment AG, a newly created holding company of the Company. The transaction closed in March 2021.

Management's discussion and analysis of financial condition and results of operations for the year ended 31 December 2021

The financial and operating information contained in this "Management's discussion and analysis of financial condition and results of operations" ("MD&A") 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").

You should read the MD&A together with our audited consolidated financial statements for the year ended 31 December 2021. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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".

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Management's discussion and analysis

1. Significant transactions and developments during the year ended 31 December 2021

1.1 Financing

In July 2021, the Company received an equity contribution of €75.0 million from its parent company SAZKA Entertainment AG.

Subsequently, the Company's subsidiary SAZKA Group Financing (Czech Republic) a.s. repaid €85.0 million of its bank loan facility (€30.0 million of the drawn revolving credit facility and a €55.0 million annual amortisation payment under the term loan). As of 31 December 2021, €100.0 million from the revolving credit facility was undrawn.

OPAP Group financing arrangements

In February 2021, OPAP extended a €100.0 million undrawn credit facility (A) maturing in March 2021 to March 2022.

In April 2021, Hellenic Lotteries S.A. extended a €50.0 million term loan maturing in September 2021 to September 2022, subsequently extended to 2023.

In September 2021, OPAP repaid a €100.0 million term loan maturing in 2024 and terminated the undrawn facility of €100.0 million maturing in March 2022 (A above) and signed a new €100.0 million term loan and a €100.0 million revolving credit facility maturing in September 2024. The revolving credit facility remains undrawn and available as of 31 December 2021.

In November 2021, Hellenic Lotteries S.A. repaid a €50.0 million term loan and in October 2021 signed a new €40.0 million term loan and €10.0 million revolving credit facility maturing in October 2024. The term loan and revolving credit facility were fully drawn as of 31 December 2021.

In November 2021, OPAP repaid a €300.0 million term loan maturing in 2026 and signed a new €200.0 million term loan and a €100.0 million revolving credit facility maturing in May 2027. The term loan and revolving credit facility were fully drawn as of 31 December 2021.

CASAG Group financing arrangements

In November 2021, Casinos Austria International Holding GmbH repaid a €18.7 million retail bond.

1.2 Acquisitions

On 27 January 2021, the Group acquired a 4.31% shareholding in Casinos Austria AG following the execution of a call option.

During Q1 2021 the Group increased its direct shareholding in OPAP by 0.99% through open market purchases, as a result of which the Group's shareholding in OPAP increased to 44.11% and its economic interest to 37.08%.

During Q2 2021 the Group increased its direct shareholding in OPAP by 1.25% through open market purchases, as a result of which the Group's shareholding in OPAP increased to 45.36% and its economic interest to 38.33%.

During Q3 2021 the Group increased its direct shareholding in OPAP by 1.23% through open market purchases, participation in OPAP's scrip dividend programme and intragroup transactions, as a result of which the Group's shareholding in OPAP increased to 46.39% and its economic interest to 39.56%.

During Q4 2021 the Group increased its direct shareholding in OPAP by 0.81% through open market purchases, participation in OPAP's scrip dividend programme and intragroup transactions, as a result of which the Group's shareholding in OPAP increased to 47.22% and its economic interest to 40.37%.

1.3 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 Q3 2020, albeit with some minor restrictions in certain cases. In Q4 2020 and Q1-Q2 2021, some of our physical retail networks were again affected by restrictions as a result of new waves of COVID-19, while others operated with no material interruption from the new measures. During Q2 2021, remaining material restrictions were lifted. In Q3 2021 all our business operated without material restrictions, while in Q4 2021, restrictions once again impacted some of our physical retail networks.

In all periods, COVID-19 related restrictions had only a very limited or no impact on the availability of our lottery products in Austria and the Czech Republic through physical retail channels, as key categories of points of sale remained open.

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Management's discussion and analysis
continued

The physical retail channels in Greece and Cyprus and our casinos in Austria and internationally were to a greater or lesser extent affected by COVID-19 related restrictions (in Q1-Q2 and Q4 2020 and Q1, part of Q2 and part of Q4 2021), as was our business in Italy (in Q1-Q2 2020 only).

Our online businesses have performed very well throughout 2020 and 2021, with strong growth in Austria, the Czech Republic, and at Stoiximan in our Greece and Cyprus segment.

The tables below outline the quarterly development of our operating segments.

Austria segment

Austria (100% basis)	FY20	1Q20	2Q20	3Q20	4Q20	FY21	1Q21	2Q21	3Q21	4Q21
GGR	1,077.5	285.1	219.3	303.0	270.1	1,139.1	256.4	243.0	309.1	330.6
% change from comparative period	(14%)	(7%)	(23%)	(8%)	(17%)	6%	(10%)	11%	2%	22%
Adjusted EBITDA*	142.9	38.7	17.2	63.9	23.1	210.9	29.9	44.8	74.8	61.4
% change from comparative period	(32%)	(25%)	(59%)	(12%)	(49%)	48%	(23%)	160%	17%	166%

of which Austrian Lotteries	FY20	1Q20	2Q20	3Q20	4Q20	FY21	1Q21	2Q21	3Q21	4Q21
GGR	849.9	206.3	191.8	216.6	235.2	923.3	255.0	210.3	210.1	247.9
% change from comparative period	2%	0%	2%	(3%)	8%	9%	24%	10%	(3%)	5%

* For comparison with 2019, 2019 Adjusted EBITDA taken as equal to Operating EBITDA.

Austrian Lotteries has consistently delivered good top line performance as a result of strong online sales and resilience in the physical retail channel, with key categories of points of sale remaining open throughout all periods. GGR in Q1 2021 benefited from large jackpots, while conversely Q2 and Q3 2021 were negatively impacted by low jackpots.

However, certain other activities of the Austria operating segment, primarily casinos in Austria and internationally, were impacted by COVID-19 restrictions at various times. These restrictions had a negative impact on profitability of the operating segment in both Q2 2020 and from Q4 2020 until the later part of Q2 2021 and to a limited degree again in Q4 2021. Austrian casinos and VLT gaming halls reopened from 19 May, albeit with restrictions, which were further reduced from 10 June. In Q3 2021 the Austrian and international casino businesses operated without material restrictions, while some of the casinos were closed again for several weeks during Q4 2021.

Czech Republic segment

Czech Republic	FY20	1Q20	2Q20	3Q20	4Q20	FY21	1Q21	2Q21	3Q21	4Q21
GGR	315.2	77.0	67.0	74.9	96.3	407.9	95.7	101.3	96.7	114.2
% change from comparative period	10%	25%	0%	5%	12%	29%	24%	51%	29%	19%
Adjusted EBITDA	81.8	22.3	22.0	19.6	17.9	110.5	29.9	31.1	24.2	25.3
% change from comparative period	(14%)	(3%)	0%	(24%)	(25%)	35%	34%	41%	23%	41%

Our Czech Republic operations were impacted to a moderate extent by restrictions during the first wave of COVID-19, especially in April 2020 when there was a limited period of lower sales via our physical points of sale, but recovered quickly and posted a very good performance in Q3-Q4 2020 and throughout 2021. Similar to our Austrian operations, online sales were very strong, achieving a 38% share of GGR in 2021 compared with 31% in 2020. The physical retail channel was resilient, with key categories of points of sale remaining open throughout the years 2020 and 2021.

Greece and Cyprus segment

Greece and Cyprus	FY20	1Q20	2Q20	3Q20	4Q20	FY21	1Q21	2Q21	3Q21	4Q21
GGR	1,129.7	328.3	179.6	391.0	230.8	1,509.5	174.2	395.8	470.4	469.1
% change from comparative period	(30%)	(17%)	(53%)	(1%)	(48%)	34%	(47%)	120%	20%	103%
Adjusted EBITDA	325.7	98.1	30.9	109.0	87.7	578.2	68.1	145.8	180.2	184.1
% change from comparative period	(21%)	(13%)	(65%)	5%	(18%)	77%	(31%)	372%	65%	110%

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continued

1. Significant transactions and developments during the year ended 31 December 2021
continued

Our Greece and Cyprus operations were impacted by the first COVID-19 restrictions from the end of March to May 2020. In June and Q3 2020 the business performed well, despite still operating under certain limited restrictions, while a second lockdown impacted the physical retail business from the middle of November and throughout Q1 2021. During Q2 2021, most remaining restrictions were lifted in stages. In Q3 2021, all our Greek and Cypriot businesses operated without material restrictions, while there were further minor restrictions introduced in Q4 2021.

Stoiximan (100% basis)	FY20	1Q20	2Q20	3Q20	4Q20	**FY21**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
GGR	267.8	64.2	45.3	66.0	92.3	**345.4**	**99.1**	**86.0**	**74.4**	**85.9**
% change from comparative period	33%	45%	0%	28%	55%	**29%**	**54%**	**90%**	**13%**	**(7%)**
Adjusted EBITDA*	n/a	n/a	n/a	n/a	n/a	**71.6**	**27.8**	**11.2**	**11.1**	**21.5**

* Adjusted EBITDA of Stoiximan in 2020 (pre acquisition) is not available on the basis comparable with 2021.

Stoiximan delivered very strong growth in 2020 and 2021. Consolidated GGR of the Group and of the Greece and Cyprus segment only includes Stoiximan's contribution from December 2020 onwards.

Italy segment

Italy (100% basis)	FY20	1Q20	2Q20	3Q20	4Q20	**FY21**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue from contracts with customers	384.4	102.8	54.8	106.9	119.9	**500.1**	**134.3**	**134.2**	**114.7**	**116.8**
% change from comparative period	(21%)	(20%)	(56%)	(5%)	(3%)	**30%**	**31%**	**145%**	**7%**	**(3%)**
Adjusted EBITDA	310.6	82.9	42.6	87.4	97.7	**408.9**	**108.3**	**112.6**	**94.0**	**94.0**
% change from comparative period	(22%)	(21%)	(57%)	(4%)	(3%)	**32%**	**31%**	**164%**	**7%**	**(4%)**

In Italy, the regulator suspended lottery draws for some weeks during the first wave of COVID-19 in Q2 2020. This was not repeated when COVID-19 restrictions were reintroduced later in the year and remained in force into 2021, and the vast majority of the distribution network remained open during this period. Overall, trading recovered well after operations relaunched, with the business delivering a record performance in both Q1-Q2 2021, while returning to stable performance in Q3-Q4 2021.

1.4 Subsequent events

For developments after 31 December 2021 please refer to the Subsequent events note to the consolidated financial statements.

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continued

2. Comparison of results of operations for the years ended 31 December 2021 and 2020
Management analysis of consolidated results

			Change	
Consolidated results of the Group	**2021**	2020	abs	%
Gross gaming revenue ("GGR")	**3,056.5**	2,018.0	1,038.5	51%
Gaming taxes	**(1,227.9)**	(805.5)	(422.4)	52%
Net gaming revenue ("NGR")	**1,828.6**	1,212.5	616.1	51%
Revenue from non-gaming activities	**164.9**	143.2	21.7	15%
Other operating income	**356.8**	96.8	260.0	269%
Agents´ commissions	**(415.3)**	(337.1)	(78.2)	23%
Materials, consumables and services	**(454.9)**	(309.8)	(145.1)	47%
Marketing services	**(215.3)**	(124.9)	(90.4)	72%
Personnel expenses	**(309.4)**	(223.2)	(86.2)	39%
Other operating expenses	**(80.5)**	(77.7)	(2.8)	4%
Share of profit of equity method investees	**79.1**	79.5	(0.4)	(1%)
Operating EBITDA	**954.0**	459.3	494.7	108%
Adjusted for:				
Inorganic business development costs	**20.2**	14.8	5.4	36%
Arbitration gain	**(13.5)**	-	(13.5)	n/m
Adjustments in Austria segment	**(20.9)**	-	(20.9)	100%
Adjustments in Czech Republic segment	**4.0**	(2.0)	6.0	(300%)
Adjustments in Greece and Cyprus segment	**23.0**	66.0	(43.0)	(65%)
Adjusted EBITDA	**966.8**	538.1	428.7	80%
Adjusted EBITDA margin	**53%**	44%	8%	19%
Depreciation and amortisation	**(222.9)**	(158.5)	(64.4)	41%
Impairment of non-financial assets	**(16.6)**	(26.1)	9.5	(36%)
Restructuring cost	**-**	(50.6)	50.6	(100%)
Gain from remeasurement of previously held interest in equity method investee	**-**	142.7	(142.7)	(100%)
Other gains and losses	**(9.6)**	8.9	(18.5)	(208%)
Profit from operating activities	**704.9**	375.7	329.2	88%
Interest income	**2.9**	2.2	0.7	32%
Interest expense	**(122.4)**	(101.8)	(20.6)	20%
Other finance income and expense	**(7.6)**	(16.0)	8.4	(53%)
Finance costs, net	**(127.1)**	(115.6)	(11.5)	10%
Profit before income tax	**577.8**	260.1	317.7	122%
Income tax expense	**(130.3)**	(35.7)	(94.6)	265%
Profit after tax	**447.5**	224.4	223.1	99%

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Management's discussion and analysis

continued

2. Comparison of results of operations for the years ended 31 December 2021 and 2020 continued

CASAG and Stoiximan were both consolidated for the first time in 2020. Given the substantial contribution of CASAG and Stoiximan after the consolidation, consolidated numbers for 2020 and 2021 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 26 June 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, the contribution of the Austria operating segment and Stoiximan from the consolidated results of the Group. This includes deduction of share of profit of equity method investee for the period before the consolidation in the comparative period.

Gross gaming revenue ("GGR")

GGR increased by €1,038.5 million, or 51%, to €3,056.5 million, reflecting the consolidation of CASAG and Stoiximan, as well as organic growth, especially in the online channel (including sales of numerical lotteries and instant lotteries through the online channel and iGaming).

Excluding CASAG and Stoiximan, GGR increased by €167.3 million, or 12%, to €1,572.0 million.

			Change	
GGR by segment – contribution to consolidated GGR	**2021**	2020	abs	%
Austria*	**1,139.1**	573.1	n/m	n/m
Czech Republic	**407.9**	315.2	92.7	29%
Greece and Cyprus	**1,509.5**	1,129.7	379.8	34%
Total Gross gaming revenue (GGR)	**3,056.5**	2,018.0	1,038.5	51%

* Austria contributes to 2020 GGR only for the period after the consolidation date, which is effectively H2 2020.

			Change	
GGR by product	**2021**	2020	abs	%
Numerical lotteries	**1,399.1**	1,033.3	365.8	35%
Instant lotteries	**261.6**	176.1	85.5	49%
Sports betting	**545.8**	328.0	217.8	66%
iGaming	**415.6**	144.8	270.8	187%
VLTs and casinos	**434.4**	335.8	98.6	29%
Total Gross gaming revenue (GGR)	**3,056.5**	2,018.0	1,038.5	51%

Gaming taxes

Gaming taxes increased by €422.4 million, or 52%, to €1,227.9 million, in line with the increase in GGR.

Excluding CASAG and Stoiximan, gaming taxes increased by €15.9 million, or 3%, to €506.9 million.

Net gaming revenue ("NGR")

NGR increased by €616.1 million, or 51%, to €1,828.6 million, in line with the increase in GGR.

Excluding CASAG and Stoiximan, NGR increased by €151.4 million, or 17%, to €1,065.1 million.

Revenue from non-gaming activities

Revenue from non-gaming activities increased by €21.7 million, or 15%, to €164.9 million, driven by the consolidation of CASAG.

Excluding CASAG and Stoiximan, revenue from non-gaming activities increased by €2.9 million, or 2%, to €119.5 million.

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Other operating income
Other operating income increased by €260.0 million, or 269%, to €356.8 million, driven by the effects from the extension of a concession in OPAP for the 10-year period from October 2020 (see Note 7 to the consolidated financial statements), benefits from COVID-19 related government grants in Austria and Greece and income from arbitration awards (see Note 7 to the consolidated financial statements).

Excluding CASAG and Stoiximan, other operating income increased by €195.0 million, or 278%, to €265.1 million.

Agents' commissions
Agents' commissions increased by €78.2 million, or 23%, to €415.3 million driven by the factors influencing GGR and NGR set forth above.

Excluding CASAG and Stoiximan, agents´ commissions increased by €27.9 million, or 10%, to €314.8 million.

These increases were lower than the comparable increases in GGR and NGR, reflecting the increased share of online sales, which do not incur agents' commissions.

Materials, consumables and services
Materials, consumables and services increased by €145.1 million, or 47%, to €454.9 million, driven primarily by the impact of consolidation of CASAG and of Stoiximan, whose online-only business model incurs certain gaming systems and payment service providers' costs.

Excluding CASAG and Stoiximan, materials, consumables and services increased by €16.6 million, or 6%, to €287.7 million.

Marketing services
Marketing services increased by €90.4 million, or 72%, to €215.3 million, driven by the consolidation of CASAG and Stoiximan and by increased marketing investments with a focus on return on the investment ("ROI").

Excluding CASAG and Stoiximan, marketing services increased by €29.3 million, or 34%, to €116.1 million.

Personnel expenses
Personnel expenses increased by €86.2 million, or 39%, to €309.4 million, driven by the consolidation of CASAG. However, personnel expenses grew at a significantly lower rate than GGR, primarily as a result of cost savings in Austria thanks to the successful realisation of a restructuring plan announced in June 2020 which targeted cost savings of €45 million from 2022, with a material portion of savings already achieved in 2021 and 2022.

Excluding CASAG and Stoiximan, personnel expenses remained stable at €106.6 million in both years.

Other operating expenses
Other operating expenses increased by €2.8 million, or 4%, to €80.5 million.

Excluding CASAG and Stoiximan, other operating expenses decreased by €15.1 million, or 24%, to €48.0 million, primarily due to a decrease in the other operating expenses in Greece and Cyprus in comparison with the year 2020, where certain one-off costs related to COVID-19 restrictions were incurred.

Share of profit of equity method investees
Share of profit of equity method investees decreased by €0.4 million, or 1%, to €79.1 million, reflecting the strong performance of Lottoltalia. The increased contribution of Lottoltalia offset the effects of the consolidation of CASAG and Stoiximan, which were accounted as equity method investees for parts of the year 2020 and as subsidiaries thereafter.

Excluding CASAG and Stoiximan, share of profit of equity method investees increased by €24.6 million, or 50%, to €74.1 million.

Operating EBITDA
Operating EBITDA increased by €494.7 million, or 108%, to €954.0 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, operating EBITDA increased by €315.2 million, or 94%, to €650.6 million.

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continued

2. Comparison of results of operations for the years ended 31 December 2021 and 2020
continued

Adjusted EBITDA

Consolidated Adjusted EBITDA by segment – contribution to consolidated Adjusted EBITDA	2021	2020	Change abs	Change %
Austria*	**210.9**	95.7	n/m	n/m
Czech Republic	**110.5**	81.8	28.7	35%
Greece and Cyprus	**578.2**	325.8	252.4	77%
Italy (share of profit of equity method investee)	**74.1**	49.5	24.6	50%
Corporate and other	**(6.9)**	(14.7)	7.8	(53%)
Consolidated Adjusted EBITDA	**966.8**	538.1	428.7	80%

* Austria contributes to Adjusted EBITDA fully only for the period after the consolidation date, which is effectively H2 2020. For H1 2020, Austrian contributes only through the share of profit of equity method investee.

Adjusted EBITDA increased by €428.7 million, or 80%, to €966.8 million, primarily as a result of the increase in Operating EBITDA in all operating segments, and after considering the adjustment factors described below:

- Adjustments for one-off or non-cash income or expenses in Austria (including arbitration income) of negative €20.9 million (2020: nil).
- Adjustments for one-off income or expenses in the Czech Republic of €4.0 million (2020: negative €2 million).
- Adjustments for COVID-19 related costs and for one-off or non-cash income or expenses in Greece and Cyprus of €23.0 million (2020: €66.0 million).
- Costs associated with inorganic business development of €20.2 million (2020: €14.8 million).
- Adjustment for income from an arbitration award of negative €13.6 million in 2021.

Excluding CASAG and Stoiximan, Adjusted EBITDA increased by €283.6 million, or 68%, to €697.8 million.

Depreciation and amortisation
Depreciation and amortisation increased by €64.4 million, or 41%, to €222.9 million, driven by the consolidation of CASAG and Stoiximan and amortisation of new investments into gaming systems.

Excluding CASAG and Stoiximan, depreciation and amortisation increased by €18.6 million, or 15%, to €141.0 million.

Impairment of non-financial assets.
Impairment of non-financial assets decreased by €9.5 million, or 36%, to €16.6 million, representing impairments in right of use assets in Austria and Greece and Cyprus in 2021.

Excluding CASAG and Stoiximan, impairment of non-current assets decreased by €13.7 million, or 56%, to €10.7 million.

Restructuring costs
Restructuring costs in the comparative period of €50.6 million relates to a restructuring plan in Austria. The plan has now been fully implemented.

Gain from remeasurement of previously held interest in equity method investee
Gain from remeasurement of previously held interest in equity method investee in the comparative period of €142.7 million 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 €9.6 million comprises losses from revaluation of non-derivative financial instruments accounted at fair value (2020: gain of €8.9 million)

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continued

Profit from operating activities
Profit from operating activities increased by €329.2 million, or 88%, to €704.9 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, profit from operating activities increased by €292 million, or 149%, to €488.1 million.

Interest income
Interest income increased by €0.7 million, or 32%, to €2.9 million.

Excluding CASAG and Stoiximan, interest income remained stable at €2.3 million in both years.

Interest expense
Interest expense increased by €20.6 million, or 20%, to €122.4 million, driven by an increase in external borrowings.

Excluding CASAG and Stoiximan, interest expense increased by €16.2 million, or 17%, to €113.8 million.

Other finance income and expense
Other finance income and expense of €7.6 million (expense) improved by €8.4 million, driven primarily by the fact that the comparative period included a one-off expense from the termination of interest rate hedges of €7.8 million.

Excluding CASAG and Stoiximan, other finance income and expense decreased by €5.6 million, or 40%, to €8.3 million.

Profit before income tax
Profit before income tax increased by €317.7 million, or 122%, to €577.8 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, profit before tax increased by €281.4 million, or 324%, to €368.3 million.

Income tax expense
Income tax expense increased by €94.6 million, or 265%, to €130.3 million, primarily reflecting the increase in taxable profit.

Excluding CASAG and Stoiximan, income tax expense increased by €49.7 million, or 171%, to €78.7 million.

Profit after tax
Profit after tax increased by €223.1 million, or 99%, to €447.5 million as a result of the factors set forth above.

Excluding CASAG and Stoiximan, profit after tax increased by €231.7 million, or 400%, to €289.6 million.

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continued

2. Comparison of results of operations for the years ended 31 December 2021 and 2020
continued

2.1 Austria – Segment summary on 100% basis

	2021	2020	Change abs	Change %
Gross gaming revenue ("GGR")	**1,139.1**	1,077.5	61.6	6%
Gaming taxes	**(589.9)**	(563.0)	(26.9)	5%
Net gaming revenue ("NGR")	**549.2**	514.5	34.7	7%
Revenue from non-gaming activities	**45.4**	56.7	(11.3)	(20%)
Other operating income	**91.7**	58.0	33.7	58%
Agents´ commissions	**(100.5)**	(94.1)	(6.4)	7%
Materials, consumables and services	**(57.8)**	(55.4)	(2.4)	4%
Marketing services	**(68.1)**	(61.5)	(6.6)	11%
Personnel expenses	**(200.7)**	(228.0)	27.3	(12%)
Other operating expenses	**(32.4)**	(43.6)	11.2	(26%)
Share of profit of equity method investees	**5.0**	0.5	4.5	900%
Operating EBITDA	**231.8**	147.1	84.7	58%
Adjusted for:				
Casino Linz insurance gain + restructuring non-personal costs	**(0.6)**	(4.2)	3.6	(86%)
Argentina arbitration gain	**(15.9)**	–	(15.9)	100%
Other adjustments	**(4.4)**	–	(4.4)	100%
Adjusted EBITDA	**210.9**	142.9	68.0	48%
Adjusted EBITDA margin	**38%**	28%	11%	38%

Summary of operating performance and year on year comparison

Performance of the Austrian Lotteries part of the Austria segment (which operates its numerical lotteries, instant lotteries and iGaming product lines) was not impacted by COVID-19 restrictions in either year and the business delivered strong growth in both GGR and profitability.

Both the domestic and international casino businesses were heavily impacted by COVID-19 restrictions in 2020 and even more so in 2021, resulting in a year on year decline in GGR. However, profitability in 2021 improved significantly, partly due to one-off income from government support programmes to mitigate the impacts of COVID-19 restrictions, and due to run-rate cost savings from the successful realisation of a restructuring plan implemented in 2020. This programme is on track to deliver expected annual cost savings of €45 million from 2022, with a material portion of savings already achieved in 2021.

Other operating income in 2021 also includes a gain from the recognition of the fair value of the award from the arbitration against Argentina in connection with the revocation of a concession in 2013. As this is a one-off accounting gain, the Company treats it as adjusting item in the calculation of Adjusted EBITDA.

GGR by product	2021	2020	Change abs	Change %
Numerical lotteries	**626.2**	600.7	25.5	4%
Instant lotteries	**94.5**	81.9	12.6	15%
Sports betting	**22.8**	16.0	6.8	43%
iGaming	**155.8**	124.6	31.2	25%
VLTs and casinos	**239.8**	254.3	(14.5)	(6%)
Total Gross gaming revenue (GGR)	**1,139.1**	1,077.5	61.6	6%

Financial review
Management's discussion and analysis
continued

2.2 Czech Republic – Segment summary on 100% basis

	2021	2020	Change abs	Change %
Gross gaming revenue ("GGR")	**407.9**	315.2	92.7	29%
Gaming taxes	**(143.0)**	(114.3)	(28.7)	25%
Net gaming revenue ("NGR")	**264.9**	200.9	64.0	32%
Revenue from non-gaming activities	**17.3**	16.1	1.2	7%
Other operating income	**1.7**	3.5	(1.8)	(51%)
Agents´ commissions	**(36.9)**	(31.0)	(5.9)	19%
Materials, consumables and services	**(57.3)**	(43.9)	(13.4)	31%
Marketing services	**(38.2)**	(26.0)	(12.2)	47%
Personnel expenses	**(24.2)**	(20.5)	(3.7)	18%
Other operating expenses	**(20.8)**	(15.3)	(5.5)	36%
Operating EBITDA	**106.5**	83.8	22.7	27%
Adjustments to EBITDA				
Gain from cancellation of obligation to acquire entity	**-**	(2.0)	2.0	(100%)
Disaster fund donation + tech platform prolongation	**4.0**	-	4.0	100%
Adjusted EBITDA	**110.5**	81.8	28.7	35%
Adjusted EBITDA margin	**42%**	41%	1%	2%

Summary of operating performance and year on year comparison

The Czech Republic segment continued to deliver strong year on year growth in both GGR and profitability, driven by the increasing share of sales via the online channel in numerical lotteries and instant lotteries as well as growth in the iGaming product line. GGR increased by 29% to €407.9 million and Adjusted EBITDA increased by 35% to €110.5 million, with an Adjusted EBITDA margin of 42% in 2021 compared with 41% in 2020.

GGR by product	2021	2020	Change abs	Change %
Numerical lotteries	**223.7**	188.1	35.6	19%
Instant lotteries	**78.3**	63.9	14.4	23%
Sports betting	**12.9**	7.9	5.0	63%
iGaming	**93.0**	55.3	37.7	68%
VLTs and casinos	**-**	-	-	-
Total Gross gaming revenue (GGR)	**407.9**	315.2	92.7	29%

Financial review
Management's discussion and analysis

continued

2. Comparison of results of operations for the years ended 31 December 2021 and 2020
continued

2.3 Greece and Cyprus – Segment summary on 100% basis

The tables below present the results of the businesses comprising our Greece and Cyprus segment in 2021 and 2020.

			Change	
	2021	2020	abs	%
Gross gaming revenue ("GGR")	**1,509.5**	1,129.7	379.8	34%
Gaming taxes	**(495.0)**	(392.5)	(102.5)	26%
Net gaming revenue ("NGR")	**1,014.5**	737.2	277.3	38%
Revenue from non-gaming activities	**101.6**	99.7	1.9	2%
Other operating income	**239.7**	66.6	173.1	260%
Agents´ commissions	**(277.9)**	(255.9)	(22.0)	9%
Materials, consumables and services	**(318.3)**	(214.1)	(104.2)	49%
Marketing services	**(107.5)**	(64.1)	(43.4)	68%
Personnel expenses	**(74.5)**	(79.6)	5.1	(6%)
Other operating expenses	**(22.4)**	(48.1)	25.7	(53%)
Share of profit of equity method investees	**-**	18.1	(18.1)	(100%)
Operating EBITDA	**555.2**	259.8	295.4	114%
Adjusted for:				
Hellenic Lotteries minimum GGR tax adjustment	**25.1**	37.7	(12.6)	(33%)
Litigation provision change	**(0.7)**	5.3	(6.0)	(113%)
COVID-19 related extraordinary costs	**(4.2)**	9.7	(13.9)	(143%)
Stoiximan earn-out change	**2.1**	-	2.1	100%
Other non-recurring costs and write-offs	**0.7**	13.3	(12.6)	(95%)
Adjusted EBITDA	**578.2**	325.8	252.4	77%
Adjusted EBITDA margin	**57%**	44%	13%	29%

Major factors impacting the performance of the segment

Consolidation of Stoiximan

Stoiximan is the leading online sports betting and iGaming business in Greece. We consolidate Stoiximan from December 2020. Before December 2020, Stoiximan was an equity method investee, therefore its contribution was presented only in the single line share of profit of equity method investees.

Stoiximan demonstrated strong year on year top-line growth and a healthy EBITDA margin.

			Change	
Stoiximan (100% basis)	**2021**	2020	abs	%
GGR	**345.4**	267.8	77.6	29%
NGR	**214.3**	157.2	57.1	36%
Adjusted EBITDA*	**71.6**	n/a	n/m	n/m

* Stoiximan's Adjusted EBITDA is not available on a comparable basis for the period prior to consolidation (before December 2020).

Benefit from extension of concession

For the period of 10 years from 13 October 2020, OPAP benefits from a relief from gaming tax obligation in the aggregate amount of €1.831 million, plus related adjustments to compensate for income tax effects. The benefit reflects the terms of an extension of OPAP's exclusive lottery and physical retail betting concession for the 10 year period. Under the terms of the extension, OPAP pays gaming tax on GGR from lottery and physical retail sports betting at a rate of 5% in cash, while recognizing a "Benefit from extension of concession" as the proportionate amount (on accrual basis) of the benefit applicable during the 10-year extension period. In 2021 this represented income of €217.4 million (2020: €42.5 million), recorded in other operating income. See Note 7 to the consolidated financial statements.

Financial review
Management's discussion and analysis
continued

Summary of operating performance and year on year comparison

The physical retail operations of the Greece and Cyprus segment were impacted by COVID-19 restrictions in both 2021 and 2020.

GGR increased by €379.8 million, or 34%, to €1,509.5 million, driven primarily by the consolidation of Stoiximan from December 2020. Changes in costs structure reflect the consolidation of Stoiximan, whose online-only model does not incur agents' commissions but does incur certain service costs related to gaming systems and payment services. Personnel costs remained stable despite the strong growth in revenues and marketing costs increased due to ongoing targeted spending on campaigns to drive revenue growth in the online channel, with a focus on ROI.

Adjusted EBITDA increased by €252.4 million, or 77% to €578.2 million, driven by the benefit from extension of concession and consolidation of Stoiximan as well as organic growth in lotteries.

			Change	
GGR by product	**2021**	2020	abs	%
Numerical lotteries	**549.2**	518.6	30.6	6%
Instant lotteries	**88.8**	76.3	12.5	16%
Sports betting	**510.1**	310.4	199.7	64%
iGaming	**166.8**	23.9	142.9	598%
VLTs and casinos	**194.6**	200.5	(5.9)	(3%)
Total Gross gaming revenue (GGR)	**1,509.5**	1,129.7	379.8	34%

2.4 Italy – Segment summary on 100% basis

			Change	
	2021	2020	abs	%
Revenues from contracts with customers	**500.1**	384.4	115.7	30%
Operating EBITDA	**408.9**	310.6	98.3	32%
Adjustments to EBITDA	**-**	-	-	-
Adjusted EBITDA	**408.9**	310.6	98.3	32%
Adjusted EBITDA margin	**82%**	81%	0.0	1%
Group's share of total comprehensive income	**74.1**	49.5	24.6	50%

Italy delivered its best performance ever in 2021, driven by strong top-line performance. The 2020 comparatives are impacted by the suspension of draws by the regulator during the first wave of COVID-19 in H1 2020. These measures were not repeated in subsequent periods.

Financial review
Management's discussion and analysis

continued

3. Consolidated statement of cash flows

Consolidated statement of cash flows	2021	2020
Cash generated from operating activities	**846.7**	289.6
Net cash generated from/(used in) operating activities	**668.0**	163.1
Net cash generated from/(used in) investing activities	**(40.7)**	239.5
Net cash generated from/(used in) financing activities	**(215.8)**	(297.9)

Net cash generated from operating activities

Cash generated from operating activities increased by €557.1 million to €846.7 million, driven primarily by the increase in Operating EBITDA.

Net cash generated from operating activities increased by €504.9 million to €668.0 million, driven by the increase in cash generated from operating activities, partially offset by higher income taxes paid.

Net cash used in investing activities

Net cash used in investing activities of €40.7 million primarily comprises acquisitions of financial investments of €81.7 million (as part of the Group's cash management activities) and acquisition of property, plant and equipment and intangible assets of €49.9 million, partially offset by distributions received from equity method investees of €115.4 million.

Net cash used in financing activities

Net cash used in financing activities of €215.8 million primarily comprises purchases of non-controlling interest of €165.4 million (including purchases of additional interests in OPAP and CASAG) and dividend distributions made to non-controlling shareholders of €110.8 million, partially offset by a capital contribution of €75.0 million received from the parent company SAZKA Entertainment AG. Proceeds from new loans and borrowings of €572.9 million were broadly offset by repayments of loans and borrowings of €564.9 million.

3.1 Dividends. shareholder distributions and intragroup interest payments made

In March 2021, Austrian Lotteries 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 was paid in October 2021.

In March 2021, the Board of Directors of OPAP S.A. resolved to propose a dividend of €0.45 per share to the AGM. This was subsequently increased to €0.55 per share. The Group elected to take the dividend as scrip, which was received in August 2021. In September 2021, the Board of Directors of OPAP S.A. approved a distribution of an interim dividend of €0.10 per share. The Group elected to take the dividend as scrip, which was received in November 2021.

In March 2021, Lottoltalia paid a dividend of €152.4 million and made a distribution of share premium of €23.3 million. In May 2021, July 2021 and November 2021 Lottoltalia made further distributions of share premium each of €46.6 million.

In July 2021, SAZKA a.s. distributed a dividend of CZK 900 million (€35.6 million).

During 2021, SAZKA a.s. repaid, in four regular quarterly instalments, principal and interest on the intragroup loan of CZK 898 million (€35.6 million). In December 2021, SAZKA a.s. prepaid CZK 250 million (€9.9 million) of the intragroup loan.

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

Financial review
Management's discussion and analysis
continued

	Twelve months ended 31 December:	
	2021	2020
Austrian Lotteries	**91.0**	176.7
CASAG	**-**	-
SDHH	**6.4**	6.6
Lottoltalia	**315.5**	237.2
OPAP	**221.7**	419.7
SAZKA	**81.1**	37.8
Net to SG economic interest at end of December 2021	**287.3**	307.1
of which OPAP scrip dividend	**84.9**	164.9
of which cash	**202.4**	142.2
Net to SG economic interest at end of quarter	**285.8**	279.7
of which OPAP scrip dividend	**83.4**	141.3
of which cash	**202.4**	138.4

3.2 Capital expenditures

The table below presents cash outflows relating to acquisition of property, plant and equipment and intangible assets.

	2021	2020
Acquisition of property, plant and equipment and intangible assets	**49.9**	46.5

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 the consolidated financial statements.

Liquidity is described in Note 21 "Cash and cash equivalents" and capital resources are described in Note 24 "Loans and borrowings".

Material commitments and contingencies are described in Note 30 "Contingencies", Note 24 "Loans and borrowings" and Note 25 "Leases".

Critical accounting policies are described in Note 3 "Significant accounting policies" and critical accounting estimates and judgments are described in Note 1 (d) "Use of estimates and judgments".

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.

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.

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.

Financial review
Management's discussion and analysis

continued

4. Further information continued
Definitions
In this document:

"Austrian Lotteries"	refers to Österreichische Lotterien Gesellschaft m.b.H.
"CASAG"	refers to Casinos Austria AG
"Lottoltalia"	refers to LOTTOITALIA S.r.l.
"OPAP"	refers to OPAP S.A.
"POS"	refers to point of sale
"SDHH"	refers to Sazka Delta Hellenics Holding Limited (formerly Emma Delta Hellenic Holdings limited)
"Stoiximan"	refers to the Greece and Cyprus operations of Kaizen Gaming Limited
"VLT"	refers to video lottery terminal

Alternative performance measures ("APMs")
This document contains certain unaudited financial and operating measures that are not defined or recognised 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 Net gaming revenue ("NGR"), Operating EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Capital expenditures ("CAPEX"), which we use to, among other things, evaluate the performance of our operations, develop budgets and measure our performance against those budgets. 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.

Net gaming revenue ("NGR")
The Group defines NGR as "Revenue from gaming activities (GGR)" less "gaming taxes". NGR is a metric commonly used in the lottery industry. Management believes that the metric is useful for comparison of the Group's performance to its industry peers and competitors.

Financial review
Management's discussion and analysis
continued

Operating EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

The Group defines Operating EBITDA as "Profit before tax" before "Finance cost, net", "Depreciation and amortisation", "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". Note that "profit before tax" before "finance costs, net" equals "profit from operating activities." Operating EBITDA is a metric used by management to evaluate operating performance of the business. The Company provides this measure because we believe it is useful for investors to understand our performance period to period without any further adjustments for one-off or non-operating items. Management believes that Operating EBITDA is useful to investors because it provides additional information regarding to our ongoing performance to offer a meaningful comparison related to future results of operations.

The Group defines Adjusted EBITDA as Operating EBITDA adjusted, as Group's management deems relevant, for significant one-off items, non-operating items and business development costs. Management believes that Adjusted EBITDA is a useful metric for investors to understand our underlying performance period to period, after exclusion of non-cash and other items which management believes are not indicative of our results of operations. Adjusted EBITDA provides additional information about our underlying performance and offers a meaningful comparison related to future results of operations.

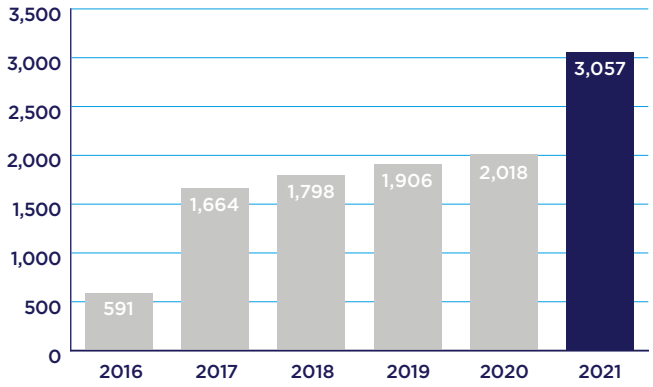
The Group defines Adjusted EBITDA margin as Adjusted EBITDA divided by NGR. Management believes this metric is useful for investors to understand our relative underlying profitability and provides a meaningful comparison related to future relative profitability.

Capital expenditures ("CAPEX")

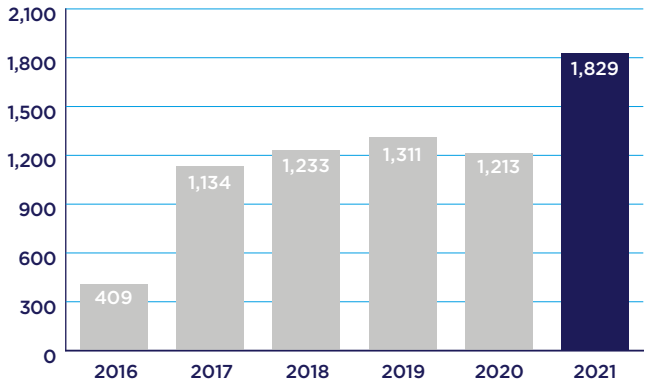
The Group defines CAPEX as cash outflow for purchase of intangible assets, property, plant and equipment and investment property, derived from the line "Acquisition of property, plant and equipment and intangible assets" in our consolidated statement of cash flows. Management believes that capital expenditures is a useful metric for investors because it provides visibility to the level of capital expenditures required to operate our business.

Financial review
History of growth and profitability

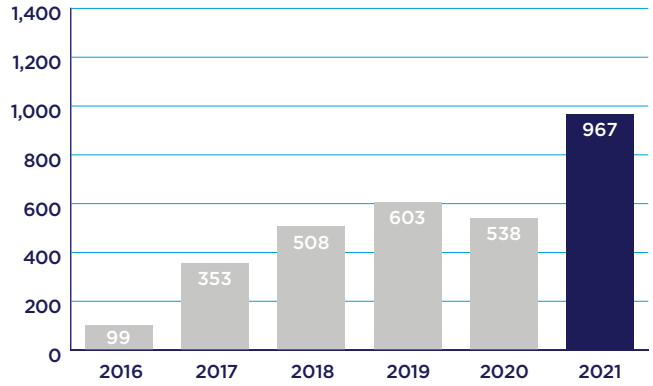
GGR



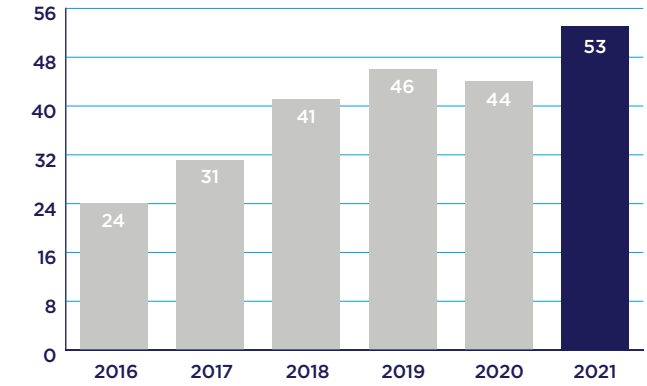
NGR



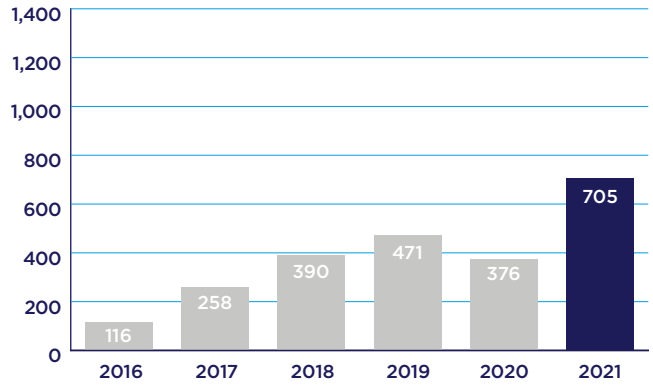
Adjusted EBITDA



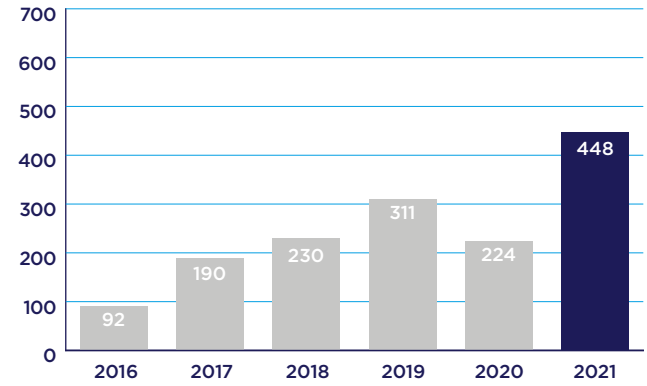
Adjusted EBITDA Margin (%)



Operating profit



Profit after tax



Safer 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. We have a clear commitment to safer gaming principles and we put social responsibility at the heart of our activities.

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

We apply safer 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 Lottoltalia, Lottomatica, the Group's partner in Lottoltalia, 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

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. We have a clear commitment to safer gaming principles and we put social responsibility at the heart of our activities.

Supporting education and sport in Austria



Our Austrian company, Casinos Austria, has partnered with the "PCs for All" campaign. So far, the company has provided 200 personal computers for underprivileged families, and this number is ever-growing. The campaign's main aim is to provide families in need with functional computers and electronics. According to the Austrian Anti Poverty network, approximately 1.5 million people in Austria are affected by poverty. This project supports families who cannot afford to purchase basic electronics such as PCs, tablets and laptops.

Our Austrian Lotteries business provides €80 million sports funding every year. The Bundes-Sportförderungsfonds ("BSFF") administrates and distributes the funds according to a pre-defined allocation formula. Beneficiaries include ASKÖ, ASVÖ, UNION, the Austrian Football Association, and the Austrian Olympic Committee, as well as numerous professional associations ranging from American football to water polo.



Social responsibility
Contributing to our communities

continued

Supporting communities and sport in the Czech Republic



In summer 2021 the South Moravian region of the Czech Republic was hit by a tornado that caused a serious destruction to the region. Our Czech business SAZKA a.s. donated CZK50 million to provide immediate and longer-term support to the local community.

SAZKA a.s. is 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 several sporting disciplines which teachers directly incorporate in the physical education curriculum. Furthermore, 15,000 Czech sports clubs are interconnected thanks to our unique database called "Sports around you". Nearly 200 events are currently offered and advertised through this platform every month. This year SAZKA a.s. also donated a new BMX bike and helmet to a children's home for every new SAZKA millionaire winner.



Social responsibility
Contributing to our communities

continued

Supporting healthcare 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 Panagiotis & Aglaia 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, 93% of our renovation work in both children's hospitals has been completed. We have delivered a total of 29 renovation projects, including 22 nursing units, with a capacity of 534 beds. In 2021, despite the COVID-19 challenges, OPAP delivered the renovation and modernisation of the neonatal ICU of the Panagiotis & Aglaia Kyriakou Hospital, as well as the Urology-Plastic Surgery Unit of the Aghia Sophia Hospital.



Risk factors

Introductory 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 COVID-19 pandemic, and adopted legislative measures taken in response

The outbreak of communicable diseases on a global scale may significantly affect the Group's businesses. We cannot predict the effects that the ongoing COVID-19 pandemic, 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.

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. In response to the outbreak, government authorities and businesses around the world implemented measures intended to contain and limit the spread of COVID-19, including travel bans and restrictions, quarantines, self-isolation, shelter-in-place and lockdown orders, business restrictions, shutdowns, and other limitations. As a result of such measures, for some periods in 2020 and 2021, the majority or all of our land-based points of sale in Greece and Cyprus, our casinos in Austria and internationally and our VLT outlets in Austria were closed. In Italy, draws of Lottoltalia's games were suspended for certain periods during the second quarter of 2020. While most of our businesses were not subject to material restrictions during the third quarter of 2020, many countries introduced new measures in the fourth quarter of 2021 as a result of increased numbers of cases and the spread of the Omicron variant of COVID-19. These included a three-week general lockdown in Austria, during which our casinos were closed, and requirements that customers present their vaccination status to access our casinos in Austria and land-based points of sale in Greece. These restrictions have negatively impacted our sales, though to a lesser extent than restrictions in previous periods.

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 we operate. Moreover, our agents and suppliers may be at risk of decreasing revenue, liquidity issues, and insolvency because of any downturn in economic conditions. Consequently, since our businesses are reliant on our agents and suppliers, their inability to honour commitments to us could negatively affect our ability to reliably provide our products to our customers. Please refer also to "Risks arising from dependence on agents and technology suppliers" below.

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 future actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic. Although vaccines have been developed and continue to be rolled out across countries, the COVID-19 pandemic has been further complicated by the emergence of new and more contagious strains of the virus, such as the Delta variant and the Omicron variant, and there are concerns that vaccines may not work as well against future new strains. As a result, there remains significant uncertainty in respect of the extent, duration and intensity of the financial consequences and potential customer behaviour and societal implications, as well as the potential imposition of new restrictions, which may further adversely affect our businesses.

Similar pandemics or outbreaks could occur in the future, and the effects of the current global pandemic may deteriorate further. Any of the above factors could result in a material adverse effect on our business, results of operations and financial condition.

Risk factors

continued

2. 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. Any material political events or changes may result in changes in regulation, restrictions on business in a given country or other policy decisions.

In addition, the government responses to the COVID-19 pandemic have resulted in economic dislocations, including an extreme drop-in economic activity and higher rates of unemployment, to varying degrees in the countries where our businesses operate. We are unable to predict future developments, in particular should the pandemic situation worsen. Also, inflation as a result of the post-pandemic economic recovery, rising energy prices and the Russian invasion of Ukraine may have a detrimental impact on the economic environment. These factors may lead to 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 businesses 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 GDP 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.

Risk factors

continued

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

The lottery and gaming industry is highly regulated. Our businesses are subject to a range of complex gaming laws and regulations in the jurisdictions in which they are licensed or operate.

Our businesses are required to obtain, maintain, and comply with the terms of licences 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 licences 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 unilaterally 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, licences, 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 licences prior to their expiration, and our licences may also be challenged by potential competitors. OPAP's licences in Greece and Cyprus, CASAG's licences in Austria and LottoItalia's licence in Italy provide them with exclusive rights to operate certain lottery and gaming activities in each of their respective jurisdictions. In most cases, the licences and concession agreements in the above-mentioned subsidiaries as well as SAZKA a.s. in the Czech Republic are time-limited and will eventually expire. Upon their expiration, new licences or concessions may be awarded to one or more parties through a competitive bidding process. We may be unable to obtain new licences 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 certain gaming regulations (the "New Austrian Gaming Proposals"). As of today, full details of the potential changes are not yet clear, but based on information publicly available, the Austrian Government may establish an independent gaming regulator, as well as adopt restrictions on advertising, which could reduce our ability to successfully market our products and lead to lower customer demand. Under the New Austrian Gaming Proposals, a domain name system to block illegal operators may be adopted, which may be beneficial to CASAG as it may reduce illegal gambling in Austria. In addition, the Austrian Government is proposing to grant the Austrian Court of Audit supervisory authority over private companies in which the Austrian State directly or indirectly holds above 25% of the share capital, and to significantly broaden such companies' duty to provide information to the Austrian Court of Audit and to the public. If these measures are adopted as proposed, they could result in an increased administrative burden and increased costs on CASAG and a competitive disadvantage relative to fully privately owned companies. Similarly, the regulatory environment in other jurisdictions in which we operate may change in the future, and any such change could have a material adverse effect on our business, results of operations and financial condition.

Risk factors

continued

4. Risk associated with changes in taxation and fees for licences, tax audits and penalties

Our businesses are required to make payments to the countries where they operate through fees to obtain and/or maintain licences, 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%. Holding GGR derived from lottery products constant, the impact of the increase in GGR tax on us for the year ended 31 December 2020 was €37.2 million. The level of taxation on player winnings can also affect our activities, as it can reduce the attractiveness of the game and the amount of winnings that each player can allocate to future betting.

By a way of further example, if a concession is granted to OPAP Cyprus to operate games, the Group expects that there may 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 2021, the total amount of VAT paid by MND a.s. was €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. We may also be exposed to Czech corporate income tax liability on unrealised foreign exchange gains, which are non-cash revenues.

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 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 €1.8 billion. 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 of the date of this report, the changes that may be introduced in this regard and their impact on CASAG are not known.

Our businesses are from time to time subject to tax audits and investigations by tax authorities. 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 minimise the risk of any penalties the finance departments of the 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.

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

The gaming industry is characterised by rapidly changing technology, including the increasing importance of online and mobile channels, which has accelerated during the COVID-19 pandemic and lockdowns.

We already offer a range of online products to our customers. However, our businesses may not be successful in keeping up with the necessary technological advances in the future, or they may not have the financial resources needed to introduce or license new products or services. In general, the ability of our businesses to compete effectively in the online lottery and gaming industry depends on the acceptance by our customers of the products, technologies and services we offer, as well as approval by the relevant regulators for the new technology utilised.

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

Risk factors

continued

6. Competitive risks

The Group's businesses compete with other forms of recreational and leisure activities and other gaming vendors, venues and channels.

The Group's businesses face competition from a number of domestic and foreign companies, and changes in laws and regulations as well as market liberalisation can increase the number of their competitors and in turn affect the Group's future profitability. In particular, the Group's businesses face competition from online lottery providers, scratch cards, sports betting, slot machines, online and physical casinos, and other types of games.

While the Group's businesses hold exclusive licences and concessions for certain products and games, in certain markets they face intense competition for obtaining and renewing those licences and concessions.

For certain products in certain markets, for example Austria and Greece, the exclusive licences and concessions only cover land-based channels and we face competition from online operators.

Any inability of the Group's businesses to compete successfully in their respective markets could have a material adverse effect on the Group's business, results of operations, and financial condition.

The Group's businesses may be negatively affected by competition from numerous types of operators present in the gaming sector, including private casinos and illegal gaming operations. The Group's businesses are affected by illegal gaming activities. Such activities compete for customers with regulated gaming businesses, such as those of the Group. Illegal online lotteries, VLTs, slot machines, casinos and sports betting may deprive the Group's businesses of significant volumes of business. Illegal gaming structures may be able to circumvent local taxation, thereby enabling them to offer potentially more attractive products by increasing pay-outs to winners.

7. 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 realising operating synergies, or a failure to maintain the quality of services. The historical account books, records and contracts of acquired or newly consolidated companies may be incomplete or may not have been recorded or have performed as required by the relevant legislation.

Due to the nature of the Company's business, its future acquisitions are exposed to the risk of extensive regulatory approvals and involvement in the acquisition process.

In addition, there are considerable costs associated with participation in public tenders, such as our participation in the competition for the fourth 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 licences which we are awarded through tenders may not achieve the levels of returns, profits or productivity expected from them. The process of integrating businesses may be disruptive to the operations of our businesses, as a result of, among other things, unforeseen legal, regulatory, contractual, technological and other issues or difficulties in realizing operating synergies, or a failure to maintain the quality of services that our businesses have historically provided. Moreover, any future acquisition or setting up businesses operated under licences which we are awarded through tenders may divert management's attention from our day-to-day business, and may be financed with additional debt, which could reduce our profitability.

Risk factors

continued

8. Risks associated with our ownership interest in certain subsidiaries and other shareholders

The Company indirectly owns less than all of the shares of most of the entities that operate the Group's businesses, including CASAG, Austrian Lotteries, OPAP and Lottoltalia. OPAP also holds less than all of the shares in Stoiximan and in Betano. The Group might have interests and views on certain issues that differ from those of other shareholders (for example, relating to business strategy and financial policy, including regarding payment of dividends). In some cases, including OPAP and Lottoltalia, the Company's interest is less than majority.

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

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

9. 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 the respective subsidiaries. Even if our subsidiaries and affiliates generate a 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 capitalisation 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.

10. Risks arising from dependence on agents and technology suppliers

Our businesses offer a significant portion of their lottery and gaming products to their customers through authorised 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 licences 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.

Risk factors

continued

11. Technological risks

The ability of the Group's businesses to successfully operate and manage their lottery and gaming products depends on the capacity and reliability of their network, Internet infrastructure and 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 and central systems, software failure, natural disasters, sabotage, computer viruses, hacking, malicious software, phishing attacks, and similar events.

Any interruption in the technology systems of the Group's businesses could have a negative effect on the quality of services offered and, as a result, on consumer demand and therefore the volume of sales. A system interruption, including one caused by third party, may entitle the relevant regulatory agencies to revoke a concession or require the Group to pay damages or compensation under the concession as well as degrade customer experience and cause customers to lose confidence in the Group's product offerings. Also, due to the COVID-19 pandemic many Group employees have worked 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 currently secure their systems by means of relevant hardware, software and robust processes, but any systems interruption, delays or resulting reduced levels of gaming services could lead to a reduction in performance or loss of services. Such an event may have a material adverse effect on the Group's business, results of operations, and financial condition.

12. Risks relating to customer data

The Group's businesses are subject to regulation related to the use of customers' personal data and their debit and credit card information. They work with the sensitive personal data of customers and data about their agents, suppliers, or employees. The Group's businesses must comply with the applicable data protection rules in the EU and the country in which they operate. One such example is the EU General Data Protection Regulation (the "GDPR"). The Group's businesses are exposed to the risk that data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by them or on their behalf. If the Group's businesses fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, the Group's businesses could face liability and fines under data protection laws. This could also result in the loss of the goodwill of the Group's existing customers and deter new customers from using them. The Group's businesses are also dependent on contractual relationships with third parties and their employees who manage databases of sensitive data. Any customer data protection and payment data failures by the Group's businesses could result in sanctions by the relevant regulators, as well as damage to the reputation of the Group's businesses in the eyes of customers. This could have a material adverse effect on their business, results of operations, and financial condition.

Risk factors

continued

13. Risk of inadequate compliance procedures and policies

The operations of our businesses are subject to anti-money laundering, anti-bribery, fraud detection, and data protection laws and regulations, and economic sanctions programmes, 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 organisations), including with respect to our financial and payment service offerings. In addition, our businesses are exposed to a risk of violating anti-corruption 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 licences and damage to the reputation and brands 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 minimise 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, compliance with international sanctions and other similar matters. Because of the number of entities within the Group, many of which are recently acquired and operate under different reporting routines and systems, significant efforts are required to maintain proper controls over financial reporting. However, despite our internal systems, the policies and procedures of our businesses may not be followed at all times, and they may not always be effective in detecting and preventing violations of applicable laws by one or more of our employees, consultants, agents or partners. As a result, our businesses could be subject to penalties and suffer a material adverse effect on our business, results of operations, and financial condition.

14. 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 organisations, 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 profits) limits the frequency with which players are able to wager, and prize distributions reduce the frequency of wins compared with 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 near 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 recognise 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 customers' gaming activity and actively communicate with the public and other stakeholders about responsible gaming. Our businesses have faced, and will continue to face, increased scrutiny relating to their performance in meeting environmental, social and corporate governance standards. 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.

Safer 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 safer gaming please refer to "Strategic Report" Section "Safer Gaming", on page 33 of this Annual Report.

Risk factors

continued

15. 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. Additionally, as the iGaming industry develops, including with respect to regulation in new and existing jurisdictions, our businesses may become subject to additional compliance related costs, including in relation to licensing and taxes. Cybercrime also poses a challenge, with hackers potentially infiltrating programmes and internal business processes and manipulating draws.

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 where our respective businesses are not licensed to conduct online gaming.

16. Risks from legal, administrative and arbitration proceedings

Our businesses operate in a market with a high level of litigation and regulatory and judicial scrutiny, and 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 recognised 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 recognised at the expected settlement amount. For more information on significant court proceedings, please refer to the Note 30 to the Consolidated financial statements (page 139) and to the Further Regulatory Disclosures (page 233).

17. Risks associated with our indebtedness

We have substantial indebtedness, and we anticipate that the Group will continue to have substantial indebtedness for the foreseeable future. This indebtedness requires 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. In the worst case, an actual or impending inability by the Group to pay debts as they become due and payable could result in insolvency. Events such as a breach of financial covenants or an actual or expected deterioration in financial performance as a result of the COVID-19 pandemic or for other reasons, including loss of licences or legal proceedings, could also negatively impact the Group's credit ratings. Credit rating downgrades could potentially increase financing costs, or even prevent the Group from refinancing debt as it becomes due. In addition, certain existing indebtedness contains restrictions that substantially limit the Group's financial and operational flexibility. In particular, these agreements place limits on the Group's ability to incur additional indebtedness, grant security interests to third persons, dispose of material assets, undertake organisational measures such as mergers, changes of corporate form, joint ventures or similar transactions, and enter into transactions with related parties. In addition, certain of the Group's other financing arrangements also contain certain restrictive covenants, including financial covenants, which can restrict the Group's ability to operate its business.

Risk factors

continued

18. Listing of parent company

The Group has announced its intention to become listed on the New York Stock Exchange ("NYSE") in partnership with NYSE-listed Cohn Robbins Holdings Corp. ("CRHC"). The listing is planned to be completed in June 2022. The listed company would be Allwyn Entertainment AG, a new company which will become sole owner of SAZKA Entertainment AG, which is the sole owner of the Company. The Group is preparing for becoming a public company, for example, to ensure compliance with applicable securities laws and other U.S. laws. However, any failure to meet all necessary requirements in a timely manner before or after listing could result in a material adverse effect on the Group's business and reputation.

19. Russian invasion of Ukraine, and related sanctions

The current invasion of Ukraine by Russia has led to and is expected to continue to lead to disruption, instability and volatility in global markets and the economies of countries including those in which we operate, which could have an adverse effect on our business. The EU, the UK, the USA and other governments have imposed severe sanctions and export controls against Russia and Russian interests. Russia, as a retaliatory action, may impose counter-sanctions and launch cyberattacks against such countries, their governments, infrastructure and businesses.

The credit, financial and commodities markets have experienced extreme volatility and disruptions due to the current conflict. The conflict is expected to have further global economic consequences, including the possibility of severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in inflation rates and uncertainty about economic and political stability. The current conflict and its economic consequences may negatively impact consumer spending patterns and contribute to potentially reduced overall demand for our products in the countries in which we operate. Any of the foregoing consequences, including those we cannot yet predict, may cause our business, financial condition or results of operations to be adversely affected.

The Group's management closely monitors developments relating to the conflict in Ukraine, and the sanctions and export controls being implemented in the countries in which we operate.

20. Fourth National Lottery Licence Competition: Legal challenge to the award decision

On 15 March 2022, the UK Gambling Commission (the "Gambling Commission") announced the Company (and Allwyn Entertainment Ltd, a subsidiary in the UK) as the preferred applicant for the fourth licence to operate the UK National Lottery, which starts in February 2024.

Certain of the other applicants in the licence competition, including the incumbent operator, Camelot UK Lotteries Ltd, have brought claims in the High Court against the Gambling Commission, challenging aspects of the award decision. The Company and Allwyn Entertainment Ltd are participating in the legal proceedings as interested parties, which may result in significant costs and divert management time and attention. As a result of the legal challenge, the Gambling Commission is currently stayed from entering into agreements with Allwyn Entertainment Ltd that would formally commence the period of transition to the new licensee.

21. 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 140 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 Karel Komarek Family Foundation and the current co-chair of the Kennedy Center International Committee on the Arts in Washington DC.

Robert Chvatal
Member of the Board 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 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 is also a member of the supervisory board of CASAG and Austrian Lotteries. 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 a member of the Association of European Lotteries.

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 also a 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.

Michele Raba
Member of the Board



Biography

Michele is a Partner at Apollo having joined in 2010. Since he joined Apollo, Michele had been involved in various private equity transactions. He currently serves as a director of Italian gaming company, Lottomatica, as a supervisory board member of Slovenian bank, NKBM, and leasing company, Summit Leasing Slovenia and as a supervisory board member of German bank Oldenburgische Landesbank. He is a former board member of Watches of Switzerland, Gamenet and KBS banka. Prior to joining Apollo, Michele was with Goldman Sachs International in the Financial Institutions Group within the Investment Banking Division, based in London.

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 individual companies that belong to SAZKA Group, including OPAP and SAZKA a.s. He is also a member of the supervisory board of CASAG. 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 IFB. 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.

Corporate governance
Executive and Senior management

Sharneet Birk
Head of Regulatory and Compliance



Biography

Sharneet leads the SAZKA Group Regulatory Affairs and Compliance function.

Prior to joining SAZKA Group, Sharneet was commissioned as a private consultant by various gaming and betting businesses to advise and provide expertise in commercial and corporate transactions as well as strategic partnerships for businesses to meet operational/growth plans. Previous roles include General Counsel, and member of the senior executive management team of Matchbook; and Group Senior Legal adviser to Gala Coral Group Limited.

Stepan Dlouhy
Chief Investment Officer



Biography

Stepan joined SAZKA Group as Chief Investment Officer in March 2016. He is responsible for the sourcing, execution and management of investments in the gaming industry within the Group. Stepan leads the M&A and strategic business development of SAZKA Group.

He is also the investment director at KKCG AG, a role he has held since 2013. He is also a member of the supervisory board of Austrian Lotteries and a member of the management board of LottoItalia. Prior to joining the Group, Stepan worked for Chayton Capital LLP and Deloitte Advisory s.r.o..

Iva Horcicova
Head of Capital Markets



Biography

Iva leads the Capital Markets function at SAZKA Group.

She is responsible for capital markets transactions and corporate finance projects across the Group. Before joining SAZKA Group she was an investment analyst at Napier Park Global Capital and, prior to that, an investment banker at ING, advising corporates and financial sponsors on structuring and execution of leveraged finance transactions.

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. He 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 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. Jan is a member of the supervisory board of CASAG.

Before joining SAZKA Group, Jan worked as principal for the global management consulting firm Kearney.

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.

Corporate governance
Executive and Senior management

Antonella Pederiva
Head of Government Affairs



Biography

Antonella is a senior public affairs professional, with long-standing experience in corporate and institutional relations with the European Institutions' representatives, business and civil society organisations. Based in Brussels, she has headed the EU office of Sazka Group since September 2017.

Before joining SAZKA Group, Antonella was the Secretary General of a large European Trade Association (CECCM) as well as other organisations active in the agri-food industry and farming.

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.

Pavel Turek
Chief Global Brand & CSR Officer



Biography

Pavel was appointed Chief Officer of CSR & Global Brand in 2021.

With more than 25 years of experience in the motorsport industry, Pavel is a global leader in sports marketing and new sports monetisation. He managed one of the most important long-term partnerships in Formula One history, between West and McLaren. He was Commercial Director of the Red Bull Air Race and Marketing Director of SailGP, an international sailing competition. Pavel has been the CEO of Automobilist since 2019.

Jana Zabova
Head of Human Resources



Biography

Jana is responsible for overseeing HR agenda across SAZKA Group.

Before joining Sazka Group, Jana was the People and Culture Partner at Roche s.r.o. where she was responsible for the strategic development and driving the HR agenda across the Diagnostic division in the Czech Republic; prior to that, she also served as an HR manager at Ceska pojistovna and Generali.

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.

The Audit Committee generally meets on a monthly basis; in the year 2021, the Audit Committee held twelve meetings in total. In 2021, 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 2021; (v) regularly received information on the financial performance of the Company and the Group; and (vi) conducted other tasks, as necessary.

The members of the Audit Committee of the Company in the year 2021 were the following persons:

- Otakar Hora, independent member – since 15 May 2020 to 30 April 2021 (Chairman of the Audit Committee since 22 May 2020);
- Roland Ruprecht, independent member – since 1 May 2021 (Chairman of the Audit Committee since 28 May 2021);
- Jan Hrazdira, independent member – since 15 May 2020; and
- Zdenek Jurak – since 15 May 2020.

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 forward-looking statements.

Any forward-looking statements are only made as of the date of this Report and we do not intend, and does 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 COVID-19 pandemic, and adopted legislative measures taken in response;
- political and macroeconomic risks;
- regulatory risks, risk of potential loss of licences or exclusive rights to operate our business activities;
- risk associated with changes in taxation and fees for licences, tax audits and penalties;
- risks associated with changing consumer preferences, changes in technologies and brand loyalty;
- competitive risks;
- political and macroeconomic risks;
- risks associated with new acquisitions and tenders;
- risks associated with our ownership interest in certain subsidiaries and other shareholders;
- risks associated with our corporate structure;
- risks arising from dependence on agents and technology suppliers;
- technological risks;
- risks relating to customer data;
- risk of inadequate compliance procedures and policies;
- risks associated with negative perceptions and publicity about the lottery and gaming industry;
- risks associated with online gaming;
- risks from legal, administrative and arbitration proceedings;
- risks associated with our indebtedness;
- Listing of on the New York Stock Exchange;
- Russian invasion of Ukraine, and related sanctions;
- Fourth National Lottery Licence Competition: Legal challenge to the award decision; and,
- other financial risks.

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 2021 gives a true and fair view of the financial situation, business activities and economic results of the Company and its consolidated subsidiaries for the relevant accounting period, and perspective for future. financial situation, business activities and economic results of the Company and its consolidated subsidiaries.

Date: 29 April 2022	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 2021	For 2020
Revenue from gaming activities ("GGR")	6	**3,056.5**	2,018.0
Revenue from non-gaming activities	6	**164.9**	143.2
Other operating income	7	**356.8**	96.8
Gaming taxes	5	**(1,227.9)**	(805.5)
Agents´ commissions		**(415.3)**	(337.1)
Materials, consumables and services	8	**(454.9)**	(309.8)
Marketing services	9	**(215.3)**	(124.9)
Personnel expenses	10	**(309.4)**	(223.2)
Other operating expenses	11	**(80.5)**	(77.7)
Share of profit of equity method investees	18	**79.1**	79.5
Depreciation and amortisation	16, 17	**(222.9)**	(158.5)
Impairment of tangible and intangible assets including goodwill	16, 17	**(16.6)**	(26.1)
Restructuring cost	12	**-**	(50.6)
Gain from remeasurement of previously held interest in equity method investee	4	**-**	142.7
Other gains and losses	12	**(9.6)**	8.9
Profit from operating activities		**704.9**	**375.7**
Interest income		**2.9**	2.2
Interest expense		**(122.4)**	(101.8)
Other finance income and expense		**(7.6)**	(16.0)
Finance costs, net	13	**(127.1)**	**(115.6)**
Profit before tax		**577.8**	**260.1**
Income tax expense	14	**(130.3)**	(35.7)
Profit after tax		**447.5**	**224.4**

	Note	For 2021	For 2020
Items that are or may subsequently be reclassified to profit or loss:			
Change in currency translation reserve		**8.4**	12.9
Remeasurement of hedging derivatives, net of tax	28	**8.3**	(20.2)
Net change in hedging derivatives reclassified to profit or loss, net of tax	28	**-**	1.2
Share of other comprehensive income of equity method investees		**1.5**	4.0
Items that will not be reclassified to profit or loss:			
Actuarial remeasurements of defined benefit liabilities, net of tax		**4.6**	(8.7)
Revaluation of equity instruments at fair value through OCI ("FVOCI")		**(3.7)**	(4.3)
Total other comprehensive income/(loss)	15	**19.1**	**(15.1)**
Total comprehensive income		**466.6**	**209.3**
Profit after tax attributable to:			
Owners of the Company		**217.5**	92.8
Non-controlling interests		**230.0**	131.6
Profit after tax		**447.5**	**224.4**
Total comprehensive income attributable to:			
Owners of the Company		**234.7**	83.2
Non-controlling interests		**231.9**	126.1
Total comprehensive income		**466.6**	**209.3**

The Notes on pages 58 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31/12/2021	31/12/2020 (Restated)*
ASSETS			
Intangible assets	16	**2,544.4**	2,660.0
Goodwill	16	**1,056.3**	1,035.8
Property, plant and equipment	17	**411.4**	463.3
Investment property		**17.8**	1.6
Equity method investees	18	**313.1**	343.2
Trade and other receivables	19	**76.1**	58.1
Other financial assets	20	**191.7**	199.6
Deferred tax asset	14	**46.4**	63.6
Total non-current assets		**4,657.2**	**4,825.2**
Inventories		**8.8**	9.9
Trade and other receivables	19	**279.5**	224.9
Derivative financial instruments	28	**-**	7.9
Current tax asset		**0.2**	3.5
Other financial assets	20	**123.6**	43.3
Cash and cash equivalents	21	**1,281.0**	872.2
Total current assets		**1,693.1**	**1,161.7**
Total assets		**6,350.3**	**5,986.9**
LIABILITIES			
Loans and borrowings	24	**2,259.5**	2,533.3
Lease liabilities	25	**122.1**	118.8
Trade and other payables	26	**42.2**	134.4
Derivative financial instruments	28	**1.5**	2.7
Provisions	27	**10.2**	10.9
Employee benefits liability	29	**132.6**	167.6
Deferred tax liability	14	**446.7**	456.4
Total non-current liabilities		**3,014.8**	**3,424.1**
Loans and borrowings	24	**433.4**	129.0
Lease liabilities	25	**26.9**	24.9
Trade and other payables	26	**876.9**	745.2
Derivative financial instruments	28	**-**	1.1
Current tax liability		**112.8**	68.6
Provisions	27	**27.4**	21.4
Employee benefits liability	29	**54.8**	60.6
Total current liabilities		**1,532.2**	**1,050.8**
Total liabilities		**4,547.0**	**4,474.9**
EQUITY			
Share capital	22	**0.1**	0.1
Capital contributions and other reserves	22	**126.8**	50.9
Revaluation reserve	22	**(4.8)**	(2.6)
Currency translation reserve	22	**7.0**	(1.2)
Hedging reserve	22	**5.6**	(2.2)
Retained earnings		**443.6**	342.2
Total equity attributable to owners of the Company		**578.3**	**387.2**
Non-controlling interest	23	**1,225.0**	1,124.8
Total equity		**1,803.3**	**1,512.0**
Total equity and liabilities		**6,350.3**	**5,986.9**

* See Note 1.h

The Notes on pages 58 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital	Capital contributions and other reserves	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2021		**0.1**	**50.9**	**(2.6)**	**(1.2)**	**(2.2)**	**342.2**	**387.2**	**1,124.8**	**1,512.0**
Profit for the year		–	–	–	–	–	217.5	217.5	230.0	447.5
Other comprehensive income/(loss) for the year		–	0.9	(2.2)	8.2	7.8	2.5	17.2	1.9	19.1
Total comprehensive income for the year		–	0.9	(2.2)	8.2	7.8	220.0	234.7	231.9	466.6
Transactions with owners, recorded directly in equity:										
Purchase of non-controlling interest in subsidiaries	2.3	–	–	–	–	–	(101.0)	(101.0)	(40.1)	(141.1)
Dividends declared	23	–	–	–	–	–	–	–	(145.2)	(145.2)
Effect of scrip dividend	23	–	–	–	–	–	–	–	34.2	34.2
Effect of change in ownership due to scrip dividend programme	23	–	–	–	–	–	(17.9)	(17.9)	17.9	–
Capital contributions from parent	22	–	75.0	–	–	–	–	75.0	–	75.0
Other movements in equity		–	–	–	–	–	0.3	0.3	1.5	1.8
Total transactions with owners		–	75.0	–	–	–	(118.6)	(43.6)	(131.7)	(175.3)
Balance at 31 December 2021		**0.1**	**126.8**	**(4.8)**	**7.0**	**5.6**	**443.6**	**578.3**	**1,225.0**	**1,803.3**

The Notes on pages 58 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity continued

(Restated)*	Note	Share capital	Capital contributions and other reserves	Revaluation reserve	Currency 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 income/(loss) for the year		–	3.9	(2.6)	14.1	(18.9)	(6.1)	**(9.6)**	(5.5)	**(15.1)**
Total comprehensive income for the year		**–**	**3.9**	**(2.6)**	**14.1**	**(18.9)**	**86.7**	**83.2**	**126.1**	**209.3**
Transactions with owners, recorded directly in equity:										
Business combinations	4	–	–	–	–	–	–	–	350.4	**350.4**
Purchase of non-controlling interest in subsidiaries	2.3	–	–	–	–	–	(36.8)	**(36.8)**	(17.7)	**(54.5)**
Dividends declared	22, 23	–	–	–	–	–	(150.0)	**(150.0)**	(265.0)	**(415.0)**
Effect of scrip dividend	23	–	–	–	–	–	–	**–**	37.7	**37.7**
Effect of change in ownership due to scrip dividend programme	23	–	–	–	–	–	(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)**	**142.8**	**(81.4)**
Balance at 31 December 2020		**0.1**	**50.9**	**(2.6)**	**(1.2)**	**(2.2)**	**342.2**	**387.2**	**1,124.8**	**1,512.0**

* See Note 1.h

The Notes on pages 58 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	2021	2020 (Restated)*
OPERATNG ACTIVITIES			
Profit (+) for the year		**447.5**	**224.4**
Adjustments for:			
Income tax expense	14	**130.3**	35.7
Depreciation and amortisation	16, 17	**222.9**	158.5
Impairment losses on intangible assets	16, 17	**16.6**	26.1
Profit (-) / loss (+) on sale of property, plant and equipment and intangible assets		**(1.8)**	0.6
Profit (-) / loss (+) on disposal of investments	12	**0.2**	(8.0)
Net interest income (-) / expense (+)	13	**119.5**	99.6
Net foreign exchange profit (-) / loss (+)	13	**(1.4)**	(1.0)
Share of profit (-) of equity method investees	18	**(79.1)**	(79.5)
Arbitration gain	7	**(15.9)**	-
Revaluation of financial assets at fair value through profit or loss	12	**8.7**	(0.9)
Revaluation of equity method investee to fair value	4	**-**	(142.7)
Non-cash releases from (-) / additions to (+) legal provision	27	**4.4**	3.2
Operating result before changes in working capital		**851.9**	**316.0**
Increase (+) / decrease (-) in provisions		**0.2**	(2.5)
Increase (-) / decrease (+) in inventories		**1.1**	0.5
Increase (-) / decrease (+) in trade receivables and other assets		**(45.6)**	35.0
Increase (+) / decrease (-) in trade and other payables		**39.1**	(59.4)
Cash generated from (+) / used in (-) operations		**846.7**	**289.6**
Interest paid		**(99.7)**	(100.3)
Income tax paid		**(79.0)**	(26.2)
Net cash generated from (+) / used in (-) operating activities		**668.0**	**163.1**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	16, 17	**(49.9)**	(46.5)
Acquisition of subsidiaries, net of cash acquired	4	**(19.0)**	115.9
Dividend distributed to equity method investee of the Group		**(8.6)**	(9.4)
Acquisition of financial investments	20	**(88.2)**	(27.7)
Proceeds from disposal of financial investments	20	**6.5**	95.8
Dividends and distributions received from equity method investees	18	**115.4**	103.5
Proceeds from sale of property, plant and equipment and intangible assets		**1.8**	-
Interest income received		**0.3**	2.1
Proceeds from fixed-term deposits		**1.0**	5.8
Net cash generated from (+) / used in (-) investing activities		**(40.7)**	**239.5**
FINANCING ACTIVITIES			
Purchase of non-controlling interest in subsidiaries	2.3, 23	**(165.4)**	(54.5)
Dividends paid to parent	22	**-**	(150.0)
Dividends paid to non-controlling interest	23	**(110.8)**	(226.6)
Loans and borrowings received	24	**572.9**	1,424.9
Repayment of loans and borrowings	24	**(564.9)**	(1,286.6)
Capital contribution by parent	22	**75.0**	-
Repayment of principal element of lease liabilities	25	**(22.7)**	(13.8)
Net movement in restricted cash related to financing activities	20	**0.1**	8.7
Net cash generated from (+) / used in (-) financing activities		**(215.8)**	**(297.9)**
Net decrease (-) / increase (+) in cash and cash equivalents		**411.5**	**104.7**
Effect of currency translation on cash and cash equivalents		**(2.7)**	3.8
Cash and cash equivalents at the beginning of the year	21	**872.2**	**763.7**
Cash and cash equivalents at the end of the year	21	**1,281.0**	**872.2**

* See Note 1.h

The Notes on pages 58 to 161 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (in millions of Euro)

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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 2021 and in preparing the comparative information for the year ended 31 December 2020.

These consolidated financial statements were approved by the Board of Directors on 29 April 2022.

(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").

On 17 March 2021, the Company changed its functional currency from Czech Crown (CZK) to Euro (€). The change of the functional currency was triggered by the interposing of a new holding company above the Company, as a result of which the Company become a intermediate holding company and was required to adopt the functional currency of its new parent company.

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 Euro 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, incomes and expenses. These estimates, judgements and assumptions are based on past experience and various other factors deemed appropriate as of 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.

The Group has made the following significant accounting estimates:

- Estimates related to impairment of intangible assets and goodwill (see Note 16).
- Estimates related to valuation of employee benefit liabilities (see Note 29).
- Estimates related to fair value of previously held interests in business combinations achieved in stages (Note 4).

The Group has made following significant accounting judgements:

- Judgement about indefinite useful live of certain intangible assets (see Note 16).
- 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).
- Judgement about the execution of the renewal option with respect to Greece and Cyprus gaming halls (see Note 25).

Notes to the consolidated financial statements continued

1. Basis of preparation continued

(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.

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 recognises 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 reporting periods presented in these financial statements, unless otherwise indicated.

In 2021 the Group adopted the new accounting standards and amendments to accounting standards described in Note 1.i. There were no other significant changes in accounting policies in 2021 and the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

(g) Changes in presentation

i. Revaluation reserve presented separately from Capital contributions and other reserves

The Group decided to present "Revaluation reserve" (which includes revaluation of financial instruments through other comprehensive income) separately, while this was previously part of "Capital contributions and other reserves". The reason for change in presentation is the different nature of the balances and their movements. Management believes that the change enhances usability and transparency of the financial statements.

ii. Change in presentation of the operating segment disclosure

The Group revised presentation of operating segment disclosure to include the performance of operating segments as if they have been consolidated for the whole reporting periods ("100% basis") and added an elimination column to reflect the period and method of the consolidation. This change reflects how the Chief Operating Decision Maker ("CODM") reviews and analyses results for the operating segments (see Note 5).

(h) Restatement of the comparative period

i. Finalisation of acquisition accounting for Stoiximan (measurement period adjustments)

On 18 November 2020, OPAP S.A. ("OPAP") acquired control of and began to consolidate Stoiximan. The acquisition accounting was prepared on a provisional basis. During preparation of these consolidated financial statements the Group completed the acquisition accounting as allowed by IFRS 3 and therefore revised comparative financial information.

Recognised values on acquisition	Stoiximan – provisional acquisition accounting	Change	Stoiximan – final acquisition accounting
Intangible assets	–	256.8	256.8
of which brand	–	175.4	175.4
of which customer relationships	–	81.4	81.4
Total non-current assets	–	**256.8**	**256.8**
Trade and other receivables	3.2	–	3.2
Cash and cash equivalents	64.6	–	64.6
Total current assets	**67.8**	**–**	**67.8**
Total assets	**67.8**	**256.8**	**324.6**
Deferred tax liability	–	(89.9)	(89.9)
Total non-current liabilities	–	**(89.9)**	**(89.9)**
Trade and other payables	(37.1)	–	(37.1)
Current tax liability	(10.3)	–	(10.3)
Employee benefit liabilities	(0.2)	–	(0.2)
Total current liabilities	**(47.6)**	**–**	**(47.6)**
Total liabilities	**(47.6)**	**(89.9)**	**(137.5)**
Identifiable net assets acquired	20.2	166.9	187.1
Goodwill	466.0	(141.0)	325.0
Non-controlling interest	(3.1)	(25.9)	(29.0)
Fair value of previously held interest	(200.1)	–	(200.1)
Consideration	**283.0**	**–**	**283.0**
Consideration paid, satisfied in cash	154.7	–	154.7
Contingent consideration*	128.3	–	128.3
Net cash inflow (-) / outflow (+)	**90.1**	**–**	**90.1**
Consideration paid, satisfied in cash	154.7	–	154.7
Cash acquired	(64.6)	–	(64.6)

* Variable consideration ("earn-out") that will be determined based on subsequent events.

The Group identified the following previously unrecognised intangible assets:

- Brand (indefinite useful life).
- Customer relationships (estimated useful life of seven years).

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 the Greece and Cyprus operating segment.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

ii. Correction of accounting judgement related to accounting classification of pension plans in Austria

The Group has corrected an error related to the accounting classification of pension plans in Austria. The Group makes regular contributions to a pension fund based on a formula. The pension payments are based on the amounts available in the pension fund; however, the Group guarantees a certain minimum pension and has an obligation to make additional contributions if the funds available were not sufficient to allow the payment of such minimum pensions. Therefore, the plan classification has been revised to a defined benefit plan and the Group has corrected the presentation in the comparative period accordingly.

The change in classification of the pension plan had no material impact on the primary financial statements. In Note 10; expenses of €5.8 million presented previously as "Private retirement benefits expenses – defined contribution plans" have been reclassified to "Private retirement benefits expenses – defined benefit plan".

iii. Correction of recognition criteria for restructuring provision

The Group has corrected the recognition and accounting classification of a previously recorded restructuring provision related to employee termination benefits in our Austrian business. Previously the Group treated the recognised liability as a restructuring provision under IAS 37. During the preparation of these financial statements it was determined that certain elements of the existing restructuring programme (severance programmes, stand-by-duty programmes) are rather termination benefits under IAS 19 and need to be presented within employee benefit liabilities, and certain part-time programmes do not qualify for recognition as a liability and should be recorded as personnel costs as incurred.

Out of the previously recorded provision of €33.6 million recognised on consolidation of our Austrian business, €25.1 million was reclassified as termination benefits under IAS 19, and the remaining €8.5 million did not fulfil the recognition criteria. Consequently, the Group has corrected the acquisition accounting for our Austrian business and derecognised the liability.

For both the acquisition accounting disclosure and the comparative period balance sheet, the Group has corrected the balance sheet classification of the remaining restructuring liability. The table below presents an overview of changes.

	At 26 June 2020		
Impact on values recognised upon acquisition of CASAG	Termination benefits	Derecognition of part-time programmes provisions	Total
Deferred tax assets	–	(2.1)	(2.1)
Non-current provisions	17.4	8.5	25.9
Non-current employee benefit liabilities	(17.4)	–	(17.4)
Current provisions	7.7	–	7.7
Current employee benefit liabilities	(7.7)	–	(7.7)
Net identifiable assets and liabilities	–	6.4	6.4
Goodwill	–	(3.8)	(3.8)
Non-controlling interest acquired	–	(2.6)	(2.6)

Impact on consolidated statement of financial position	31/12/2020 Termination benefits	Derecognition of part-time programmes provisions	Total
ASSETS			
Goodwill	–	(3.8)	(3.8)
Deferred tax asset	–	(2.1)	(2.1)
Total assets	**–**	**(5.9)**	**(5.9)**
LIABILITIES			
Provisions	(40.2)	(8.5)	(48.7)
Employee benefit liabilities	40.2	–	40.2
Total non-current liabilities	**–**	**(8.5)**	**(8.5)**
Provisions	(23.7)	–	(23.7)
Employee benefit liabilities	23.7	–	23.7
Total current liabilities	**–**	**–**	**–**
Total liabilities	**–**	**(8.5)**	**(8.5)**
EQUITY			
Non-controlling interests	–	2.6	2.6
Total equity	**–**	**2.6**	**2.6**
Total equity and liabilities	**–**	**(5.9)**	**(5.9)**

Impact on consolidated statement of cash flows	2020
OPERATING ACTIVITIES	
Non-cash releases from (-) / additions to (+) legal provision	(50.6)
Operating result before changes in working capital and provisions	**(50.6)**
Increase (+) / decrease (-) in provisions	11.8
Increase (+) / decrease (-) in trade and other payables	38.8
Cash generated from operations	-

Notes to the consolidated financial statements continued

1. Basis of preparation continued

iv. Summary of impact of finalisation of acquisition accounting for Stoiximan and correction of recognition criteria for restructuring provision on comparative financial statements.

The adjustments of the comparative period are presented in the following tables:

Consolidated statement of financial position	Previously reported 31/12/2020	Finalisation of acquisition accounting	Correction of recognition criteria	31/12/2020 (Restated)
ASSETS				
Intangible assets	2,403.2	256.8	-	2,660.0
Goodwill	1,180.6	(141.0)	(3.8)	1,035.8
Deferred tax asset	65.7	-	(2.1)	63.6
Total assets	**5,877.0**	**115.8**	**(5.9)**	**5,986.9**
LIABILITIES				
Provisions	59.6	-	(48.7)	10.9
Employee benefit liability	127.4	-	40.2	167.6
Deferred tax liability	366.5	89.9	-	456.4
Total non-current liabilities	3,342.7	89.9	(8.5)	3,424.1
Provisions	45.1	-	(23.7)	21.4
Employee benefit liability	36.9	-	23.7	60.6
Total current liabilities	1,050.8	-	-	1,050.8
Total liabilities	**4,393.5**	**89.9**	**(8.5)**	**4,474.9**
EQUITY				
Non-controlling interests	1,096.3	25.9	2.6	1,124.8
Total equity	**1,483.5**	**25.9**	**2.6**	**1,512.0**
Total equity and liabilities	**5,877.0**	**115.8**	**(5.9)**	**5,986.9**

Consolidated statement of cash flows	Previously reported 2020	Correction of recognition criteria	2020 (Restated)
OPERATING ACTIVITIES			
Non-cash releases from (-) / additions to (+) legal provision	53.8	(50.6)	3.2
Operating result before changes in working capital and provisions	**366.6**	**(50.6)**	**316.0**
Increase (+) / decrease (-) in provisions	(14.3)	11.8	(2.5)
Increase (+) / decrease (-) in trade and other payables	(98.2)	38.8	(59.4)
Cash generated from operations	**289.6**	**-**	**289.6**

v. Correction of disclosure note for the fair value hierarchy of current financials assets at fair value through profit or loss ("FVTPL")

The Group corrected a classification error in the fair value hierarchy disclosure in the comparative period. Current other financial assets of €38.6 million representing investments in quoted money market instruments were reclassified from fair value hierarchy Level 2 to fair value hierarchy Level 1 (see Note 31.f).

vi. Correction of disclosure note "Fair value measurement – contingent consideration and lease liabilities"

The Group corrected a classification error in the presentation of contingent consideration for the acquisitions of Stoiximan and CASAG in the total amount of €131.7 million, which was reclassified from "Financial liabilities as at amortised cost" to "Financial liabilities at fair value through profit or loss ("FVTPL")" (see Note 31.f).

The Group corrected a disclosure error in the presentation of lease liabilities in the Fair value measurement note. Previously, lease liabilities were incorrectly disclosed as liabilities at amortized cost. Therefore, non-current lease liabilities of €118.8 million and current lease liabilities of €24.9 million were removed from the comparative period disclosure.

(i) New standards and amendments applicable within reporting period

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 2021.

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

i. 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.

The International Accounting Standards Board ("IASB") effective date is 1 April 2021.

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

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

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

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 Evropská 866/71, 160 00 Prague 6, Czech Republic and its Identification Number is 242 87 814. The Company's domicile is the Czech Republic.

The Company carries out management, strategic business development and financing activities for the Group and holds interests in other Group companies. A significant part of the business of the Group and its business strategy is realised through its participation in its joint ventures and associates. They are therefore considered to represent an integral part of the Group's operations. As a result, the share of profit from equity method investees is presented in operating profit. The principal place of business of the Company is Czech Republic.

As of 31 December 2020 the immediate 100% parent of the Company was KKCG AG (registered in Switzerland) whose ultimate controlling party pursuant to IFRS standards was VALEA FOUNDATION (registered in Liechtenstein). The designated beneficiary of VALEA FOUNDATION is Mr Karel Komárek. From 17 March 2021, SAZKA Entertainment AG (registered in Switzerland), an entity 100% controlled by KKCG AG, became the immediate 100% parent of the Company.

2.2 Principal activity

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

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

2.3 Composition of the Group

The Group comprises several major operating entities and subgroups, as well as a 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 2021 and 31 December 2020. For a full list of the Group's ownership interests in subsidiaries, joint ventures and associates see Note 33.

	Note	Country of incorporation		Effective interest 31/12/2021	Effective interest 31/12/2020
Major operating entities:					
Casinos Austria AG ("CASAG") subgroup (1)	(a)	Austria	subsidiary	59.70%	59.80%
including Österreichische Lotterien GmbH ("Austrian Lotteries") subgroup (2)	(b)	Austria	subsidiary	53.52%	53.60%
OPAP S.A. ("OPAP") subgroup	(c)	Greece and Cyprus	subsidiary	40.37%	36.10%
including Stoiximan Ltd ("Stoiximan") (3)	(d)	Malta	subsidiary	34.11%	30.50%
SAZKA a.s. ("SAZKA")	(e)	Czech Republic	subsidiary	100.00%	100.00%
Lottoltalia S.r.l. ("Lottoltalia")	(f)	Italy	associate	32.50%	32.50%

(1) CASAG is a subsidiary from 26 June 2020, previously it was an equity method investee.
(2) Austrian Lotteries is a subsidiary from 26 June 2020. Previously it was not presented separately, as it was a subsidiary of equity method investee Casinos Austria AG.
(3) Stoiximan is consolidated from 18 November 2020. Previously it was not presented separately, as it was a business unit (without separate legal form) of equity method investee Kaizen Gaming Limited. During 2021, Stoiximan became incorporated under the Maltese company Stoiximan Ltd.

(a) Casinos Austria AG ("CASAG") subgroup 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 59.70% effective interest (31 December 2020: 59.80%) and controlled 59.70% of voting rights in CASAG (31 December 2020: 55.48%) through:

- 38.29% of shares held by the Group's 100% subsidiary Medial Beteiligungs GmbH; and
- 21.41% of shares held by the Group's 100% subsidiary CAME Holding GmbH

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, including certain protective veto rights, while it also gives the Group certain tools to break a deadlock.

Under the terms of the 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.

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

The Group holds a 53.52% effective interest (31 December 2020: 53.60%) and controls 73.83% of voting rights (31 December 2020: 73.83%) in Austrian Lotteries through:

- 73.83% of shares held by CASAG, creating an effective interest of 44.07% (31 December 2020: 44.15%); and
- 26.17% of shares held by Lotto-Toto Holding GmbH, in which the Group has an effective interest of 36.11%, creating an additional effective interest of 9.45% in Austrian Lotteries.

(c) OPAP S.A. ("OPAP") subgroup 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 40.37% effective interest as of 31 December 2021 (31 December 2020: 36.10%) and controlled 47.22% of voting rights (31 December 2020: 43.12%) in OPAP through:

- 32.98% of shares (31 December 2020: 32.90%) held by the Group's subsidiary SAZKA Delta Hellenic Holdings Limited, in which the Group held an effective interest of 79.23% (31 December 2020: 78.64%), creating an effective interest of 26.13% (31 December 2020: 25.87%); and
- 14.24% of shares held directly by SAZKA Group a.s. (31 December 2020: 10.22%).

2. General information about the Group continued

Management determines that according to IFRS rules the Group controls and therefore consolidates 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 have 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 Ltd ("Stoiximan") operates an online gaming business in Greece and Cyprus.

The Group holds a 34.11% effective interest (31 December 2020: 30.50%) and controls 84.49% of voting rights as of 31 December 2021 in Stoiximan through:

- A 51.00% interest held from 13 July 2020 by the Group's subsidiary OPAP Investment Ltd, in which the Group had an effective interest of 40.37% as of 31 December 2021 (31 December 2020: 36.10%), creating an effective interest of 20.59% (31 December 2020: 18.41%); and
- A 33.49% interest held through OPAP's 68.35% share in the business activities of Kaizen Gaming Limited in Greece and Cyprus (Stoiximan), which holds the remaining 49.00% interest in Stoiximan, in which the Group has an effective interest of 27.59% (31 December 2020: 24.67%), creating an effective interest of 13.52% (31 December 2020: 12.09%).

The Group consolidates Stoiximan from 18 November 2020, following the acquisition of an additional interest and, consequently, obtaining increased influence in Stoiximan which constituted managerial control 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.

(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 the shares and voting rights.

Major changes in the Group in 2021

Company/Group companies	Effective interest as of 31/12/2020	Effective interest as of 31/12/2021	Change	Type of transaction	Date of transaction
OPAP	36.10%	40.37%	3.17%	Open market purchases	during the year
			0.80%	Scrip dividend	3 August 2021, 10 November 2021
			0.13%	Intragroup re-purchase of NCI	6 August 2021
			0.19%	Increase of interest in SDVCIC	16 September 2021

For a list of all changes in the Group see Note 33.

Increase of shareholding in OPAP

i. Open market purchases

During 2021, the Company acquired additional shares in OPAP S.A. through open market purchases. As a result, the Group's effective interest and voting rights increased by 3.17%. These additional purchases are presented in "Purchase of NCI in subsidiaries" in the consolidated statement of cash flows. Total consideration paid for the acquired shares of OPAP S.A. totals €134.5 million.

ii. Scrip dividend

On 3 August 2021, OPAP S.A. paid a dividend of €0.55 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 10 November 2021, OPAP S.A. paid a dividend of €0.10 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 effective interest in OPAP S.A. increased by 0.80%.

iii. Other increases in ownership interest

The Company purchased 0.59% of shares in OPAP S.A. from SAZKA Delta Hellenic Holdings Limited ("SDHH") for a total consideration of €23.0 million. SDHH is a holding company through which the Company owns part of its interest in OPAP S.A. As the Company did not own 100% of SDHH at the time, the Group's effective interest in OPAP S.A. increased by 0.13% as a result.

The Company also increased its interest in Sazka Delta Aif Variable Capital Investment Company Ltd (formerly Emma Delta Variable Capital Investment Company Ltd) ("SDVCIC") for a total consideration of €6.6 million. As a result, the Group's effective interest in OPAP S.A. increased by 0.19%. This purchase is presented in "Purchase of NCI in subsidiaries" in the consolidated statement of cash flows.

Major changes in the Group in 2020

Company/ Group companies	Effective interest as of 31/12/2019	Effective interest as of 31/12/2020	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

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 4.a).

Increase of shareholding in OPAP

i. Open market purchases

During 2020, the Company acquired additional shares in OPAP S.A. through open market purchases. As a result, the Group's effective 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. Total consideration paid for acquired shares totals €52.0 million.

ii. Scrip dividend

On 6 February 2020 OPAP 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 effective interest in OPAP S.A. increased by 1.88%.

iii. Other increases in interest

During 2020, the Company purchased 0.59% of shares in OPAP S.A. held by SDHH for a total consideration of €8.6 million. SDHH is a holding company through which the Company owns part of its interest in OPAP S.A. As the Company does not own 100% of SDHH, the Group's effective interest in OPAP S.A. increased by 0.20% as a result.

On 2 October 2020, an investor redeemed its shares in 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 effective interest in OPAP S.A. increased by 0.15%.

Notes to the consolidated financial statements continued

2. General information about the Group continued

Acquisition of controlling interest in Stoiximan

As of 31 December 2019, OPAP held a 36.75% effective interest in Stoiximan through its equity method investee Kaizen Gaming Limited (formerly TCB Holdings Ltd), equivalent to a 11.75% Group effective interest. During 2020, the Group increased its effective interest in Stoiximan in several steps, the last of which was completed on 18 November 2020. As a result of these steps the effective interest held by OPAP increased to 84.49% (see Note 4.b). As a result of the increase in OPAP's interest in Stoiximan and the Group's increased effective interest in OPAP, the Group's effective interest in Stoiximan increased to 30.50% as of 31 December 2020.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the reporting 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 of 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 1.d.

Goodwill represents amounts arising on the acquisition of a business and is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date, less the net amount (generally fair value) of the identifiable assets acquired and liabilities and contingent 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 16).

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 recognised 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 23)

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.

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 NCI.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, including the carrying amount of related goodwill, and any related NCI 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 18)

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 cash flow hedges, which are recognised in other comprehensive income.

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.

3. Significant accounting policies continued

(c) Operating segments (Note 5)

Segment information is presented based on the internal management reports and information provided to Group management, which examines the Group's performance both from a geographical and a product line perspective. The chief operating decision maker ("CODM") uses more than one measure of profit, assets or liabilities for the purpose of assessing performance and allocating resources, therefore these alternative performance measures are part of the operating segment disclosure, see Note 5. All these non-IFRS measures are subtotals or derived directly from the lines presented in the income statement and balance sheet and cash flow statement.

Because the Group is primarily managed along geographical lines, operating segments are recognised accordingly.

The Group identifies the following operating and reportable segments:

- Austria;
- Czech Republic;
- Greece and Cyprus; and
- Italy.

In addition to the operating segments, the CODM also monitors and evaluates operating results of certain individual components of those segments (being the "Austrian Lotteries" part of the Austria segment, and the "Stoiximan" part of the Greece and Cyprus segment). As a result, this financial information is also included in the IFRS 8 segment disclosures.

(d) Revenue recognition and accounting for winnings (Note 6)

i. Revenues from gaming activities

Gaming contracts of the Group are transactions in which the gaming institution (i.e., the Group) takes a position against its customer. Exceptions in which the Group receives only a service fee but does not take a position against its customers are immaterial. For this reason, all material revenue from gaming contracts is recognised in accordance with IFRS 9 and the revenues, including derivative gains/losses, from gaming contracts are presented in the line "Revenue from gaming activities ("GGR")".

Gaming revenues are reported net as the difference between amount staked and players winnings as Revenue from gaming activities (Gross Gaming Revenue or "GGR").

Stakes received relating to future lottery draws and games are recorded as prepaid stakes measured at fair value. Player deposits are funds of online 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 the 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 a liability, either to the state or to the gaming participants. In some cases, expired 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 the event that there is no winner in a given draw, the prize is rolled to the next draw and accounted for as an accrued liability or provision based on the level of estimation uncertainty (Note 3.s ii.).

Revenue is recognised in the period when the bet is placed, net of the 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 certain limited cases unclaimed prizes are retained by the Company and can be recognised as revenue when the winner's right to claim the prize expires (usually 2-3 years). Therefore, such unclaimed prizes are recognised as a provision instead of unpaid winnings due to the uncertainty in the amount of the final pay-out (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 (such as the last football match). Until the last event result is known, placed bets are recognised on the balance sheet as "Prepaid stakes" and no revenue is recognised.

Video lottery terminals ("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.

iGaming
iGaming revenue represents revenue from those games that are solely offered on an online basis. For games that have both land-based and online components, the revenues are reported under the relevant product lines. The iGaming portfolio includes online lottery games, online instant win games, online casino and slot gaming. The revenue recognition follows the policies described above.

ii. Revenue from non-gaming activities
Revenue from mobile virtual network operator services
Mobile virtual network operator services are mobile telecommunication services (voice, messages, data) provided to retail customers. On a wholesale basis, the Group purchases a certain volume of voice, message and data services from a telecom company. The Group then sets its own prices for which it offers these services to the retail customer (primarily through prepaid cards).

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

Unused prepaid credit for telecommunication services represents a performance obligation in accordance with IFRS 15 and is deferred and recognised as revenue when the prepaid period expires.

Revenue from mobile phone top-up
The mobile phone top-up services are the sale of electronic codes (mobile top-ups through prepaid cards) to retail customers. The Group has two types of customer arrangements in accordance with IFRS 15:

- 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 recognised 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 the amount staked. The fee covers 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 non-gaming activities
Other non-gaming revenues relate mainly to services complementary to the gaming activities (events, sales of food and beverages) and IT services.

Revenue 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(e) Gaming taxes

Gaming taxes, assessed as a percentage (defined in the legislation of the relevant country or the relevant licence) of amount staked less wins in the period, are recognised based on recognised Revenue from gaming activities ("GGR") in the period.

(f) Other operating income (Note 7)

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 extension of concession in OPAP S.A.

New terms of an exclusive concession to conduct, manage, organise and operate numerical lottery and sports betting games in Greece have become effective for a period of 10 years starting from 13 October 2020, based inter alia on an agreement dated 29 April 2013 between OPAP S.A. and the Greek State. In 2011, OPAP S.A. had made an upfront payment of €375 million in connection with the concession extension.

The agreement stipulates that during the extension period, OPAP S.A. will pay cash gaming taxes at a rate of 5% of applicable GGR instead of the headline rate of 30%. Based on the agreement, OPAP benefits from a relief from gaming tax obligation in the aggregate amount of €1,831 million (which is contractually deemed prepaid as part of the upfront payment), plus related adjustments to compensate for income tax effects, over the extension period.

Any difference between:

- The €1.831 million, plus additional compensation related to higher income tax expenses from related benefits; and
- The difference between gaming taxes at 30% and cash gaming taxes at 5% (i.e. gaming tax cash savings)

("additional consideration") 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 amortised over 10 years.
- Other operating income of €1,831 million, plus adjustments to compensate for income tax effects, are recognised on accrual basis over 10 years.
- Non-current receivables or payables representing a present value of additional consideration reflecting the difference between gaming tax cash savings and the amounts recorded in Other operating income. From 13 October 2020 on an annual basis up to the expiration of the extension (October 2030) the additional consideration will be calculated based on the concession agreement which results in a receipt or payment to the Greek State at the end of the concession period. 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, Revenue from gaming activities ("GGR") or Net gaming revenue ("NGR").

NGR is an alternative performance measure used in the gaming industry and is calculated as Revenue from gaming activities ("GGR") less Gaming taxes.

(h) Lease payments (Note 25)

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 13)

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 14)

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. The Group does not recognise deferred tax arising from: 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.

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 cost less accumulated amortisation and impairment losses, if any.

Intangible assets, except goodwill and other intangibles with indefinite useful life, 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 16):

• Licences	The period for which they have been issued or indefinite
• Brands and trademarks	Described individually (generally indefinite)
• Customer relationships, customer contracts	4–21 years
• Software	1–7 years
• Other intangible assets:	
– Distribution network (contracts with providers)	20 years
– Other intangible assets	3–10 years

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

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 16)

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 annually to assess whether the indefinite useful life assumption continues to be appropriate.

ii. Customer relationships, customer contracts, and brands and trademarks (Note 16)

The Group capitalises major customer relationships, customer contracts, and brands and trademarks upon the acquisition of companies which are party to such contracts or hold such brands and trademarks. The initial carrying 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 that 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 17) and investment property

PPE is 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 capitalised until the asset is substantially complete or available for use.

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

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

PPE is depreciated on a straight-line basis. Leased assets are also depreciated on a straight-line basis 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 17):

• Buildings – owned	10–60 years
• Buildings – right of use	1–60 years
• Machinery and equipment – owned:	
– Appliances and special technical equipment	3–20 years
– Fixtures and fittings	3–14 years
– Vehicles	4–10 years
– Machinery and equipment	3–20 years
• Machinery and equipment – right of use	1–15 years
• Other tangible assets	2–20 years
• Investment property	12–60 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 owner-occupied to investment property, the property is reclassified from PPE to investment property.

The Group applies the cost model for valuation of investment property. Investment property is depreciated on a straight-line basis over a period from 12 to 60 years. Land classified as investment property is not depreciated.

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. 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.
- Provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

iii. 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 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 consolidated 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.

Financial assets, other than financial assets at fair value through profit or loss, are recognised initially 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 credit impaired financial assets; in the amount equal to 12-month expected credit losses ("ECL") if the credit risk has not increased significantly.

3. Significant accounting policies continued

The Group recognises the following financial assets at amortised cost: cash and cash equivalents, 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 (a) are transferred or (b) are neither transferred nor retained but a control is not retained. 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 20)

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.

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 20)

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 "Other gains and losses".

iv. Financial derivatives and hedging instruments (Note 28)

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 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, the 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 reporting 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 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 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 has used hedging to mitigate the following risks:

Interest rate risk

The hedged items are future interest payments of long-term debt 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.

3. Significant accounting policies continued

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. The derivative gains/losses from gaming contracts are presented on the line "Revenue from gaming activities (GGR)". For revenue recognition of gaming contracts see Note 3.d.

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 profit or loss.

vi. Offsetting of financial assets and liabilities (Note 31.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 joint ventures 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 life or that are not yet available for use, the recoverable amount is estimated at least annually at the same time (see Note 16).

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 recognised 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.

Measurement of ECLs

Current trade receivables – simplified approach

For current trade receivables from the point of sale ("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 the expected discounted cash flows method and an expert-based approach.

Trade 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 and other financial assets subject to its Standard ECL model. The Group measures ECL and recognises 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.

3. Significant accounting policies continued

Current accounts and term deposits are placed in strong and stable credit institutions which are meeting all capital and liquidity requirements 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 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.

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.

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.
- 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 merchandise. 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 21)

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 22)

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 24)

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 27)

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.

Provisions are recognised at the expected settlement amount. Long-term provisions are recognised at the present value of the expenditures expected to be required to settle the obligation. 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 obligation. 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 obligation. Changes in estimates are generally recognised in the consolidated statement of comprehensive income as of 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. 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 licensed 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 actual 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 recognise a provision for wins in relation to cards that have already been distributed.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(t) Employee benefit liabilities (Note 29)

i. Post-employment benefit

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

Defined contribution plans

Defined contribution plans are 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 "Personnel expenses" as "State mandated pensions – defined contribution plans" in profit or loss on an accrual basis.

Defined benefit plans

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 unit credit 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. The related cost is 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 profit or loss in the line "Personnel expenses" as "Private retirement benefit expenses – defined benefit plan". Net interest on the net defined liability (asset) is recognised in the line "Finance costs, net".

Remeasurements as a result of changes in actuarial assumptions are recognised in other comprehensive income.

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 certain companies in 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. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy exchange for these benefits.

The Group recognises termination benefit at the earlier of the following dates:

- When the Group can no longer withdraw the offer of those benefits; or
- When the entity recognises cost for a restructuring that is with the scope of IAS 37 and involves payment of termination benefits.

Benefits due more than 12 months after the end of period are discounted to present value.

iv. Other employee benefit liabilities

"Other employee benefit liabilities" are 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 the period in which the service was rendered.

(u) Related parties (Note 32)

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.
- 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 but not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board and were not effective as of 31 December 2021. The Group has not early adopted these standards and interpretations and will apply them as of their IASB effective date which is expected to be the same as the endorsement by the EU. The Group does not expect that the following standards, amendments and interpretations will have a significant impact on the Group's consolidated financial statements.

Accounting pronouncements that have been endorsed by the EU

i. Amendments to IFRS 3 "Business combinations" – Reference to "Conceptual framework" and 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.

The IASB effective date is 1 January 2022.

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

ii. 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.
- 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.
- 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.

The IASB effective date is 1 January 2022.

3. Significant accounting policies continued

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

iii. Amendments to IAS 16 "Property, plant and equipment" – Proceeds before intended use

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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.

iv. 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.

The IASB effective date is 1 January 2023.

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

v. 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.

The IASB effective date is 1 January 2023.

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

vi. 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 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.

Accounting pronouncements not yet endorsed by the EU

vii. 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.

viii. Amendments to IAS 12 "Income taxes" – Deferred tax related to assets and liabilities arising from a single transaction (issued on 7 May 2021)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are expected to be endorsed before their effective date. The IASB effective date is 1 January 2023.

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

ix. Amendments to IFRS 17 "Insurance contracts" – Initial application of IFRS 17 and IFRS 9 – Comparative Information

The amendments are expected to be endorsed before their effective date. The IASB effective date is 1 January 2023.

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

Notes to the consolidated financial statements continued

4. Business combinations

For the period ended 31 December 2021

In the period ended 31 December 2021, the Group did not have any material business combination.

Cash flow movement of "Acquisition of subsidiaries, net acquired" represents the movement of contingent consideration from previous periods (see Note 26).

For the period ended 31 December 2020

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.

The acquisitions had the following aggregated impact on the Group:

Recognised values on acquisition (Restated)*	CASAG	Stoiximan	Other individually immaterial	Total
ASSETS				
Intangible assets	603.6	256.8	–	860.4
of which brand	296.8	175.4	–	472.2
of which licences	255.6	–	–	255.6
of which customer base	44.4	81.4	–	125.8
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	18.5	–	–	18.5
Total non-current assets	**1,302.7**	**256.8**	**0.1**	**1,559.6**
Inventories	3.0	–	–	3.0
Trade and other receivables	67.2	3.2	0.9	71.3
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
Total current assets	**422.1**	**67.8**	**1.3**	**491.2**
Total assets	**1,724.8**	**324.6**	**1.4**	**2,050.8**
LIABILITIES				
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	(0.4)	–	–	(0.4)
Employee benefit liabilities	(137.5)	–	–	(137.5)
Deferred tax liability	(155.5)	(89.9)	–	(245.4)
Total non-current liabilities	**(534.0)**	**(89.9)**	**–**	**(623.9)**
Loans and borrowings	(37.4)	–	–	(37.4)
Lease liabilities	(15.8)	–	(0.1)	(15.9)
Trade and other payables	(386.8)	(37.1)	(0.5)	(424.4)
Derivative financial instruments	(1.0)	–	–	(1.0)
Current tax liability	(19.6)	(10.3)	–	(29.9)
Provisions	(14.6)	–	(0.1)	(14.7)
Employee benefit liabilities	(29.2)	(0.2)	–	(29.4)
Total current liabilities	**(504.4)**	**(47.6)**	**(0.7)**	**(552.7)**
Total liabilities	**(1,038.4)**	**(137.5)**	**(0.7)**	**(1,176.6)**
Identifiable net assets acquired	686.4	187.1	0.7	874.2
Goodwill	122.2	325.0	0.1	447.3
Non-controlling interest	(321.4)	(29.0)	–	(350.4)
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 call option	24.3	–	–	24.3
Net cash inflow (-) / outflow (+)	**(206.5)**	**90.1**	**0.5**	**(115.9)**
Consideration paid, satisfied in cash	116.2***	154.7	0.9	271.8
Cash acquired	(314.4)	(64.6)	(0.4)	(379.4)

* See Note 1.h
** Variable consideration ("earn-out") that will be determined based on subsequent events.
*** Includes call option premium paid of €11.2 million of which €8.3 million was paid in previous years and €2.9 million paid in 2020.

4. 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 accounted 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 33.

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 effective 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 five-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 also been recognised for values of equity method investees, tangible assets (fair value of leased assets and items of real estate property).
- 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.

Gross carrying amount of acquired receivables was €69.6 million, with the expected credit loss allowance of €0.8 million as of date of acquisition.

iii. Non-controlling interest acquired

The Group elected 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	68.7	
Subgroup's non-controlling interest	2.7	9.4	
Net assets attributable to the Group	615.0	59.3	
Non-controlling interest calculation	**285.4**	**23.9**	
Subgroup's non-controlling interest	2.7	9.4	
Carrying amount of non-controlling interest	**288.1**	**33.3**	**321.4**

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 the 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 "Revenue from gaming activities ("GGR")" of €573.1 million and "Loss for the period after tax" of €0.3 million.

Had the acquisition occurred on 1 January 2020, management estimates that consolidated "Revenue from gaming activities ("GGR")" would have been higher by €504.4 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 that arose on the date of acquisition, would have been the same as if the acquisition, had occurred on 1 January 2020.

(b) Acquisition of controlling stake in Stoiximan

As of 31 December 2019, OPAP held a 36.75% effective 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. During 2020 and 2019, Stoiximan did not have a separate legal form, but represented a business unit of Kaizen.

During 2020, the Group increased its effective 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 effective 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 effective 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 effective interest is 30.50% as of 31 December 2020.

Stoiximan operates an online gaming business in Greece and Cyprus. Through the acquisition of Stoiximan the Group obtained the control over relevant activities and expanded its operations in iGaming and online sports betting in Greece and Cyprus.

The acquisition of Stoiximan strengthened OPAP's position in the online sports-betting market.

4. Business combinations continued

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 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

The Group measured assets acquired and liabilities assumed at fair value. As a result of acquisition (see Note 1.h), several newly identifiable intangible assets were recognised, as well as certain changes to fair value of previously identified assets and liabilities. The Group used cash flow forecast discounted at WACC of 11.6% for the valuations. Major fair value adjustments and relevant factors are summarised below:

- Brands recognised (€175.4 million) – based on the royalty relief method applying a 9% royalty rate. The brands are considered to have an indefinite useful life.
- Customer base (€81.4 million) – based on the multiple period excess earnings method, with an estimated useful life of seven years.
- A net deferred tax liability of €89.9 million resulting from the recognition of intangible assets was recognised, applying the corporate income tax rate of 35% valid in Greece 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.

iii. Non-controlling interest acquired

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

	18/11/2020
Direct non-controlling interest percentage	**15.51%**
Net assets attributable to the Group	187.1
Carrying amount of direct non-controlling interest	**29.0**

iv. Goodwill

The goodwill resulting from the acquisition of Stoiximan was calculated as follows:

Fair value of identifiable assets, liabilities and contingent liabilities (84.49%)	158.1
Fair value of previously held equity interest (69.01%)	200.1
Consideration transferred	283.0
Goodwill	**325.0**

The goodwill on acquisition is attributable mainly to the value of intangibles not meeting the criteria for recognition and expected future profitability of the iGaming part 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 the Greece and Cyprus 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 18 November 2020 until 31 December 2020 Stoiximan contributed "Revenue from gaming activities ("GGR")" of €40.2 million and "Profit for the period after tax" of €6.0 million.

Had the acquisition occurred on 1 January 2020, management estimates that consolidated "Revenue from gaming activities ("GGR")" would have been higher by €227.6 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition, would have been the same as if the acquisition had occurred on 1 January 2020.

5. Operating segments and alternative performance measures

The Group identifies the following operating segments, which are also reportable segments:

- Austria;
- Czech Republic;
- Greece and Cyprus; and
- Italy.

The geographical segmentation corresponds with the major operating entities of the Group, which are CASAG, SAZKA a.s., OPAP and LottoItalia S.r.l.

Presentation of additional information

In addition to the operating segments, the Group voluntarily presents selected financial information of Austrian Lotteries, which is owned by CASAG and is part of the Austria segment, and Stoiximan, which is owned by OPAP and is part of the Greece and Cyprus segment. Management believes that the presentation of this additional information within the operating segment note enhances the relevance and usability of these financial statements.

The Stoiximan part of the Greece and Cyprus segment was not fully consolidated in 2020 but accounted as an equity method investee with its financial result presented in "Share of profit of equity method investees".

Alternative performance measures

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

"Net gaming revenue ("NGR")" is calculated as "Revenue from gaming activities ("GGR")" less "Gaming taxes". See reconciliation of NGR to the IFRS reported balances in the table below.

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

"Capital expenditures" equals the line "Acquisition of property, plant and equipment and intangible assets" from the statement of cash flows.

"Net debt" is calculated as "External loans and borrowings" less "Cash and cash equivalents" less "Other financial assets".

"Net debt + leases" is calculated as "Net debt" plus "Lease liabilities".

The tables below present operating performance of our reportable segments as if they have been consolidated for the whole period presented (except for additional information "of which Stoiximan" in the comparative period). The reconciliation to the contribution of individual reportable segments to the consolidated results of the Group is shown as the adjustment in the column "Elimination" and is driven by the Italy segment, which is accounted for as an equity method investee in 2021 and 2020, and the Austria segment, which was accounted for as an equity method investee for the period up to 26 June 2020, while being fully consolidated from 26 June 2020 onward (see Note 2.3 and Note 4.a).

Notes to the consolidated financial statements continued

5. Operating segments and alternative performance measures continued

2021	Austria*	*of which Austrian Lotteries**	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Italy	Total reportable segments	Elimination**	Reportable segments, net	Corp. and other***	Total
Revenue from gaming activities ("GGR")	1,139.1	*923.3*	407.9	1,509.5	*345.4*	2,404.0	5,460.5	(2,404.0)	3,056.5	–	3,056.5
Gaming taxes	(589.9)	*(500.3)*	(143.0)	(495.0)	*(131.1)*	(1,903.9)	(3,131.8)	1,903.9	(1,227.9)	–	(1,227.9)
Net gaming revenue ("NGR")	549.2	*423.0*	264.9	1,014.5	*214.3*	500.1	2,328.7	(500.1)	1,828.6	–	1,828.6
Revenue from non-gaming activities	45.4	*5.0*	17.3	101.6	–	0.1	164.4	(0.1)	164.3	0.6	164.9
Other operating income	91.7	*23.1*	1.7	239.7	–	–	333.1	–	333.1	23.7	356.8
Agents´ commissions	(100.5)	*(100.5)*	(36.9)	(277.9)	–	–	(415.3)	–	(415.3)	–	(415.3)
Materials, consumables and services	(57.8)	*(31.6)*	(57.3)	(318.3)	*(109.4)*	(85.3)	(518.7)	85.3	(433.4)	(21.5)	(454.9)
Marketing services	(68.1)	*(60.5)*	(38.2)	(107.5)	*(31.1)*	(2.9)	(216.7)	2.9	(213.8)	(1.5)	(215.3)
Personnel expenses	(200.7)	*(67.3)*	(24.2)	(74.5)	*(2.1)*	(1.7)	(301.1)	1.7	(299.4)	(10.0)	(309.4)
Other operating expenses	(32.4)	*(20.2)*	(20.8)	(22.4)	*(0.1)*	(1.4)	(77.0)	1.4	(75.6)	(4.9)	(80.5)
Share of profit of equity method investees	5.0	–	–	–	–	–	5.0	74.1	79.1	–	79.1
Operating EBITDA	231.8	*171.0*	106.5	555.2	*71.6*	408.9	1,302.4	(334.8)	967.6	(13.6)	954.0
Depreciation and amortisation	(69.0)	*(23.8)*	(8.5)	(144.5)	*(12.9)*	(102.2)	(324.2)	102.2	(222.0)	(0.9)	(222.9)
Impairment of tangible and intangible assets including goodwill	(5.9)	–	(6.2)	(4.5)	–	–	(16.6)	–	(16.6)	–	(16.6)
Other gains and losses	1.2	*(0.7)*	–	(2.2)	–	–	(1.0)	–	(1.0)	(8.6)	(9.6)
Profit/loss from operating activities	158.1	*146.5*	91.8	404.0	*58.7*	306.7	960.6	(232.6)	728.0	(23.1)	704.9
Interest income	0.6	*1.0*	0.1	2.1	–	–	2.8	–	2.8	0.1	2.9
Interest expense	(8.6)	*(1.1)*	(12.4)	(38.6)	–	–	(59.6)	–	(59.6)	(62.8)	(122.4)
of which external interest expense	(8.6)	*(1.1)*	(1.4)	(38.6)	–	–	(48.6)	–	(48.6)	(73.8)	(122.4)
Other finance income and expense	0.7	*0.1*	(1.7)	(7.0)	–	–	(8.0)	–	(8.0)	0.4	(7.6)
Finance costs, net	(7.3)	–	(14.0)	(43.5)	–	–	(64.8)	–	(64.8)	(62.3)	(127.1)
Profit before tax	150.8	*146.5*	77.8	360.5	*58.7*	306.7	895.8	(232.6)	663.2	(85.4)	577.8
Income tax expense	(31.9)	*(36.5)*	(14.6)	(82.5)	*(19.7)*	(78.8)	(207.8)	78.8	(129.0)	(1.3)	(130.3)
Profit after tax	118.9	*110.0*	63.2	278.0	*39.0*	227.9	688.0	(153.8)	534.2	(86.7)	447.5
Capital expenditures	17.2	*6.1*	13.7	18.8	*1.3*	1.0	50.7	(1.0)	49.7	0.2	49.9

31/12/2021	Austria*	*of which Austrian Lotteries**	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Italy	Total reportable segments	Elimination**	Reportable segments, net	Corp. and other***	Total
Cash and cash equivalents	268.6	*137.5*	62.9	860.4	*97.8*	–	1,191.9	–	1,191.9	89.1	1,281.0
Other financial assets	305.9	*236.8*	3.0	3.6	–	257.6	570.1	(257.6)	312.5	2.8	315.3
External loans and borrowings	123.1	–	–	1,046.7	–	–	1,169.8	–	1,169.8	1,523.1	2,692.9
Net debt	(451.4)	*(374.3)*	(65.9)	182.7	*(97.8)*	(257.6)	(592.2)	257.6	(334.6)	1,431.2	1,096.6
Lease liabilities	71.3	*10.2*	20.9	50.7	*0.2*	0.2	143.1	(0.2)	142.9	6.1	149.0
Net debt + leases	(380.1)	*(364.1)*	(45.0)	233.4	*(97.6)*	(257.4)	(449.1)	257.4	(191.7)	1,437.3	1,245.6
Net assets	736.0	*606.2*	266.6	1,512.7	*205.9*	618.7	3,134.0	(618.7)	2,515.3	(712.0)	1,803.3

* In 2021, the Austria and Austrian Lotteries columns include the effect of business combination adjustments (purchase price allocation, or the "PPA"). The PPA adjustment increases "Depreciation and amortisation" by €16.9 million and €11.1 million, "Income tax expense" by €4.3 million and €2.8 million and "Net assets" by €260.3 million and €413.4 million, respectively.

** Elimination includes adjustments in relation to segments accounted for as equity method investees. Specifically, results and balances of the Italy segment for the year are replaced by the share of profit of the Italy segment for the year.

*** Corporate and other ("Corp. and other") includes headquarters, certain other immaterial non-operating entities and intragroup eliminations.

Notes to the consolidated financial statements continued

5. Operating segments and alternative performance measures continued

2020	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Italy	Total reportable segments	Elimination*	Reportable segments, net	Corp. and other**	Total
Revenue from gaming activities ("GGR")	1,077.5	*849.9*	315.2	1,129.7	*40.2*	1,905.0	4,427.4	(2,409.4)	2,018.0	–	2,018.0
Gaming taxes	(563.0)	*(466.8)*	(114.3)	(392.5)	*(15.8)*	(1,520.6)	(2,590.4)	1,784.9	(805.5)	–	(805.5)
Net gaming revenue ("NGR")	514.5	*383.1*	200.9	737.2	*24.4*	384.4	1,837.0	(624.5)	1,212.5	–	1,212.5
Revenue from non-gaming activities	56.7	*2.9*	16.1	99.7	–	–	172.5	(30.1)	142.4	0.8	143.2
Other operating income	58.0	*26.8*	3.5	66.6	–	–	128.1	(31.3)	96.8	–	96.8
Agents´ commissions	(94.1)	*(94.1)*	(31.0)	(255.9)	–	–	(381.0)	43.9	(337.1)	–	(337.1)
Materials, consumables and services	(55.4)	*(28.8)*	(43.9)	(214.1)	*(8.1)*	(69.4)	(382.8)	94.2	(288.6)	(21.2)	(309.8)
Marketing services	(61.5)	*(51.6)*	(26.0)	(64.1)	*(4.7)*	(1.7)	(153.3)	29.8	(123.5)	(1.4)	(124.9)
Personnel expenses	(228.0)	*(64.8)*	(20.5)	(79.6)	–	(1.3)	(329.4)	112.7	(216.7)	(6.5)	(223.2)
Other operating expenses	(43.6)	*(22.8)*	(15.3)	(48.1)	*(1.5)*	(1.4)	(108.4)	31.9	(76.5)	(1.2)	(77.7)
Share of profit of equity method investees	0.5	–	–	18.1	*18.1*	–	18.6	60.9	79.5	–	79.5
Operating EBITDA	147.1	*150.7*	83.8	259.8	*28.2*	310.6	801.3	(312.5)	488.8	(29.5)	459.3
Depreciation and amortisation	(55.4)	*(12.4)*	(6.3)	(115.3)	–	(102.0)	(279.0)	121.3	(157.7)	(0.8)	(158.5)
Impairment of tangible and intangible assets including goodwill	(21.1)	*(1.2)*	–	(24.4)	–	–	(45.5)	19.4	(26.1)	–	(26.1)
Restructuring cost	(50.6)	*(5.1)*	–	–	–	–	(50.6)	–	(50.6)	–	(50.6)
Gain from remeasurement of previously held interest in equity method investee	–	–	–	142.7	*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	20.0	*132.0*	77.5	262.8	*170.9*	208.6	568.9	(170.4)	398.5	(22.8)	375.7
Interest income	0.8	*0.8*	0.2	2.0	*0.1*	–	3.0	(0.8)	2.2	–	2.2
Interest expense	(8.1)	*(0.8)*	(10.7)	(39.1)	–	–	(57.9)	3.9	(54.0)	(47.8)	(101.8)
of which external interest expense	(8.1)	*(0.8)*	(10.4)	(39.1)	–	–	(57.6)	3.9	(53.7)	(48.1)	(101.8)
Other finance income and expense	(3.3)	*(4.4)*	(9.3)	3.0	–	–	(9.6)	1.0	(8.6)	(7.4)	(16.0)
Finance costs, net	(10.6)	*(4.4)*	(19.8)	(34.1)	*0.1*	–	(64.5)	4.1	(60.4)	(55.2)	(115.6)
Profit before tax	9.4	*127.6*	57.7	228.7	*171.0*	208.6	504.4	(166.3)	338.1	(78.0)	260.1
Income tax expense	(8.3)	*(31.3)*	(10.7)	(17.9)	*(4.2)*	(56.2)	(93.1)	62.0	(31.1)	(4.6)	(35.7)
Profit after tax	0.9	*96.3*	47.0	210.8	*166.8*	152.4	411.1	(104.1)	307.0	(82.6)	224.4
Capital expenditures	32.1	*14.3*	7.4	21.5	–	0.7	61.7	(15.3)	46.4	0.1	46.5

31/12/2020	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Italy	Total reportable segments	Elimination*	Reportable segments, net	Corp. and other**	Total
Cash and cash equivalents	262.3	*120.4*	56.7	506.9	*82.6*	–	825.9	–	825.9	46.3	872.2
Other financial assets	224.9	*196.2*	2.9	4.6	–	248.4	480.8	(248.4)	232.4	10.5	242.9
External loans and borrowings	152.9	–	–	1,040.9	–	–	1,193.8	–	1,193.8	1,468.5	2,662.3
Net debt	(334.3)	*(316.6)*	(59.6)	529.4	*(82.6)*	(248.4)	(112.9)	248.4	135.5	1,411.7	1,547.2
Lease liabilities	82.7	*12.0*	2.2	57.1	–	–	142.0	–	142.0	1.7	143.7
Net debt + leases	(251.6)	*(304.6)*	(57.4)	586.5	*(82.6)*	(248.4)	29.1	248.4	277.5	1,413.4	1,690.9
Net assets	360.5	*137.4*	225.1	1,329.7	*26.1*	706.3	2,621.6	(426.8)	2,194.8	(682.8)	1,512.0

* Elimination includes adjustments in relation to segments accounted for as equity method investees. Specifically:

(a) Results and balances of the Italy segment for the year are replaced by the share of profit of the Italy segment for the year;
(b) Operating result of the Austria segment for the period until 26 June 2020 is replaced by the share of profit of the Austria segment for the same period;
(c) Effect of purchase price allocation adjustment from the consolidation of the Austria segment from 26 June 2020 is added (see Note 4).

** Corporate and other ("Corp. and other") includes headquarters, certain other immaterial non-operating entities and intragroup eliminations

The tables below show disaggregation of "Net gaming revenue ("NGR")" by product line and operating segments' contribution to consolidated NGR:

2021 Net gaming revenue ("NGR")	**Austria**	***of which Austrian Lotteries***	**Czech Republic**	**Greece and Cyprus**	***of which Stoiximan***	**Reportable segments, net**
Numerical lotteries	**247.2**	***247.2***	**145.1**	**394.0**	**–**	**786.3**
Instant lotteries	**44.6**	***44.6***	**50.7**	**38.8**	**–**	**134.1**
Sports betting	**21.0**	***21.0***	**9.8**	**343.3**	***129.7***	**374.1**
iGaming	**95.0**	***95.0***	**59.3**	**102.2**	***84.6***	**256.5**
VLTs and casinos	**141.4**	***15.2***	**–**	**136.2**	**–**	**277.6**
Total	**549.2**	***423.0***	**264.9**	**1,014.5**	***214.3***	**1,828.6**

2020 Net gaming revenue ("NGR")	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Reportable segments, net
Numerical lotteries	128.4	*128.4*	118.6	351.3	–	598.3
Instant lotteries	16.0	*16.0*	41.1	26.3	–	83.4
Sports betting	9.2	*9.2*	6.0	204.2	*16.1*	219.4
iGaming	40.0	*40.0*	35.2	15.0	*8.3*	90.2
VLTs and casinos	80.8	*8.7*	–	140.4	–	221.2
Total	**274.4**	*202.3*	**200.9**	**737.2**	*24.4*	**1,212.5**

6. Revenue from gaming activities ("GGR") and Revenue from non-gaming activities

The tables below show the disaggregation of "Revenues from gaming activities ("GGR")" by product line and operating segments' contribution to consolidated GGR:

2021 Revenue from gaming activities ("GGR")	**Austria**	***of which Austrian Lotteries***	**Czech Republic**	**Greece and Cyprus**	***of which Stoiximan***	**Reportable segments, net**
Numerical lotteries	**626.2**	***626.2***	**223.7**	**549.2**	**–**	**1,399.1**
Instant lotteries	**94.5**	***94.5***	**78.3**	**88.8**	**–**	**261.6**
Sports betting	**22.8**	***22.8***	**12.9**	**510.1**	***205.8***	**545.8**
iGaming	**155.8**	***155.8***	**93.0**	**166.8**	***139.6***	**415.6**
VLTs and casinos	**239.8**	***24.0***	**–**	**194.6**	**–**	**434.4**
Total	**1,139.1**	***923.3***	**407.9**	**1,509.5**	***345.4***	**3,056.5**

Notes to the consolidated financial statements continued

6. Revenue from gaming activities ("GGR") and Revenue from non-gaming activities continued

2020 Revenue from gaming activities ("GGR")	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Reportable segments, net
Numerical lotteries	326.6	*326.6*	188.1	518.6	–	1,033.3
Instant lotteries	35.9	*35.9*	63.9	76.3	–	176.1
Sports betting	9.7	*9.7*	7.9	310.4	*26.5*	328.0
iGaming	65.6	*65.6*	55.3	23.9	*13.7*	144.8
VLTs and casinos	135.3	*14.0*	–	200.5	–	335.8
Total	**573.1**	*451.8*	**315.2**	**1,129.7**	*40.2*	**2,018.0**

The tables below show disaggregation of "Revenue from non-gaming activities" by operating segment:

2021	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Reportable segments, net
Revenue from non-gaming activities						
Mobile phone top-up services	–	–	3.0	74.2	–	77.2
Mobile virtual network operator services	–	–	11.1	–	–	11.1
Other non-gaming revenue	45.4	*5.0*	3.2	27.4	–	76.0
Total	**45.4**	*5.0*	**17.3**	**101.6**	–	**164.3**

2020	Austria	*of which Austrian Lotteries*	Czech Republic	Greece and Cyprus	*of which Stoiximan*	Reportable segments, net
Revenue from non-gaming activities						
Mobile phone top-up services	–	–	3.2	84.4	–	87.6
Mobile virtual network operator services	–	–	10.6	–	–	10.6
Other non-gaming revenue	26.6	*1.4*	2.3	15.3	–	44.2
Total	**26.6**	*1.4*	**16.1**	**99.7**	–	**142.4**

During 2021 "Other non-gaming revenue" of €0.1 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.

The breakdown of revenue from gaming and non-gaming activities by country where the revenue was generated is presented in the table below:

Reportable segments, net **Revenue from gaming activities ("GGR") and from non-gaming activities**	**2021**	**2020**
Greece	**1,501.6**	1,148.6
Austria	**1,070.7**	541.5
Czech Republic	**425.2**	331.3
Cyprus	**108.4**	79.8
Germany	**64.0**	29.9
Belgium	**24.5**	12.4
Liechtenstein	**13.1**	9.0
Other EU countries	**11.1**	2.2
Other non-EU countries	**2.2**	5.7
Total	**3,220.8**	**2,160.4**

7. Other operating income

	2021	2020
Other operating income	**356.8**	96.8
Benefit from extension of concession	**217.4**	42.5
Income from COVID-19 related government grants	**75.2**	31.3
Discount on tax liability	**9.6**	12.3
COVID-19 income from subsidies	**58.3**	17.2
COVID-19 related rent concessions	**7.3**	1.8
Arbitration gains	**29.5**	-
Income from leases	**4.1**	4.3
Income from subsidies	**0.5**	0.3
Other	**30.1**	18.4

Under the concession terms, OPAP benefits from a relief from gaming tax obligation in the aggregate amount of €1.831 million, plus related adjustments to compensate for income tax effects, over the extension period. See Note 3.f iii. "Benefit from extension of concession" represents a proportionate amount (on accrual basis) of the benefit applicable during the 10-year extension period of OPAP's exclusive lottery and betting concession (until October 2030).

"Discount on tax liability" represents a 25% discount of certain tax liabilities (primarily gaming 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 companies impacted by COVID-19 related restrictions. The Group has received support from various programmes, especially support for the cost of furloughed staff in Austria and fixed costs subsidy and loss compensation subsidy programmes in Austria.

"COVID-19 related rent concessions" represents a 40% discount on payments under leases for certain commercial premises in Greece. The Group applied exemption from assessing whether a rent concession related to COVID-19 is a lease modification.

"Arbitration gains" comprises an income of €13.6 million from the compensation awarded to SAZKA Delta Hellenic Holdings Limited by an arbitration court in a case against the Hellenic Asset Development Fund, and an income of €15.9 million from the fair value of the compensation awarded to Casinos Austria International Holding GmbH Limited by an arbitration court in a case against the Argentine Republic relating to revocation of a gaming licence.

"Other" includes income from SAZKA Entertainment AG of €10.4 million (see Note 32).

Notes to the consolidated financial statements continued

8. Materials, consumables and services

	2021	2020
Materials, consumables and services	**(454.9)**	(309.8)
Fees to gaming system providers	**(107.8)**	(80.5)
Services relating to gaming operations	**(83.4)**	(21.3)
Materials and services related to non-gaming revenue	**(78.0)**	(60.0)
Advisory and other professional services	**(74.0)**	(74.2)
IT, software and other operational services	**(40.9)**	(21.5)
Materials and consumables	**(21.5)**	(14.9)
Telecommunication services	**(17.1)**	(14.0)
Short-term, low value and variable lease expenses (see Note 25)	**(5.3)**	(4.9)
Other services	**(26.9)**	(18.5)

"Services relating to gaming operations" relates mainly to fees to electronic payment providers and commissions incurred by Stoiximan.

"Materials and services related to non-gaming revenue" relates mainly to "Mobile virtual network operator services" and "Mobile phone top-up services".

9. Marketing services

	2021	2020
Marketing services	**(215.3)**	**(124.9)**
Advertising	**(182.9)**	(103.7)
Sponsorship and donations	**(32.4)**	(21.2)

10. Personnel expenses

	2021	2020
Personnel expenses	**(309.4)**	**(223.2)**
Wages and salaries	**(235.7)**	(165.5)
State mandated social security and health insurance other than pensions	**(29.0)**	(18.4)
State mandated pensions – defined contribution plans	**(28.1)**	(21.1)
Other state mandated social expenses	**(5.0)**	(3.3)
Private retirement benefit expenses – defined benefit plans	**(1.3)**	(13.7)
Other long-term employee benefits expense	**(10.3)**	(1.2)

"State mandated pensions – defined contribution plans" comprises mandatory contributions to state pension funds required in certain jurisdictions in which the Group operates. The Group's legal and constructive obligation for these pension plans is limited to the contributions.

For a description of other non-current employee benefit liabilities and post-employment benefits under defined benefit and defined contribution plans see Note 29.

11. Other operating expenses

	2021	2020
Other operating expenses	**(80.5)**	(77.7)
Other taxes	**(23.9)**	(18.5)
Impairment of GGR contribution tax asset	**-**	(13.5)
Repair and maintenance	**(10.2)**	(7.2)
Write-offs and change in credit loss provisions for receivables	**(0.7)**	(7.2)
Financial support to agents	**(2.6)**	(5.2)
Other	**(43.1)**	(26.1)

"Impairment of GGR contribution tax assets" represents the impairment of tax assets relating to gaming taxes payable under 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.

Write-offs of receivables of €4.6 million (2020: €0.3 million) represent loss from the derecognition of financial assets measured at amortised cost in all periods. The Group recognised reversal of impairment of €2.6 million (2020: €0.2 million) (see Note 31.a).

"Financial support to agents" represents extraordinary financial support provided by OPAP S.A. in order to mitigate the financial impact of COVID-19 on its agents.

"Other" primarily comprises fees, travel expenses and insurance premium.

12. Restructuring costs and other gains and losses

In July 2020 CASAG's management announced a restructuring plan in relation to its Austrian casinos business with the aim of optimising corporate functions and inefficient cost structures. Development of the programme was driven by the need to redesign casino locations to address market size and demand patterns, as well as to reduce the high personnel costs for long-term employees resulting from legacy collective agreements.

As the restructuring plan was considered a significant one-off programme, the Group decided to present costs of an initial recognition of the "Restructuring liability" of €50.6 million on a separate line in the consolidated statement of total comprehensive income in 2020. See Note 29 for additional information about the restructuring liability and movements of 2021.

Other gains and losses comprise loss from sale of securities of €0.2 million (31 December 2020: gain of €8.0 million) and revaluation of fair value through profit or loss investments ("FVTPL") loss of €8.7 million (31 December 2020: gain of €0.9 million).

13. Finance costs, net

	2021	2020
Interest income	**2.9**	**2.2**
Interest expense	**(122.4)**	**(101.8)**
Interest expense on loans, bonds and other liabilities	**(117.4)**	(98.3)
Interest expense on leases	**(5.0)**	(3.5)
Other finance income and expense	**(7.6)**	**(16.0)**
Finance income from modification of loans	**-**	8.1
Foreign exchange gains/(losses)	**1.4**	1.0
Other finance income	**1.8**	1.5
Other finance expenses	**(10.8)**	(26.6)
Finance costs, net	**(127.1)**	**(115.6)**

In 2020, 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", losses from discounting of accrued receivable related to extension of concession (see Note 19) to present value, bank fees and certain exceptional items. For the year 2020, these exceptional items included a loss from the termination of interest rates hedges of €7.8 million in connection with the refinancing of a loan.

Notes to the consolidated financial statements continued

14. Taxes

Deferred tax assets and liabilities

	31/12/2021	31/12/2020
Deferred tax asset	**46.4**	63.6
Deferred tax liability	**446.7**	456.4
Deferred tax asset (+) / liability (-)	**(400.3)**	(392.8)

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 and deferred tax assets are recognised only to the extent that they are recoverable.

Change in deferred tax

The following tables show the change in deferred tax recognised in the consolidated statement of comprehensive income and other changes that affected deferred tax assets and liabilities:

	Balance at 01/01/2021	Changes in 2021			Balance at 31/12/2021
2021	Deferred tax liability (-) / asset (+)	Recognised in profit or loss	Recognised in OCI	Other changes	Deferred tax liability (-) / asset (+)
Deferred tax asset (+) / liability (-)	**(392.8)**	**(4.2)**	**(3.2)**	**(0.1)**	**(400.3)**
Tangible fixed assets	**(10.7)**	**(3.4)**	**–**	**(0.2)**	**(14.3)**
Intangible fixed assets	**(449.1)**	**21.5**	**–**	**(0.4)**	**(428.0)**
Financial assets	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Receivables	**1.5**	**(12.6)**	**–**	**0.2**	**(10.9)**
Liabilities	**37.0**	**2.1**	**(2.3)**	**0.1**	**36.9**
Liabilities arising from leases	**6.3**	**5.2**	**–**	**0.2**	**11.7**
Provisions	**6.5**	**(1.0)**	**–**	**0.1**	**5.6**
Tax losses carried forward	**16.5**	**(15.9)**	**–**	**–**	**0.6**
Hedging derivatives	**(0.8)**	**–**	**(0.9)**	**(0.1)**	**(1.8)**

	Balance at 01/01/2020	Changes in 2020				Balance at 31/12/2020
2020 (Restated)*	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**	**(226.9)**	**0.6**	**(392.8)**
Tangible fixed assets	(1.1)	(7.8)	–	(1.8)	–	(10.7)
Intangible fixed assets	(210.6)	(4.3)	–	(234.7)	0.5	(449.1)
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	7.7	0.8	11.4	–	37.0
Liabilities arising from leases	0.4	5.9	–	–	–	6.3
Provisions	3.6	5.6	–	(2.7)	–	6.5
Tax losses carried forward	0.1	16.1	–	0.3	–	16.5
Hedging derivatives	(2.1)	–	1.2	–	0.1	(0.8)

* See Note 1.h

Deferred tax assets from tax losses carried forward are recognised only to the extent that future taxable profits will utilise those losses. Future taxable profits are considered based on the five-year business plans prepared and approved by the Board of Directors of operating entities. Tax losses recognised in 2020 related mostly to Hellenic Lotteries S.A. and have been substantially utilised in 2021.

Deferred tax asset from other temporary differences is analysed for recoverability based on the existence of future taxable profit or potential with offsetting with deferred tax liabilities. The majority of deferred tax assets relate to temporary difference in liabilities in Hellenic Lotteries S.A. and Casinos Austria AG. Based on the expected timing of realisation and forecast of future taxable profits in these entities, the Group does not see any substantial recoverability risk for these deferred tax assets.

The Group has not recognised certain deferred tax assets, in accordance with accounting policy stated in Note 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:

	2021	2020
Tax losses carried forward for which deferred tax asset is not recognised	**176.0**	142.5
Total unrecognised deferred tax asset	**40.4**	34.3

These unrecognised tax losses expire as follows:

	2021	2020
Tax losses carried forward	**176.0**	142.5
Expiring in:		
1 year	**16.2**	17.7
2 years	**12.0**	15.5
3 years	**12.8**	16.3
4 years	**42.9**	15.5
5 years	**23.7**	16.1
Over 5 years	**5.7**	-
Unlimited	**62.7**	61.4

Tax losses carried forward for which a deferred tax asset is not recognised have arisen in subsidiaries that are loss-making for some time and where there is no evidence of recoverability in the near future according to five-year business plans or in start-up companies with high initial costs.

Income tax

	2021	2020
Income tax expense	**(130.3)**	(35.7)
Current income tax	**(126.1)**	(60.0)
Deferred income tax	**(4.2)**	24.3

Deferred tax is calculated using enacted or substantively enacted tax rates that are also expected to be applicable 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 2021 and adjustment to the tax estimate for 2020.

Notes to the consolidated financial statements continued

14. Taxes continued

Changes in corporate income tax by country/region

In Greece, the rate of corporate income tax and the rate used for calculation deferred tax reduced to 22.0% in 2021, while in the prior year income tax expense was calculated at applicable rate of 24.0%. The change is disclosed in "Effect of change in income tax rate".

There were no other significant changes in corporate income tax rates relevant for the Group in 2021.

There were no significant changes in corporate income tax rates relevant for the Group in 2020.

Reconciliation of effective tax rate

	2021	2020
Profit before tax	**577.8**	260.1
Tax at statutory income tax rate of the Company (19% in 2021 and 2020)	**109.8**	49.4
Tax effect of:		
Non-deductible expenses	**17.3**	22.7
Non-taxable income	**(6.9)**	(1.2)
Profit or loss of equity method investees	**(14.8)**	(16.3)
Different tax rate in companies within the Group	**29.0**	11.4
Gain from revaluation of equity method investee	**–**	(34.3)
Effect of change in income tax rate	**(13.7)**	-
Accumulated tax loss claimed in the current period	**(0.2)**	(1.2)
Unrecognised deferred tax assets relating to tax losses in the current period	**13.3**	7.4
Effect of tax relating to prior periods	**1.5**	(1.1)
Other	**(5.0)**	(1.1)
Actual income tax expense	**130.3**	35.7

"Non-deductible expenses" primarily comprises non-deductible interest, non-deductible operating costs and non-deductible foreign exchange losses on the Company level totalling to €11.2 million (31 December 2020: €11.5 million).

"Gain from revaluation of equity method investee" refers to the accounting gain created as part of the Stoiximan acquisition in 2020 (see Note 4.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 €176.0 million (31 December 2020: €142.5 million).

"Unrecognised deferred tax assets relating to tax losses in the current period" relates to current period tax losses, for which deferred tax assets were not recognised due to uncertainty about future recoverability.

15. Other comprehensive income/(loss) for the year

Items that are or may be reclassified to profit or loss	2021	2020
Change in currency translation reserve	**8.4**	12.9
Share of other comprehensive income of equity method investees	**1.5**	4.0
Remeasurement of hedging derivatives, before tax	**9.2**	(21.7)
Deferred tax	**(0.9)**	1.5
Remeasurement of hedging derivatives, net of tax	**8.3**	(20.2)
Net change in fair value of cash flow hedges transferred to profit or loss, before tax	**–**	1.5
Deferred tax	**–**	(0.3)
Net change in hedging derivatives reclassified to profit or loss, net of tax	**–**	1.2
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) – before tax	**6.9**	(9.5)
Actuarial gain/(loss) – deferred tax	**(2.3)**	0.8
Actuarial remeasurements of defined benefit liabilities, net of tax	**4.6**	(8.7)
Revaluation of equity instruments at FVOCI	**(3.7)**	(4.3)
Other comprehensive income/(loss) for the year, net of income tax	**19.1**	(15.1)

Analysis of other comprehensive income/(loss) for the year by individual category of equity

2021	Capital contributions and other reserves	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	Total equity*	Non-controlling interest	Total equity
Change in currency translation reserve	–	–	8.2	–	–	8.2	0.2	8.4
Share of other comprehensive income of equity method investees	0.9	–	–	–	–	0.9	0.6	1.5
Change in fair value of hedging derivatives, net of tax	–	–	–	7.8	–	7.8	0.5	8.3
Revaluation of equity instruments at FVOCI	–	(2.2)	–	–	–	(2.2)	(1.5)	(3.7)
Actuarial gain/(loss), net of tax	–	–	–	–	2.5	2.5	2.1	4.6
Total other comprehensive income/(loss) for year 2021	0.9	(2.2)	8.2	7.8	2.5	17.2	1.9	19.1

* Attributable to owners of the Company

Notes to the consolidated financial statements continued

15. Other comprehensive gain/(loss) for the year continued

2020	Capital contributions and other reserves	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	**Total equity***	Non-controlling interest	**Total equity**
Change in currency translation reserve	–	–	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 income/(loss) for year 2020	**3.9**	**(2.6)**	**14.1**	**(18.9)**	**(6.1)**	**(9.6)**	**(5.5)**	**(15.1)**

* Attributable to owners of the Company

16. Intangible assets and goodwill

2021	Note	Licences	Brands and trademarks	Customer relationships, customer contracts	Software	Intangible assets not yet available for use	Other intangible assets	Total intangible assets (excluding goodwill)	Goodwill	Total
Acquisition cost		**1,490.2**	**1,268.5**	**133.8**	**127.5**	**1.9**	**2.3**	**3,024.2**	**1,057.4**	**4,081.6**
Accumulated amortisation and impairment losses		**(286.3)**	**–**	**(7.5)**	**(69.4)**	**–**	**(1.0)**	**(364.2)**	**(21.6)**	**(385.8)**
Net book value at 01/01/2021		**1,203.9**	**1,268.5**	**126.3**	**58.1**	**1.9**	**1.3**	**2,660.0**	**1,035.8**	**3,695.8**
Additions		10.5	0.1	–	14.7	2.8	–	28.1	–	28.1
Disposals		–	–	–	(0.5)	(0.2)	–	(0.7)	–	(0.7)
Transfers		–	–	–	0.6	(0.6)	–	–	–	–
Amortisation expense		(96.3)	-	(24.2)	(22.6)	-	(0.1)	(143.2)	–	(143.2)
Impairment		(4.3)	–	–	(0.3)	–	–	(4.6)	–	(4.6)
Effect of currency translation		0.3	4.0	–	0.2	0.2	0.1	4.8	20.5	25.3
Net book value at 31/12/2021		**1,114.1**	**1,272.6**	**102.1**	**50.2**	**4.1**	**1.3**	**2,544.4**	**1,056.3**	**3,600.7**
Acquisition cost		**1,501.8**	**1,272.6**	**133.8**	**143.1**	**3.9**	**2.4**	**3,057.6**	**1,077.9**	**4,135.5**
Accumulated amortisation and impairment losses		**(387.7)**	**–**	**(31.7)**	**(92.9)**	**0.2**	**(1.1)**	**(513.2)**	**(21.6)**	**(534.8)**

The majority of additions to "Licences" are licences granting rights to operate online betting and other online games acquired by OPAP and Stoiximan. There are no individually material additions.

Following the operational challenges caused by the COVID-19 pandemic, there were indications that the Hellenic Lotteries 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 estimating its value in use based on projected cash flows discounted at a discount rate of 10.37%. The Group recognised an impairment of €4.3 million. Recoverable amount of the licence after the impairment is €64.3 million.

As of 31 December 2021, no ntangible assets were pledged as collateral for borrowings.

2020	Note	Licences	Brands and trademarks	Customer relationships, customer contracts	Software	Intangible assets not yet available for use	Other intangible assets	Total intangible assets (excluding goodwill)	Goodwill	Total
Acquisition cost		**1,216.7**	**798.0**	**8.0**	**107.6**	**0.9**	**2.4**	**2,133.6**	**622.1**	**2,755.7**
Accumulated amortisation and impairment losses		**(209.2)**	**-**	**(1.4)**	**(43.0)**	**-**	**(0.9)**	**(254.5)**	**(21.5)**	**(276.0)**
Net book value at 01/01/2020		**1,007.5**	**798.0**	**6.6**	**64.6**	**0.9**	**1.5**	**1,879.1**	**600.6**	**2,479.7**
Business combination	4	255.6	472.2	125.8	6.5	0.3	-	860.4	447.3	1,307.7
Additions		18.0	0.6	-	13.2	1.7	-	33.5	-	33.5
Disposals		-	-	-	-	-	-	-	-	-
Transfers		-	-	-	0.8	(1.0)	-	(0.2)	-	(0.2)
Amortisation expense		(72.2)	-	(6.1)	(22.0)	-	(0.1)	(100.4)	-	(100.4)
Impairment		(4.9)	-	-	(4.8)	-	-	(9.7)	-	(9.7)
Effect of currency translation		(0.1)	(2.3)	-	(0.2)	-	(0.1)	(2.7)	(12.1)	(14.8)
Net book value at 31/12/2020*		**1,203.9**	**1,268.5**	**126.3**	**58.1**	**1.9**	**1.3**	**2,660.0**	**1,035.8**	**3,695.8**
Acquisition cost		**1,490.2**	**1,268.5**	**133.8**	**127.5**	**1.9**	**2.3**	**3,024.2**	**1,057.4**	**4,081.6**
Accumulated amortisation and impairment losses		**(286.3)**	**-**	**(7.5)**	**(69.4)**	**-**	**(1.0)**	**(364.2)**	**(21.6)**	**(385.8)**

* See Note 1.h

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 Hellenic Lotteries 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 estimating its value in use based on projected cash flows discounted at a discount rate of 10.37%. The Group recognised an impairment of €4.3 million. Recoverable amount of the licence after the impairment is €64.3 million.

As of 31 December 2020, no intangible assets were pledged as collateral for borrowings.

16. Intangible assets and goodwill continued

(a) Licences

"Licences" 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 €438.7 million (31 December 2020: €472.4 million) with remaining amortisation period of 13 years.
- Licence to operate lottery games in Greece held by OPAP S.A. with a carrying amount of €328.1 million (31 December 2020: €365.6 million) with remaining amortisation period of 9 years.
- Licence to operate scratch card games in Greece held by Hellenic Lotteries S.A. with a carrying amount of €64.3 million (31 December 2020: €84.4 million) with remaining amortisation period of 4 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 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. Licence is annually tested for impairment trough the value in use method for Austrian lotteries CGU, see note (d) below.
- Vendor licence to operate gaming software purchased in 2020 held by SAZKA a.s. with a carrying amount of €15.9 million (31 December 2020 €16.6 million) and remaining amortisation period of 10 years.

(b) Brands and trademarks

	31/12/2021	31/12/2020
Austrian Lotteries	**296.8**	296.8
OPAP	**724.4**	724.4
Stoiximan	**175.4**	175.4
SAZKA	**76.0**	71.9
Total	**1,272.6**	**1,268.5**

The determination of the indefinite useful life of "Brands and trademarks" involves historical experience, marketing considerations and the nature of the industries in which the brand is operated. The brands and trademarks of Austrian Lotteries, OPAP, Stoiximan and SAZKA are all well established in their respective markets and have substantial market shares. All brands generate stable cash flows (see Note 5), where the Austrian Lotteries brand is the key brand in Austria, OPAP and Stoiximan brands are among the key brands in Greece and Cyprus and SAZKA is among the key brands in the 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

The table below shows allocation of carrying value of elements of goodwill into individual CGUs and to which operating segments those CGUs belong:

Goodwill allocated to CGU	Operating segment	**31/12/2021**	31/12/2020
Austrian Lotteries	Austria	**122.2**	122.2
OPAP*	Greece and Cyprus	**221.4**	221.4
Stoiximan	Greece and Cyprus	**325.0**	325.0
SAZKA	Czech Republic	**387.7**	367.2
Total		**1,056.3**	**1,035.8**

* OPAP CGU in the goodwill allocation context means OPAP excluding Stoiximan, as Stoiximan is a separate CGU.

(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. brands and trademarks, Austrian lotteries licence) for impairment annually as of 31 December.

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 (2020: 2%). Net royalties using a royalty rate of 5% (2020: 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 all years). 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 2021 and 31 December 2020. The Group's management also carried out a sensitivity analysis and determined than no reasonable change (relative change above 10%) 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 was estimated using either fair value less costs of disposal ("FVLCD") in the year 2020, or the value in use method during 2021.

Testing results as of 31 December 2021

The table below shows key inputs and results of the value in use analysis of CGUs to which goodwill is allocated:

Value in use testing in 2021	Pre-tax discount rate	Perpetuity growth rate	Revenue CAGR during 5-year forecast period	Recoverable amount of the CGU	Carrying value of the CGU
Austrian Lotteries	12.76%	2%	6.1%	>1,500	840.0
OPAP*	10.27%	2%	4.1%	>3,000	1,106.0
Stoiximan	14.57%	2%	6.4%	>800	675.8
SAZKA	10.80%	2%	6.6%	>1,000	267.0

* The OPAP CGU in the goodwill allocation context means OPAP excluding Stoiximan, as Stoiximan is a separate CGU.

The resulting recoverable amounts significantly exceeded the carrying amounts of the CGUs, therefore no impairment of the goodwill or other assets was recognised as a result of the testing as of 31 December 2021. The Group's management also carried out a sensitivity analysis and determined than no reasonable change (relative change above 10%) in the key assumptions would result in an impairment.

Testing results as of 31 December 2020

In 2020, FVLCD is the amount obtainable from the sale of a 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/CGU 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 the 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.

The resulting recoverable amounts significantly exceeded the carrying amounts of the CGUs, therefore no impairment of the goodwill or other assets was recognised as a result of the testing as of 31 December 2020 Group's management also carried out a sensitivity analysis and determined than no reasonable change (relative change above 10%) in the key assumptions would result in an impairment.

Notes to the consolidated financial statements continued

17. Property, plant and equipment ("PPE")

2021	Note	Land – owned	Buildings – owned	Buildings – right of use	Machinery and equipment – owned	Machinery and equipment – right of use	Tangible assets under construction	Other tangible assets	Total
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)**
Net book value at 01/01/2021		**24.9**	**180.1**	**109.4**	**107.2**	**7.7**	**4.5**	**29.5**	**463.3**
Additions		**–**	**7.9**	**31.9**	**12.1**	**1.4**	**1.2**	**3.7**	**58.2**
Transfers		**–**	**1.9**	**–**	**2.4**	**–**	**(4.3)**	**–**	**–**
Reclassification to investment property		**(2.6)**	**(13.2)**	**–**	**–**	**–**	**–**	**–**	**(15.8)**
Disposals		**(3.5)**	**(0.6)**	**(1.3)**	**(0.4)**	**(0.6)**	**(0.3)**	**(0.3)**	**(7.0)**
Depreciation expense		**–**	**(14.7)**	**(21.9)**	**(29.6)**	**(3.0)**	**–**	**(10.4)**	**(79.6)**
Impairment		**–**	**(9.7)**	**(2.1)**	**(0.2)**	**–**	**–**	**–**	**(12.0)**
Effect of currency translation		**0.1**	**0.8**	**1.4**	**0.7**	**0.1**	**–**	**0.1**	**3.2**
Modification of leasing		**–**	**–**	**1.4**	**–**	**(0.3)**	**–**	**–**	**1.1**
Net book value at 31/12/2021		**18.9**	**152.5**	**118.8**	**92.2**	**5.3**	**1.1**	**22.6**	**411.4**
Acquisition cost		**18.9**	**191.0**	**176.9**	**140.7**	**12.1**	**1.1**	**60.3**	**601.0**
Accumulated depreciation and impairment losses		**–**	**(38.5)**	**(58.1)**	**(48.5)**	**(6.8)**	**–**	**(37.7)**	**(189.6)**

The additions to "Buildings – right of use" mainly include lease of new office space in the Czech Republic. The duration of the lease is ten years, expiring in 2031. Other additions of PPE primarily comprise regular replacement of gaming and office equipment.

"Reclassification to investment property" relates to the former headquarters of SAZKA a.s. Due to the relocation to the new leased office space and keeping the building vacant with intention to lease out in future, the building was reclassified to "Investment property" as of 31 December 2021. The building and land that is being reclassified have the gross carrying value of €26.1 million and accumulated depreciation of €4.1 million. Impairment of €6.2 million was recorded to reduce the carrying value to the fair value of €15.8 million. The fair value is estimated by management and represents Level 3 in the fair value hierarchy. No material income has been generated or expenses incurred in connection with this investment property.

Following the operational challenges brought on by the COVID-19 pandemic, there were indications that the carrying value of the buildings owned by CASAG (part of the Austria operating segment) exceeds their recoverable amount and consequently management conducted an impairment test estimating their value in use based on projected cash flows discounted at a discount rate of 8.05%. The Group recognised an impairment of €3.5 million of "Buildings – owned". The recoverable amount after the impairment is €32.9 million.

Following the operational challenges brought on by the COVID-19 pandemic, there were indications that the carrying value of the gaming space in Zell am See and in Switzerland (part of Austria 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 a discount rate of 8.05%. The Group recognised an impairment of €2.1 million of "Buildings – right of use". The recoverable amount after the impairment is €16.0 million.

As of 31 December 2021, no PPE was pledged as collateral.

2020	Note	Land – owned	Buildings – owned	Buildings – right of use	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	4	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 comprise 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 right of use assets in of Horse Races Single-Member S.A. (formerly Horse Races S.A.) (part of the Greece and Cyprus operating segment) exceeded its recoverable amount and consequently management conducted an impairment test estimating its value in use based on projected cash flows discounted at a discount rate of 10.31%. The Group recognised an impairment of €14.1 million of "Buildings – right of use". The recoverable amount after the impairment was €13.8 million.

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 exceeded their recoverable amount and consequently management considered that an impairment test should be conducted. The Group recognised an impairment of €1.2 million. The recoverable amount after the impairment was nil.

As of 31 December 2020, no PPE was pledged as collateral.

For a description of material leases see Note 25.

18. Equity method investees

Equity method investees	Note	31/12/2021 Effective interest (%)	31/12/2021	31/12/2020 Effective interest (%)	31/12/2020
Total carrying value of equity method investees			**313.1**		343.2
Lottoltalia S.r.l.	(a)	**32.50%**	**201.1**	32.50%	229.5
Kaizen Gaming Limited	(b)	**14.84%**	**8.1**	13.27%	8.1
Equity method investees of CASAG (subtotal)	(c)		**103.9**		105.6
Reef Casino Trust		**25.07%**	**27.8**	25.12%	26.3
Casino Lugano S.A.		**17.17%**	**18.0**	17.20%	19.5
Casinos Austria International (Cairns) Pty Ltd.		**29.85%**	**18.8**	29.90%	18.9
Casino Copenhagen K/S		**29.85%**	**9.9**	29.90%	9.9
Casino Vesterport Copenhagen K/S		**29.85%**	**9.2**	29.90%	9.3
Casinos Austria International Mazedonia d.o.o.		**20.90%**	**16.1**	20.93%	15.2
Other individually insignificant		**-**	**4.1**	-	6.5

For the full list of the Group's joint ventures and associates see Note 33.

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 tests equity method investees annually for impairment as of 31 December. The recoverable amounts of the equity method investees were estimated using the value in use method based on discounted cash flow models.

The resulting recoverable amounts exceeded the carrying amount of the equity method investees, which led to the conclusion that no impairment of equity method investees had to be recognised as of 31 December 2021 and 31 December 2020.

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%. The table below shows selected financial information.

LottoItalia S.r.l.	For the year ended 31/12/2021	For the year ended 31/12/2020
Revenues from contract with customers	**500.1**	384.4
Licence fee amortisation	**(85.6)**	(85.6)
Profit from operating activities	**306.6**	208.6
Profit for the period	**227.9**	152.4
Total comprehensive income (100%)	**227.9**	152.4
Group's share of total comprehensive income	**74.1**	**49.5**
Dividends received by subsidiary of the Company	**49.5**	69.5
Reserve distribution received by subsidiary of the Company	**53.0**	7.6

LottoItalia S.r.l.	31/12/2021	31/12/2020
Non-current assets	**402.9**	505.1
Current assets	**266.7**	255.8
Non-current liabilities	**(0.3)**	-
Current liabilities	**(50.6)**	(54.6)
Net assets (100%)	**618.7**	706.3
Group's share (32.50%) = carrying amount of interest in associate	**201.1**	229.5
Carrying amount of interest in associate as of 1 January	**229.5**	257.1
Group's share of total comprehensive income	**74.1**	49.5
Dividends received by subsidiary of the Company	**(49.5)**	(69.5)
Reserve distributions received by subsidiary of the Company	**(53.0)**	(7.6)
Carrying amount of interest in associate as of 31 December	**201.1**	**229.5**

(b) Kaizen Gaming Limited ("Kaizen")

During 2020, Kaizen included two separate business units:

- Stoiximan (Greek and Cypriot business).
- Betano (international business).

On 18 November 2020, OPAP completed its acquisition of Stoiximan by increasing its economic interest in the business by an additional 15.48% to 84.49% and obtaining managerial control in the sense of IFRS 10. From that date, Stoiximan is fully consolidated (see Note 4.b).

From 31 December 2020, Kaizen represents the Group's interest in the Betano business (36.75% of voting rights, effective interest of 13.27%) and continues to be accounted for as an equity method investee.

During 2021 and 2020, there were no changes in the Group interest in the Betano business.

As of 31 December 2021, the Group's subsidiary OPAP holds a 36.75% investment in the Betano business, which from the Group perspective results in a 14.84% effective interest (31 December 2020: 13.27%).

Notes to the consolidated financial statements continued

18. Equity method investees continued

The following table shows the summary performance of Kaizen. In 2021 this includes only the Betano business; in 2020 it included Stoiximan for the period up to 18 November 2020, and Betano for the full year:

Kaizen Gaming Limited	2021	2020
Revenue from gaming activities ("GGR")	**183.8**	320.6
Profit for the period	**(0.4)**	36.9
Total comprehensive income (100%)	**(0.4)**	36.8
Group's share of total comprehensive income	**-**	18.1
Dividends received by subsidiary of the Company	**-**	6.8

The Group's share of total comprehensive income in 2020 did 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:

Kaizen Gaming Limited	2021	2020
Carrying amount of interest in associate as of 1 January	**8.1**	54.2
Share of profit of Kaizen	**-**	10.7
Share of profit of Stoiximan (2021: 36.75%, 2020: 51.00%)	**n/a**	7.4
Dividends received by subsidiary of the Company	**-**	(6.8)
Carrying amount of interest in associate Stoiximan as of 18/11/2020 transferring to purchase price allocation ("PPA") (see Note 4.b)	**n/a**	**(57.4)**
Carrying amount of interest in associate as of 31 December	**8.1**	**8.1**

(c) Equity method investees of CASAG

For the full list of CASAG's joint ventures and associates see Note 33.

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 under the symbol "RCT". As of 31 December 2021 the market value of CASAG's share equals to €41.8 million.

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.

The Group recognised a contingent liability of €0.3 million relating to joint ventures.

The following tables show the financial performance of significant equity method investees of CASAG:

2021	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.	25.07%	17.17%	29.85%	29.85%	29.85%	20.90%	
	For the period from 01/01/2021 to 31/12/2021						
Gaming revenues including ancillary revenues	17.0	29.5	48.3	16.7	2.7	32.9	
Other operating income	–	2.7	–	3.0	0.1	–	
Gaming taxes	–	(11.7)	(6.1)	(8.1)	(1.0)	(0.8)	
Other operating expenses	(4.6)	(22.8)	(39.6)	(10.6)	(1.3)	(22.9)	
Depreciation, amortisation and impairment losses	(3.0)	(3.1)	(0.3)	(1.0)	(0.6)	(1.0)	
Profit from operating activities	**9.4**	**(5.4)**	**2.3**	**–**	**(0.1)**	**8.2**	
Interest expense	(0.1)	–	(0.7)	–	(0.1)	–	
Income before tax	**9.3**	**(5.4)**	**1.6**	**–**	**(0.2)**	**8.2**	
Income tax	–	(0.1)	(0.6)	–	–	(0.6)	
Profit for the period	**9.3**	**(5.3)**	**1.0**	**–**	**(0.2)**	**7.6**	
Total comprehensive income (100%)	**10.5**	**(2.5)**	**1.0**	**–**	**(0.2)**	**7.4**	
Group's share of total comprehensive income	**3.9**	**(1.2)**	**0.5**	**–**	**(0.1)**	**2.6**	**0.8**
Dividends received by subsidiary of the Company	0.7	0.3	0.6	–	–	1.7	1.0

	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	
Non-current assets	59.3	26.0	10.8	10.9	3.8	9.2	
Current assets	7.6	16.2	8.7	2.8	1.3	14.2	
of which cash and cash equivalents	6.2	13.7	7.4	2.4	1.3	12.1	
Non-current liabilities	(3.2)	(1.4)	(9.6)	(4.1)	(0.9)	(0.6)	
of which financial liabilities (excluding trade payables)	(0.1)	–	(0.5)	–	–	–	
Current liabilities	1.8	(9.7)	(6.3)	(4.3)	(5.3)	(4.2)	
of which financial liabilities (excluding trade payables)	–	–	–	–	–	–	
Net assets (100%)	65.5	31.1	3.6	5.3	(1.1)	18.6	
CASAG's ownership	42.00%	28.76%	50.00%	50.00%	50.00%	35.00%	
Group's share	27.5	8.9	1.8	2.7	(0.6)	6.5	
Goodwill and carrying value licence right	0.3	9.1	17.0	7.2	9.8	11.9	
Retained earnings attributable to the majority shareholders	n/a	n/a	n/a	n/a	n/a	(2.3)	
Carrying amount of interest in associate/joint venture	**27.8**	**18.0**	**18.8**	**9.9**	**9.2**	**16.1**	**4.1**

Notes to the consolidated financial statements continued

18. Equity method investees continued

2020	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 to 31/12/2020						
Gaming revenues including ancillary revenues	–	20.1	21.2	12.0	0.3	13.6	
Other operating income	8.8	3.5	4.4	2.2	–	–	
Gaming taxes	(0.2)	(8.4)	(2.8)	(6.1)	(0.1)	(0.3)	
Other operating expenses	(1.8)	(12.2)	(21.6)	(6.6)	(1.0)	(9.6)	
Depreciation, amortisation and impairment losses	(1.5)	(1.6)	(0.1)	(0.6)	(0.1)	(0.5)	
Profit from operating activities	**5.3**	**1.4**	**1.1**	**0.9**	**(0.9)**	**3.2**	
Interest expense	(0.2)	–	(0.4)	(0.1)	(0.1)	–	
Income before tax	**5.1**	**1.4**	**0.7**	**0.8**	**(1.0)**	**3.2**	
Income tax	–	(0.2)	(0.2)	–	–	(0.3)	
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	
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 and carrying value licence right	0.3	9.1	17.0	7.2	9.8	11.9	
Retained earnings attributable to the majority shareholders	n/a	n/a	n/a	n/a	n/a	(1.2)	
Carrying amount of interest in associate/joint venture	**26.3**	**19.5**	**18.9**	**9.9**	**9.3**	**15.2**	**6.5**

	Reef Casino Trust	Casino Lugano S.A.	Casinos Austria International (Cairns) Pty Ltd.	Casino Copenhagen K/S	Casino Vesterport Copenhagen K/S	Casinos Austria International Mazedonia d.o.o.	Other individually insignificant	**Total**
CASAG's ownership	**42.00%**	**28.76%**	**50.00%**	**50.00%**	**50.00%**	**35.00%**	**n/m**	**n/m**
Carrying value of equity method investee as of 31/12/2020	**26.3**	**19.5**	**18.9**	**9.9**	**9.3**	**15.2**	**6.5**	**105.6**
Group's share of profit for the period	3.4	(2.0)	0.5	–	(0.1)	2.7	0.5	**5.0**
Group's share of other comprehensive income	0.5	0.8	–	–	–	(0.1)	0.3	**1.5**
Dividends received by subsidiary of the Company	(0.7)	(0.3)	(0.6)	–	–	(1.7)	(1.0)	**(4.3)**
Dividend received by the joint ventures	(1.7)	–	–	–	–	–	1.7	**–**
Reclassification to FVOCI	–	–	–	–	–	–	(4.0)	**(4.0)**
Carrying value of equity method investee as of 31/12/2021	**27.8**	**18.0**	**18.8**	**9.9**	**9.2**	**16.1**	**4.1**	**103.9**

	Reef Casino Trust	Casino Lugano S.A.	Casinos Austria International (Cairns) Pty Ltd.	Casino Copenhagen K/S	Casino Vesterport Copenhagen K/S	Casinos Austria International Mazedonia d.o.o.	Other individually insignificant	Total
CASAG's ownership	**42.00%**	**28.76%**	**50.00%**	**50.00%**	**50.00%**	**35.00%**	**n/m**	**n/m**
Carrying value of equity method investee as of 31/12/2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Business combination	23.4	20.4	18.8	9.5	9.8	15.3	23.4	**120.6**
Group's share of profit for the period	2.1	0.3	0.3	0.4	(0.5)	1.0	(0.4)	**3.2**
Group's share of other comprehensive income	0.8	(0.3)	–	–	–	–	(0.4)	**0.1**
Dividends received by subsidiary of the Company	–	(0.9)	(0.2)	–	–	(1.1)	(0.7)	**(2.9)**
Capital injection	–	–	–	–	–	–	0.8	**0.8**
Reclassification to FVOCI	–	–	–	–	–	–	(16.2)	**(16.2)**
Carrying value of equity method investee as of 31/12/2020	**26.3**	**19.5**	**18.9**	**9.9**	**9.3**	**15.2**	**6.5**	**105.6**

Based on the provisions of a change of control clause, the Group reclassified in 2020 its investment in Grand Casino Kursaal Bern AG from the equity method investee to non-current "Financial assets at fair value through other comprehensive income ("FVOCI"). The investment is categorised as Level 3 in the fair value hierarchy.

Notes to the consolidated financial statements continued

19. Trade and other receivables

"Non-current trade and other receivables" comprises advances and deposits provided that are due more than 12 months after the reporting date.

	31/12/2021	31/12/2020
Non-current trade and other receivables	**76.1**	**58.1**
Non-current receivables – financial	***8.3***	***12.9***
Receivables from agents	**2.1**	7.2
Loans provided	**2.4**	3.1
Other receivables – financial	**3.8**	2.6
Non-current receivables – other	***67.8***	***45.2***
Accrued receivable related to extension of concession	**49.8**	22.7
Prepaid services from VLT vendors	**16.1**	19.6
Advances for pension benefits	**0.2**	0.2
Other receivables	**1.7**	2.7

"Accrued receivable related to extension of concession" represents the present value of additional consideration relating to the 10-year extension of OPAP's lottery and betting concession. Each year up to the expiration of the extension (October 2030) additional consideration due will be calculated based on the concession agreement, which will result into an additional payment to or receipt from the Greek State. The additional payment or refund is due in a lump sum in 2030 (see Note 3.f iii.).

	31/12/2021	31/12/2020
Current trade and other receivables	**279.5**	**224.9**
Current receivables – financial	***237.4***	***177.7***
Receivables from agents	**142.4**	129.8
Trade receivables	**23.0**	9.8
Receivable from arbitration	**15.9**	-
Loans provided	**3.9**	4.7
Other receivables – financial	**52.2**	33.4
Current receivables – other	***42.1***	***47.2***
Receivables from VAT and other taxes	**7.5**	14.3
Prepaid expenses	**29.3**	25.4
Prepaid services from VLT vendors	**3.4**	3.4
Other receivables	**1.9**	4.1

"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 receivable from the agent to the Group's bank accounts. These deposits are recognised in "Guarantee deposits from lottery agents" (see Note 26). The Group also uses direct debit to transfer money from agents' bank accounts to the Group's bank accounts.

"Receivables from arbitration" represents the fair value of the compensation awarded to Casinos Austria International Holding GmbH Limited (see Note 7).

Current "Prepaid expenses" mainly comprise prepayments made to football clubs for advertising and sponsorship services, prepaid consultancy fees and prepaid software licence and maintenance fees.

Current "Trade receivables" comprise mainly trade receivables related to non-gaming activities of €21.4 million (31 December 2020: €5.0 million).

The disclosures for expected credit losses of "Trade and other receivables" are presented in Note 31.a.

20. Other financial assets

	31/12/2021	31/12/2020
Other non-current financial assets	**191.7**	**199.6**
Financial assets at fair value through profit or loss ("FVTPL")	**172.0**	180.3
Financial assets at fair value through other comprehensive income ("FVOCI")	**12.2**	11.9
Restricted cash	**7.5**	7.4

Non-current "Financial assets at fair value through profit or loss ("FVTPL") primarily comprise CASAG's investments in externally managed funds of €168.5 million. The investments are categorised to Level 2 in the fair value hierarchy and valued based on the net asset value of the fund.

	31/12/2021	31/12/2020
Non-current financial assets at fair value through profit or loss ("FVTPL")	**172.0**	**180.3**
Managed by Raiffeisen Capital Management	**32.4**	31.6
Managed by Erste Asset Management	**30.0**	30.4
Managed by Amundi, Fund 1	**33.0**	33.7
Managed by Amundi, Fund 2	**20.0**	20.2
Managed by Amundi, Fund 3	**16.7**	16.7
Managed by Bankhaus Schelhammer Schattera	**36.1**	36.1
Other	**3.8**	11.6

Non-current "Financial assets at fair value through other comprehensive income ("FVOCI")" comprises investment in equity securities categorised to 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.

	31/12/2021	31/12/2020
Other current financial assets	**123.6**	**43.3**
Financial assets at fair value through profit or loss ("FVTPL")	**120.0**	38.6
Fixed-term deposits (over 90 days)	**3.6**	4.6
Restricted cash	**-**	0.1
Receivables under a cash pooling agreement	**-**	-

Current "Financial assets at fair value through profit or loss ("FVTPL") mainly represents deposits in money market funds, of which €29.5 million are related to Austrian Lotteries' participation in the game "EuroMillions". The investments are categorised to Level 1 in the fair value hierarchy.

Current "Restricted cash" represents cash reserved and restricted for payment of interest which will be incurred and paid in the next 12 months on certain debt facilities.

The disclosures for fair value hierarchy of "Other financial assets" are presented in Note 31.f.

Notes to the consolidated financial statements continued

20. Other financial assets continued

Restricted cash movements are follows:

Balance at 1/1/2020	**11.0**
Cash flows	
Change in balances of restricted cash accounts	(8.7)
Non-cash changes	
Business combinations	5.3
Effect of currency translation	(0.1)
Balance at 31/12/2020	**7.5**
Balance at 1/1/2021	**7.5**
Cash flows	
Change in balances of restricted cash accounts	(0.1)
Non-cash changes	
Effect of currency translation	0.1
Balance at 31/12/2021	**7.5**

21. Cash and cash equivalents

	31/12/2021	31/12/2020
Cash and cash equivalents	**1,281.0**	**872.2**
Bank accounts	**572.7**	549.6
Fixed-term deposits	**669.1**	300.6
Cash in hand	**39.2**	22.0

Two SAZKA Group a.s. bank accounts were pledged as a collateral for borrowings. The balance on the pledged accounts was €3.0 million as of 31 December 2021 (€nil million as of 31 December 2020).

22. Equity

Share capital

The Company's share capital as of 31 December 2021 comprises 30 authorised and outstanding ordinary shares in certificated form with a nominal value of CZK 100 thousand per share. The share capital is fully paid up. All shares have the same rights and no restrictions.

Each share represents one voting right.

Rights attached to the shares at the end of each reporting period were as follows:

- the right to share in the profit, if the share of the profit is to be distributed among the shareholders, and the right to share in net assets in the event of liquidation;
- the right to attend the General Meeting and to cast a vote at the General Meeting;
- the right to submit proposals and counter-proposals on matters included on the agenda of the General Meeting;
- the right to invoke the invalidity of a resolution of the General Meeting;
- the right to request the Board of Directors to issue a copy of the minutes of the General Meeting.

All ordinary shares rank equally with regard to rights to share the Company's profits and residual net assets in the event of liquidation.

On 17 September 2021, by a decision of the sole shareholder, the Company issued 10 new ordinary shares, which have been fully paid the sole shareholder.

The Company does not own any treasury shares and no shares in the Company are owned by any other entity in the Group.

Capital contributions and other reserves

Capital contributions represents distributable capital funds of the Company and other reserves from share of other comprehensive income of equity method investees.

On 26 July 2021, the Company received a cash contribution of €75.0 million to other capital funds from its sole shareholder (see Note 32).

Revaluation reserve

Revaluation reserve represents accumulated fair value revaluation of investments through other comprehensive income.

Currency translation reserve

Currency translation reserve represents accumulated translation of the financial statements of subsidiaries whose functional currency of subsidiary is not Euro (€) to the presentation currency Euro (€).

Hedging reserve

Hedging reserve represents the accumulated effect of revaluation of cash flow hedging derivatives to fair value.

Distribution and dividends to parent

In November – December 2020, the Company paid a dividend in the amount of €150.0 million in three tranches.

23. Non-controlling interests ("NCI")

For the period ended 31 December 2021

As of 31 December 2021 the Group held a 40.37% effective interest in OPAP and a 34.11% effective interest in OPAP's subsidiary Stoiximan, creating a 59.63% non-controlling interest in the net assets of OPAP and a 65.89% non-controlling interest in the net assets of Stoiximan. The table below presents NCI in the net assets of Stoiximan and separately the NCI in the remaining net assets of OPAP.

The Group recognised individually immaterial non-controlling interests from OPAP's shareholdings in Hellenic Lotteries S.A. (NCI of 16.50%) and Neurosoft S.A. (NCI of 32.28%).

Additionally, the Group recognised a 20.77% non-controlling interest 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 2021, the Group held a 59.70% effective interest in CASAG and a 53.52% effective interest in CASAG's subsidiary Austrian Lotteries, creating a 40.30% non-controlling interest in the net assets of CASAG and a 46.48% non-controlling interest in the net assets of Austrian Lotteries. 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 Betriebsgesellschaft mbH (NCI of 11%).

A reconciliation of non-controlling interest is presented in the tables below:

31/12/2021	Austrian Lotteries	CASAG subgroup (excl. Austrian Lotteries)	Stoiximan	OPAP subgroup (exl. Stoiximan	SAZKA Delta (excl. OPAP and Stoiximan	Others (individually immaterial)	Total
Non-controlling interest percentage	46.48%	40.30%	65.89%	59.63%	20.77%	-	
Non-current assets	784.2	363.4	250.7	2,166.8	-	-	
Current assets	292.7	215.8	101.6	905.9	14.3	-	
Non-current liabilities	(59.5)	(403.0)	(88.1)	(1,252.9)	(2.3)	-	
Current liabilities	(411.2)	(46.4)	(58.3)	(513.0)	(186.9)	-	
Net assets	606.2	129.8	205.9	1,306.8	(174.9)	-	
Subgroup's non-controlling interest	8.6	7.8	-	6.6	-	-	
Net assets attributable to the Group	597.6	122.0	205.9	1,300.2	(174.9)	-	
Non-controlling interest calculation	**277.8**	**49.2**	**135.7**	**775.3**	**(36.3)**	**0.3**	
Subgroup's non-controlling interest entering consolidation	8.6	7.8	-	6.6	-	-	
Carrying amount of non-controlling interest	**286.4**	**57.0**	**135.7**	**781.9**	**(36.3)**	**0.3**	**1,225.0**

2021	Austrian Lotteries	CASAG subgroup (excl. Austrian Lotteries)	Stoiximan	OPAP subgroup (exl. Stoiximan)	SAZKA Delta (excl. OPAP)	Total
Non-controlling interest percentage	46.48%	40.30%	65.89%	59.63%	20.77%	
Revenue from gaming activities ("GGR")	923.3	215.8	345.4	1,164.1	-	
Profit/(loss) for the year	107.5	8.3	39.0	243.6	7.4	
Other comprehensive income	3.5	(0.8)	-	1.0	(0.5)	
Total comprehensive income	111.0	7.5	39.0	244.6	6.9	
Profit allocated to non-controlling interest	**50.0**	**3.4**	**27.1**	**149.8**[(2)]	**1.2**[(2)]	
OCI allocated to non-controlling interest	**1.6**	**(0.3)**	**-**	**0.6**[(2)]	**(0.1)**	
Share of profit of subgroup's non-controlling interest entering consolidation	2.5	0.6	-	(4.6)	-	
Share of other comprehensive income of sub-group's non-controlling interest entering consolidation	-	0.1	-	-	-	
Total comprehensive income attributable to non-controlling interest	**54.1**	**3.8**	**27.1**	**145.8**	**1.1**	**231.9**
Net cash from operating activities	101.9	70.1	46.6	446.8	(4.4)	
Net cash from investing activities	(18.0)	(77.3)	(5.0)	(34.1)	20.5	
Net cash from financing activities	(66.7)	(3.7)	(26.3)	(74.5)	(7.4)	
Net inflow (+) / outflow (-) of cash and cash equivalents for the year	17.2	(10.9)	15.3	338.2	**8.7**	**368.5**
Dividends declared to NCI[(1)]	16.5	-	4.1	120.0	**4.6**	**145.2**

(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 (see Note 2.3). In the consolidated statement of changes in equity, the row "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 was €145.2 million including withholding tax, consisting of dividend paid to non-controlling interest of €145.0 million (of which €110.8 million was paid in cash and €34.2 million was settled by issuance of new OPAP S.A. shares) and unpaid dividend to non-controlling interest of €0.2 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 the period ended 31 December 2020

As of 31 December 2020, the Group held a 36.10% effective 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% effective interest in CASAG and a 53.60% effective 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 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 Betriebsgesellschaft mbH (NCI of 11%).

Notes to the consolidated financial statements continued

23. Non-controlling interests ("NCI") continued

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 (excl. OPAP)	Total
Non-controlling interest percentage	46.40%	40.20%	63.90%	21.36%	
Non-current assets	835.1	384.0	2,529.0	-	
Current assets	170.1	235.6	629.1	5.7	
Non-current liabilities	(66.6)	(461.6)	(1,462.7)	(186.4)	
Current liabilities	(375.4)	(81.2)	(365.7)	(4.8)	
Net assets	563.2	76.8	1,329.7	(185.5)	
Subgroup's non-controlling interest	3.7	9.3	41.2	-	
Net assets attributable to the Group	559.5	67.5	1,288.5	(185.5)	
Non-controlling interest calculation	**259.6**	**27.2**	**823.4**	**(39.6)**	
Subgroup's non-controlling interest entering consolidation	3.7	9.3	41.2	-	
Carrying amount of non-controlling interest	**263.3**	**36.5**	**864.6**	**(39.6)**	**1,124.8**

* See Note 1.h

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%	
Revenue from gaming activities ("GGR")	451.8	121.3	1,129.7	-	
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)	-	
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	
Net cash from 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) 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 (see Note 2.3). In the consolidated statement of changes in equity, the row "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 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.

24. Loans and borrowings

	31/12/2021	31/12/2020
Non-current loans and borrowings	**2,259.5**	**2,533.3**
Bank loans	**1,230.7**	1,321.7
Bonds	**1,028.8**	1,211.6

	31/12/2021	31/12/2020
Current loans and borrowings	**433.4**	**129.0**
Short-term bonds	**199.4**	10.3
Current portion of long-term bank loans including accrued interest	**171.0**	99.3
Short-term bank loans and borrowings	**50.8**	0.5
Accrued interest on bonds	**10.0**	18.6
Overdrafts	**2.2**	0.3

Reconciliation of movements of short-term and long-term loans and borrowings to cash flow:

	2021	2020
Balance at 1 January	**2,662.3**	**2,351.9**
Cash flows		
Loans and borrowings received	**572.9**	1,424.9
Repayment of loans and borrowings	**(564.9)**	(1,286.6)
Accrued interest for previous year paid*	**(12.9)**	(10.8)
Non-cash changes		
Business combinations	**-**	184.1
Accrued unpaid interest	**15.0**	12.1
Non-cash settlement	**9.3**	(0.9)
Effect of FX differences	**11.2**	(12.4)
Balance at 31 December	**2,692.9**	**2,662.3**

* Included in "Interest paid" in "Net cash generated from operating activities".

For the reconciliation of movements of "Lease liabilities" to cash flows see Note 25.

Notes to the consolidated financial statements continued

24. Loans and borrowings continued

Debt instruments

Borrower/Issuer	Note	Currency	Principal amount in millions of EUR 31/12/2021	Maturity	Interest rate	Book value 31/12/2021	Book value 31/12/2020
Loans and borrowings						1,452.5	1,421.5
Casinos Austria (Swiss) AG		CHF	1.7	2024	Fixed	1.7	1.6
Casinos Austria (Swiss) AG		CHF	0.5	2021	Fixed	0.5	0.5
Casinos Austria AG		EUR	150.0	2026	EURIBOR + margin*	121.0	132.2
Hellenic Lotteries S.A.	(a)	EUR	-	2023	Fixed	-	50.2
Hellenic Lotteries S.A.	(b)	EUR	50.0	2024	EURIBOR + margin*	50.0	-
Neurosoft S.A.		EUR	0.4	2025	EURIBOR + margin*	0.4	0.5
OPAP S.A.	(c)	EUR	-	2024	EURIBOR + margin*	-	298.3
OPAP S.A.		EUR	250.0	2023	Fixed	248.6	247.2
OPAP S.A.		EUR	100.0	2023	EURIBOR + margin*	97.8	96.6
OPAP S.A.		EUR	50.0	2022	EURIBOR + margin*	50.3	50.2
OPAP S.A.	(d)	EUR	100.0	2024	EURIBOR + margin*	99.4	-
OPAP S.A.	(e)	EUR	-	2024	Fixed	-	100.6
OPAP S.A.	(f)	EUR	300.0	2027	Fixed	300.3	-
SAZKA Group Financing (Czech Republic) a.s.	(g)	EUR	485.0	2024	EURIBOR + margin*	482.5	443.6

Borrower/Issuer	Note	Currency	Principal amount in millions of EUR 31/12/2021	Maturity	Coupon	Book value 31/12/2021	Book value 31/12/2020
Bonds						**1,238.2**	**1,240.5**
Casinos Austria International Holding GmbH	(h)	EUR	-	2021	4.75 %	-	18.6
OPAP S.A.		EUR	200.0	2027	2.10 %	197.6	197.1
SAZKA Group a.s. – CZK 6bn		CZK	241.4	2024	5.20 %	242.1	228.4
SAZKA Group a.s. – EUR 300m		EUR	300.0	2027	3.88 %	300.4	299.8
SAZKA Group a.s. – EUR 300m		EUR	300.0	2024	4.13 %	298.7	298.1
SAZKA Group Financing a.s. – EUR 200m		EUR	200.0	2022	4.00 %	199.4	198.5
Other						**2.2**	**0.3**
Total						**2,692.9**	**2,662.3**

* Margin applicable to the outstanding loans and borrowings as of 31 December 2021 was in the range of 1.3 % – 6.0 % p.a.

(a) On 1 November 2021, Hellenic Lotteries S.A. fully repaid this loan.
(b) On 27 October 2021, Hellenic Lotteries S.A. signed a bank loan of €50.0 million.
(c) On 11 November 2021, OPAP S.A. fully repaid this loan.
(d) On 29 September 2021, OPAP S.A. drew a bank loan of €100.0 million.
(e) On 29 September 2021, OPAP S.A. fully repaid this loan.
(f) On 27 October 2021, OPAP S.A. drew a bank loan of €300.0 million.
(g) In July 2021, SAZKA Group Financing (Czech Republic) a.s. made a scheduled amortisation of principal of €55.0 million. During the twelve months ended 31 December 2021 SAZKA Group Financing (Czech Republic) a.s. drew €120.0 million and repaid €30.0 million under its revolving credit facility ("RCF"). The drawn balance of the RCF as of 31 December 2021 was €100.0 million and the remaining available capacity was €100.0 million.
(h) On 24 November 2021, Casinos Austria International Holding GmbH fully repaid this bond.

The Group's bank loans and bonds have certain financial covenants, including covenants based on the financial results of the consolidation group of the Company. Violation of these covenants can lead to immediate maturity of the debt. During the reporting period no breaches of covenants have occurred.

Collaterals and pledges

The following bonds and borrowings are collateralised pari passu:

- Bonds issued on 12 December 2017 by SAZKA Group Financing a.s. of €200 million with maturity on 8 December 2022.
- Bonds issued on 23 September 2019 by SAZKA Group a.s. of CZK 6,000 million (equivalent to €241.4 million) with maturity on 23 September 2024.
- Bonds issued on 15 November 2019 by SAZKA Group a.s. €300 million with maturity on 15 November 2024.
- Bonds issued on 5 February 2020 by SAZKA Group a.s. €300 million with maturity on 15 February 2027.
- Bank loans drawn on 16 December 2020 by SAZKA Group Financing (Czech Republic) a.s. of €450 million (with additional capacity up to €640 million) with 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) SAZKA Austrian Gaming Holding a.s. (formerly 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) from intragroup loans provided to SAZKA a.s., Italian Gaming Holding a.s. and CAME Holding GmbH; (iii) 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 substantially all of the Group's assets presented on the consolidated statement of financial position.

On 21 December 2020 SAZKA a.s. fully repaid a third-party loan. The related pledge agreement was terminated in December 2020.

Notes to the consolidated financial statements continued

25. Leases

This Note provides information for leases where the Group is lessee. For the amounts recognised as a right of use asset see Note 17.

	2021	2020
Lease liability balance as of 1 January	**143.7**	**68.2**
Business combinations	**–**	93.9
Payment of lease liability principle amount	**(22.7)**	(13.8)
New lease contracts and contract modifications	**26.5**	(4.2)
Effect of currency translation	**1.5**	(0.4)
Lease liability balance as of 31 December	**149.0**	**143.7**
Interest expense from leases that was paid (see Note 13)	**(5.0)**	**(3.5)**
Expense relating to short-term leases	**(1.2)**	(1.1)
Expense relating to leases of low-value assets	**(0.8)**	(1.6)
Expense relating to variable lease payments	**(3.3)**	(2.2)
Total expenses relating to leases not recognised as right of use assets according to practical expedients	**(5.3)**	**(4.9)**
Total cash outflow related to leases	**(33.0)**	**(22.2)**

"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 "Short-term, low-value and variable lease expenses" (see Note 8).

For the reconciliation of movements of "Loans and borrowings" to cash flows see Note 24.

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 the Austrian casinos is €32.5 million.

Lease payments for the Group's Austrian gaming halls are in general fixed. The net book value of lease liability of the Austrian gaming halls is €7.3 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 €18.7 million (31 December 2020: €22.7 million).

Lease payments for newly leased office space based in Czech Republic are in general adjusted according to the consumer price index. The net book value of the office space is €25.1 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 €12.9 million (31 December 2020: €13.8 million).

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 €44.8 million over the respective lease periods.

Income from leases

The Group leases out certain non-residential premises and movable assets. In 2021 the Group recognised income from leases of €4.1 million (2020: €4.3 million), which represents operating leases of assets currently not used by the Group; see Note 7.

	2021	2020
Income from leases in future periods	**16.9**	**10.5**
1 year	**5.3**	3.6
2 years	**3.9**	2.4
3 years	**2.4**	2.2
4 years	**1.8**	0.7
5 years	**1.8**	0.5
More than 5 years	**1.7**	1.1

The table below shows the carrying value of assets leased by the Group to counterparties as of 31 December:

	2021	2020
Carrying value	**38.7**	**24.3**
Buildings – right of use	**20.9**	22.7
Investment property	**17.8**	1.6

There were no significant acquisitions or disposals of Buildings – Right of use in 2021 and 2020. For information about the addition to Investment property refer to Note 17.

26. Trade and other payables

	31/12/2021	31/12/2020
Non-current trade and other payables	**42.2**	**134.4**
Non-current payables – financial	***39.7***	***132.3***
Gaming payables	***18.6***	***15.3***
Liabilities arising from unpaid winnings	**18.6**	15.3
Acquisition related payables	***2.3***	***100.5***
Contingent consideration for the purchase of interest in Stoiximan (see Note 4.b)	**-**	95.9
Deferred consideration for the purchase of interest in OPAP	**2.3**	4.6
Other	***18.8***	***16.5***
Deferred purchase price for intangible assets	**15.1**	15.6
Other payables	**3.7**	0.9
Non-current payables – other	***2.5***	***2.1***
Other	***2.5***	***2.1***
Deferred revenue	**2.5**	2.1

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. The licence will be repaid in monthly instalments until 2031.

Notes to the consolidated financial statements continued

26. Trade and other payables continued

	31/12/2021	31/12/2020
Current trade and other payables	**876.9**	**745.2**
Current payables – financial	***620.2***	***539.7***
Gaming payables	***312.2***	***296.7***
Liabilities arising from unpaid winnings	**246.0**	241.3
Players' deposits	**37.2**	29.0
Guarantee deposits from lottery agents	**29.0**	26.4
Trade payables	***132.8***	***102.8***
Trade payables to suppliers	***132.8***	102.8
Acquisition related payables	**120.7**	***63.1***
Contingent consideration for the purchase of interest in Stoiximan (see Note 4.b)	**114.3**	32.4
Purchase price for additional interest in CASAG (Note 4.a)	**-**	24.3
Contingent consideration for the purchase of interest in CASAG (Note 4.a)	**3.4**	3.4
Deferred consideration for the purchase of interest in OPAP	**3.0**	3.0
Other	***54.5***	***77.1***
Dividend declared to NCI	**0.2**	-
Vouchers	**20.7**	21.4
Deferred purchase price for intangible assets	**1.4**	1.2
Other payables	**32.2**	54.5
Current payables – other	***256.7***	***205.5***
Gaming payables	***17.7***	***18.4***
Prepaid stakes	**17.7**	18.4
Trade payables	***3.0***	2.7
Contract liabilities	**2.2**	2.2
Deferred revenues	**0.8**	0.5
Other	***236.0***	***184.4***
Gaming tax liabilities	**133.7**	118.8
Gaming tax liabilities – minimum contribution of Hellenic Lotteries S.A.	**62.8**	37.7
Payables to state (social and health insurance liabilities, other taxes)	**39.5**	27.9

Reconciliation of movements in contingent consideration for the purchase of interest in Stoiximan is as follows:

Contingent consideration for the purchase of interest in Stoiximan as of 31/12/2020	**128.3**
Payment in current period	(19.0)
Unwinding of discount recognised in interest expense	2.8
Change in fair value recognised in other operating expense	2.2
Contingent consideration for the purchase of interest in Stoiximan as of 31/12/2021	**114.3**

"Dividends declared to NCI" comprises dividends attributable to non-controlling interest (see Note 23).

"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 amount staked less prizes paid.

"Gaming tax liabilities – minimum contribution of Hellenic Lotteries S.A." represents the difference between the gaming taxes payable on Hellenic Lotteries S.A.'s applicable GGR and the minimum annual amount of €50.0 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 30).

The table below analyses trade and other payables according to their relationship to cash flows:

	31/12/2021	31/12/2020
Relates to operating cash flow (working capital)	**801.2**	722.9
Relates to investing cash flow	**114.3**	128.3
Relates to financing cash flow	**3.6**	28.4

As of 31 December 2021 and 31 December 2020 "Trade and other payables" were not secured.

27. Provisions

Provisions	Note	Litigation provision	Provision for jackpots and scratch cards	Other provisions	Total
Balance at 01/01/2020		**8.1**	**8.2**	**0.4**	**16.7**
Business combination	4	3.3	–	11.8	15.1
Additions		7.4	10.4	0.9	18.7
Utilisation		(3.8)	(7.8)	(1.3)	(12.9)
Release		(0.6)	–	(4.5)	(5.1)
Effect of currency translation		–	(0.2)	–	(0.2)
Balance at 31/12/2020 (Restated)*		**14.4**	**10.6**	**7.3**	**32.3**
Balance at 01/01/2021		**14.4**	**10.6**	**7.3**	**32.3**
Additions		1.3	15.2	6.4	22.9
Utilisation		(0.9)	(10.7)	(3.4)	(15.0)
Release		(1.2)	–	(2.1)	(3.3)
Effect of currency translation		–	0.7	–	0.7
Balance at 31/12/2021*		**13.6**	**15.8**	**8.2**	**37.6**

* See Note 1.h

Provisions	Note	Litigation provision	Provision for jackpots and scratch cards	Other provisions	Total
thereof:					
Non-current provisions		9.8	–	1.1	10.9
Current provisions		4.6	10.6	6.2	21.4
Balance at 31/12/2020		**14.4**	**10.6**	**7.3**	**32.3**
thereof:					
Non-current provisions		9.2	–	1.0	10.2
Current provisions		4.4	15.8	7.2	27.4
Balance at 31/12/2021		**13.6**	**15.8**	**8.2**	**37.6**

"Litigation provision" includes a €6.0 million (31 December 2020: €5.5 million) provision related to a former agent's claim against OPAP (see Note 30). The remaining portion comprises provisions for other individually immaterial litigations and related legal fees.

Notes to the consolidated financial statements continued

28. 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 fair values of derivative financial instruments:

	Fair value at 31/12/2021		Fair value at 31/12/2020	
	Hedging derivatives	Other derivatives	Hedging derivatives	Other derivatives
Derivative assets	**-**	**-**	**7.9**	**-**
Non-current	**-**	**-**	-	-
Current	**-**	**-**	7.9	-
Derivative liabilities	**1.5**	**-**	**2.7**	**1.1**
Non-current	**1.5**	**-**	2.7	-
Current	**-**	**-**	-	1.1

All financial derivatives at fair value as of 31 December 2021 and 31 December 2020 were categorised to Level 2 in the fair value hierarchy. For valuation techniques see Note 31.f.

Hedging derivatives

The Group held the following hedging derivatives (assets presented as positive/liabilities presented as negative amount):

Hedging derivatives	Due date	Direction	Fixed rate	Notional value as of 31/12/2021	Average fixed rate as of 31/12/2021	Fair value as of 31/12/2021
Interest rate swaps	2023	-	3M EURIBOR	100.0	0.365	(1.5)
Total hedging derivatives				**-**	**-**	**(1.5)**

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	-	230.0	27.16	7.8
CZK/EUR forward and swaps*	2021	Buy EUR	-	20.0	26.16	0.1
Total hedging derivatives				**-**	**-**	**5.2**

* FX forwards represent hedging instruments under a net investment hedge.

During first quarter of the year 2021, the Group cash settled its outstanding CZK/EUR forwards and swaps. As a result a gain from revaluation of €3.7 million was recorded through other comprehensive income (in addition to a gain of €7.9 million already recorded as of 31 December 2020).

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 interest payments under loan agreements in which interest payments are based on floating rates (EURIBOR). IRS are used to swap these variable rates for fixed rates. Hedge accounting criteria were fulfilled as of 31 December 2021 and 31 December 2020, 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 2021 of €100.0 million (31 December 2020: €100.0 million) with maturity in 2023. The Group applies a Dollar offset method to measure the effectiveness of the hedge relationship. The Group did not recognise any hedge ineffectiveness arising from these IRS cash flow hedges in 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.

As of 31 December 2020 and until 31 March 2021, the non-derivative financial liability designated as a net investment hedge was a Eurobond issued by the Company with the maturity in 2024, a portion of a Eurobond issued by the Company with the maturity in 2027, and a portion of a bond issued by SAZKA Group Financing a.s. with maturity in 2022. The hedging relationship ended as of 31 March 2021 as a consequence of a change of the functional currency of the Company (see Note 1.c).

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 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 profit or loss in 2021 or 2020.

The effect of hedge accounting recognised in profit or loss and other comprehensive income during the period was as follows:

Cash flow hedges for 31/12/2021	Change recognised in OCI	Change reclassified from OCI to profit or loss	Change in the Hedging reserve
Cash flow hedging reserve, net of tax	**8.3**	**–**	**8.3**
attributable to owners of the Company	7.8*	–	7.8
attributable to non-controlling interest	0.5	–	0.5

* Of which revaluation of hedging instruments under the "Net investment hedge" in relation to foreign operations of €7.3 million. "Change in currency translation reserve" in other comprehensive income includes translation gains in relation to these foreign operations of €(11.3) million during the period.

Cash flow hedges for 31/12/2020	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. "Change in currency translation reserve" in other comprehensive income includes translation gains in relation to these foreign operations of €19.6 million during the period.

29. Employee benefit liabilities

	31/12/2021	31/12/2020 (Restated)*
Non-current employee benefit liabilities	**132.6**	**167.6**
Post-employment benefit	**93.5**	119.1
Defined benefit plan	**93.5**	119.1
Termination benefits	**30.2**	40.2
Bonuses	**8.9**	8.3

	31/12/2021	31/12/2020 (Restated)*
Current employee benefit liabilities	**54.8**	**60.6**
Bonuses	**19.0**	22.3
Termination benefits	**13.2**	23.7
Other employee benefit liabilities	**22.6**	14.6

* See Note 1.h

Post-employment benefits

"Post-employment benefits" relates mainly 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. OPAP employees are eligible to participate in a defined benefit plan.

Defined contribution plans

The Group is also subject to mandatory contributions to state pension plans specific conditions are determined by the relevant jurisdictions. See Note 10 "State mandated pensions – defined contribution plans".

Defined benefit plans

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 2021. As of 31 December 2021, the 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.

Additionally under Austrian labour law, the employer contributes 1.53% of the gross wage or salary each month to an employee compensation fund. The pension payments are based on the amounts available in the pensions fund; however, the Group guarantees a certain minimum pension and has an obligation to make additional contributions if the funds available were not sufficient to allow the payment of such minimum pensions. Therefore, the plan is classified as defined benefit plan.

In Austria there are three types of "Defined benefit plan" obligations: severance plans, pension plans and pension plan with guaranteed minimum pension.

The following table shows a breakdown of the carrying value of defined benefit obligation between various plans:

At 31/12/2021	Present value of obligation	Fair value of plan assets	Net defined benefit plan
Types of defined benefit plans	**263.3**	**(169.8)**	**93.5**
Severance plan Greece and Cyprus	1.0	n/a	1.0
Severance plan Austria	37.7	n/a	37.7
Pension plan without plan assets	14.7	n/a	14.7
Pension plan with plan assets	95.9	(55.8)	40.1
Pension plans with guaranteed minimum pension	114.0	(114.0)	-

At 31/12/2020	Present value of obligation	Fair value of plan assets	Net defined benefit plan
Types of defined benefit plans	**275.8**	**(156.7)**	**119.1**
Severance plan Greece and Cyprus	3.5	n/a	3.5
Severance plan Austria	49.3	n/a	49.3
Pension plan without plan assets	18.8	n/a	18.8
Pension plan with plan assets	96.8	(49.3)	47.5
Pension plans with guaranteed minimum pension	107.4	(107.4)	-

Summary disclosure for severance plans and pension plans with no plan assets:

	Note	2021	2020
Opening balance as of 1 January		**71.6**	**3.0**
Current service costs		**1.0**	0.9
Past service cost		**-**	5.1
Interest costs		**0.6**	0.3
Settlement cost (result)		**-**	1.0
Total cost recognised in consolidated statement of comprehensive income		**1.6**	**7.3**
Actuarial (gain)/loss arising from demographic assumptions		**0.3**	0.2
Actuarial (gain)/loss arising from financial assumptions		**(2.6)**	2.8
Actuarial (gain)/loss arising from experience adjustment		**(1.2)**	-
Total actuarial (gain)/loss recognised in other comprehensive income		**(3.5)**	**3.0**
Business combination	4	**-**	73.6
Transfers		**(2.2)**	-
Payments		**(14.1)**	(15.3)
Closing balance as of 31 December		**53.4**	**71.6**

Notes to the consolidated financial statements continued

29. Employee benefit liabilities continued

Summary disclosure for pension plans with plan assets:

	Note	Present value of obligation	Fair value of plan assets	Total
Opening balance as of 01/01/2021		**96.8**	**(49.3)**	**47.5**
Current service costs		(0.7)	-	(0.7)
Interest costs		0.9	(0.5)	0.4
Total cost recognised in consolidated statement of comprehensive income		**0.2**	**(0.5)**	**(0.3)**
Actuarial (gain)/loss from demographic assumptions		(0.2)	-	(0.2)
Actuarial (gain)/loss arising from financial assumptions		(2.7)	(4.2)	(6.9)
Actuarial (gain)/loss arising from experience adjustment		0.8	-	0.8
Total actuarial (gain)/loss recognised in other comprehensive income		**(2.1)**	**(4.2)**	**(6.3)**
Transfer		2.4	(0.2)	2.2
FX differences		0.2	(0.2)	-
Contributions		0.7	(2.8)	(2.1)
Payments		(2.3)	1.4	(0.9)
Closing balance as of 31/12/2021		**95.9**	**(55.8)**	**40.1**

	Note	Present value of obligation	Fair value of plan assets	Total
Opening balance as of 01/01/2020		-	-	-
Current service costs		0.9	-	0.9
Interest costs		0.6	(0.3)	0.3
Total cost recognised in consolidated statement of comprehensive income		**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	4	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 31/12/2020		96.8	(49.3)	47.5

Defined benefit pension plans – Fair value of plan assets	31/12/2021	31/12/2020
Equity instruments	**22.7**	15.1
Bonds	**20.1**	23.8
Cash	**2.6**	1.9
Other assets	**10.4**	8.5
Fair value of plan assets	**55.8**	**49.3**

Summary disclosure for pension plans with guaranteed minimum pension:

	Note	Present value of obligation	Fair value of plan assets	Total
Opening balance as of 01/01/2021		**107.4**	**(107.4)**	**-**
Current service costs		2.2	-	2.2
Interest costs		1.1	(1.1)	-
Settlement cost (result)		(3.5)	2.3	(1.2)
Total cost recognised in consolidated statement of comprehensive income		**(0.2)**	**1.2**	**1.0**
Actuarial (gain)/loss arising from financial assumptions		10.3	(7.1)	3.2
Actuarial (gain)/loss arising from experience adjustment		(0.3)	-	(0.3)
Total actuarial (gain)/loss recognised in other comprehensive income		**10.0**	**(7.1)**	**2.9**
Contributions		-	(0.7)	(0.7)
Payments		(3.2)	-	(3.2)
Closing balance as of 31/12/2021		**114.0**	**(114.0)**	**-**

	Note	Present value of obligation	Fair value of plan assets	Total
Opening balance as of 01/01/2020		**-**	**-**	**-**
Current service costs		5.8	-	5.8
Interest costs		0.5	(0.5)	-
Total cost recognised in consolidated statement of comprehensive income		**6.3**	**(0.5)**	**5.8**
Actuarial (gain)/loss arising from financial assumptions		23.5	(8.8)	14.7
Actuarial (gain)/loss arising from experience adjustment		(14.7)	-	(14.7)
Total actuarial (gain)/loss recognised in other comprehensive income		**8.8**	**(8.8)**	**-**
Business combination	4	101.8	(101.8)	-
FX differences		-	-	-
Contributions		-	-	-
Payments		(9.5)	3.7	(5.8)
Closing balance as of 31/12/2020		**107.4**	**(107.4)**	**-**

Defined benefit pensions plan with guaranteed minimum pension – Fair value of plan assets	**31/12/2021**	31/12/2020
Equity instruments	**46.0**	33.8
Bonds	**41.2**	53.9
Cash	**7.8**	6.0
Other assets	**19.0**	13.7
Fair value of plan assets	**114.0**	**107.4**

The principal actuarial assumptions used in the actuarial valuation as of 31 December 2021 and 31 December 2020:

Actuarial assumptions used:	**31/12/2021**	**31/12/2021**	**31/12/2020**	**31/12/2020**
	Austria	**Greece and Cyprus**	**Austria**	**Greece and Cyprus**
Discount rate	1.28%	0.60%	0.96%	0.60%
Rate of increase in salaries	2.39%	1.80%	2.64%	1.50%
Average service in the company	15.0	5.3	11.7	24.9
Pension inflation rate	(6.8%)	1.80%	2.00%	1.50%

29. 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	74.8	113.3	108.3	80.1
Percentage change	(19.96%)	21.20%	15.85%	(14.31%)

Termination benefits

Termination benefits comprises liabilities in connection with termination plans and a restructuring programme in CASAG (see Note 12) ("Restructuring liability"). Historically, the employees of CASAG were able to participate in several termination benefit programmes which qualify as termination benefits under IAS 19, including severance programmes and stand-by-duty programmes, under which an employee agrees to a reduction in wage and reduction of working hours to zero, but can be called to work if needed, until the employee reaches a legal retirement age.

The restructuring programme announced in July 2020 (see Note 12) and approved by the workers' union enhanced some of the existing termination programmes as well as introduced new programmes, for example golden handshake type severance packages.

Restructuring liability is measured by discounting estimated future payments to employees participating in the restructuring programmes to the present value. The current portion of the restructuring liability 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 termination benefit liability is related to stand-by-duty agreements, which will be settled over time until the legal retirement age for each employee. The discount rate applied is 1.0% and the level of estimation uncertainty is negligible.

	31/12/2021	31/12/2020
Opening balance as of 1 January	**63.9**	**-**
Additions	**0.5**	50.6
Release	**(2.3)**	-
Interest cost	**0.3**	-
Total cost/(income) recognised in consolidated statement of comprehensive income	**(1.5)**	**50.6**
Business combination	**-**	25.1
Payments	**(19.0)**	(11.8)
Closing balance as of 31 December	**43.4**	**63.9**

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 of €5.8 million (31 December 2020: €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 the previous programme was terminated and paid in July 2020. Non-current employee benefit liability is recognised of €3.1 million (31 December 2020: €1.2 million).

Current bonuses

Represents annual bonus liabilities.

30. Contingencies

Legal matters

OPAP

As of 31 December 2021, third party lawsuits against OPAP have been filed for total claims of €284.0 million (31 December 2020: €363.1 million). The majority of these claims relate to old distribution agent arrangements, in relation to which the overwhelming majority of recent court decisions have been in favour of OPAP (rejected claims in the amount of €213.1 million, partially recognised claims in the amount of €0.6 million). Management considers any negative outcome as unlikely and 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. Following OPAP's petition for cassation, the Judicial Council of the Supreme Court has annulled the appellate court's award of €6.0 million in damages pending its final ruling on the OPAP's petition. The next hearing is scheduled for 31 October 2022.

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. As of 31 December 2021, management recorded a provision for the amount of €6.0 million in connection with the case (see Note 27).

OPAP is a target of an antitrust case in connection with the inclusion of non-compete clauses in agency agreements in relation to two secondary markets of OPAP, retail bill payments, and prepaid telecom cards. Suggested maximum fine would be 30% of OPAP's gross turnover from these secondary activities over the alleged violation period, which started in the year 2017 and is deemed ongoing.

In December 2021, OPAP submitted a memorandum for the rebuttal of the case. Management believes that negative outcome is unlikely and consequently has not created any provision.

According to the Hellenic Lotteries S.A.'s concession agreement, it has to pay 30% of annual GGR to the Greek State, subject to a €50.0 million minimum annual amount. Hellenic Lotteries S.A. believes the €50.0 million minimum annual fee is not applicable for 2020 and 2021 as the force majeure clause in the concession agreement was triggered by the pandemic related restrictions imposed by the Greek State, and for 2021 only €24.9 million (2020: €12.3 million), determined as 30% of actual GGR, is payable. The Group recorded gaming taxes expenses for the outstanding liability of €25.1 million as of 31 December 2021 (2020: €37.7 million) and initiated an arbitration for the disputed amount, which as of 31 December 2021 totals €62.8 million.

CASAG

CASAG is target of 25 pending lawsuits initiated by 37 claimants in connection with reductions made to target pension in the employee pension plans. Pension plans of CASAG include pension plans with a guaranteed minimum pension feature and defined benefit plans (see Note 29).

For the claims in connection with pension plans with a guaranteed minimum pension feature, management assess that a negative outcome is highly unlikely and has recorded only a provision of €0.5 million to cover legal costs. The assessment is supported by the fact that in January 2022, an appellate court reversed an initial adverse decision of the first instance court from May 2021, stating that only minimum pension is guaranteed.

For the claims in connection with defined benefit plans, management considers the outcome uncertain and reflects this uncertainty in the valuation of the defined benefit liability with the liability assessed assuming a negative outcome (as a result of which a positive outcome in these cases would result in a net gain for the Group).

Notes to the consolidated financial statements continued

31. 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 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 26). Receivables from agents are monitored by management on a regular basis. The Group also monitors the credit ratings 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:

31/12/2021	Companies (not financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current trade and other receivables	**6.5**	**–**	**0.1**	**1.7**	**8.3**
Other non-current financial assets	**–**	**5.3**	**2.2**	**–**	**7.5**
Current trade and other receivables	**168.8**	**16.6**	**2.5**	**49.5**	**237.4**
Other current financial assets	**–**	**–**	**3.6**	**–**	**3.6**
Cash and cash equivalents	**–**	**–**	**1,281.0**	**–**	**1,281.0**
Total	**175.3**	**21.9**	**1,289.4**	**51.2**	**1,537.8**

31/12/2020	Companies (not 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**

ii. Credit risk by region

Trade and other receivables, Other financial assets and Cash and cash equivalents	31/12/2021	31/12/2020
Greece	**912.8**	503.2
Austria	**286.3**	282.8
Czech Republic	**149.3**	157.8
Cyprus	**60.4**	47.0
Germany	**46.2**	29.3
Switzerland	**16.0**	8.0
Argentina	**15.9**	-
Gibraltar	**11.9**	-
Liechtenstein	**-**	12.8
Hungary	**7.7**	5.5
Australia	**7.6**	7.6
United Kingdom	**4.8**	5.0
Other countries	**18.9**	15.9
Total	**1,537.8**	**1,074.9**

iii. Ageing structure of financial assets

31/12/2021	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	**8.3**	**-**	**-**	**-**	**-**	**-**	**8.3**
Receivables from agents	**2.1**	**-**	**-**	**-**	**-**	**-**	**2.1**
Loans provided	**2.4**	**-**	**-**	**-**	**-**	**-**	**2.4**
Other receivables	**3.8**	**-**	**-**	**-**	**-**	**-**	**3.8**
Current trade and other receivables	**219.4**	**17.7**	**0.3**	**1.0**	**44.6**	**(45.6)**	**237.4**
Receivables from agents	**143.0**	**0.6**	**0.2**	**0.4**	**41.7**	**(43.5)**	**142.4**
Trade receivables	**21.0**	**1.0**	**0.1**	**0.4**	**2.1**	**(1.6)**	**23.0**
Loans provided	**4.0**	**-**	**-**	**-**	**-**	**(0.1)**	**3.9**
Other receivables	**51.4**	**16.1**	**-**	**0.2**	**0.8**	**(0.4)**	**68.1**
Cash and cash equivalents	**1,281.0**	**-**	**-**	**-**	**-**	**-**	**1,281.0**
Cash in hand	**39.2**	**-**	**-**	**-**	**-**	**-**	**39.2**
Bank accounts	**572.7**	**-**	**-**	**-**	**-**	**-**	**572.7**
Term deposits	**669.1**	**-**	**-**	**-**	**-**	**-**	**669.1**
Total	**1,508.7**	**17.7**	**0.3**	**1.0**	**44.6**	**(45.6)**	**1,526.7**
Non-current restricted cash	**7.5**	**-**	**-**	**-**	**-**	**-**	**7.5**
Term deposits (over 90 days)	**3.6**	**-**	**-**	**-**	**-**	**-**	**3.6**

Notes to the consolidated financial statements continued

31. Risk management continued

31/12/2020	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**

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. All the Group's bank accounts are held with reputable international banking institutions which fulfil the Basel III criteria.

31/12/2021	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1,281.0**	**–**	**–**	**–**	**–**	**1,281.0**
Bank accounts in banks	**572.7**	**–**	**–**	**–**	**–**	**572.7**
Term deposits in banks	**669.1**	**–**	**–**	**–**	**–**	**669.1**
Cash in hand	**39.2**	**–**	**–**	**–**	**–**	**39.2**
Other current financial assets	**3.6**	**–**	**–**	**–**	**–**	**3.6**
Term deposits (over 90 days)	**3.6**	**–**	**–**	**–**	**–**	**3.6**
Non-current restricted cash	**7.5**	**–**	**–**	**–**	**–**	**7.5**
Class 2						
Current trade and other receivables	**31.2**	**–**	**–**	**251.8**	**(45.6)**	**237.4**
Receivables from agents	**–**	**–**	**–**	**185.9**	**(43.5)**	**142.4**
Trade receivables	**11.1**	**–**	**–**	**13.5**	**(1.6)**	**23.0**
Loans provided	**4.0**	**–**	**–**	**–**	**(0.1)**	**3.9**
Other receivables	**16.1**	**–**	**–**	**52.4**	**(0.4)**	**68.1**
Non-current trade and other receivables	**8.3**	**–**	**–**	**–**	**–**	**8.3**
Receivables from agents	**2.1**	**–**	**–**	**–**	**–**	**2.1**
Loans provided	**2.4**	**–**	**–**	**–**	**–**	**2.4**
Other receivables	**3.8**	**–**	**–**	**–**	**–**	**3.8**
Total	**1,331.6**	**–**	**–**	**251.8**	**(45.6)**	**1,537.8**

Notes to the consolidated financial statements continued

31. Risk management continued

31/12/2020	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	549.6	–	–	–	–	549.6
Term deposits in banks	300.6	–	–	–	–	300.6
Cash in hand	22.0	–	–	–	–	22.0
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**

Movements of ECL allowances were as follows:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1/1/2020	**(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 31/12/2020	**(1.3)**	**–**	**–**	**(49.9)**	**(51.2)**
Additions – increase in allowance recognised in profit or loss during the year	–	–	–	(1.6)	(1.6)
Reversals – decrease in allowance recognised in profit or loss during the year	1.2	–	–	1.4	2.6
Write-offs – receivables written off during the year as uncollectible	–	–	–	4.6	4.6
Balance at 31/12/2021	**(0.1)**	**–**	**–**	**(45.5)**	**(45.6)**

During 2021, the ECL allowance determined through the provision matrix decreased despite increase in current financial assets due to improving credit conditions of agents.

Impairment matrix for current trade and other receivables as of 31 December 2021:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**188.2**	**0.58%**	**(1.1)**	**187.1**
Receivables from agents	143.0	0.77%	(1.1)	141.9
Trade receivables	9.9	–	–	9.9
Other receivables	35.3	–	–	35.3
Past due <90 days	**17.7**	**0.56%**	**(0.1)**	**17.6**
Receivables from agents	0.6	16.67%	(0.1)	0.5
Trade receivables	1.0	–	–	1.0
Other receivables	16.1	–	–	16.1
Past due 91-180 days	**0.3**	**66.67%**	**(0.2)**	**0.1**
Receivables from agents	0.2	100.00%	(0.2)	–
Trade receivables	0.1	–	–	0.1
Past due 181-365 days	**1.0**	**60.00%**	**(0.6)**	**0.4**
Receivables from agents	0.4	100.00%	(0.4)	–
Trade receivables	0.4	25.00%	(0.1)	0.3
Other receivables	0.2	50.00%	(0.1)	0.1
Past due >365 days	**44.6**	**97.53%**	**(43.5)**	**1.1**
Receivables from agents	41.7	100.00%	(41.7)	–
Trade receivables	2.1	71.43%	(1.5)	0.6
Other receivables	0.8	37.50%	(0.3)	0.5
Total	**251.8**	**18.07%**	**(45.5)**	**206.3**

Notes to the consolidated financial statements continued

31. 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**

(b) Offsetting arrangements

Effects of offsetting on the balance sheet 31/12/2021	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	**6.5**	**(1.0)**	**5.5**	**(5.5)**	**–**	**–**
Total	**6.5**	**(1.0)**	**5.5**	**(5.5)**	**–**	**–**
Liabilities						
Current trade and other payables	**20.7**	**(1.0)**	**19.7**	**(5.5)**	**–**	**14.2**
Total	**20.7**	**(1.0)**	**19.7**	**(5.5)**	**–**	**14.2**

Effects of offsetting on the balance sheet 31/12/2020	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**

Amounts subject to master netting arrangements not set off in the consolidated statement of financial position

As of 31 December 2021, liabilities arising from fees to agents are offset in the balance sheet against receivables from agents of €1.0 million (31 December 2020: €0.9 million).

As of 31 December 2021, deposits received from agents could be offset against receivables from agents of €5.5 million (31 December 2020: €4.8 million).

(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.

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 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 to 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.

The following table presents contractual cash flows not discounted to net present value and include interest, if applicable.

Notes to the consolidated financial statements continued

31. Risk management continued

Liquidity risk analysis (by maturity):

31/12/2021	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	**8.3**	**8.3**	**–**	**8.2**	**0.1**	**–**
Other non-current financial assets	**191.7**	**191.7**	**–**	**–**	**–**	**191.7**
Current trade and other receivables	**237.4**	**237.5**	**237.5**	**–**	**–**	**–**
Other current financial assets	**123.6**	**123.6**	**3.6**	**–**	**–**	**120.0**
Total	**561.0**	**561.1**	**241.1**	**8.2**	**0.1**	**311.7**
Cash	**1,281.0**	**1,281.0**	**–**	**–**	**–**	**1,281.0**
Liabilities						
Loans and borrowings	**(2,692.9)**	**(2,951.6)**	**(500.7)**	**(1,794.9)**	**(653.8)**	**(2.2)**
Non-current trade and other payables	**(39.7)**	**(51.5)**	**–**	**(29.3)**	**(22.2)**	**–**
Non-current lease liabilities	**(122.1)**	**(141.0)**	**–**	**(87.4)**	**(53.6)**	**–**
Non-current derivative financial instruments	**(1.5)**	**(1.5)**	**–**	**(1.5)**	**–**	**–**
Current trade and other payables	**(620.2)**	**(620.2)**	**(620.2)**	**–**	**–**	**–**
Current lease liabilities	**(26.9)**	**(30.8)**	**(30.8)**	**–**	**–**	**–**
Total	**(3,503.3)**	**(3,796.6)**	**(1,151.7)**	**(1,913.1)**	**(729.6)**	**(2.2)**
Net balance – liquidity risk	**(1,661.3)**	**(1,954.5)**	**(910.6)**	**(1,904.9)**	**(729.5)**	**1,590.5**

31/12/2020	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)	(210.3)	(2,200.7)	(594.2)	(0.3)
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	(539.7)	(539.7)	(539.7)	–	–	–
Current lease liabilities	(24.9)	(28.9)	(28.9)	–	–	–
Current derivative financial instruments	(1.1)	(1.1)	(1.1)	–	–	–
Total	**(3,481.8)**	**(3,849.5)**	**(780.0)**	**(2,397.9)**	**(671.3)**	**(0.3)**
Net balance – liquidity risk	**(2,168.2)**	**(2,535.5)**	**(589.6)**	**(2,385.0)**	**(671.0)**	**1,110.1**

(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 (see Note 28).

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) by 1 percentage point would cause an increase/decrease of interest cost by €11.1 million (2020: €9.2 million).

	2021	% of total loans	2020	% of total loans
Variable rate borrowings	**903.5**	**33.55%**	**1,021.5**	**38.37%**
Fixed rate borrowings – maturity dates:	**1,789.4**	**66.45%**	**1,640.8**	**61.63%**
Less than 1 year	**211.2**	**7.84%**	31.3	1.18%
1-5 years	**936.0**	**34.76%**	1,117.8	41.99%
Over 5 years	**642.2**	**23.85%**	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.

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 statement of financial position 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 statement of financial position. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the tables below:

31/12/2021	EUR	CZK	USD	Other
Non-current trade and other receivables	–	**168.1**	–	**0.4**
Other non-current financial assets	–	–	**1.3**	**12.4**
Current trade and other receivables	**0.1**	**35.8**	–	**6.2**
Cash and cash equivalents	**0.2**	**23.9**	**0.3**	**23.2**
Total assets	**0.3**	**227.8**	**1.6**	**42.2**
Long-term loans and borrowings	–	**(238.7)**	–	**(1.7)**
Non-current lease liabilities	**(16.6)**	–	–	**(12.6)**
Non-current trade and other payables	–	–	**(15.1)**	–
Short-term loans and borrowings	–	**(3.4)**	–	**(0.5)**
Current lease liabilities	**(1.5)**	–	–	**(2.3)**
Current trade and other payables	**(2.6)**	**(4.0)**	**(2.6)**	**(2.2)**
Total liabilities	**(20.7)**	**(246.1)**	**(17.7)**	**(19.3)**
Total	**(20.4)**	**(18.3)**	**(16.1)**	**22.9**

"Other" comprises Swiss Franc (net exposure of €9.4 million) and Australian Dollar (net exposure of €7.5 million). Net exposure to other currencies is immaterial.

Notes to the consolidated financial statements continued

31. Risk management continued

31/12/2020	EUR	CZK	USD	Other
Non-current trade and other receivables	905.5	–	–	0.4
Other non-current financial assets	–	–	1.3	12.2
Current trade and other receivables	61.7	–	–	3.0
Current derivative financial instruments	7.9	–	–	–
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 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 was 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.

A reasonably possible strengthening/(weakening) of EUR, CZK and USD against all other currencies as of 31 December 2021 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 millions of Euro	10% currency strengthening + profit/ – loss	10% currency weakening + profit/ – loss	10% currency strengthening + increase/ – decrease	10% currency weakening + increase/ – decrease
31/12/2021				
CZK	35.2	(35.2)	(30.0)	30.0
EUR	(1.8)	1.8	–	–
USD	(1.6)	1.6	–	–
31/12/2020				
CZK	(39.1)	39.1	(36.3)	36.3
EUR	–	–	–	–
USD	(1.6)	1.6	–	–

(f) Fair value measurement

This Group holds the following financial assets and liabilities:

Carrying amount of financial assets and liabilities	31/12/2021	31/12/2020*
Assets		
Financial assets at amortised cost	**1,537.8**	**1,074.9**
Non-current trade and other receivables	**8.3**	12.9
Other non-current financial assets	**7.5**	7.4
Current trade and other receivables	**237.4**	177.7
Other current financial assets	**3.6**	4.7
Cash and cash equivalents	**1,281.0**	872.2
Financial assets at fair value through other comprehensive income ("FVOCI")	**12.2**	**11.9**
Other non-current financial assets	**12.2**	11.9
Financial assets at fair value through profit or loss ("FVTPL")	**292.0**	**226.8**
Other non-current financial assets	**172.0**	180.3
Other current financial assets	**120.0**	38.6
Current derivative financial instruments	**-**	7.9
Total	**1,842.0**	**1,313.6**
Liabilities		
Financial liabilities at amortised cost	**(3,235.1)**	**(3,202.6)**
Long-term loans and borrowings	**(2,259.5)**	(2,533.3)
Non-current trade and other payables	**(39.7)**	(36.4)
Short-term loans and borrowings	**(433.4)**	(129.0)
Current trade and other payables	**(502.5)**	(503.9)
Financial liabilities at fair value through profit or loss ("FVTPL")	**(119.2)**	**(135.5)**
Non-current derivative financial instruments	**(1.5)**	**(2.7)**
Non-current trade and other payables	**-**	(95.9)
Current derivative financial instruments	**-**	(1.1)
Current trade and other payables	**(117.7)**	(35.8)
Total	**(3,354.3)**	**(3,338.1)**

* See Note 1.h

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):

31/12/2021	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**292.0**	**120.0**	**168.5**	**3.5**
Financial assets at fair value through other comprehensive income	**12.2**	**-**	**-**	**12.2**
Financial derivative liabilities	**(1.5)**	**-**	**(1.5)**	**-**
Trade and other payables	**(117.7)**	**-**	**-**	**(117.7)**
Total	**185.0**	**120.0**	**167.0**	**(102.0)**

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the year 2021.

Notes to the consolidated financial statements continued

31. Risk management continued

31/12/2020*	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	218.9	38.6	169.0	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)	-
Trade and other payables	(131.7)	-	-	(131.7)
Total	**103.2**	**38.6**	**173.1**	**(108.5)**

* See Note 1.h

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the year 2020.

The following table presents the changes in Level 3 assets for the periods ended 31 December 2021 and 31 December 2020:

	2021	2020
Opening balance	**23.2**	**6.7**
Acquisitions	**-**	9.1
Reclassification from equity method investee	**4.0**	16.2
Revaluation to fair value through other comprehensive income	**(3.7)**	(4.3)
Revaluation to fair value through profit and loss	**(8.2)**	-
Disposals	**-**	(4.5)
Effect of FX differences	**0.4**	-
Closing balance	**15.7**	**23.2**

For information about the movements of contingent consideration see Note 26.

Level 3 FVTPL instruments comprises the Group's investment in equity shares where the shares are not publicly traded. The investments are 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. Based on available resources to access fair value, a loss from revaluation of €8.2 million was recognised in 2021 (2020: nil).

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 2021 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.

32. 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.

The parent company of the Group was KKCG AG before 17 March 2021, when SAZKA Entertainment AG, a subsidiary of KKCG AG, became the new parent company of the Group.

On 9 March 2021, 45% of SAZKA FTS a.s. was sold to KKCG AG. The impact of the transaction is immaterial.

On 26 July 2021, the Company received an equity contribution of €75.0 million from its parent company SAZKA Entertainment AG.

Other transactions between the Group and KKCG AG and SAZKA Entertainment AG during the twelve months ended 31 December 2021 are described in paragraphs above or disclosed in the tables below.

There were no material transactions with equity method investees (see Note 18) in the current year or in the prior year, except for dividends declared of €64.2 million in 2021 (31 December 2020: €95.9 million) and reserve distributions of €53.0 million (31 December 2020: €7.6 million).

Additionally, a separate section relating to transactions with key management personnel is presented below.

All material transactions with related parties were carried out on an arm's length basis.

(a) Outstanding related party balances as of 31 December 2021 and 31 December 2020

The following tables present outstanding receivables from and payables to related parties of the Group as of 31 December 2021 and 31 December 2020:

Outstanding balance with parent	31/12/2021	31/12/2020
ASSETS		
Current trade and other receivables	**11.3**	0.1

Outstanding balance with companies of KKCG group other than parent and the Group	31/12/2021	31/12/2020
ASSETS		
Non-current trade and other receivables	**3.6**	2.2
Current trade and other receivables	**1.4**	0.3
LIABILITIES		
Current trade and other payables	**-**	1.0

32. Related parties continued

(b) Transactions with related parties of the Group for the years ended 31 December 2021 and 31 December 2020

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 2021 and 31 December 2020:

Transactions with parent	2021	2020
Revenue from non-gaming activities	–	0.2
Other operating income	10.4	–
Materials, consumables and services	–	(0.2)
Dividend paid	–	(150.0)

Transactions with companies of KKCG group other than parent and the Group	2021	2020
Revenue from non-gaming activities	0.1	0.1
Other operating income	0.1	0.2
Materials, consumables and services	(9.8)	(4.5)
Marketing expenses	(4.0)	(1.3)
Other operating expenses	(1.3)	(0.2)
Interest income	0.1	0.2
Other finance income and expense	–	(0.2)
Purchase of tangible assets	(0.1)	–

(c) Transactions with members of the Company's Board of Directors, Supervisory Board and executive management for the years ended 31 December 2021 and 31 December 2020

Remuneration, bonuses and other benefits provided to the members of the Board of Directors and Supervisory Board and key management personnel of the Company:

	2021		2020	
	Board of Directors and Supervisory Board	Key management personnel	Board of Directors and Supervisory Board	Key management personnel
Total remuneration	4.4	5.9	3.0	4.4
Short-term benefits	2.1	2.3	1.2	1.6
Post-employment benefits	0.1	0.1	–	–
Other long-term benefits	2.2	3.5	1.8	2.8
Termination benefits	–	–	–	–
Share-based payments benefits	–	–	–	–

"Key management personnel" comprises the C-level (executive) management of the Company (excluding CEO, who is a member of the BoD). C-level management in years 2021 and 2020 consisted of CFO, CIO, CTO, COO, Chief marketing officer and Chief Global Brand and CSR officer.

Members of the Board of Directors and Supervisory Board and key management personnel of the Company receive their remuneration from related parties of the Company (either from subsidiaries of the Company or from the shareholder). Remuneration received from the shareholder is considered related to the management function on the Company level and thus, presented in the summary remuneration table above.

The following tables summarises the Group securities owned by members of the Board of Directors:

At 31/12/2021	Minimum denomination	Number of notes	Total nominal value (in Euro)
SAZKA Group a.s – CZK 6 billion	10,000 CZK	345	138,777
SAZKA Group a.s. – EUR 300 million	1,000 EUR	650	650,000
SAZKA Group Financing a.s. EUR 200 million	1,000 EUR	120	120,000

At 31/12/2021	Number of shares	Total market value (in Euro)
OPAP shares	1,063,077	13,256,570

At 31/12/2020	Minimum denomination	Number of notes	Total nominal value (in Euro)
SAZKA Group a.s – CZK 6 billion	10,000 CZK	345	131,454
SAZKA Group Financing a.s. EUR 200 million	1,000 EUR	25	25,000

At 31/12/2020	Number of shares	Total market value (in Euro)
OPAP shares	8,194	89,724

Notes to the consolidated financial statements continued

33. Group companies

Companies included in the consolidated Group as of 31 December 2021 and 31 December 2020 and the Company's effective interest are as follows.

	Note	Country		Effective interest 31/12/2021	Effective interest 31/12/2020
Parent company:					
SAZKA Group a.s.		Czech Republic		n/a	n/a
Group companies:					
Allwyn Entertainment Ltd (formerly SAZKA Group UK 2 Ltd)	(a)	United Kingdom	subsidiary	100.00%	-
SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.)		Czech Republic	subsidiary	100.00%	100.00%
CAME Holding GmbH		Austria	subsidiary	100.00%	100.00%
Casinos Austria AG ("CASAG") subgroup	(b)	Austria	subsidiary	59.70%	59.80%
AleaX AG		Liechtenstein	subsidiary	59.70%	59.80%
Cachi Valle Aventuras S.A.**		Argentina	subsidiary	59.70%	59.80%
CAI Hungary Kft.		Hungary	subsidiary	32.84%	32.89%
CAI Ontario Inc.**		Canada	subsidiary	59.70%	59.80%
CAIO AG		Switzerland	subsidiary	59.70%	59.80%
CAIO DK ApS		Denmark	subsidiary	59.70%	59.80%
Casino Copenhagen K/S		Denmark	joint venture	29.85%	29.90%
Casino Event Immobilien GmbH		Germany	subsidiary	59.70%	59.80%
Casino Lugano S.A.		Switzerland	associate	17.17%	17.20%
Casino Marienlyst A/S		Denmark	joint venture	29.85%	29.90%
Casino Munkebjerg Vejle A/S		Denmark	joint venture	29.85%	29.90%
Casino Sopron Kft.		Hungary	subsidiary	32.84%	32.89%
Casino St. Moritz AG		Switzerland	subsidiary	59.70%	59.80%
Casino Vesterport Copenhagen K/S		Denmark	joint venture	29.85%	29.90%
Casinoland IT-Systeme GmbH		Germany	subsidiary	59.70%	59.80%
Casinos Austria (Swiss) AG		Switzerland	subsidiary	59.70%	59.80%
Casinos Austria AG Liegenschaftsverwaltungs – und Leasing GmbH		Austria	subsidiary	59.70%	59.80%
Casinos Austria International (Cairns) Pty Ltd.		Australia	joint venture	29.85%	29.90%
Casinos Austria International (Mazedonien) Holding GmbH		Austria	subsidiary	59.70%	59.80%
Casinos Austria International Belgium S.A.		Belgium	subsidiary	59.70%	59.80%
Casinos Austria International GmbH		Austria	subsidiary	59.70%	59.80%
Casinos Austria International Holding GmbH		Austria	subsidiary	59.70%	59.80%
Casinos Austria International Ltd.		Australia	subsidiary	59.70%	59.80%
Casinos Austria International Mazedonia d.o.o.		Macedonia	joint venture	20.90%	20.93%
Casinos Austria Liechtenstein AG		Liechtenstein	subsidiary	59.70%	59.80%
Casinos Austria Management GmbH		Austria	subsidiary	59.70%	59.80%
Casinos Austria Maritime Corp.	(c)	USA	subsidiary	-	59.80%
Casinos Austria of Egypt AG		Liechtenstein	joint venture	29.85%	29.90%
Casinos Denmark A/S		Denmark	joint venture	29.85%	29.90%
Casinos International AG (formerly Casinos Austria VLT AG)		Switzerland	subsidiary	59.70%	59.80%
Casinos Odense K/S		Denmark	subsidiary	59.70%	59.80%
CAST Casinos Austria Sicherheitstechnologie GmbH		Austria	subsidiary	59.70%	59.80%

	Note	Country		Effective interest 31/12/2021	Effective interest 31/12/2020
CCB Congress Center Baden Betriebsgesellschaft mbH		Austria	subsidiary	53.13%	53.22%
Cocino GmbH		Germany	joint venture	28.06%	28.11%
Complejo Monumento Güemes S.A.**		Argentina	subsidiary	59.70%	59.80%
Cuisino Ges.m.b.H.		Austria	subsidiary	59.70%	59.80%
Entretenimientos y Juegos de Azar S.A.**		Argentina	subsidiary	59.66%	59.76%
Fortuna 1 Aps		Denmark	subsidiary	59.70%	59.80%
Glücksrad Kft.		Hungary	joint venture	29.25%	29.30%
Great Blue Heron Gaming Company	(d)	Canada	subsidiary	-	43.06%
Inmobiliaria Ovalle S.A.		Chile	subsidiary	59.70%	59.80%
Inversiones Anacaldo S.A. i.L.**		Chile	associate	14.93%	14.95%
Leisure & Entertainment S.A.**		Argentina	subsidiary	59.70%	59.80%
LIE2 AG		Liechtenstein	subsidiary	59.70%	59.80%
National Videolottery of the Rep. of Macedonia-Casinos Austria LLC-Skopje		Macedonia	joint venture	10.24%	10.26%
ÖLG Holding GmbH		Austria	subsidiary	59.70%	59.80%
Österreichische Lotterien GmbH ("Austrian Lotteries") subgroup		Austria	subsidiary	53.52%	53.60%
Deutsche Sportwetten GmbH		Germany	subsidiary	29.97%	34.17%
Glücks- und Unterhaltungsspiel BetriebsgesmbH		Austria	subsidiary	53.52%	53.60%
Österreichische Sportwetten GmbH		Austria	subsidiary	29.97%	34.17%
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.		Austria	subsidiary	53.52%	53.60%
Rabcat Computer Graphics GmbH		Austria	subsidiary	50.85%	51.39%
Win2day International GmbH		Austria	subsidiary	53.52%	53.60%
WinWin International GmbH		Austria	subsidiary	53.52%	53.60%
Reef Casino Investments Pty Ltd.		Australia	joint venture	29.85%	29.90%
Reef Casino Trust		Australia	joint venture	25.07%	25.12%
Reef Corporate Services Ltd.		Australia	joint venture	29.85%	29.90%
Revolutionary Technology Systems AG	(e)	Switzerland	subsidiary	29.85%	29.90%
Spielbanken Niedersachsen GmbH		Germany	subsidiary	59.70%	59.80%
Viage Productions S.A.		Belgium	subsidiary	59.70%	59.80%
CLS Beteiligungs GmbH*		Austria	associate	66.67%	66.67%
Italian Gaming Holding a.s.		Czech Republic	subsidiary	100.00%	100.00%
Lottoltalia S.r.l.		Italy	associate	32.50%	32.50%
LTB Beteiligungs GmbH*		Austria	associate	66.67%	66.67%
Medial Beteiligungs GmbH		Austria	subsidiary	100.00%	100.00%
OPAP S.A. ("OPAP") subgroup	(f)	Greece	subsidiary	40.37%	36.10%
Daedalus Technologies FZC	(g)	Dubai	subsidiary	-	24.45%
Hellenic Lotteries S.A.		Greece	subsidiary	33.71%	30.14%
Horse Races Single-Member S.A.		Greece	subsidiary	40.37%	36.10%
Neurosoft S.A.		Greece	subsidiary	27.34%	24.45%
OPAP Cyprus Ltd		Cyprus	subsidiary	40.37%	36.10%
OPAP International Ltd		Cyprus	subsidiary	40.37%	36.10%
OPAP Investment Ltd		Cyprus	subsidiary	40.37%	36.10%
OPAP Sports Ltd		Cyprus	subsidiary	40.37%	36.10%
Stoiximan Limited	(h)	Malta	subsidiary	34.11%	30.50%
Kaizen Gaming Limited*		Malta	associate	14.84%	13.27%
Tora Direct Single-Member S.A.		Greece	subsidiary	40.37%	36.10%
Tora Wallet Single-Member S.A.		Greece	subsidiary	40.37%	36.10%
Rubidium Holdings Limited		Cyprus	subsidiary	100.00%	100.00%

Notes to the consolidated financial statements continued

33. Group companies continued

	Note	Country		Effective interest 31/12/2021	Effective interest 31/12/2020
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	(i)	Vietnam	subsidiary	-	100.00%
SAZKA Czech a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Delta Aif Variable Capital Investment Company Ltd	(j)	Cyprus	subsidiary	79.23%	78.64%
SAZKA Delta Hellenic Holdings Limited	(j)	Cyprus	subsidiary	79.23%	78.64%
SAZKA Delta Management Ltd	(k)	Cyprus	subsidiary	79.23%	78.64%
Sazka Distribution Vietnam Company Limited	(l)	Vietnam	subsidiary	-	100.00%
SAZKA FTS a.s.	(m)	Czech Republic	subsidiary	55.00%	100.00%
SAZKA Group CZ a.s.		Czech Republic	Subsidiary	100.00%	100.00%
SAZKA Group Financing a.s.		Slovakia	subsidiary	100.00%	100.00%
SAZKA Group Financing (Czech Republic) a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Group UK Holding Ltd	(a)	United Kingdom	subsidiary	100.00%	-
SAZKA Group UK Limited		United Kingdom	subsidiary	100.00%	100.00%
SAZKAmobil 5G a.s.		Czech Republic	subsidiary	100.00%	100.00%
SAZKA Services s.r.o.		Czech Republic	subsidiary	100.00%	100.00%
SPORTLEASE a.s.		Czech Republic	subsidiary	100.00%	100.00%
Vitalpeak Limited	(n)	Cyprus	subsidiary	-	100.00%

* The equity method investees comprise a group of entities.
** Companies in liquidation.

(a) On 25 January 2021, the Group incorporated SAZKA Group UK Holding Ltd and Allwyn Entertainment Ltd (formerly SAZKA Group UK 2 Ltd).

(b) On 1 June 2021, the Group sold a 0.10% interest in CASAG. This sale of interest without change of control is presented in "Other movements in equity" in the consolidated statement of cash flows. Total consideration for the sold NCI was €0.6 million.

(c) On 18 March 2021, Casinos Austria Maritime Corp. was wound up and deconsolidated. The impact of the transaction is immaterial.

(d) On 18 March 2021, Great Blue Heron Gaming Company was wound up and deconsolidated. The impact of the transaction is immaterial.

(e) Revolutionary Technology Systems AG is unconsolidated subsidiary (due to immateriality).

(f) During the year ended 31 December 2021, the Group increased its economic interest in OPAP S.A. through open market purchases, scrip dividend and certain other transactions (see Note 2.3). As a result, the Group's economic interest and voting rights increased by 4.27%.

(g) On 1 November 2021, Daedalus Technologies FZC was sold. The impact of the transaction is immaterial.

(h) During 2021, operations of Stoiximan, which was a business unit of Kaizen Gaming Limited during year 2020, were incorporated under the legal entity Stoiximan Limited, registered in Malta.

(i) On 25 January 2021, Sazka Asia Vietnam Company Limited was liquidated. The impact of the transaction is immaterial.

(j) The controlling interest in SAZKA Delta Aif Variable Capital Investment Company Ltd ("SDVCIC") is represented by the 100% of its voting rights held by SAZKA Delta Management Ltd. However, the effective interest attributable to the Group comprises the 79.23% (31 December 2020: 78.64%) of its investor shares owned by Rubidium Holdings Limited. As of 16 September 2021, the Group increased its effective interest in SDVCIC by 0.59% from 78.64% to 79.23%.

(k) 66.70% represents voting shares, the Group's effective interest in Sazka Delta Management is 79.23% (31 December 2020: 78.64%).

(l) On 30 March 2021, Sazka Distribution Vietnam Company Limited was liquidated. The impact of the transaction is immaterial.

(m) On 9 March 2021, 45% of SAZKA FTS a.s. was sold to KKCG AG. The impact of the transaction is immaterial.

(n) On 22 October 2021, Vitalpeak Limited was liquidated. The impact of the transaction is immaterial.

34. Subsequent events

Strategic

OPAP

In Q1 2022, the Company increased its direct shareholding in OPAP by 0.90% through market purchases. Total consideration paid was €41.9 million.

Since the end of Q1 2022 until 26 April 2022, the Company increased its direct shareholding in OPAP by 0.10% through market purchases. Total consideration paid was €5.0 million.

On 17 February 2022, the Group purchased the remaining minority interest in SAZKA Delta AIF Variable Investment Company Ltd, an entity through which the Group holds part of its interest in OPAP, for consideration of €327.4 million.

As a result of these transactions, the Group's effective interest in OPAP increased by 7.86% from 40.37% to 48.23%, and the Group's effective interest is now equal to its ownership interest.

UK National Lottery

In March 2022, the UK Gambling Commission announced SAZKA Group a.s. as its Preferred Applicant for the fourth UK National Lottery concession following a rigorous competitive tender process. Allwyn Entertainment Ltd, a 100% owned subsidiary of SAZKA Group a.s., is its proposed licensee. The fourth UK National Lottery concession will run for 10 years from February 2024.

Camelot UK Lotteries Limited (the incumbent operator of the UK National Lottery) and certain other parties have brought claims against the Gambling Commission challenging certain aspects of its award decision. As a result of the legal challenge, the Gambling Commission is currently stayed from entering into agreements with Allwyn Entertainment Ltd that would formally commence a period of transition.

Notes to the consolidated financial statements continued

34. Subsequent events continued

Kaizen

On 20 April 2022, the Group announced that it has reached an agreement with OPAP Investment Limited (a wholly owned subsidiary of OPAP S.A.) to acquire its 36.75% interest in the business activities of Kaizen Gaming Limited outside Greece and Cyprus ("Kaizen"). The purchase price comprises (i) an upfront cash consideration of €50.0 million, on a debt free and cash free basis, and (ii) performance based earnout payments. Closing of the transaction is pending customary regulatory approvals.

Kaizen is a fast growing online sports betting and iGaming operator using proprietary gaming technology. The company operates in seven markets under Betano brand with particularly strong presence in Romania and Portugal. The transaction will result in an increase in the Group's effective interest in Kaizen, which will remain an equity method investee of the Group.

Russia and Ukraine conflict

The conflict between Russia and Ukraine has led to and is expected to continue to lead to disruption, instability and volatility in global markets and industries. The conflict has no direct operational impact on the Group, as the Group has no operations in either Ukraine or Russia. The Group has no exposure to sanctioned entities or persons.

Financing

SAZKA Group financing arrangements

In February 2022, the Company issued €200.0 million in aggregate principal amount of additional senior secured notes due 2027 at an issue price of 99.0% bearing fixed interest of 3.875% and the Group issued €400.0 million in aggregate principal amount of senior secured floating rate notes due 2028 issued by Allwyn Entertainment Financing (UK) plc at an issue price of 99.5% with a margin of 4.125%.

In March 2022, the Group repaid a bond (issued by SAZKA Group Financing a.s.) in the nominal amount of €200.0 million due in December 2022.

In March 2022 the Group (through its subsidiary SAZKA Group Financing (Czech Republic) a.s.) prepaid €63.1 million under its syndicated loan.

Since the start of 2022 the Group (through its subsidiary SAZKA Group Financing (Czech Republic) a.s.) has drawn and repaid various loans under its revolving credit facility. The net amount repaid is €33.4 million.

OPAP Group financing arrangements

In January 2022, OPAP repaid a €100.0 million revolving credit facility. The revolving credit facility remains available.

In February 2022, a subsidiary of OPAP repaid a €10.0 million revolving credit facility. The revolving credit facility remains available.

In March 2022, OPAP made an early repayment of a €100.0 million bank loan that had an original maturity in November 2023.

In April 2022, OPAP extended a €100.0 million revolving credit facility maturing in May 2022 to May 2023. The revolving credit facility remains undrawn.

OPAP dividend

On 22 March 2022, the Board of Directors of OPAP proposed the distribution of a dividend of €0.50 per share for the fiscal year 2021 and a capital return of €0.90 per share. The capital return will not be covered by OPAP's scrip dividend programme. Both proposals are subject to shareholder approval at the annual general meeting, which will be held on 9 June 2022.

LottoItalia dividend

On 25 March 2022, LottoItalia declared a dividend of €227.9 million and distribution of premium reserve of €23.3 million. The Group received (through its subsidiary Italian Gaming Holding a.s.) its share of €81.6 million on 31 March 2022.

Date of authorisation of the financial statements for issue: 29 April 2022	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

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

	Note	For 2021	For 2020
Revenue from services	4	**3.9**	2.9
Dividend income	5	**101.1**	102.1
Gain from the sale of securities	6	**-**	15.0
Materials, consumables and services	7	**(7.7)**	(13.8)
Marketing services		**(1.0)**	(1.2)
Personnel expenses		**(0.1)**	(3.6)
Other operating expenses		**(4.2)**	(0.4)
Depreciation and amortisation		**-**	(0.3)
Profit from operating activities		**92.0**	**100.7**
Interest income	8	**31.7**	15.3
Interest expense	8	**(74.9)**	(44.6)
Other finance expense	8	**-**	(19.4)
Finance costs, net		**(43.2)**	**(48.7)**
Profit before tax		**48.8**	**52.0**
Income tax expense	9	**(0.8)**	(4.3)
Profit after tax		**48.0**	**47.7**
Items that are or may subsequently be reclassified to profit or loss:			
Change in currency translation reserve		**9.1**	(25.7)
Other comprehensive income / (loss)		**9.1**	**(25.7)**
Total comprehensive income		**57.1**	**22.0**

The Notes on pages 166 to 193 are an integral part of these separate financial statements.

Separate statement of financial position

	Note	31/12/2021	31/12/2020	1/1/2020*
ASSETS				
Property, plant and equipment		–	0.3	0.6
Investment in subsidiaries	10	1,554.7	1,336.2	1,295.9
Loans provided	11	454.7	702.8	-
Other financial assets		–	-	4.5
Total non-current assets		**2,009.4**	**2,039.3**	**1,301**
Loans provided	11	212.0	28.8	191.2
Trade and other receivables		1.6	12.1	10.8
Derivative financial instruments	15	–	7.9	3.2
Current tax asset		–	-	0.2
Cash and cash equivalents	12	63.8	18.5	49.5
Total current assets		**277.4**	**67.3**	**254.9**
Total assets		**2,286.8**	**2,106.5**	**1,555.9**
LIABILITIES				
Loans and borrowings	14	1,161.5	1,405.3	726.1
Lease liabilities		–	-	0.4
Total non-current liabilities		**1,161.5**	**1,405.3**	**726.5**
Loans and borrowings	14	368.6	65.1	74.0
Lease liabilities		–	0.3	0.3
Trade and other payables		3.1	9.6	5.5
Employee benefit liabilities		–	1.1	0.6
Current tax liability		0.5	4.1	-
Total current liabilities		**372.2**	**80.2**	**80.4**
Total liabilities		**1,533.7**	**1,485.5**	**806.9**
EQUITY				
Share capital	13	0.1	0.1	0.1
Capital contributions	13	129.3	53.9	53.9
Translation reserve		–	(14.9)	10.8
Retained earnings		623.7	581.9	684.2
Total equity		**753.1**	**621.0**	**749.0**
Total equity and liabilities		**2,286.8**	**2,106.5**	**1,555.9**

* The Company changed its presentation currency from CZK to EUR and represented the opening balances as of 1 January 2020. See Note 2.c.

The Notes on pages 166 to 193 are an integral part of these separate financial statements

Separate statement of changes in equity

	Note	Share capital	Capital contributions	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2021		**0.1**	**53.9**	**(14.9)**	**581.9**	**621.0**
Profit for the year		**–**	**–**	**–**	**48.0**	**48.0**
Other comprehensive income for the year		**–**	**–**	**9.1**	**–**	**9.1**
Total comprehensive income for the year		**–**	**–**	**9.1**	**48.0**	**57.1**
Capital contribution from the parent	13	**–**	**75.0**	**–**	**–**	**75.0**
Other movements in equity		**–**	**–**	**–**	**–**	**–**
Total transactions with owners		**–**	**75.0**	**–**	**–**	**75.0**
Effect of functional currency change	1.c	**–**	**0.4**	**5.8**	**(6.2)**	**–**
Balance at 31 December 2021	13	**0.1**	**129.3**	**–**	**623.7**	**753.1**

	Note	Share capital	Capital contributions	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2020		**0.1**	**53.9**	**10.8**	**684.2**	**749.0**
Profit for the year		–	–	–	47.7	47.7
Other comprehensive income for the year		–	–	(25.7)	–	(25.7)
Total comprehensive income for the year		**–**	**–**	**(25.7)**	**47.7**	**22.0**
Dividends declared to parent	13	–	–	–	(150.0)	(150.0)
Other movements in equity		–	–	–	–	–
Total transactions with owners		–	–	–	(150.0)	(150.0)
Balance at 31 December 2020		**0.1**	**53.9**	**(14.9)**	**581.9**	**621.0**

The Notes on pages 166 to 193 are an integral part of these separate financial statements

Separate statement of cash flows

	Note	For 2021	For 2020
OPERATING ACTIVITIES			
Profit (+) for the year		**48.0**	47.7
Adjustments for:			
Income tax expense		**0.8**	4.3
Depreciation and amortisation		**-**	0.3
Gain (-) from the sale of securities	6	**-**	(15.0)
Net interest expense (+)	8	**43.2**	29.3
Net foreign exchange ("FX") losses (+)	8	**3.7**	12.5
Dividend income		**(101.1)**	(102.1)
Other non-monetary transaction		**-**	(2.0)
Operating result before changes in working capital and provisions		**(5.4)**	**(25.0)**
Increase (+) / decrease (-) in provisions		**-**	0.5
Increase (-) / decrease (+) in trade receivables and other assets		**7.3**	0.8
Increase (+) / decrease (-) in trade and other payables		**(8.2)**	4.3
Cash generated used in (-) operating activities		**(73.8)**	**(19.4)**
Interest paid		**(62.9)**	(42.0)
Income tax paid		**(4.6)**	-
Net cash used in (-) operating activities		**(73.8)**	**(61.4)**
INVESTING ACTIVITIES			
Increase of investments in subsidiaries	10	**(188.3)**	(127.5)
Proceeds from sale of investments	10	**-**	21.1
Proceeds from sale of property, plant and equipment and intangible assets		**0.2**	0.1
Dividends received	5	**74.1**	102.1
Other distributions received		**-**	37.5
Interest income received		**34.3**	10.4
Loans provided	11	**(31.5)**	(329.3)
Repayments of loans provided	11	**116.3**	-
Net cash generated from (+) / used in (-) investing activities		**5.1**	**(285.6)**
FINANCING ACTIVITIES			
Dividends paid to parent	13	**-**	(150.0)
Loans and borrowings received	14	**124.9**	624.8
Repayment of loans and borrowings	14	**(85.0)**	(155.6)
Capital contribution by parent	13	**75.0**	-
Repayment of principal element of lease liabilities		**(0.3)**	(0.3)
Net cash generated from (+) / used in (-) financing activities		**114.6**	**318.9**
Net decrease (-) / increase (+) in cash and cash equivalents		**45.9**	**(28.1)**
Effect of currency translation on cash and cash equivalents		**(0.6)**	(2.9)
Cash and cash equivalents at the beginning of the year	12	**18.5**	**49.5**
Cash and cash equivalents at the end of the year	12	**63.8**	**18.5**

The Notes on pages 166 to 193 are an integral part of these separate financial statements

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Notes to the separate financial statements

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 Evropská 866/71, 160 00 Praha 6, Czech Republic, 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. with its subsidiaries, joint ventures and associates) and holds interests in other Group companies.

As of 31 December 2020 the immediate 100% parent of the Company was KKCG AG (registered in Switzerland) whose ultimate controlling party pursuant to IFRS standards was VALEA FOUNDATION (registered in Liechtenstein). The designated beneficiary of VALEA FOUNDATION is Mr Karel Komárek. From 17 March 2021, SAZKA Entertainment AG (registered in Switzerland), an entity 100% controlled by KKCG AG, became the immediate 100% parent of the Company.

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.

1.2 Principal activity

The Company's principal activity is the strategic management and development of companies directly or indirectly controlled by the Company.

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 also prepared consolidated IFRS financial statements for the year ended 31 December 2021.

These separate financial statements were approved by the board of directors on 29 April 2022.

(b) 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.

(c) Functional and presentation currency

These IFRS separate financial statements are presented in Euro (EUR), which is the functional currency of the Company from 17 March 2021. Before 17 March 2021, the Czech koruna (CZK) was the functional currency of the Company. The change of the functional currency was triggered by the interposition of a new holding company above the Company, as a result of which the Company become intermediate holding company and was required to adopt the functional currency of its new parent company.

The change of the functional currency (for simplicity performed as of 31 March 2021, as there was no material difference from the date of change as of 17 March 2021) was accounted for by translating existing CZK value assets and liabilities, including elements of equity, to EUR as of 31 March 2021 using the FX rate issued by the Czech National Bank. Income and expenses for the period of 1 January – 31 March 2021 were translated using the average FX rate for this period.

Separate financial statements for 2020 were presented in CZK. The Company represented the comparative period including the opening balance as of 1 January 2020 using exchanges rates as of the respective balance sheet date issued by the Czech National Bank, with the exception of items of equity for which historical rates were applied. Income and expenses for the year 2020 were translated at an average rate for the year 2020 approximating to the actual rates. The company changed the presentation currency because management believes that after the change of functional currency to EUR, the presentation in EUR is more relevant to users of the financial statements.

2. Basis of preparation continued

The following FX rates were used in the translation of comparative period:

- 01/01/2020: 25.410 CZK/EUR
- 31/12/2020: 26.246 CZK/EUR
- Average rate for year 2020: 26.444 CZK/EUR

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 separate financial statements and the respective amounts included in the notes are attributable to rounding.

(d) 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 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.

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

(e) Significant estimates and judgements

The Company has made several significant accounting estimates and judgments. The Company describes these accounting estimates and judgements in detail in the relevant sections of the Notes.

The Company has made a significant accounting judgment related to de-facto control over OPAP S.A., classifying the investment as a subsidiary (Note 10).

The Company has made a significant accounting estimate related to impairment of financial investments (Note 11).

2. Basis of preparation continued

(f) New standards and amendments applicable within reporting period

The Company has applied for the first-time certain standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021.

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

i. 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. The IASB effective date is 1 April 2021.

The amendments did not have any material impact on the Company's financial statements.

ii. 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 the 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 amendments did not have any material impact on the Company's financial statements.

iii. 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 amendments did not have any material impact on the Company's financial statements.

(g) Standards, interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations were not yet effective as of 31 December 2021 and are not expected to have a significant impact on the Company's financial statements.

Accounting pronouncements that have been endorsed by the EU
i. Amendments to IFRS 3 "Business combinations" – Reference to "Conceptual framework" and 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.

The IASB effective date is 1 January 2022.

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

Notes to the separate financial statements continued

2. Basis of preparation continued

ii. 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.
- 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.
- 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.

The IASB effective date is 1 January 2022.

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

iii. Amendments to IAS 16 "Property, plant and equipment" – Proceeds before intended use

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The IASB effective date is 1 January 2022.

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

iv. 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.

The IASB effective date is 1 January 2023.

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

v.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.

The IASB effective date is 1 January 2023.

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

vi.IFRS 17 "Insurance contracts"

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 that these amendments will have a significant impact on the Company's financial statements.

Accounting pronouncements not yet endorsed by the EU

i. 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.

2. Basis of preparation continued

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 adoption of this amendment.

ii. Amendments to IAS 12 "Income taxes" – Deferred tax related to assets and liabilities arising from a single transaction
The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The IASB effective date is 1 January 2023.

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

iii. Amendments to IFRS 17 "Insurance contracts" – initial Application of IFRS 17 and IFRS 9 – Comparative Information
The amendments are expected to be endorsed before their effective date. The IASB effective date is 1 January 2023.

The Company does not expect that IFRS 17 will have a significant impact on the Company's 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) Dividend income (Note 5)

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.

(c) Interest income, Interest expense and Other finance expense (Note 8)

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 expenses comprise interest expense on loans and borrowings, bonds and leases on an accrual basis using the effective interest rate method.

Other finance income and expense comprise foreign exchange losses/gains and gains/losses on derivative instruments that are recognised in profit or loss.

(d) Income tax expense (Note 10)

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

3. Significant accounting policies continued

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 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 recognised at the same time as the liability to pay the related dividend is recognised.

(e) 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.

(f) 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. Impairment losses are recognised using an allowance account. Allowances are recognised to write down the investment to present value of estimated expected future cash flows.

(g) 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 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

3. Significant accounting policies continued

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 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.

The Company recognises the following financial assets at amortised cost: trade receivables, other receivables, loans provided and cash and cash equivalents.

Classification

Trade and other receivables, loans provided are initially recognised on the date when they are originated and measured at fair value plus any directly attributable transaction costs.

Derecognition

The Company 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 (a) are transferred or (b) are neither transferred nor retained but a control is not retained. 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 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 finance expense".

As of the balance sheet date the Company does not have any such financial instruments.

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 recognised initially at fair value. Subsequently, derivative financial instruments are measured at fair value. Changes in the fair value of the derivatives are recognised 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 amortised 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).

3. Significant accounting policies continued

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.

(h) 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 tax assets, 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). Costs of disposal are considered as immaterial.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. 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 that are measured at amortised cost.

Measurement of ECLs

Trade and other receivables – simplified approach

For trade 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 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.

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 other receivables, other financial assets and loans provided subject to its Standard ECL model. The Company measures ECL and recognises 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

3. Significant accounting policies continued

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.

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.

Notes to the separate financial statements continued

3. Significant accounting policies continued

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.

(i) Cash and cash equivalents (Note 12)

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.

(j) Loans and borrowings (Note 14)

Short-term and long-term loans 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.

(k) 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.

(l) Related parties (Note 18)

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. Revenues

	2021	2020
Revenue from services	**3.9**	2.9

Revenues primarily comprise revenues from services provided to group companies. The Company has no performance obligations or contract assets.

5. Dividend income

Dividend income represents received dividends from subsidiaries as per the table below:

	2021	2020
Dividend income	**101.1**	**102.1**
Italian Gaming Holding a.s.	**37.3**	68.9
SAZKA Czech a.s.	**35.1**	-
OPAP S.A.	**28.4**	33.1
SAZKA Group Financing a.s.	**0.3**	0.1

6. Gain from the sale of securities

Dividend income represents received dividends from subsidiaries as per the table below:

	2021	2020
Gain from the sale of securities	**-**	15.0

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 a gain from the sale of other financial investments.

7. Materials, consumables and services

Dividend income represents received dividends from subsidiaries as per the table below:

	2021	2020
Materials, consumables and services	**(7.7)**	**(13.8)**
Advisory and other professional services	**(6.6)**	(12.6)
Cost of IT and software services	**(0.1)**	(0.5)
Materials and consumables	**-**	(0.1)
Other services	**(1.0)**	(0.6)

Advisory and other professional services primarily comprise legal and other advisory fees.

8. Finance costs, net

Dividend income represents received dividends from subsidiaries as per the table below:

	2021	2020
Interest income	**31.7**	**15.3**
Interest expense	**(74.9)**	**(44.6)**
Other finance expense	**-**	**(19.4)**
Foreign exchange losses	**(3.7)**	(12.5)
Gains/(losses) from financial derivatives, net	**3.7**	(3.3)
Other finance expenses	**-**	(3.6)
Finance costs, net	**(43.2)**	**(48.7)**

Notes to the separate financial statements continued

8. Finance costs, net continued

Interest income

Interest income primarily comprises interest from intragroup loans (Note 11). Breakdown of interest income from intragroup loans is as follows:

	2021	2020
Intragroup interest income	**31.7**	**15.3**
SAZKA Delta Hellenic Holdings Limited	**6.5**	5.9
Italian Gaming Holding a.s.	**4.7**	5.3
SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.)	**-**	2.1
CAME Holding GmbH	**9.0**	1.7
SAZKA a.s.	**11.0**	0.3
SPORTLEASE a.s.	**0.3**	-
Rubidium Holdings Limited	**0.2**	**-**

Interest expense

Interest expense primarily comprises interest from bonds, and bank loans and intragroup loans (see Note 14).

9. Income tax expense

As of 31 December 2021, income tax expense in the amount of €0.8 million comprises current income tax (31 December 2020: €4.3million).

According to Czech legislation, the corporate income tax rate was 19% for the 2021 and 2020 financial years.

Reconciliation of the effective tax rate

	2021	2020
Profit before income tax	**48.8**	**52.0**
Income tax expense at Company's statutory tax rate of 19%	**(9.3)**	(9.9)
Tax effects of:		
Non-deductible expenses	**(10.4)**	(12.8)
Non-taxable income from dividends	**19.2**	15.2
Non-taxable gain from the sale of securities	**-**	1.3
Non-deductible donations for charitable purposes	**(0.1)**	(0.1)
Tax relating to prior periods	**(0.2)**	**-**
Utilization of tax losses for which no deferred tax asset was recognised	**-**	1.1
Transactions taxed at rates other than the statutory rate	**-**	0.9
Actual effective income tax expense	**(0.8)**	**(4.3)**

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 expenses 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 in 2020 relates to prior period tax losses, for which deferred tax assets were not recognised due to uncertainty about future recoverability.

Transactions taxed at rates other than the statutory rate in 2020 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 the 15% withholding tax rate.

10. Investments in subsidiaries

The following table summarizes the carrying value of investments in subsidiaries as at 31 December 2021 and 31 December 2020 and the Company's interest in those subsidiaries. The principal place of business is the same as the country of incorporation for all subsidiaries.

Subsidiaries	Ref	31/12/2021	31/12/2020	Country	31/12/2021	31/12/2020
SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.)		**196.7**	195.8	Czech Republic	100.00%	100.00%
Italian Gaming Holding a.s.		**353.9**	352.5	Czech Republic	100.00%	100.00%
OPAP S.A.	a)	**495.6**	311.8	Greece	14.24%	10.22%
Rubidium Holdings Limited		**430.9**	429.3	Cyprus	100.00%	100.00%
SAZKA Asia a.s.		**3.1**	3.1	Czech Republic	100.00%	100.00%
SAZKA Czech a.s.		**25.6**	25.6	Czech Republic	100.00%	100.00%
Sazka Delta Management Ltd		**0.3**	0.2	Cyprus	66.70%	66.70%
SAZKA Group CZ a.s.	b)	**12.1**	0.1	Czech Republic	100.00%	100.00%
SAZKA Group Financing a.s.		**2.0**	2.0	Slovakia	100.00%	100.00%
SAZKA Group Financing (Czech Republic) a.s.		**5.1**	5.1	Czech Republic	100.00%	100.00%
SAZKA Group UK Limited	c)	**29.3**	10.6	United Kingdom	100.00%	100.00%
Vitalpeak Limited	d)	**-**	0.1	Cyprus	-	100.00%
SAZKA Group Financing (Czech Republic) 2 a.s.	e)	**0.1**	-	Czech Republic	100.00%	-
Total		**1,554.7**	**1,336.2**			

* 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 2021, the Company acquired the following additional interests in OPAP S.A.:

- 3.18% through open market purchases for consideration of €134.5 million;
- 0.25% as the result of participation in OPAP S.A.'s scrip dividend programme , representing a non-cash increase of €27.0 million; and
- 0.59% bought form SAZKA Delta Hellenic Holding Limited for consideration of €23.0 million;

The Company's direct shareholding increased from 10.22% as of 31 December 2020 to 14.24% as of 31 December 2021.

b) During the year 2021, the Company made a contribution to other reserves of SAZKA Group CZ a.s. of €12.0 million.

c) During the year 2021, SAZKA Group UK Limited issued new shares in the amount of €18.7 million.

d) On 22 October 2021 Vitalpeak Limited was liquidated.

e) On 9 November 2021, the Company set up a new 100% subsidiary SAZKA Group Financing (Czech Republic) 2 a.s. (by means of acquiring a shelf company).

Control over OPAP S.A.

The Company presents its investment in OPAP S.A. within subsidiaries even though owns only direct interest of 14.24% (31 December 2020: 10.22%). The Company also controls an indirect interest of 32.98% (31 December 2020: 32.90%) in OPAP S.A. In total, SAZKA Group controls 47.22% (31 December 2020: 43.12%) 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 47.22% (31 December 2020: 43.12%) 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 Company has voted in favour of have been approved; and the Company'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 either fair value less costs of disposal ("FVLCD") or value in use method.

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:

Notes to the separate financial statements continued

10. Investments in subsidiaries continued

- The market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial

Value in use models have been prepared based on 5-year business plans of the operating entities, applying entity-specific WACC discount rate to estimated free cash-flows. Input parameters to value in use calculations were in the following ranges:

- WACCs: 8-10%
- GGR growth rates: 3-7%
- Terminal growth rate: 2%

Results of the impairment testing for 2021 and sensitivity

Recoverable amount exceeded carrying value of investments for all investments as of 31 December 2021 and all comparative periods. See below more information on inputs and evaluation for material investments.

SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.) is a holding company through which SAZKA Group holds its interest in Casinos Austria AG ("CASAG") and an additional indirect interest in its subsidiary Österreichische Lotterien GmbH ("Austrian Lotteries") (through additional intermediate holding companies). The fair value of SAZKA Group's share in the CASAG and Austrian Lotteries businesses estimated using the value in use 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 significantly exceeds the carrying value. Management assessed a sensitivity and evaluated that relative decrease in fair value of OPAP S.A. shares by 10% would not result in an impairment.

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 79.23%; (31 December2020: 78.64%)). The fair value of the interest in OPAP significantly exceeds the carrying value of the investment. No reasonable change in the 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).

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. 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 Lottoltalia. Recoverable amount using the value in use method exceeds the carrying amount of the investment. Evaluation is sensitive to an accounting estimate, that current Lottoltalia license, which will expire in 2025, will be extended. No extension would result in an impairment of €23.2 million.

SAZKA Group UK Limited is a service company where certain costs related to the bid for operation of UK's Fourth National Lottery were incurred. These costs will either be recharged to SAZKA Entertainment AG, or to a subsidiary. Therefore, these costs are recoverable and consequently, the recoverable amount exceeds the investment carrying value.

For pledges see Note 16.

11. Loans provided

	ref	31/12/2021	31/12/2020
Non-current loans		**454.7**	**702.8**
Loan to SAZKA a.s.	a)	**168.1**	192.3
Loan to CAME Holding GmbH	c)	**213.3**	189.7
Loan to SAZKA Delta Hellenic Holdings Limited	d)	**-**	181.8
Loan to Italian Gaming Holding a.s.	b)	**73.3**	139.0
Current loans		**212.0**	**28.8**
Current portion of long-term loan to SAZKA a.s.	a)	**25.5**	24.1
Current portion of long-term loan to Italian Gaming Holding a.s.	b)	**0.5**	3.0
Current portion of long-term loan to CAME Holding GmbH	c)	**0.8**	1.2
Current portion of long-term loan to SAZKA Delta Hellenic Holdings Limited	d)	**175.4**	0.5
Current loan to SPORTLEASE a.s.	e)	**9.8**	**-**

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, equivalent to €215.9 million, with variable interest rate. The loan is repayable in March 2030. SAZKA a.s. made several partial repayments of principle in 2021, for a total of €34.0 million.

b) On 14 February 2020, the Company provided an intragroup loan to Italian Gaming Holding a.s. in the principal amount of €139.0 million with fixed interest rate. The loan is repayable in February 2027. Italian Gaming Holding a.s. made several partial repayments of principle in 2021 for a total of €65.7 million.

c) On 7 February 2020, the Company provided an intragroup loan to CAME Holding GmbH in the principal amount of €91.5 million with fixed interest rate. In June 2020, the loan was assigned from the Company to SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.) as creditor. The loan is due in February 2027. Subsequently additional advances in the amount of €98.2 million were provided under this agreement. In December 2020, the loan was reassigned back from Austrian Gaming Holding a.s. to the Company as creditor. In January 2021, CAME Holding GmbH drawn an additional €23.2 million. In November 2021, principal was increased by capitalized interest in the amount €1.7 million. In December 2021, CAME Holding GmbH made a partial principal repayment of €1.4 million.

d) On 12 February 2020, the Company extended the maturity of a previously provided intragroup loan to SAZKA Delta Hellenic Holding Limited in the principal amount of €190.0 million with fixed interest rate. The loan is due in March 2022. In June 2020, SAZKA Delta Hellenic Holding Limited made a partial principal repayment of €65.4 million. In December 2020, Sazka Delta Hellenic Holding Limited drawn an additional €57.2 million. In February 2021, SAZKA Delta Hellenic Holding Limited made a partial principal repayment of €6.9 million. The outstanding principal amount was €174.9 million as of 31 December 2021.

e) On 30 June 2021, an outstanding receivable of €9.6 million from SPORTLEASE a.s. (100% subsidiary of SAZKA Czech a.s.) was converted to an intragroup loan in the principal amount of CZK 238.3 million, equivalent to €9.6 million, with variable interest rate. The loan is repayable on 30 June 2022. In December 2021, the principal was increased by capitalized interest in the amount €0.3 million. All intragroup loans are made with an interest rate derived from the interest rates on the Group's external debt. During 2021 and 2020 the interest rates were in the range from 3.5% to 5.0%.

f) On 16 February 2021, the Company provided an intragroup loan to Rubidium Holdings Limited in the principal amount of €8.3 million, with fixed interest rate. In August 2021, Rubidium Holdings Limited repaid the loan in full.

All intragroup loans are made with interest rates derived with reference to the interest rates on the Group's external debt. During 2021 and 2020 the interest rates were in the range from 3.5% to 5.0%.

For security and guarantees provided see Note 16.

Notes to the separate financial statements continued

11. Loans provided continued

Reconciliation of movements of short-term and long-term loans provided to cash flow:

	2021	2020
Balance at 1 January	**731.6**	**191.2**
Cash flows		
Loans and borrowings provided	**31.5**	329.3
Repayment of loans and borrowings	**(116.3)**	-
Interest received related to prior year	**(5.0)**	-
Non-cash changes		
Non-cash settlement*	**11.6**	207.0
Accrued interest receivable	**2.2**	4.8
Effect of FX differences	**11.1**	(0.7)
Balance at 31 December	**666.7**	**731.6**

* Non-cash settlement in 2021 includes loan provided to SPORTLEASE a.s. (see e) above). Non-cash settlement in 2020 represent intragroup loans provided to subsidiaries of the Company in connection with borrowings drawn by the Company, where cash from the borrowing was received directly by the subsidiaries. See Note 14.

12. Cash and cash equivalents

As of 31 December 2021, the Company has bank accounts with a total balance of €63.8 million (31 December 2020: €18.6 million).

Two bank accounts were pledged as a collateral for borrowings. The balance on the pledged accounts was €3.0 million as of 31 December 2021 (€nil million as of 31 December 2020).

13. Equity

Share capital

The Company's share capital as of 31 December 2021 comprises 30 authorised and outstanding ordinary shares in certificated form with a nominal value of CZK 100 thousand per share (31 December 2020: 20 ordinary shares in certificated form with a nominal value of CZK 100 thousand per share). The share capital is fully paid up. All shares have the same rights and no restrictions.

Each share represents one voting right.

Rights attached to the shares at the end of each reporting period were as follows:

- the right to share in the profit, if the share of the profit is to be distributed among the shareholders, and the right to share in net assets in the event of liquidation;
- the right to attend General Meeting and to cast a vote at General Meeting;
- the right to submit proposals and counter-proposals on matters included on the agenda of the General Meeting;
- the right to invoke the invalidity of a resolution of the General Meeting;
- the right to request the Board of Directors to issue a copy of the minutes of the General Meeting.

All ordinary shares rank equally with regard to rights to share the Company's profits and residual net assets in the event of liquidation.

On 17 September 2021, by a decision of the sole shareholder, the Company issued 10 new ordinary shares, which have been fully paid by the sole shareholder.

The Company does not own any treasury shares and no shares in the Company are owned by any other entity in the Group.

Capital contributions

The Company's capital contributions comprise past capital increases from its parent company. The funds are freely distributable.

On 26 July 2021, the Company received a cash contribution of €75.0 million to other capital funds from its sole shareholder.

13. Equity continued

Distribution and dividends to parent

In 2020, the Company paid a dividend in the amount of €150.0 million (€7.5 million per share). No dividends were paid in 2021.

14. Loans and borrowings

	31/12/2021	31/12/2020
Non-current loans and borrowings	**1,161.5**	**1,405.3**
Long-term loans	**334.9**	588.1
Bonds	**826.6**	817.2

	31/12/2021	31/12/2020
Current loans and borrowings	**368.6**	**65.1**
Current portion of long-term loans	**359.4**	56.1
Accrued interest on bonds	**9.2**	9.0

Reconciliation of movements of short-term and long-term loans and borrowings to cash flow:

	2021	2020
Balance at 1 January	**1,470.4**	**780.2**
Cash flows		
Loans and borrowings received	**124.9**	624.8
Repayment of loans and borrowings	**(85.0)**	(155.6)
Interest paid related to prior year*	**(10.4)**	(7.5)
Non-cash changes		
Accrued unpaid interest	**12.6**	10.0
Non-cash settlement **	**5.3**	191.3
Effect of FX differences	**12.3**	27.2
Balance at 31 December	**1,530.1**	**1,470.4**

* Included in "Interest paid" in "Net cash generated from operating activities".

** Non-cash settlement in 2021 and 2020 includes accrued arrangement fee. Additionally non-cash settlement in 2020 represent borrowings drawn by the Company and immediately provided as intragroup loan to subsidiaries of the Company, where cash from the borrowing was received directly by the subsidiaries. See Note 11.

Notes to the separate financial statements continued

14. Loans and borrowings continued

Loans and borrowing overview

	Ref	Currency	**Principal amount in currency of debt instrument 31/12/2021**	Principal amount in currency of debt instrument 31/12/2020	Maturity	Interest rate / Coupon	**Book value 31/12/2021**	Book value 31/12/2020
Bonds							**841.3**	**826.3**
6bn CZK	a)	CZK	**6,000.0**	6,000.0	2024	5.200%	**242.1**	228.4
300m EUR	b)	EUR	**300.0**	300.0	2024	4.125%	**298.8**	298.0
300m EUR	c)	EUR	**300.0**	300.0	2027	3.875%	**300.4**	299.9
Intragroup Loans							**688.8**	**644.1**
SAZKA Group Financing a.s.	d)	EUR	**201.8**	201.8	2022	fixed*	**201.3**	200.5
SAZKA Group Financing (Czech Republic) a.s.	e)	EUR	**485.0**	450.0	2024	variable*	**482.5**	443.6
SAZKA Group Financing (Czech Republic) a.s.	f)	EUR	**4.9**	-	2024	fixed*	**5.0**	-
Total							**1,530.1**	**1,470.4**

* Interest rates on intragroup loans are derived from a Group's external loan and borrowings interest rates. During 2021 and 2020, the interest rates were in the range from 3.5% to 4.5%.

a) On 23 September 2019, the Company issued a bond 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 of €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 of €300.0 million with a fixed interest rate of 3.875% p.a. and maturity in February 2027.
d) On 12 December 2017, the Company received an intragroup loan from its 100% subsidiary SAZKA Group Financing a.s. of €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 €201.8 million.
e) On 21 December 2020, the Company received an intragroup loan from its 100% subsidiary SAZKA Group Financing (Czech Republic) a.s. of €450 million with variable interest rate derived from EURIBOR and maturity in July 2024. In 2021 company drawn an additional €120 million and made a partial principal repayment €85 million.
f) On 16 January 2021, the Company received another intragroup loan from its 100% subsidiary SAZKA Group Financing (Czech Republic) a.s. of €4.9 million with a fixed interest rate and maturity in December 2024.

For security and guarantees provided see Note 16.

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). The Company fulfilled the covenants during 2021.

15. Derivatives

During the first quarter of the year 2021, the Company cash settled its outstanding CZK/EUR forwards and swaps, which had the fair value of €7.9 million (receivable) as of 31 December 2020. In 2021 prior to the settlement, a gain of €3.7 million from the revaluation was recorded in Gains/(losses) from financial derivatives, net.

The Company has no open derivative contracts as of 31 December 2021.

16. Contingencies

Securities and Pledges

Bonds issued by the Company are collateralised 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. of €200 million with maturity on 8 December 2022; and
- Bank loans drawn on 16 December 2020 by SAZKA Group Financing (Czech Republic) a.s. of €450 million (with additional capacity up to €640 million) with the final maturity on 31 July 2024. Amount drawn as of 31 December 2021 was €485 million.

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) SAZKA Austrian Gaming Holding a.s. (formerly 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 accounts 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.

Guarantees

The Company has provided guarantees in relation to the bonds issued by its subsidiary SAZKA Group Financing a.s. up to €250 million (2020: €250 million). Fair value of the guarantee is negligible.

The Company has provided guarantees in relation to the syndicated bank loan drawn in 2020 by SAZKA Group Financing (Czech Republic) a.s. The fair value of the guarantee is negligible.

17. 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 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 or financing 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.

The Company's bank accounts are predominantly with international financial institutions. The Company is primarily exposed to credit risk from the loans provided to its subsidiaries. The risk of 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.

Notes to the separate financial statements continued

17. Risk management continued

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 31/12/2021	Companies (non-financial institutions)	Financial institutions	Individuals	Total
Assets				
Non-current loans provided and receivables	**454.7**	**-**	**-**	**454.7**
Current loans provided and receivables	**213.0**	**-**	**-**	**213.0**
Cash and cash equivalents	**-**	**63.8**	**-**	**63.8**
Total	**667.7**	**63.8**	**-**	**731.5**

At 31/12/2020	Companies (non-financial institutions)	Financial institutions	Individuals	Total
Assets				
Non-current loans provided and receivables	702.8	-	-	702.8
Current loans provided and receivables	39.4	-	-	39.4
Cash and cash equivalents	-	18.5	-	18.5
Total	**742.2**	**18.5**	**-**	**760.7**

Credit risk by region

Financial assets and Cash and cash equivalents	31/12/2021	31/12/2020
Czech Republic	**333.9**	381.9
Austria	**214.1**	190.9
Cyprus	**175.4**	182.3
Greece	**7.8**	5.6
Switzerland	**0.3**	-
Total	**731.5**	**760.7**

17. Risk management continued

ii. Ageing structure of financial assets

31/12/2021	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 financial assets	**454.7**	**-**	**-**	**-**	**-**	**-**	**454.7**
Long-term loans provided	**454.7**	**-**	**-**	**-**	**-**	**-**	**454.7**
Current trade and other receivables	**212.8**	**0.2**	**-**	**-**	**-**	**-**	**213.0**
Trade and other receivables	**0.8**	**0.2**	**-**	**-**	**-**	**-**	**1.0**
Current portion of long-term loans provided	**212.0**	**-**	**-**	**-**	**-**	**-**	**212.0**
Cash and cash equivalents	**63.8**	**-**	**-**	**-**	**-**	**-**	**63.8**
Bank accounts	**63.8**	**-**	**-**	**-**	**-**	**-**	**63.8**
Total	**731.3**	**0.2**	**-**	**-**	**-**	**-**	**731.5**

31/12/2020	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 financial assets	**702.8**	**-**	**-**	**-**	**-**	**-**	**702.8**
Long-term loans provided	702.8	-	-	-	-	-	702.8
Current trade and other receivables	**38.2**	**1.2**	**-**	**-**	**-**	**-**	**39.4**
Trade and other receivables	9.4	1.2	-	-	-	-	10.6
Current portion of long-term loans provided	28.8	-	-	-	-	-	28.8
Cash and cash equivalents	**18.5**	**-**	**-**	**-**	**-**	**-**	**18.5**
Bank accounts	18.5	-	-	-	-	-	18.5
Total	**759.5**	**1.2**	**-**	**-**	**-**	**-**	**760.7**

Notes to the separate financial statements continued

17. Risk management continued

iii. Credit quality of financial assets at amortised 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 31/12/2021	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**63.8**	**-**	**-**	**-**	**-**	**63.8**
Bank accounts in banks	**63.8**	**-**	**-**	**-**	**-**	**63.8**
Class 2						
Current loans and receivables	**212.0**	**-**	**-**	**1.0**	**-**	**213.0**
Trade and other receivables	**-**	**-**	**-**	**1.0**	**-**	**1.0**
Current portion of long-term loans provided	**212.0**	**-**	**-**	**-**	**-**	**212.0**
Non-current loans and receivables	**454.7**	**-**	**-**	**-**	**-**	**454.7**
Long-term deposits	**-**	**-**	**-**	**-**	**-**	**-**
Long-term loans provided	**454.7**	**-**	**-**	**-**	**-**	**454.7**
Total	**730.5**	**-**	**-**	**1.0**	**-**	**731.5**

At 31/12/2020	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**18.5**	**-**	**-**	**-**	**-**	**18.5**
Bank accounts in banks	18.5	-	-	-	-	18.5
Class 2						
Current loans and receivables	**28.8**	**-**	**-**	**10.6**	**-**	**39.4**
Trade and other receivables	-	-	-	10.6	-	10.6
Current portion of long-term loans provided	28.8	-	-	-	-	28.8
Non-current loans and receivables	**702.8**	**-**	**-**	**-**	**-**	**702.8**
Long-term deposits	-	-	-	-	-	-
Long-term loans provided	702.8	-	-	-	-	702.8
Total	**750.2**	**-**	**-**	**10.6**	**-**	**760.7**

The Company considers provided intragroup loans as having a low credit risk. As the intragroup loans and the borrower companies do not have separate external credit ratings 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 believes that the credit risk is not material for the Company as of 31 December 2021 and all comparable periods.

17. Risk management continued

(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 bonds, bank loans, cash pooling, bank overdrafts and intragroup financing.

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 the maturity of which is not contractually specified are grouped under the "due on demand" category.

Liquidity risk analysis (by maturity):

At 31/12/2021	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	**667.7**	**791.7**	**236.3**	**188.0**	**367.4**	**-**
Total	**667.7**	**791.7**	**236.3**	**188.0**	**367.4**	**-**
Cash	**63.8**	**63.8**	**-**	**-**	**-**	**63.8**
Liabilities						
Loans and borrowings	**(1,530.1)**	**(1,702.4)**	**(416.6)**	**(984.0)**	**(301.8)**	**-**
Trade and other payables	**(3.1)**	**(3.1)**	**(3.1)**	**-**	**-**	**-**
Total	**(1,533.2)**	**(1,705.6)**	**(419.7)**	**(984.0)**	**(301.8)**	**-**

* Contractual cash flows are not discounted to net present value and include interest, if applicable.

At 31/12/2020	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	742.2	886.3	64.3	364.9	457.1	-
Derivative financial instruments	7.9	8.9	8.9	-	-	-
Total	**750.1**	**895.1**	**73.2**	**364.9**	**457.1**	**-**
Cash	**18.5**	**18.5**	**-**	**-**	**-**	**18.5**
Liabilities						
Loans and borrowings	(1,470.4)	(1,719.6)	(113.6)	(1,288.5)	(317.4)	-
Trade and other payables	(7.6)	(7.6)	(7.6)	-	-	-
Lease liabilities	(0.3)	(0.3)	(0.3)	-	-	-
Total	**(1,478.3)**	**(1,727.5)**	**(121.5)**	**(1,288.5)**	**(317.4)**	**-**

* Contractual cash flows are not discounted to net present value and include interest, if applicable.

Notes to the separate financial statements continued

17. Risk management continued

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 of its subsidiary SAZKA Group Financing (Czech Republic) a.s. The total principal amount drawn under these two facility arrangements is €685.0 million as of 31 December 2021 (2020: €670.0 million).

(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 2021, the only such loan was the intragroup loans from SAZKA Group Financing (Czech Republic) a.s. ., and the intragroup loans provided to SAZKA a.s. and SPORTLEASE 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.

Increase/decrease in interest rates by 1 percentage point (100bp) would cause an increase/decrease of profit before tax by €2.9 million (31 December 2020: €2.2 million).

(d) Currency risk

The Company is exposed to a foreign exchange risk when financial assets and liabilities are denominated in different currencies. The Company manages the risk from foreign currency transactions through the use of currency derivatives (until Q1 2021) and structuring the financing and cash-flows of the Company and the Group in a way that creates natural hedges.

Foreign currency denominated intercompany receivables and payables are included in the sensitivity analysis for foreign exchange risk. The table below shows the split of financial assets and liabilities according to their currency (note that EUR is the functional currency of the Company and thus does generate any currency risk).

At 31/12/2021	CZK	EUR	Other	Total
Trade and other receivables and long-term loans provided	**168.1**	**286.6**	**-**	**454.7**
Trade and other receivables and current portion of long-term loans provided	**35.5**	**177.4**	**0.1**	**213.0**
Cash and cash equivalents	**21.1**	**42.6**	**0.1**	**63.8**
Total assets	**224.7**	**506.6**	**0.2**	**731.5**
Long-term loans and borrowings	**(238.7)**	**(922.8)**	**-**	**(1,161.5)**
Current portion of long-term loans and borrowings	**(3.4)**	**(365.2)**	**-**	**(368.6)**
Trade and other payables	**(3.0)**	**(0.1)**	**-**	**(3.1)**
Total liabilities	**(245.1)**	**(1,288.1)**	**-**	**(1,533.2)**
Total	**(20.4)**	**(781.5)**	**0.2**	**(801.7)**

At 31 December 2020	CZK	EUR	Other	Total
Trade and other receivables and long-term loans provided	192.3	510.5	-	**702.8**
Trade and other receivables and current portion of long-term loans provided	33.2	6.2	-	**39.4**
Derivative financial instruments	-	7.9	-	**7.9**
Cash and cash equivalents	2.5	15.6	0.4	**18.5**
Total assets	**228.0**	**540.2**	**0.4**	**768.6**
Long-term loans and borrowings	(225.2)	(1,180.1)	-	**(1,405.3)**
Current portion of long-term loans and borrowing	(3.2)	(61.9)	-	**(65.1)**
Lease liabilities	(0.3)	-	-	**(0.3)**
Trade and other payables	(0.9)	(7.6)	(1.0)	**(9.5)**
Total liabilities	**(229.6)**	**(1,249.6)**	**(1.0)**	**(1,480.2)**
Total	**(1.6)**	**(709.4)**	**(0.6)**	**(711.6)**

A reasonably possible strengthening (weakening) of EUR against foreign currencies as of 31 December 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected the

17. Risk management continued

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 2021, a 10% strengthening (weakening) in the EUR would have increased / decreased profit or loss before tax and equity in EUR by the amount of €2.0 million.

As of 31 December 2020, a 10% strengthening (weakening) in the Czech crown would have increased / decreased profit or loss and equity in EUR by the amount of €70.4 million.

(e) Fair value measurement

Derivative instruments were classified within level 2 of the fair value hierarchy.

For all remaining financial assets and liabilities accounting at amortised cost, the Company assesses 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.

(f) Capital management

The Company aims to maximise shareholder value, to maintain access to diversified sources of capital to finance operating and business development needs of the consolidated Group, and to ensure financial resilience of the Group

During 2021 and 2020 the Company fulfilled all the conditions required by its external financing arrangements. Key financial ratios in the Company's external financing arrangements are based on the ratio of Group's EBITDA to net debt and interest cover ratio.

18. 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 2021 and 31 December 2020

The following tables present outstanding receivables and payables from related parties of the Company as of 31 December 2021 and 31 December 2020:

Outstanding balance with the parent	31/12/2021	31/12/2020
ASSETS		
Current trade and other receivables	**0.3**	-

Outstanding balance with companies controlled by the Company	31/12/2021	31/12/2020
ASSETS		
Non-current loans provided	**454.7**	702.8
Current loans provided	**212.0**	28.8
Current trade and other receivables	**0.8**	10.6
LIABILITIES		
Non-current loans and borrowings	**334.9**	588.0
Current loans and borrowings	**359.4**	56.1
Current trade and other payables	**3.1**	0.2

Outstanding balance with related parties of the Company with other companies controlled by the KKCG AG	31/12/2021	31/12/2020
LIABILITIES		
Current trade and other payables	**-**	0.4

See Notes 11 and 14 for detailed split of loans and borrowings according to counterparties.

Notes to the separate financial statements continued

18. Related parties continued

(b) Transactions with related parties of the Company for the years ended 31 December 2021 and 31 December 2020

There were no transactions with the parent of the Company with effect on the statement of comprehensive income for the years ended 31 December 2021 and 31 December 2020.

Transactions with companies controlled by the Company	2021	2020
Revenue from services	**3.9**	2.9
Materials, consumables and services	**1.8**	0.4
Dividend income	**101.1**	102.1
Interest income	**31.7**	15.3
Interest expense	**29.8**	9.4
Other finance expenses	**–**	1.2

Transactions with other companies controlled by the KKCG AG	2021	2020
Materials, consumables and services	**0.2**	0.7
Other operating expenses	**–**	0.2
Interest income	**–**	0.1
Other finance expenses	**–**	0.2

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 2021 and 31 December 2020

Remuneration, bonuses and other benefits provided to the members of the Board of Directors and Supervisory Board and key management personnel of the Company:

	2021		2020	
	Board of Directors and Supervisory Board	**Key management personnel**	Board of Directors and Supervisory Board	Key management personnel
Total remuneration	**4.4**	**5.9**	**3.0**	**4.4**
Short-term benefits	**2.1**	**2.3**	1.2	1.6
Post-employment benefits	**0.1**	**0.1**	–	–
Other long-term benefits	**2.2**	**3.5**	1.8	2.8
Termination benefits	**–**	**–**	–	–
Share-based payments benefits	**–**	**–**	–	–

"Key management personnel" comprises the C-level (executive) management of the Company (excluding CEO, who is a member of the BoD). C-level management in years 2021 and 2020 consisted of CFO, CIO, CTO, COO, Chief marketing officer and Chief Global Brand and CSR officer.

Members of the Board of Directors and Supervisory Board and key management personnel of the Company receive their remuneration from related parties of the Company (either from subsidiaries of the Company or from the shareholder). Remuneration received from the shareholder is considered related to the management function on the Company level and thus, presented in the summary remuneration table above.

There are no outstanding balances between the Company and the executive management.

19. Subsequent events

Significant subsequent events that occurred after 31 December 2021:

1. So far in Q1 2022 the Company increased its direct shareholding in OPAP by 0.90% through market purchases. The total consideration paid was €41.9 million.

   Until 26 April 2022, the Company increased its direct shareholding in OPAP by 0.10% through market purchases. Total consideration paid was €5.0 million.

   As a results of these transactions, the Company's direct interest in OPAP increased by 1.01% from 14.24% to 15.25%.

2. On 17 February 2022, the Company increased equity in its subsidiary Rubidium Holdings Ltd in the amount of €326.0 million to fund the purchase of the remaining minority interest in SAZKA Delta AIF Variable Investment Company Ltd, an entity through which the Group holds part of its interest in OPAP.

3. On 9 February 2022, the Company issued €200.0 million in aggregate principal amount of additional 3.875% senior secured notes due 2027 at an issue price of 99.0%.

   Allwyn Entertainment Financing (UK) plc, a newly established 100% subsidiary of the Company also issued €400.0 million in aggregate principal amount of senior secured floating rate notes due 2028 at an issue price of 99.5% with a margin of 4.125%. An intra-group loan in the amount of €402.0 million was provided to the Company.

   On 8 March 2022, the Company repaid in full the €201.8 million intra-group loan provided by SAZKA Group Financing a.s.

4. After the reporting period the Company make a net prepayment of its intra-group loan from SAZKA Group Financing (Czech Republic) a.s. in the principal amount of €90.5 million.

5. On 14 March 2022, the Company received repayment of its intra-group loan in the amount of €11 million provided to SAZKA Delta Hellenic Holdings Limited and a loan amendment was signed on 31 March 2022. Under the new conditions the loan is due on 31 December 2024.

6. On 28 March 2022, the Company increase other capital funds of its subsidiary SAZKA Czech a.s. in the amount of €9.1 million (CZK 225 million).

7. On 28 March 2022, the Company received prepayment in full of its intra-group loan in the amount of €10.1 million (CZK 249.8 million) provided to SPORTLEASE a.s.

8. On 19 April 2022, the Company received a deposit from Italian Gaming Holding a.s. as depositor in the amount of €44.0 million.

Russia and Ukraine conflict

The conflict between Russia and Ukraine has led to and is expected to continue to lead to disruption, instability and volatility in global markets and industries. The conflict has no direct operational impact on the Company, as the Company has no operations in either Ukraine or Russia. The Company has no exposure to sanctioned entities or persons.

Date of authorisation of the financial statements for issue: 29 April 2022	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 Evropská 866/71, Vokovice, Praha 6 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 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 2021, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2021 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 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; 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 2021;
- the separate statement of financial position as at 31 December 2021;
- the separate statement of changes in equity for the year ended 31 December 2021;
- the separate statement of cash flows for the year ended 31 December 2021; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

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.

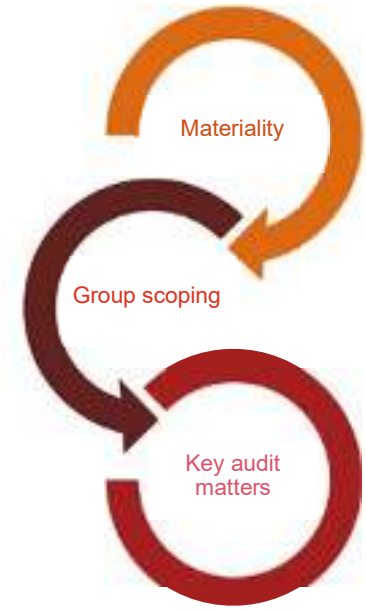
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, the Act on Auditors and the EU Regulation.

Our audit approach

Overview



The overall materiality for the Group: EUR 28 million, which was determined as approximately 5% of the Group's profit before tax.

The overall materiality for the Company: EUR 18 million, which was determined as approximately 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 99% of the Group's profit for the year.

Revenue Recognition Based on Complex Information Systems – Revenue from gaming activities (consolidated financial statements)

Impairment assessment of Intangible assets with indefinite useful lives and Goodwill (consolidated financial statements)

Impairment assessment of investment in subsidiaries (separate financial statements)

As part of designing our audit, we determined 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, if any, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality	EUR 28 million
Overall Company materiality	EUR 18 million
How we determined it	The overall materiality for the Group was determined as approximately 5% of the Group's profit before tax. The overall materiality for the Company was determined as approximately 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 profit before tax 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 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 – Revenue from gaming activities (consolidated financial statements) For the year ended 31 December 2021, the Revenue from gaming activities of the Group amounted to EUR 3,056.5 million. Refer to Notes 3(d) and 6 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 Information Technology (IT) systems (both in house and third-party ones), with a number of different and specialised basis for calculating revenue. The accuracy and completeness of the amounts recognized from these revenue streams are highly dependent on Information Technology 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 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 Organisations, in order to obtain the understanding of the nature of the services being provided and the control environment implemented at the Service Organisations, including the results of the testing of the operating effectiveness that was performed by the auditors of the respective Service Organisations. 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 2021, goodwill measured at cost less any accumulated impairment losses, amounted to EUR 1,056.3 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 value in use method was used. 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 2021, intangible assets with indefinite useful lives measured at cost less any accumulated impairment losses, amounted to EUR 1,464.7 million in the consolidated financial statements.

The calculations for impairment tests for intangible assets with indefinite useful lives use mainly relief from royalty method.

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 16 "Intangible assets and goodwill" to the consolidated financial statements.

We evaluated management's overall impairment testing process, including the 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 16 "Intangible assets and goodwill" to the consolidated financial statements.

During 2021, the Group finalised acquisition accounting of STOIXIMAN where in 2020 provisional goodwill was recognized in the amount of EUR 466.0 million. After finalisation the goodwill recognized decreased to EUR 325.0 million while brands, customer relationships and relating deferred tax liability was recognized. Refer to Notes 1(h), 4(b) and 16 to the consolidated financial statements.

Impairment assessment of investments in subsidiaries (separate financial statements)

At 31 December 2021, the investments in subsidiaries totalled EUR 1,554.7 million. Refer to Note 10 to the separate financial statements.

Management is required to record an impairment loss when the carrying amount of an investment in a subsidiary exceeds its recoverable amount.

The recoverable amount of each investment represents the higher of (i) fair value less costs of disposal and (ii) value in use.

The process and methodologies for assessing and determining the value in use are based on complex assumptions, that by their nature imply the use of the management's judgement, in particular with reference to identification of impairment indicators, forecasting future cash flows relating to the periods covered by the business plan, as well as estimating the terminal growth rates and discount rates applied to forecasted cash flows.

The primary risks are identifying impairment indicators, inaccurate models being used for the impairment assessment, and that the assumptions to support the recoverable value of the investments are inappropriate.

This is a key audit matter for our audit given that management exercised judgement in calculating the future cash flows, (e.g. in respect of expectations of market development, and in determining the discount rates applied to the future cash flows forecasts).

We evaluated management's overall impairment testing process, including the process for identifying indicators for impairment, preparation of impairment testing models as well as their review and approval. The key assumptions assessed for individual investments included the revenue growth rates and discount rates. We discussed extensively with management the suitability of the impairment models and reasonableness of the assumptions used and, with the support of our valuation expert, 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.

• Validation of market price of investments in case fair value less costs of disposal method was used.

• Assessing the sensitivity of impairment tests to changes in significant assumptions.

• We validated the appropriateness of the related disclosures included in Note 10 to the separate financial statements.

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 comprises 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 (2020: four) as financially significant in 2021. Specified procedures over a specific financial statement line item were performed at one further component (2020: one) 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 99% 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 their 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 a 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 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- 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 disclosures, 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 EU Regulation

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 2021 by the general meeting of shareholders of the Company on 21 May 2021. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 4 years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Company and its subsidiaries 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 that we have provided to the Company and its subsidiaries in the period from 1 January 2021 to 31 December 2021 are disclosed on page 222 of the Annual report.

Report on the compliance of the format of the consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged as part of our audit engagement letter by the board of directors of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the electronic reporting format of the consolidated financial statements included in the annual report of the Group for the year ended 31 December 2021 (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 board of directors of the Company to comply with the requirements of art. 3 - 6 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

Appropriate criteria are given in the ESEF Regulation and consist mainly of requirements in respect of:

- preparation the annual report that includes consolidated financial statements in XHTML format;
- mandatory markups of consolidated financial statements as described in article 4 of the ESEF Regulation;
- voluntary markups of disclosures presented in the consolidated financial statements in addition to the minimum requirements falling under the mandatory markups as described in article 4 and of disclosures outside of the consolidated financial statements as described in article 5 of the ESEF Regulation; and
- use of iXBRL specifications and XHTML format for markups made in accordance with Articles 4 and 5 of the ESEF Regulation.

The requirements described above determine the basis for application of the electronic reporting format of the consolidated financial statements included in the annual report and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility 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 markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the electronic reporting format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

The supervisory board is responsible for overseeing the financial reporting process, which should also be understood as the preparation of the consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether 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 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements and for reasonable assurance engagements involves planning and performing procedures to obtain reasonable assurance whether the electronic reporting format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the possible material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants as adopted by the Chamber of Auditors of the Czech Republic, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 respects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- 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.
- Evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation.
- Evaluating the appropriateness of the Group's' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified.
- 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 conclusion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Petra Jirková Bočáková.

29 April 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by



Jiří Zouhar
Partner



Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

This document is a copy of the independent auditor's report issued on 29 April 2022 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 Evropská 866/71, Vokovice, 160 00 Prague 6, Identification No. 242 87 814, registered in the Commercial Register administred by the Municipal Court in Prague under file No. B 18161 (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 (the "Business Corporations Act") in the accounting period from 1 January 2021 to 31 December 2021 (the "Accounting Period").

In accordance with Section 82 of the Business Corporations Act, the Board of Directors of the Company has therefore 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 (the "Report on Relations" and "Related Entities"). The Report on Relations is structured in accordance with Section 82 (2) and (4) of the Business Corporations Act.

1. The structure of relations between the Company and other Related Entities

During the entire Accounting Period, the Company was a part of KKCG Group, which 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.

Until 17 March 2021 the Company was directly controlled by KKCG AG. On 17 March 2021, pursuant to a Contribution-in-Kind Agreement KKCG AG contributed all shares which it held in the Company at that time, to SAZKA Entertainment AG, having its registered seat at Weinmarkt 9, 6004 Lucerne, Switzerland, registered under Registration No. CHE-366.705.452. As a result, since 17 March 2021 the Company has been controlled by KKCG AG indirectly, i.e. through SAZKA Entertainment AG.

A 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 2021.

2. 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 sector. In particular, the Company carries out management, strategic business development and financing activities for the Group and holds interests in other Group companies.

3. 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.

4. 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 exceeded 10% of own capital of the Company as determined from the last financial statements preceding the issuance of this report:

- Accepting a contribution into the other capital funds of the Company in the amount of CZK 1,922,250,000 made by the sole shareholder of the Company, SAZKA Entertainment AG, pursuant to an Agreement on the Provision of a Contribution into Other Capital Funds dated 26 July 2021 (as listed in Section 5.1 below);
- Providing security in connection with the Intercreditor Agreement (dated 16 December 2020, as listed in Section 5.2 below) and the Senior Facilities Agreement (dated 16 December 2020, as listed in Section 5.2 below) in favour of Lucid Trustee Services Limited, as security agent, in the form of:

  a) Creating a pledge of all shares in SAZKA Czech a.s., pursuant to an Agreement on Pledge of Shares dated 18 January 2021;

  b) Creating a pledge of all shares in Rubidium Holdings Limited, pursuant to a Share Pledge and Assignment Agreement dated 18 January 2021;

4. A summary of significant actions continued

c) Creating a pledge of receivables from a certain bank account of the Company, pursuant to an Agreement on Pledge of Receivables from Bank Accounts dated 18 January 2021;

d) Creating a pledge of receivables from certain intragroup loan agreements to which the Company is a party, pursuant to an Agreement on Pledge of Receivables from Relevant Contracts dated 18 January 2021;

e) Creating a pledge of all shares in SAZKA Austrian Gaming Holding a.s. (formerly Austrian Gaming Holding a.s.), pursuant to an Agreement on Pledge of Shares dated 18 January 2021;

f) Creating a pledge of all shares in Italian Gaming Holding a.s., pursuant to an Agreement on Pledge of Shares dated 18 January 2021;

g) Creating a pledge of all shares in SAZKA Group Financing (Czech Republic) a.s., pursuant to an Agreement on Pledge of Shares dated 18 January 2021;

h) Co-signing the deed of pledge for the creation of a pledge of all shares in Lottoitalia S.a.r.l. held by Italian Gaming Holding a.s. dated 27 January 2021 (as listed in Section 5.1 below);

i) Granting a consent to a Framework Deposit Agreement Receivables Pledge for SAZKA Group a.s., pursuant to a consent letter dated 4 October 2021;

j) Granting a consent to a Cash Pooling Agreement Receivables Pledge for Italian Gaming Holding a.s., pursuant to a consent letter dated 10 September 2021;

k) Granting a consent to a Framework Deposit Agreement Receivables Pledge for SAZKA Czech a.s., pursuant to a consent letter dated 10 September 2021;

l) Creating a pledge of additional shares in Italian Gaming Holding a.s., pursuant to an Agreement on Pledge of Shares dated 22 October 2021;

m) Creating a pledge of receivables from bank accounts of the Company, pursuant to an Agreement on Pledge of Receivables from Bank Accounts dated 22 October 2021;

- Providing a guarantee, as a co-guarantor together with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s. and SAZKA Austrian Gaming Holding a.s. in favour of Česká spořitelna, a.s., in connection with the Intercreditor Agreement (dated 16 December 2020, as listed in Section 5.2 below) and the Master Agreements for Financial Transactions published by the Czech Banking Association entered into by the Company and by SAZKA a.s., pursuant to a Guarantee dated 31 May 2021 (as listed in Section 5.1 below);
- Providing a guarantee, as a co-guarantor together with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s. and SAZKA Austrian Gaming Holding a.s. in favour of Komerční banka, a.s., in connection with the Intercreditor Agreement (dated 16 December 2020, as listed in Section 5.2 below) and the Master Agreements for Financial Transactions published by the Czech Banking Association entered into by the Company, SAZKA a.s. and SAZKA Group Financing a.s., pursuant to a Guarantee dated 30 August 2021 (as listed in Section 5.1 below);
- On 12 October 2021 entering into a Multicurrency Guarantee Facility Agreement between, inter alia, the Company, Komerční banka, a.s. as global facility coordinator, mandated lead arranger and agent of the other finance parties and certain financial institutions, as lenders, pursuant to which, subject to the terms of that agreement, the lenders made available a guarantee facility in an aggregate amount of GBP 380,000,000;
- On 12 October 2021 entering into an Equity Commitment Letter in favour of SAZKA Group UK Holding Ltd and Allwyn Entertainment Ltd, pursuant to which the Company committed itself to provide funding in an aggregate amount of up to GBP 328,669,062.11 and USD 70,000,000 for working capital and capital expenditure to Allwyn Entertainment Ltd to support transition, implementation and ongoing operations of Allwyn Entertainment Ltd if this entity wins in the process of bidding for the fourth licence to operate the National Lottery, a UK gaming franchise regulated by the Gambling Commission; and

Further regulatory disclosures continued

4. A summary of significant actions continued

- Providing a guarantee, as a co-guarantor together with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s. and SAZKA Austrian Gaming Holding a.s. in favour of Unicredit Bank Czech Republic and Slovakia, a.s., in connection with the Intercreditor Agreement (dated 16 December 2020, as listed in Section 5.2 below) and the Master Agreements for Financial Transactions published by the Czech Banking Association entered into by the Company and by SAZKA a.s., pursuant to a Guarantee dated 30 November 2021 (as listed in Section 5.1 below).

5. An overview of contracts

5.1 Contracts concluded during the Accounting Period

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:

- Addendum to the Consultancy Agreement (dated 31 October 2017) with SAZKA Group CZ a.s. and another contracting party dated 4 January 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Austrian Gaming Holding a.s. dated 13 January 2021;
- Framework Agreement on Provision of Advisory Services with Casinos Austria Aktiengesellschaft dated 13 January 2021;
- Term Facility Agreement with SAZKA Group Financing (Czech Republic) a.s. dated 13 January 2021;
- Deed of Pledge of Shares with Italian Gaming Holding a.s. and another contracting party dated 27 January 2021;
- Supplement No. 3 to the Framework Agreement on Provision of Advisory Services (originally dated 23 August 2016) with KKCG AG dated 1 February 2021;
- Amendment No. 1 to the Agreement on eDiscovery Technical Support with SAZKA Group CZ a.s. and another contracting party dated 3 February 2021;
- Side Agreement to the Investment and Shareholder Agreement (dated 9 November 2020) with KKCG AG, SAZKA Entertainment AG and another contracting party dated 8 February 2021;
- Facility Agreement with Rubidium Holdings Limited dated 12 February 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Group CZ a.s. dated 15 February 2021;
- Debt Accession Agreement with SAZKA Group CZ a.s. and another contracting party dated 15 February 2021;
- Service Order No. 1 relating to the Framework Agreement on Provision of Advisory Services (dated 13 January 2021) with Casinos Austria Aktiengesellschaft dated 23 February 2021;
- Framework Agreement on Provision of Advisory Services with Österreichische Lotterien Gesellschaft m.b.H. dated 23 February 2021;
- Service Order No. 1 relating to the Framework Agreement on Provision of Advisory Services (dated 23 January 2021) with Österreichische Lotterien Gesellschaft m.b.H. dated 23 February 2021;
- Agreement on the Assignment of Movable Assets Rent Agreement (originally dated 1 November 2017) with KKCG a.s. and SAZKA Group CZ a.s. dated 25 February 2021;
- Agreement on Termination of Framework Agreement on Ticketing Services in the Field of Air Transport (dated 15 November 2017) with G-JET s.r.o. dated 28 February 2021;
- Amendment Contract to the Consulting Agreement (originally between the Company and another contracting party, dated 19 November 2019) with SAZKA Group UK Limited and another contracting party dated 2 March 2021;
- Side Letter to Engagement Letter (originally between the Company and another contracting party, dated 17 November 2017) with SAZKA Group CZ a.s. and another contracting party dated 3 March 2021;
- Amendment Agreement in relation to the Term and Revolving Facility Agreement (dated 21 December 2020) with SAZKA Group Financing (Czech Republic) a.s. dated 10 March 2021 (amendment terminated on 30 March 2021);
- Agreement on the Assignment of Contract with SAZKA Group CZ a.s. and another contracting party dated 16 March 2021;
- Amendment No. 1 to the Agreement on Sale and Purchase of Shares (originally dated 22 December 2020) with SPORTLEASE a.s. dated 23 March 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Group CZ a.s. dated 25 March 2021;
- Termination Agreement in relation to the Amendment Agreement to the Term and Revolving Agreement (dated 10 March 2021) with SAZKA Group Financing (Czech Republic) a.s. dated 30 March 2021;
- Non-Disclosure Agreement with Casinos Austria Aktiengesellschaft dated 7 April 2021;
- Restated Information Sharing Memorandum with Casinos Austria Aktiengesellschaft dated 21 April 2021;

5. An overview of contracts continued

- Mutual Confidentiality Agreement with Rabcat Computer Graphics GmbH dated 13 April 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Austrian Gaming Holding a.s. dated 20 April 2021;
- Assignment and Amendment No. 1 to the Fee Agreement with SAZKA Group CZ a.s. and another contracting party dated 22 April 2021;
- Amendment No. 2 to the Agreement on Sale and Purchase of Shares (originally dated 22 December 2020) with SPORTLEASE a.s. dated 29 April 2021;
- Engagement Letter with SAZKA Group CZ a.s. and another contracting party dated 17 May 2021;
- Guarantee relating to Hedging Documents with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s., SAZKA Austrian Gaming Holding a.s. and another contracting party dated 31 May 2021;
- Share Subscription Agreement with Italian Gaming Holding a.s. dated 31 May 2021;
- Agreement on Assignment of the Framework Agreement on Provision of Advisory Services (originally dated 26 August 2016) with KKCG a.s. and SAZKA Entertainment AG dated 1 June 2021;
- Addendum to the Services Agreement with SAZKA Group CZ a.s. and another contracting party dated 3 June 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Group CZ a.s. dated 7 June 2021;
- Back-to-back Confidentiality Undertaking with Kaizen Gaming International Limited dated 25 June 2021;
- Facility Agreement with SPORTLEASE a.s. dated 30 June 2021;
- Set-Off Agreement with SPORTLEASE a.s. dated 30 June 2021;
- Termination Agreement relating to the Business Premises Tenancy Agreement (dated 22 December 2020) with Vinohradská 230 a.s. dated 30 June 2021;
- Agreement on the Establishment of Seat with Bořislavka Office & Shopping Centre s.r.o. dated 1 July 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Group CZ a.s. dated 2 July 2021;
- Lease Agreement between BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o. and SAZKA Group CZ a.s. dated 19 July 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Entertainment AG dated 26 July 2021;
- Share Sale and Share Transfer Agreement with SAZKA Delta Hellenic Holdings Limited and SAZKA Delta AIF Variable Capital Investment Company Ltd dated 6 August 2021;
- Amendment to the Framework Agreement on Provision of Advisory Services (dated 12 February 2019) with KKCG AG dated 23 August 2021;
- Guarantee relating to Hedging Documents with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s., SAZKA Austrian Gaming Holding a.s. and another contracting party dated 30 August 2021;
- Agreement on Termination of Lease Agreement between Vinohradská 230 a.s. and SAZKA Group CZ a.s. dated 10 September 2021;
- Agreement on the Provision of a Contribution into Other Capital Funds with SAZKA Group CZ a.s. dated 10 September 2021;
- Amendment No. 4 to the Shareholders' Agreement (originally dated 24 July 2014) with Rubidium Holdings Limited and other contracting parties dated 13 September 2021;
- Agreement on Subscription of Shares in the company SAZKA Group a.s. with SAZKA Entertainment AG dated 17 September 2021;
- Engagement Letter with Casinos Austria Aktiengesellschaft and another contracting party dated 2 November 2021;
- Letter Agreement with Organisation of Football Prognostics SA ("OPAP S.A.") dated 12 November 2021;
- Guarantee relating to Hedging Documents with SAZKA a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s., Italian Gaming Holding a.s., SAZKA Austrian Gaming Holding a.s. and another contracting party dated 30 November 2021; and
- Termination Agreement relating to the Agreement on Security Inspections (originally dated 29 September 2017) with Kynero Consulting a.s. dated 20 December 2021.

5.2 Contracts concluded prior to the commencement of the Accounting Period

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;

Further regulatory disclosures continued

5. An overview of contracts continued

- Cash Pooling Agreement with KKCG Structured Finance AG dated 20 June 2016, as amended by Amendment No. 1 dated 24 July 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, Supplement No. 2 dated 18 March 2019 and Supplement No. 3 dated 1 February 2021;
- Shareholders' Agreement with Rubidium Holdings Limited and other contracting parties dated 24 July 2014, as amended on 17 August 2016, 18 March 2019, 27 June 2019 and 13 September 2021;
- Joint Venture Agreement with Italian Gaming Holding a.s. and other contracting parties dated 30 April 2016, as amended on 31 May 2017;
- 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;
- Agreement on Security Inspections with Kynero Consulting a.s. dated 29 September 2017, as amended by Amendment No. 1 dated 18 June 2018 (terminated by the Termination Agreement dated 20 December 2021);
- 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 (until the termination on 28 February 2021);
- Meeting Rooms Licence to Hire with KKCG UK Limited dated 1 January 2017;
- Movable Assets Rent Agreement with KKCG a.s. dated 1 November 2017, as amended by Amendment No. 1 dated 3 March 2020 (until the assignment of the agreement on 25 February 2021);
- Financial Guarantee for obligations of SAZKA Group Financing a.s. dated 14 November 2017;
- 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;
- Framework Agreement on Provision of Advisory Services with KKCG AG dated 12 February 2019, as amended on 23 August 2021;
- Indemnity Agreement with 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, OPAP S.A. and KKCG AG dated 22 October 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 December 2020 and Second Supplemental Indenture dated 23 December 2020;
- Cash Pooling Agreement with Italian Gaming Holding a.s. dated 29 November 2019;
- Indenture in relation to notes with SAZKA Czech a.s. and other contracting parties dated 5 February 2020, as amended by First Supplemental Indenture dated 16 December 2020 and Second Supplemental Indenture dated 23 December 2020;
- Facility Agreement with Italian Gaming Holding a.s. dated 6 February 2020;
- Facility Agreement with CAME Holding GmbH dated 6 February 2020, as amended and restated on 22 June 2020 and assigned on 22 June 2020 and re-assigned on 22 December 2020;
- Facility Agreement with SAZKA Delta Hellenic Holdings Limited dated 12 February 2020, as amended by Amendment No. 1 on 28 February 2020, Amendment No. 2 on 30 April 2020 and Amendment No. 3 on 10 December 2020;

5. An overview of contracts continued

- Deed relating to the Shareholders' Agreement (originally dated 17 August 2016) with Rubidium Holdings Limited and other contracting parties dated 12 February 2020;
- Accession to the Flight Tickets Purchase Agreement with KKCG a.s. and another contracting party dated 20 March 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;
- Information Sharing Memorandum regarding consolidation and reporting with Casinos Austria Aktiengesellschaft dated 17 August 2020, as restated on 21 April 2021;
- Non-Disclosure Agreement with Casinos Austria Aktiengesellschaft dated 24 August 2020;
- Affiliate Side Agreement regarding Provision of Advisory Services with SAZKA Group UK Limited and another contracting party dated 1 October 2020;
- Co-operation 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 other contracting parties dated 9 November 2020;
- Framework Agreement on the Provision of Advisory Services with SAZKA Group CZ a.s. 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;
- Term and Revolving Facility Agreement with SAZKA Group Financing (Czech Republic) a.s. dated 21 December 2020, as amended on 10 March 2021 (with the amendment terminated on 30 March 2021);
- Facility Agreement with SAZKA a.s. dated 21 December 2020;
- Agreement on Sale and Purchase of Shares with SPORTLEASE a.s. dated 22 December 2020, as amended on 23 March 2021 and 29 April 2021;
- Business Premisses Tenancy Agreement with Vinohradská 230 a.s. dated 22 December 2020 (terminated on 30 June 2021);
- Agreement on Assignment of Contract with Vinohraská 230 a.s. and SAZKA Group CZ a.s. dated 22 December 2020;
- Accession Deed with SAZKA a.s. and other contracting parties dated 23 December 2020;
- Accession Deed with SAZKA 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., SAZKA 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., SAZKA Austrian Gaming Holding a.s., CAME Holding a.s. and another contracting party dated 23 December 2020; and
- 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., SAZKA Austrian Gaming Holding a.s., SAZKA a.s., CAME Holding GmbH and other contracting parties dated 23 December 2020.

Further regulatory disclosures continued

6. Evaluation of advantages and disadvantages resulting from the relations between the related entities

Membership in the KKCG Group, with KKCG AG as the controlling entity, enables the Company to benefit 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 SAZKA 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 December 2021

In Prague on 30 March 2022	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 Entities

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, Switzerland, registration number CHE-326.367.231, as of 31 December 2021.

Company	
"Horyzonty" LLC	Akademika Pavlova 6C, Office 7, L'vivska Oblast, L'viv, 79005, Ukraine, registration No. 36828617
AEC a.s.	Voctářova 2500/20a, Prague 8, Libeň, post code 180 00, Czech Republic, identification No. 04772148
AEC s.r.o.	Prievozská 1978/6, Bratislava, post code 821 09, Slovak Republic, identification No. 31384072
AleaX AG	Fabrikstraße 4, 9496 Balzers, Liechtenstein, registration No. FL-0002.629.106-8
Allwyn Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, registration No. CHE-157.119.805
Allwyn Entertainment Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, registration No. 13157556
Allwyn Sub AG	Weinmarkt 9, 6004 Lucerne, Switzerland, registration No. CHE-348.874.140
Aricoma Capital a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 11834587
Aricoma Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 102 35, Sweden, registration No. 559239-3473
Aricoma Group International AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, registration No. 559235-9748
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, Czech Republic, identification no. 043 08 697
AUTOCONT SRL	Avenue Louise 231, 1050 Bruxelles, Belgium, registration No. 0767.591.979
AUTOCONT s.r.o.	Krasovského 14, Bratislava – mestská časť Petržalka, post code 851 01, Slovak Republic, identification No. 36 396 222
Blue Rosemarine Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797200
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27457622
BOSM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773878
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. (in liquidation)	200 Bay Street, Royal Bank Plaza, M5J 2Z4 Ontario, Canada, registration No. 1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Lucerne, 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	Via Veglia 3, 7500 St. Moritz, Switzerland, registraton 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 Lucerne, Switzerland, registration No. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN114288x
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registration No. FN99639d
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN 400167g

Further regulatory disclosures continued

Company	
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.	Sofitel Hotel, Level 3, 249 Turbot Street, 4000 Brisbane, QLD, Australia, registration No. ACN: 065998807, ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN38657z
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN94404f
Casinos Event Immobilien GmbH	Lister Meile 2, 30161 Hannover, Germany, registration No. HRB 201793
Casinos International AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration No. CHE-279.843.175
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, registration No. FN67046y
CES EA s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration No. 32267
Cleverlance Enterprise Solutions s.r.o.	Voctářova 2500/20a, Prague 8, Libeň, post code 180 00, Czech Republic, identification No. 27408787
Cleverlance Group a.s.	Voctářova 2500/20a, Prague 8, Libeň, post code 180 00, Czech Republic, identification No. 04771915
Cleverlance H2B a.s.	Tuřanka 1519/115a, Brno, Slatina, post code 627 00, Czech Republic, identification No. 28223756
Cleverlance Slovakia s.r.o.	Prievozská 1978/6, Bratislava, post code 821 09, Slovak Republic, identification No. 35942487
Cloud4com SK, s.r.o.	Staré Grunty 36, Bratislava, post code 841 04, Slovak Republic, identification No. 50569694
Cloud4com, a.s.	U Uranie 954/18, Prague 7, Holešovice, post code 170 00, Czech Republic, 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. (in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registration No. FOLIO 187/88 ASIENTO 2288 LIBRO 9
Coopera Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682802
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration No. FN54015i
Deutsche Sportwetten GmbH	Karmarschstr. 37+39, D-30159 Hannover, Germany, registration No. 219939
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A. (in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registration No. IGTJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Vinohradská 1511/230, Prague 10, Strašnice, post code 100 00, Czech Republic, 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	ul. Kubiyovicha 18, Office 6, L'vivska Oblast, L'viv, 79011, Ukraine, registration No.31978102
G-JET s.r.o.	Vinohradská 1511/230, Prague 10, Strašnice, post code 100 00, Czech Republic, identification no. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration No. FN241637z
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, registration No.25891401000

Company	
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, registration No.132846101000
IGNIS HOLDING a.s.	Vinohradská 1511/230, Prague 10, Strašnice, post code 100 00, Czech Republic, identification No. 07435304
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registration No. 14996/10019
INTERMOS Praha s.r.o.	Vinohradská 1511/230, Prague 10, post code 100 00, Czech Republic, identification No. 63076349
INTERMOS VALVES, s.r.o.	Moskovská 13, Bratislava-mestská časť Staré Mesto, post code 811 08, Slovak Republic, identification No. 35898411
Internet Projekt, s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08526541
IPM – Industrial Portfolio Management a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04572034
Italian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04828526
Javorina Management AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, registration No. 559235-8393
JTU Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, 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
KBOC Investering B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registratoin No. 52308944
KKCG a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27107744
KKCG Development a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08295484
KKCG Industry B.V.	Herikerbergweg 292, 1101CT Amsterdam, Kingdom of the Netherlands, registration No. 27271144
KKCG Methanol Holdings LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI No. 36-4831670
KKCG Real Estate Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration No. CHE-292.174.442
KKCG TechLabs s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 14042479
KKCG Technologies Finance s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 14038641
KKCG Technologies s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, registration No. 84-2817214
KOMIX s.r.o.	Drtinova 467/2a, Smíchov, post code 150 00, Prague 5, Czech Republic, identification No. 47117087
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, registration No. 405171567
Kynero Consulting a.s.	Vinohradská 1511/230, Prague 10, post code 100 00, Czech Republic, 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

Further regulatory disclosures continued

Company	
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
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, registration No. FN84439a
LWD 8, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26498545
Media Marketing & Communication, a.s.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771492
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, registration No. 117154k
MEDICEM Group a.s.	Vinohradská 1511/230, Prague 10, Strašnice, post code 100 00, Czech Republic, identification No. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, registration No. 38-4126132
MEDICEM Institute s.r.o.	Karlovarská třída 20, Kamenné Žehrovice, post code 273 01, Czech Republic, identification No. 26493331
MEDICEM Technology s.r.o	Karlovarská třída 20, Kamenné Žehrovice, post code 273 01, Czech Republic, identification No. 48036374
Metanol d.o.o.	Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration No. 6564534000
MND a.s.	Úprkova 807/6, Hodonín, post code 695 01, Czech Republic, identification No. 28483006
MND Drilling & Services a.s.	Velkomoravská 900/405, Lužice, post code 696 18, Czech Republic, identification No. 25547631
MND Drilling Germany GmbH	Domänenweg 7, 31582 Nienburg, Germany, registration No. HRB206722
MND Energie a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 29137624
MND Gas Storage a.s.	Úprkova 807/6, Hodonín, post code 695 01, Czech Republic, identification No. 27732894
MND Gas Storage Germany GmbH	Birkenweg 2, 64665 Alsbach-Hähnlein, Germany, registration No. HRB96046
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, registration No. HRB207844
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration No. CHE-448.401.517
MND Prodej a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09002359
MND Samara Holding B.V.	Herikerbergweg 292, 1101CT Amsterdam, Kingdom of the Netherlands, registration No. 52990680
MND Ukraine a.s.	Úprkova 807/6, Hodonín, post code 695 01, Czech Republic, identification No. 08957517
Moravia Systems a.s.	Vinohradská 1511/230, Prague 10, post code 100 00, Czech Republic, identification No. 26915189
NAP Poland Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, registration No. 913726
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
Nikolajka Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797072
Nikolajka Residence s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26205271
Ninotsminda Oil Company Limited	195 Arch. Makarios III Ave., Neocleous House, 3030 Limassol, Cyprus, registration No. C74623
NOVECON a.s.	Vinohradská 1511/230, Prague 10, Strašnice, post code 100 00, Czech Republic, identification No. 08270783
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN268558p
Ontrax Göteborg AG	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, registration No. 556615-0032
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, registration No. 1046301405094

Company	
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
Oriv Holding a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 11735376
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
Pernerova Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682844
POM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773800
Precarpathian energy company LLC	77701, ul. Shevchenka, Ivano-Frankovska Oblast, Bogorodchany, Ukraine, registration No. 36042045
Rabcat Computer Graphics GmbH	Rennweg 40-50/1/6 (1.OG), 1030 Vienna, Austria, registration No. FN276027y
Relax Rezidence Cihlářka, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05662079
Rezervoarji d.o.o	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. (bankrupt, insolvent, insolvency proceeding initiated)	K Žižkovu čp. 851, Prague 9, post code 19093, Czech Republic, identification No. 471 16 307
SAZKA a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26493993
SAZKA Asia a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05266289
SAZKA Austrian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04047788
SAZKA Czech a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04047788
SAZKA DELTA AIF 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	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration No. HE 320752
SAZKA DELTA MANAGEMENT LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration No. HE 314151
SAZKA Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, registration No. CHE-366.705.452
SAZKA FTS a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01993143
SAZKA Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24287814
SAZKA Group CZ a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08993165

Further regulatory disclosures continued

Company	
SAZKA Group Financing (Czech Republic) a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07877838
SAZKA Group Financing (Czech Republic) 2, a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771522
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 Holding Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, registration No. 13154201
SAZKA Group UK Limited	One Connaught Place, 5th Floor, W2 2ET, London, United Kingdom, registration No. 08869774
SAZKA Services s.r.o.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05111901
SAZKAmobil 5G a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07911319
SC Czech ACI, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969551
SC Czech ACJ, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969560
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, registration No. 5323983
Seavus AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, registration No. 556588-5935
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosna I Hercegovina, Republika Srpska, registration No. 57-01-0252-17
Društvo za Informatičku Technologiju Seavus DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, registration No. 20177861
Seavus Educational and Development Center DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, registration No. 29508429
Seavus Educational and Development Center DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, registration No. 6643140
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Belarus, registration No. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, ID. No. CH – 020.4.049.285-2
Seavus S.R.L.	MD-2071, str. Alba-Iulia, 79/1, mun. Chisinau, Moldova, registration No. 1020600026584
Seavus SHPK	Njësia Bashkiake nr. 5, Rruga Abdyl Frasheri, Ndërtesa 8, Hyrja 7, Ap. 25, 1019 Tiranë, ID No. L62225007B
Seavus Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, registration No. 913203
Seavus Stockholm AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, registration No. 556594-4799
Seavus USA Inc.	2352 Main Street, Suite 200, Concord, MA 01742, ID. No. 000873055
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registration No. HRB 50373
SPORTLEASE a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 62361546
Springtide Ventures s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01726587
Stoiximan Limited	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registration No. C95597
STR Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07728344
Stratiteq Sweden AB	Gustav Adolfs Torg 10 A, 211 39 Malmö, Sweden, registration No. 556622-2682
SUPERMARINE, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062773
Theta Real s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27631842
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration No. 5641201000

Company	
TORA WALLET SINGLE MEMBER 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.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration No. 0474.725.225
Vinohradská 230 a.s.	Vinohradská 1511/230, Prague 10, post code 100 00, Czech Republic, identification No. 26203944
VSU Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registration No. FN371257t
WINWIN International GmbH (in liquidation)	Rennweg 44, 1038 Vienna, Austria, registration No. FN366572d

Further regulatory disclosures continued

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 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 to as the "Company" and the overall holding of the companies under SAZKA Group a.s. is, for the purpose of this part, referred to as the "Group".

1. General information about the Company

Company name:	SAZKA Group a.s.
Registered office:	Evropská 866/71, Praha 6 – Vokovice, 160 00, Czech Republic
Company ID No.:	242 87 814
VAT registration No.:	CZ24287814
LEI (Legal Entity Identifier):	3157001WZJ5O35EAL536
Commercial register:	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:	+420 225 010 650
E-mail:	IR@allwynent.com
Web:	https://www.allwynentertainment.com/

Description of activities:

According to the Article 3 of the Company's Articles of Association, adopted on 26 January 2012, as amended, 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., Trade Licensing Act, as amended (the "Trade Licensing Act"), in particular the intermediation of trade and services and advisory and consulting activities, elaboration of professional studies and assessments, 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 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 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;
- Czech Act No. 563/1991 Coll., the Accounting Act, as amended (the "Accounting Act");

1. General information about the Company continued

- Czech Act No. 186/2016 Coll., the Gambling Act, as amended;
- Italian Civil Code contained in the Royal Decree No. 262 of March 16, 1942, other applicable laws and regulations, and Italian concession deed No. 0058555 20/06/2016-I, as amended;
- Italian Legislative Decree June 8, 2001, No. 231, on administrative liability of entities (including companies) for crimes committed by employees or executive for the benefit, or in the interest of, such entities;
- Italian Legislative Decree September 6, 2011, No. 159, the Antimafia Code, especially with respect to the integrity requirements of directors, etc.;
- Greek Act No. 4548/2018, on the Reform of Joint-stock Companies, as amended;
- Greek Act No. 4706/2020 on Corporate Governance;
- Greek Act No. 2843/2000 related to monopoly laws, as amended;
- Greek Act No. 4183/2013 on the ratification of the Hellenic Lotteries Concession Agreement dated 30 July 2013;
- Greek Act No. 4338/2015 on the ratification of the Horse Races Concession Agreement dated 24 April 2015;
- 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;
- Greek Act No. 4816/2021 on AML/CFT;
- Austrian Act No. 620/1989, on gambling, as amended;
- Cypriot Act No. 37(I)/2019, the Law Providing for the Regulation of Betting and Related Matters, as amended; and
- Cypriot law Ratifying the Agreement between the Hellenic Republic and the Government of the Republic of Cyprus (L. 34(III) of 2003).

Organizational structure

The Company is a holding company, which primarily owns interests in companies within the 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 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 prerequisite to enter the gaming and lottery market. For the list of direct/indirect subsidiaries of the Company, please refer to Annex No. 1 (List of Related Entities) of the "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" on page 213 et seq. of this Annual Report.

Until 17 March 2021 the Company was directly controlled by KKCG AG. On 17 March 2021, pursuant to a Contribution-in-Kind Agreement KKCG AG contributed all shares which it held in the Company at that time, to SAZKA Entertainment AG, having its registered seat at Weinmarkt 9, 6004 Lucerne, Switzerland, registered under Registration No. CHE-366.705.452. As a result, since 17 March 2021 the Company has been controlled by KKCG AG indirectly, i.e. through SAZKA Entertainment AG.

On 26 March 2021, funds managed by affiliates of Apollo Global Management, Inc. completed an investment of €500 million in SAZKA Entertainment AG. The investment was effected through Primrose Holdings (Lux) S.à r.l. ("Primrose") who obtained preferred shares representing 12.35 % of the registered capital of SAZKA Entertainment AG on an as-converted basis. Primrose does not effectively have any voting rights associated with the preferred shares (other than mandatory voting rights under Swiss corporate law, which Primrose has contractually agreed to vote in the manner required by SAZKA Entertainment AG or KKCG AG, save where such voting would be contrary to applicable corporate law or customary reserved matters).

KKCG AG owns 100 % of ordinary shares of SAZKA Entertainment AG representing 87.65 % of the registered share capital of SAZKA Entertainment AG.

Further regulatory disclosures continued

1. General information about the Company continued

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 person, nor does any other person holds 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 the General Meeting. The 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 3,000,000 and has been fully paid-up. It is divided into 30 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.

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 30. 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 Company'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 the 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 charged for in 2021:

EUR thousands	Company	Other consolidated entities
Statutory audit of annual financial statements	118	243
Other assurance services	--	--
Tax advisory	--	--
Other non-audit services	7	17

The services provided by the statutory auditor of the Company in 2021 (in addition to the statutory audit of annual financial statements) were:

- Review of interim consolidated financial statements of the 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;
- Gap assessment of documentation related to the IT system outside the finance function.

1. General information about the Company continued

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 BB- (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%.

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 a sole shareholder, that shareholder 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;

Further regulatory disclosures continued

2. Corporate Bodies of the Company continued

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;

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 currently consists of five 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 the 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 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 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. Starting from the second quarter of the year 2021, the Board of Directors met at least once per quarter. 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 in 2021:

- Mr Karel Komárek – since 17 August 2016 (Chairman of the Board of Directors); re-appointed on 18 August 2021 after the expiration of the term of office;
- Mr Pavel Šaroch – since 17 August 2016; re-appointed on 18 August 2021 after the expiration of the term of office;
- Mr Robert Chvátal – since 11 July 2019;
- Ms Katarína Kohlmayer – since 12 December 2019;
- Mr James Kim – from 24 May 2021 until 16 September 2021; and
- Mr Michelle Rabà – since 17 September 2021.

2. Corporate bodies of the Company continued

Karel Komárek – Chairman of the Board of Directors

Appointment to the Board of Directors: 17 August 2016

Date of expiration of current term: 18 August 2026

Business address: Kapellgasse 21, 6004 Lucerne, Switzerland

For Mr Komárek's experience and expertise please refer to Section "Board of Directors" on page 47 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.).

Pavel Šaroch – Member of the Board of Directors

Appointment to the Board of Directors: 17 August 2016

Date of expiration of current term: 18 August 2026

Business address: Evropská 866/71, Praha 6 – Vokovice, 160 00, Czech Republic

For Mr Šaroch's experience and expertise please refer to Section "Board of Directors" on page 47 of this Annual Report.

Mr Šaroch holds the position of the Chief Investment Officer of the KKCG Group and is also a 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 the 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 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 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 (Czech Republic) 2, 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 SAZKAmobil 5G a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA a.s. (Czech Republic);
- Member of the Board of Directors of LOTTOITALIA s.r.l. (Italy);
- Member of the Supervisory Board of SAZKA FTS a.s. (Czech Republic);
- Member of the Supervisory Board of Casinos Austria Aktiengesellschaft (Austria);
- Member of the Supervisory Board of Austrian Lotteries (Austria);
- Director of Kaizen Gaming Ltd (Malta); and
- Director of Kaizen Gaming International Ltd (Malta).

Further regulatory disclosures continued

2. Corporate bodies of the Company continued

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: Weinmarkt 9, 6004 Lucerne, Switzerland

For Mr Chvátal's experience and expertise please refer to Section "Board of Directors" on page 47 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 the Group, the following of which are considered significant:

- Chairman of the Board of Directors of SAZKA a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKA Group CZ a.s. (Czech Republic);
- Chairman of the Board of Directors of SAZKAmobil 5G a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Czech a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Austrian Gaming Holding a.s. (Czech Republic);
- Member of the Board of Directors of Italian Gaming Holding a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Asia a.s. (Czech Republic);
- 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 Aktiengesellschaft (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: Kapellgasse 21, 6004 Lucerne, Switzerland

For Ms Kohlmayer's experience and expertise please refer to Section "Board of Directors" on page 47 of this Annual Report.

Ms Kohlmayer holds the position of Chief Financial Officer of the KKCG Group and is also a 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 the Group, the following of which are considered significant:

- Member of the Board of Directors of OPAP S.A. (Greece);
- 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 Financing (Czech Republic) 2, a.s. (Czech Republic);
- Member of the Board of Directors of SAZKA Group CZ a.s. (Czech Republic);
- Member of the Supervisory Board of Casinos Austria Aktiengesellschaft (Austria);
- Director of ALLWYN ENTERTAINMENT LTD (United Kingdom);
- Director of SAZKA GROUP UK HOLDING LTD (United Kingdom);
- Director of SAZKA GROUP UK LIMITED (United Kingdom);
- Director of ALLWYN FINANCING (UK) LTD (United Kingdom); and
- Director of ALLWYN ENTERTAINMENT FINANCING (UK) PLC (United Kingdom).

2. Corporate bodies of the Company continued

Michelle Rabà – Member of the Board of Directors

Appointment to the Board of Directors: 17 September 2021

Date of expiration of current term: 17 September 2026

Business address: 25 St. George Street, London W1S 1FS, the United Kingdom.

For Mr Rabà's experience and expertise please refer to Section "Board of Directors" on page 47 of this Annual Report.

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 2021. 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: 18 August 2026

Business address: Evropská 866/71, Praha 6 – Vokovice, 160 00, Czech Republic

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 the Group, the following of which are considered significant:

- Chairman of the Supervisory Board of SAZKA a.s. (Czech Republic);
- Chairman of the Supervisory Board of SAZKA Group Financing (Czech Republic) 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 a.s. (Slovak Republic);
- Sole member of the Supervisory Board of SAZKA Czech a.s. (Czech Republic);
- Sole member of the Supervisory Board of SAZKA Austrian Gaming Holding a.s. (Czech Republic);
- Sole member of the Supervisory Board of Italian Gaming Holding a.s. (Czech Republic);
- Sole member of the Supervisory Board of SAZKA Group Financing (Czech Republic) 2, a.s. (Czech Republic); and
- Member of the Supervisory Board of SAZKAmobil 5G a.s. (Czech 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.

Further regulatory disclosures continued

2. Corporate bodies of the Company continued

2.5. Audit committee

The Company established an Audit Committee in accordance with the requirements of the Business Corporations Act in 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.

The Audit Committee is further governed by its Rules of Procedure, which were adopted by the Audit Committee on 26 June 2020. The Rules of Procedure define the position of a Secretary of the Audit Committee, who can perform certain administrative tasks. One of the attorneys providing services to the Company was elected as the Secretary on 26 June 2021 and continued to provide these services during the entire year 2021. The Audit Committee generally meets on a monthly basis; in the year 2021, the Audit Committee held twelve meetings in total.

In the course of its meetings in the year 2021, the Audit Committee had routinely cooperated with the Company's compliance, legal, finance and accounting departments.

In 2021, the Audit Committee (i) provided two reports to the Supervisory Board of the Company; one regarding the financial statements of the Company for the year 2020 and the process of mandatory audit; one regarding the recommendation for the appointment of PricewaterhouseCoopers Audit, s.r.o. as the auditors of the Company for the year 2021; (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 2021; (v) regularly received information on the financial performance of the Company and the Group; and (v) conducted other tasks, as necessary.

The members of the Audit Committee of the Company in the year 2021 were the following persons

- Mr Otakar Hora, independent member – from 15 May 2020 to 30 April 2021 (Chairman of the Audit Committee from 22 May 2020 to 30 April 2021);
- Mr Roland Ruprecht, independent member – since 1 May 2021 (Chairman of the Audit Committee since 28 May 2021);
- 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 2021:

- Mr Kenneth Morton, Chief Financial Officer. Responsible for defining and executing the Group-level financing, tax and reporting, for supervision of the implementation of key strategic financial initiatives, budgeting and investor relations. Appointed on 1 February 2020.
- 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. Appointed on 1 March 2016.
- 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. Appointed on 5 September 2018.
- Mr Ján Matuška, Chief Operating Officer. Responsible for the organic development of the 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. Appointed on 1 October 2019.
- Mr Jan Štěrba, Chief Marketing Officer. Responsible for incorporating a marketing mindset into all facets of the Group's activities and business. Appointed on 1 February 2020.
- Mr Pavel Turek, Chief Officer of CSR & Global Brand. Responsible for development and activation of Allwyn Global Brand strategies and for creation and implementation of Group's CSR plans and programmes. Appointed on 1 October 2021.

It should be further noted that Mr Robert Chvátal, who is a member of the Board of Directors of the Company, also holds the position of Chief Executive Officer of the Company and in this position, he leads the Group and the development and implementation of its strategy.

3.2. Principles of Remuneration

The Company has neither adopted any particular remuneration policy nor established any remuneration committee of the Board of Directors.

3.2.1. Members of the Board of Directors

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.

Further regulatory disclosures continued

3. Persons with managerial powers, remuneration continued

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; Agreement on Performance of Office between the Company and Ms Katarína Kohlmayer entered into as of 12 December 2019, Agreement on Performance of Office between the Company and Mr Michelle Rabà entered into as of 9 February 2022.

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 as being in an employment relationship with such controlled entities. Some members of the Board of Directors are entitled to remuneration from a direct or indirect shareholders 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 of 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 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.
- 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.

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 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 employment agreements (or agreements of similar nature). The agreements with these persons are made on ad hoc basis upon the assessment of the relevant experience, seniority, etc. in connection to the respective position, These persons receive remuneration

3. Persons with managerial powers, remuneration continued

from an entity within the Group with which the relevant agreement nature) was signed. In majority cases, the agreements were entered into with a company controlled by the Company. During 2021, Mr. Matuska became an employee of SAZKA Entertainment AG; the employment agreement with the Company was terminated at the same time.

The remuneration system of the persons with managerial powers includes a fixed monthly salary in the amount agreed in their employment agreement approved by the members of the Board of Directors of relevant affiliated company, 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 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 the Group (such as certain level of EBITDA). Fulfilment of the KPIs by executive management is evaluated by Mr Robert Chvátal as the Chief Executive Officer of the Group. Set and evaluated KPIs are reviewed by the HR department of the Group. Evaluation takes place in the first weeks of each year. Calculated bonus entitlements are reviewed and approved for payment by Board of Directors of relevant affiliated company with which the person entered into the employment (or similar) agreement, usually during the month of February.

In addition, persons with managerial powers are entitled to a Long Term Incentive Scheme ("LTIS"), which is a three-year incentive plan (not constituting a legal claim). However, this plan is remunerated from the level of the direct or indirect shareholders of the Company.

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.

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 2021 in CZK
(SAZKA Group a.s., SAZKA a.s., SAZKA Group UK Ltd., Casinos Austria Aktiengesellschaft, OPAP S.A., Österreichische Lotterien GmbH)

	Financial remuneration from the Company	Financial remuneration from Company's subsidiaries	Non-financial remuneration from the Company	Non-financial remuneration from the Company's subsidiaries	Types of non-financial remuneration
Board of Directors	--	26,795,037	--	707,985	Exclusive health care Medical insurance Pension insurance contribution Cafeteria system contribution Car allowance Critical illness and income protection
Executive management	--	43,806,355	--	2,016,231	Exclusive health care Company fitness centre Medical insurance Life Assurance Pension insurance contribution
Supervisory Board	--	3,933,900	--	--	--

Please note that the remuneration of Mr Chvátal is included in the remuneration of the Board of Directors.

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.

Further regulatory disclosures continued

5. Diversity policy applied to the statutory body and the Supervisory Board

In the Czech Republic, there is no binding diversity regime which the Company would be required 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 amended, 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 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 and 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.

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 standalone 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 the Company to be material:

Italy

Award of the concession to operate the Lotto game in Italy

Stanleybet International Betting Limited and Stanleybet Malta Limited brought a claim against the Ministry of Economy and Finance – ADM as well as against LOTTOITALIA S.r.l. and Lottomatica S.p.A. (later Lottomatica Holding S.r.l. and currently IGT Lottery S.p.A.), before the Regional Administrative Court of Lazio in connection with the award of the Lotto concession to LOTTOITALIA S.r.l. On 3 April 2017, Stanleybet International Betting Limited and Stanley Malta Limited filed a petition to set the hearing that was not set by the Regional Administrative Court of Lazio. For this reason, on 2 July 2021, the Regional Administrative Court notified the parties a notice of cancellation, as five years had elapsed since the filing of the claim. Following the expiry of the 180-day term set by the aforementioned notice and the counterparty's inactivity, the proceeding was stopped by a decree of the Regional Administrative Court of Lazio on 21 April 2022, as LOTTOITALIA S.r.l. expected. The proceeding thus terminated. It is noted that the Council of State, in the context of the related judgment concerning the cancellation of the acts of the tender procedure for the award of the Lotto Game, with a judgment of 12 August 2019, rejected the appeal of Stanleybet International Betting Limited and Stanley Malta Limited, confirming the legitimacy of the contested acts. Given the expiry of the terms, this judgment has become final and can no longer be challenged.

Greece

Termination of contract claims

There are 528 litigation cases at various stages as of 21 April 2022 (479 as of 31 December 2021), initiated by former agents of OPAP before the courts of first instance in Athens with respect to the validity of the termination of their contracts with OPAP. In most cases, the former agents claim compensation for the loss of profit, moral damages and compensation for goodwill. Other agents claim restitution of their contract. The total amount claimed was approximately EUR 308 million as of 21 April 2022 (EUR 284 million as of 31 December 2021). Most hearings took place in 2019 and 2020. The court of first instance in Athens has issued several judgments in favour of OPAP which dismissed 82 claims by petitioners alleging unlawful contract termination and seeking restitution of the contract and another several judgments which dismissed more than 324 claims by petitioners seeking compensation for loss of profit and other damages amounting to EUR 278 million and partially recognized 30 claims for an amount of EUR 0.57 million. Moreover, the Athens Court of Appeal dismissed 46 claims by petitioners alleging unlawful contract termination and seeking restitution of the contract.

Claims for the compensation of alleged loss of profit

In March 2021, an appellate court awarded compensation for loss of profit in favour of a former agent in the amount of approximately EUR 3.0 million plus interest from June 2006 to December 2011, for a total of approximately EUR 6.0 million. The appellate court had previously awarded compensation of EUR 9.0 million plus interest. The Greek Organization of Football Prognostics S.A. ("OPAP") recognized this amount in the financial statements for the year ended December 31, 2017. 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 January 2019. Following OPAP's petition for cassation, the Judicial Council of the Supreme Court has annulled the appellate court's award of EUR 6.0 million in damages pending its final ruling on the OPAP's petition. The next hearing in this matter is scheduled on 31 October 2022. The same former agent also sought compensation for (i) the loss of profit from 2012 to 2016 in the 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. These proceedings have been placed on hold until the resolution of the proceeding described above. Moreover, the same former agent also sought compensation for the loss of profit from 2017 to 2020 in the amount of EUR 8.9 million and an alternative claim in the amount of EUR 2.6 million. Following submission of pleadings on March 2022, the court will appoint the hearing of the case. OPAP has made a provision of EUR 6 million in its financial statements for this case (see Note 27 to the consolidated financial statements).

Further regulatory disclosures continued

7. Significant court proceedings continued

Claim for alleged non-payment for marketing services

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 have submitted respective appeals to the Athens Court of Appeals. The case was heard before the Athens Court of Appeal on March 12, 2020. In August 2020, an appellate court rejected the claimant's appeal. This case is potentially not final as the claimant my file an extraordinary appeal according to the Greek civil procedure rules. So far, the claimant has not filed an extraordinary appeal in this matter. In any case, OPAP is of the opinion the claimant's chances for success in case of the extraordinary appeal is filed are negligible.

Arbitration proceedings initiated by Hellenic Lotteries S.A. to challenge the liability to make minimum GGR tax payment for 2020 and 2021

According to Hellenic Lotteries S.A.'s concession agreement, Hellenic Lotteries S.A. (a subsidiary of OPAP) must pay 30% of annual GGR to the Greek state, subject to a EUR 50.0 million minimum annual amount. Hellenic Lotteries S.A. believes the EUR 50.0 million minimum annual fee is not applicable for 2020 and 2021 as the force majeure clause in the concession agreement was triggered by the pandemic-related restrictions imposed by the Greek state. Hellenic Lotteries S.A. has already paid EUR 12.3 million for 2020 and EUR 24,9 million for 2021 as Monthly Fee as per Clause 11.1.b. of the Concession Agreement (30% of actual 2020 GGR). Hellenic Lotteries S.A. has therefore initiated arbitration proceedings. In addition to that, Hellenic Lotteries SA also seeks an extension of the term of the concession agreement or a refund of part of the upfront EUR 190,000 th. financial consideration (both to be fully quantified at a later stage but not less than 17.6 months/EUR 28,400 th.). The award is likely to be available during 2023.

Inclusion of a non-compete clause in agency agreements

The Hellenic Competition Commission ("HCC") started proceedings regarding two complaints against OPAP (a) by a group of former agents that have not signed the proposed by OPAP New Agency Agreement in year 2017 and (b) by the Association of Professional Predictive Gaming Agents ("SEPPP") for an alleged violation of competition law (articles 1 para. 1 of Law 3959/2011 and 101 para. 1 TFEU and 2 of Law 3959/2011 and 102 TFEU). OPAP submitted a memorandum on 28 December 2021 and an additional memorandum on 7 January 2022 for the rebuttal of the statement of objection. Hearings took place in January, February and March 2022. The HCC's decision is expected to be issued by the end of 2022.

Austria

Arbitration Proceedings according to ICSID Rules

This case has been closed during 2021 and is reported to keep continuity with information contained in the annual report of the Company for 2020.

Casinos Austria International GmbH and Casinos Austria Aktiengesellschaft ("CASAG") filed an arbitration request with the World Bank according to the International Centre of 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 games of chance based on an exclusive 30-year licence granted by the provincial government in 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.

On 5 November 2021, CASAG International Holding GmbH and its subsidiary Entretenimien tos y Jegos de Azar "ENJASA" in Argentina won arbitral proceedings against the Argentina Republic. Casinos Austria International Holding GmbH shall receive a total amount of approximately USD 35.7 million for revoked license by the local gaming authority in August 2013.

7. Significant court proceedings continued

Cases initiated by the (mostly former) employees against CASAG due to the reduction of pension fund contribution

After adjustments made to employee pension schemes consisting of a reduction of target pensions, the support benefits and the additional pension by 30%, 25 lawsuits (thereof nineteen related to the pension fund plan, six related to the support benefits and additional pension), are pending by 37 claimants against CASAG. 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. On 31 May 2021, the court of first instance ruled that the target pensions should not have been reduced. The court of first instance agreed that the right to reduce the pensions has become a part of individual contracts with the former employees since the employment agreements are not applicable on the former employees anymore. However, the court also stated that the right to reduce the pension has been included in the employment agreement with the aim to bypass the jurisdiction of the Supreme Court in result of which the employer and the works council are not able to amend pensions because of their competence given by the Labour Constitution Act ("Arbeitsverfassungsgesetz"). The court did not comment on a possible obligation of CASAG to make additional contributions and did not clarify its deviation from the previous case law of the Supreme Court. CASAG appealed against the verdict of the court. With resolution of 28 January 2022 the court of appellation has reversed the judgement of the court of first instance and has recommitted the proceedings to the court of first instance to gather evidence regarding the factual justification of the changes made to target pensions. Therefore, a new decision of the court of first instance is expected. The court of appellation ruled that the reductions were in principle covered by the Betriebsvereinbarung (works council agreement), only minimum pension is guaranteed (not target pension) by the scheme. According to the information given by the court of first instance the claimant has appealed against the resolution of the court of appellation. CASAG has recognized a provision of EUR 0.5 million in its financial statements for legal costs only.

Support facility and defined benefit scheme: The second proceedings initiated in relation to the pension scheme are linked to pensions paid by the support institution ("Unterstützungseinrichtung," which is a separate legal entity supervised by CASAG's works council) and to additional pensions paid by CASAG in a defined benefit scheme. In a first instance the court ruled that CASAG cannot be sued for pensions paid by the support facility. The claimant appealed against the verdict of the court of first instance. The court of appellation has reversed the judgement and has recommitted the proceedings to court of first instance regarding the autonomy of the support institution. The court of appellation stated that the support facility may not be a separate legal entity since CASAG is involved in the decision-making process. CASAG has appealed against the resolution of the Court of Appeal.

Further regulatory disclosures continued

8. Significant contracts

The Company, as well as the entities within the 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 the Group as of 31 December 2021:

- 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. This agreement was terminated in February 2022.
- 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 Aktiengesellschaft.
- The intragroup loan financing up to 190 million 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.
- The intragroup loan financing up to EUR 139 million provided by the Company to Italian Gaming Holding a.s. for the purpose of repaying an existing loan facility, pursuant to a loan agreement dated 6 February 2020.
- The intragroup loan financing up to EUR 91.5 million provided by the Company to CAME Holding GmbH for the purpose of repaying an existing loan facility, pursuant to a Loan Agreement originally dated 6 February 2020.
- The intragroup loan financing up to EUR 640 million provided by SAZKA Group Financing (Czech Republic) a.s. to the Company on 21 December 2020.
- 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 an 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, which was completed on 26 March 2021.

8. Significant contracts continued

- Revolving Credit Facility Agreement in the amount up to GBP 60,000,000 entered into on 13 October 2021 between Allwyn Entertainment Ltd, HSBC UK Bank Plc as lead arranger, agent and security agent and other financial institutions as other finance parties.

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 capital market conditions for potential bond issuances. In February 2022, the Company issued EUR 600 million senior secured notes split between (i) EUR 200 million tap of the existing EUR 300 million senior secured notes due 2027 and (ii) EUR 400 million senior secured floating rate notes due 2028. Part of the proceeds of this bond offering were used to repay EUR 200 million Slovak bond due in 2022. Apart from the above described actions, 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 2022 on the Company's website (https://www.allwynentertainment.com/investors/sazka-group-debt-investor-hub).

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 2021 gives a true and fair view of the financial situation, business activities and economic results of the Company and its consolidated subsidiaries for the relevant accounting period, and perspective for future financial situation, business activities and economic results of the Company and its consolidated subsidiaries.

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