CONSOLIDATED ANNUAL REPORT

(KONSOLIDOVANÁ VÝROČNÍ ZPRÁVA)

Consolidated Annual Report containing regulatory information under the Czech Capital Market Undertakings Act

2019

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SAZKA GROUP AT A GLANCE

Our Operations

SAZKA Group of companies (the "Group") is one of the largest pan-European lottery operators. Our businesses operate lotteries in all the major continental European countries where lotteries are privately operated, including the Czech Republic, Greece, Austria and Italy, and in Cyprus. Our businesses focus on the lottery segment, including numerical lotteries (draw-based games) and instant lotteries (scratch cards), and also provide complementary products, including sports betting and digital-only games. They sell their products both through extensive retail networks and digital platforms.

Our businesses are supported by iconic and long-established brands, unrivalled POS networks and a long history of operations. 100% of our gaming activities are regulated. They operate under long-term and, in many cases, exclusive licenses and concessions, which have allowed them to enjoy leading and, in many cases, exclusive positions in all the markets in which they are present.

In the Czech Republic, SAZKA a.s. is the market leader for both numerical lotteries and instant lotteries.

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

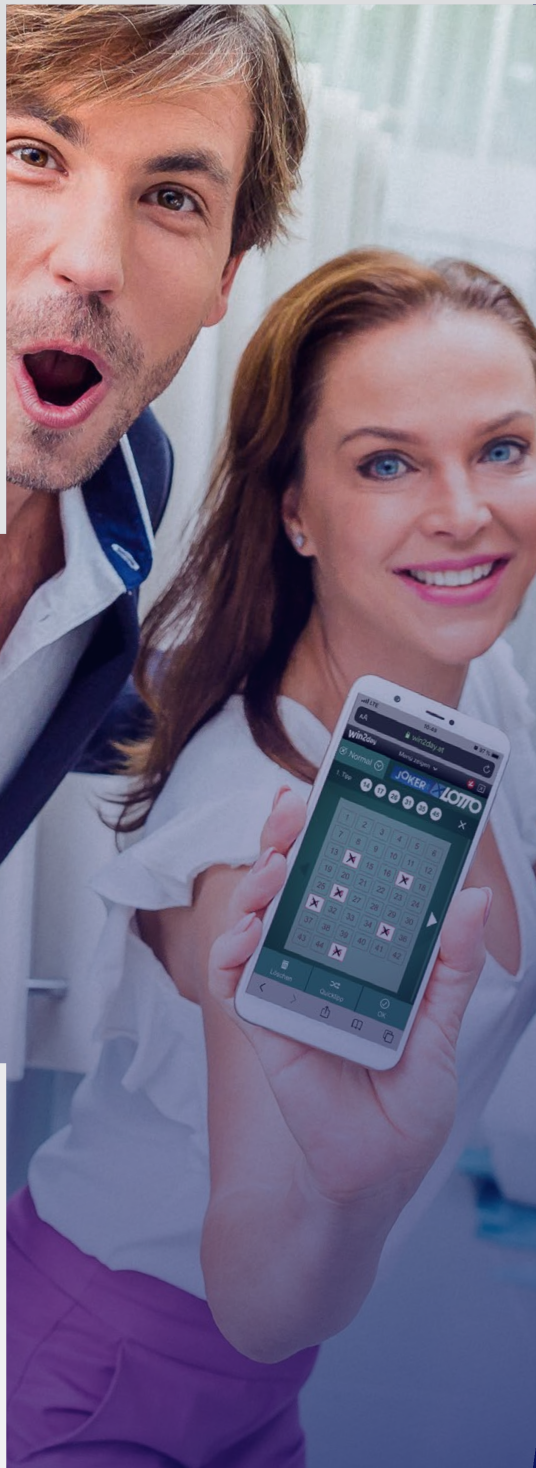
For the year ended December 31, 2019, we estimate that SAZKA a.s. had a 94% market share of GGR in numerical lotteries and a 100% market share in jackpot lotteries in the Czech Republic as a result of SAZKA a.s. being the sole provider of this product.

OPAP had a 100% market share of GGR in lotteries in Greece as a result of its exclusive license.

CASAG and its subsidiary Austrian Lotteries had a 100% market share of GGR in lotteries, casinos, online lotteries and regulated online casino in Austria as a result of its exclusive license for these products.

According to H2 Gambling Capital, 2020, LOTTOITALIA had an 80% market share of GGR in numerical lotteries and a 100% market share in fixed-odds numerical lotteries in Italy as a result of its exclusive license for this product.

79 million+ players*



In Greece, OPAP has exclusive licenses to operate lotteries, land-based sports betting, and VLTs. OPAP also has a license to operate lotteries in Cyprus.

In Austria, we have minority interests in Casinos Austria ("CASAG") and its subsidiary Austrian Lotteries, which are the exclusive operators of lotteries, land-based casinos and onshore online gaming.

*Note: Total addressable market in Austria, Cyprus, Czech Republic, Greece and Italy. Adult population only. Source H2 Gambling Capital.

OUR GROUP

100.0%

#1 Lottery operator in the Czech Republic

Lottery licence since 1956

11,400 POS

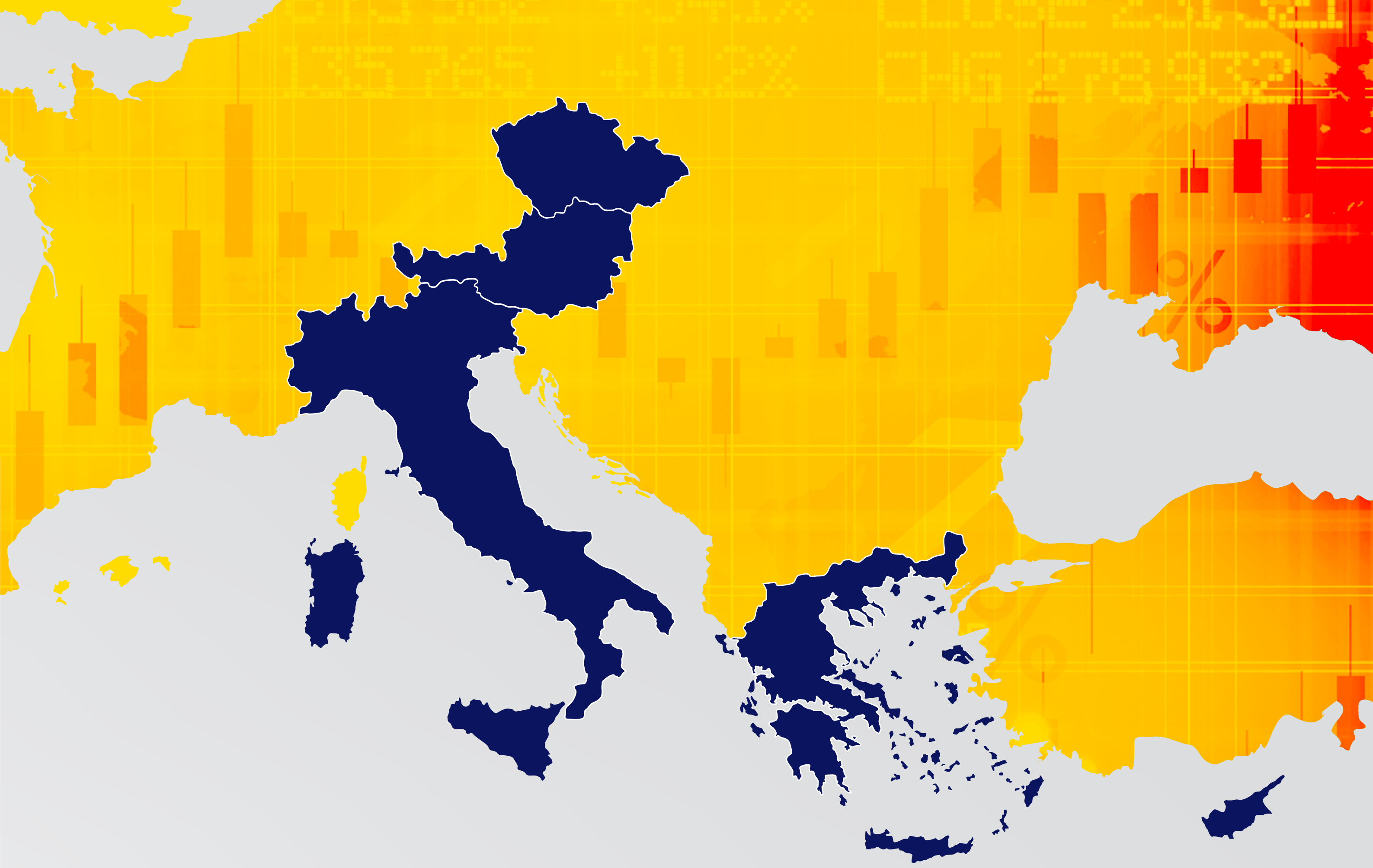
38.3%

#1 Lottery and casino operator in Austria

Exclusive lottery licence and operator of casinos

Other gaming operations include sports betting, VLT and online gaming

5,100 POS



LOTTOITALIA

32.5%

#1 Numerical lottery operator in Italy

Exclusive licence for Lotto

33,600 POS

opap

41.7%*

#1 Lottery operator in Greece and Cyprus

Exclusive lottery, land-based sports betting and video lottery terminal licenses

13,000 POS

*Not adjusted for treasury shares.

All figures are as of the date of this document.

OUR HISTORY

2011–2012

Sazka a.s.:
Acquisition of
a 100% stake

2013

OPAP: Privatisation of
33% stake in OPAP

2015

CASAG:
Acquisition of indirect
11.3% stake

2019

CASAG: Agreement with Novomatic reached to acquire its **17.2%** shareholding in CASAG*

2016

Austrian Lotteries: Acquisition of indirect **11.6% stake**

LOTTOITALIA: Acquisition of **32.5% stake** (JV with Lottomatica)

2017–2018

CASAG: Acquisition of additional stakes in CASAG, bringing **total economic interest to 38.3%**

2019

KKCG: KKCG and EMMA Capital agreed on the split of the assets in SAZKA Group, and KKCG became the sole owner of **SAZKA Group**

*Closing of this transaction remains subject to various conditions precedent including, without limitation, applicable regulatory approvals and notifications. The completion of the transaction is also subject to applicable pre-emptive rights of other CASAG shareholders, as a result of which SAZKA Group may directly or indirectly acquire a lower shareholding amount.

2019

OPAP: Acquisition of additional **7.3% stake** in via a Voluntary Tender Offer

OUR MANAGEMENT

Board of Directors

Robert Chvátal

Member of the Board
and Chief Executive Officer

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

Karel Komárek

Chairman of the Board

Mr Komárek 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 board 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 Proměny Foundation and the current co-chair of the Kennedy Center International Committee on the Arts in Washington DC.

Pavel Šaroch

Member of the Board

Mr Šaroch 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. where since December 2012 he has been chairman of the board of directors. He served in management positions with securities trading firms such as Ballmaier & Schultz CZ and Prague Securities. From 1999 to 2001, he was a member of the board of directors of I.F.B. In 2001, he was appointed Deputy Chairman of the Supervisory Board of ATLANTIK FT and subsequently became a Member of the company's board of directors.

Katarina Kohlmayer

Member of the Board

Ms Kohlmayer 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. Prior to joining KKCG, she served as managing director at Morgan Stanley and VTB Capital. During her professional career, she has specialized in M&A transactions and their financing in Central and Eastern European countries, Russia and CIS.

Senior Management

Kenneth Morton

Chief Financial Officer

Ken was appointed Chief Financial Officer as of February 1, 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.

Štěpán Dlouhý

Chief Investment Officer

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

Tony Khatskevich

Chief Technology Officer

Tony leads SAZKA Group's technology and innovation strategy for SAZKA Group's digital platforms and architecture to maximize the oprational success of the Group. Tony has extensive experience in Israel, US and Estonia heading up the technology and delivery organizations in 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.

Ján Matuška

Chief Operating Officer

Ján Matuška is responsible for the organic development of SAZKA Group operating companies, monitoring their performance and ensuring best practice exchange within the Group. He oversees and supports the implementation of SAZKA Group and operating companies' major strategic initiatives. Before joining SAZKA Group, Ján worked as Principal for the global management consulting firm Kearney.

Board members and Senior Management as of the date of publication of this Annual Report.

OUR STRATEGY

1

Introduce new products in existing markets and optimize our current offerings, with lottery as a core product

In 2014, SAZKA a.s. launched Eurojackpot in the Czech Republic.

In 2014, OPAP launched sales of scratch cards in Greece.

In 2017 OPAP launched its VLT product offering in Greece, which generated GGR of €298 million in 2019.

In 2018, LOTTOITALIA launched MillionDay, a daily numerical lottery game aimed at younger players.

At the end of 2018, OPAP acquired a stake in the Stoiximan business and strengthened its online sports betting offering.

We are also evaluating the introduction of games which we have successfully introduced in some markets (for example, multinational pooled jackpot products like EuroMillions and Eurojackpot) where they are not currently offered.

2

Increase the regulated online and mobile gaming presence of our businesses

We see particularly attractive opportunities to expand online sales at our operations in Greece and Cyprus, where the online and mobile market accounts for a relatively low proportion of the gaming market compared to the Czech Republic. SAZKA a.s. launched online products in the Czech Republic in 2017 and currently offers all its games through online distribution channels. In 2019, OPAP launched the online version of one of its most popular games in Greece, Joker.

We believe that our online activities are well placed to benefit from increasing regulation of online gaming by national regulators, a trend which favors onshore operators at the expense of competitors offering online products from other jurisdictions who have historically benefited from regulatory and tax advantages.

We also believe that increasing online sales will allow our businesses to further increase their understanding of their customers. Unlike sales via traditional POS, we have a direct relationship with our online customers and are able to gain insight into individual and aggregate consumer behavior from direct interactions with them. In addition, we believe that there is strong potential to grow online sales by targeting new and underserved customers with the development of innovative online game formats.

3

Enhance profits and cash flow through the implementation of operational efficiency and cost optimization initiatives, leveraging our scale

We plan to further grow profits and cash flow organically by optimizing costs and enhancing operational efficiency.

Furthermore, in addition to revenue synergies through the sharing of best practices, we believe that there is significant potential to realize cost synergies within SAZKA Group, including between our businesses in different countries via platform sharing, technology and leveraging the scale of SAZKA Group.

4

Selective complementary acquisitions and participation in tenders, based on rigorous risk assessment and returns criteria

We believe that there are opportunities to expand our European presence as countries privatize lotteries or concessions come up for renewal. We believe that the long-term investment of our businesses in relationships with governments and regulators, along with their size and scale and their track record of driving growth and tax revenues at the lotteries which they operate, make our businesses an attractive partner for governments. Furthermore, we evaluate opportunities to expand our stakes in our existing businesses on an ongoing basis.

In October 2018, we indirectly acquired an additional 4.12% of the shares in CASAG, and we acquired a further 7.25% of the shares in OPAP in 2019. In December 2019, we announced that we reached an agreement with Novomatic to acquire its 17.2% shareholding in CASAG.

5

Continue to be an ethical and responsible gaming leader

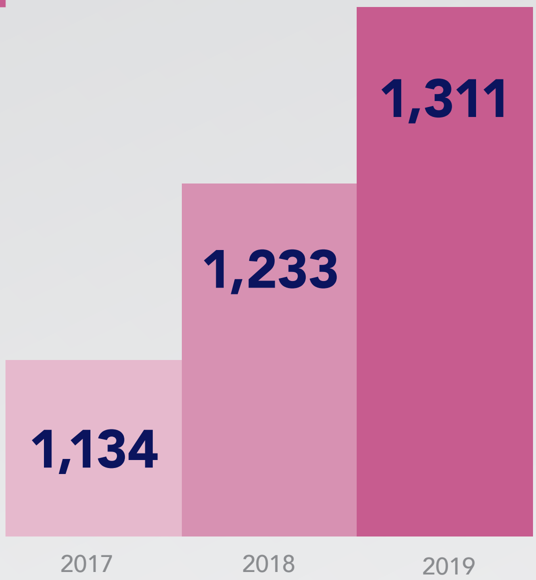
Responsible gaming is a key principle of our business. We believe that our businesses are already leaders in responsible gaming.

For example, all of our businesses have responsible gaming principles including: (i) creating a safe environment for players; (ii) protecting minors and other vulnerable groups; and (iii) educating the general public about problem gambling.

KEY PERFORMANCE INDICATORS

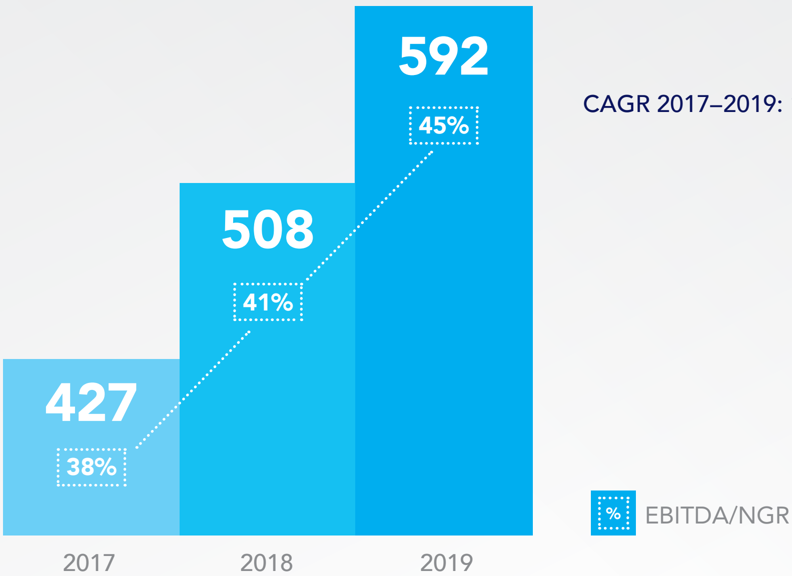
SAZKA Group analyses its business using a number of key performance indicators (KPIs). Our use or calculation of KPIs may not be comparable to the use or calculation of similarly titled measures reported by other companies in the industry, by research agencies or by market reports.

Net Gaming Revenues
EUR million



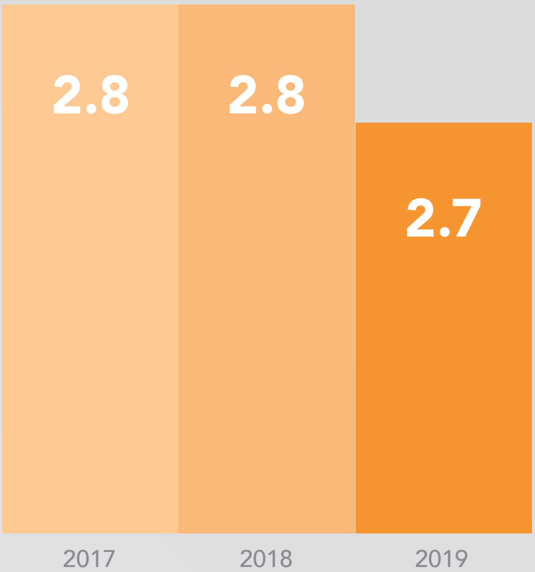
CAGR 2017–2019: 8%

EBITDA and
EBITDA Margin
EUR millions

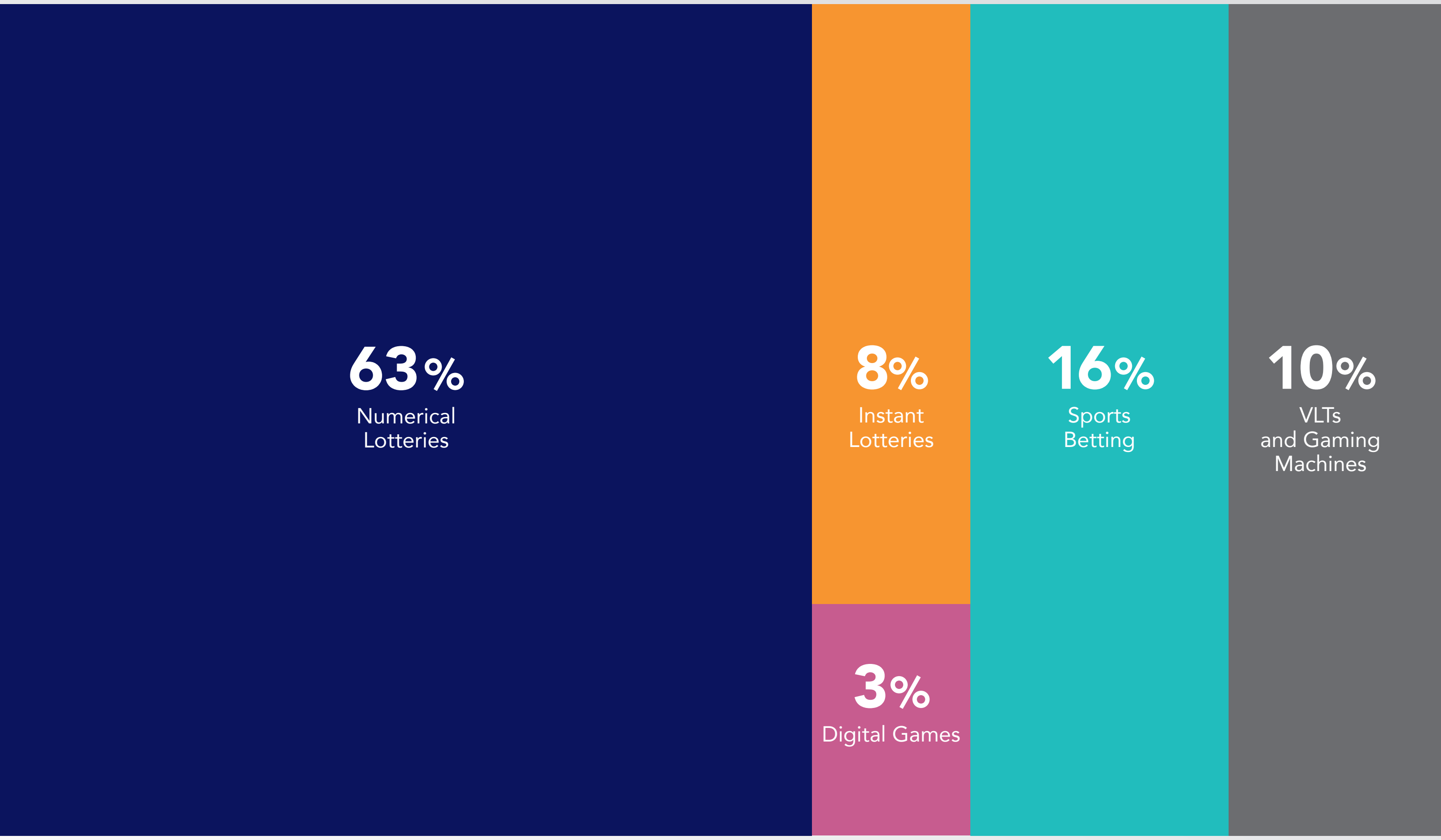


CAGR 2017–2019: 18%

Net Debt/EBITDA



Business Segments
(EBITDA, 2019)



All figures on this and the previous page are based on Consolidated IFRS financial statements.

BUSINESS REVIEW

INTERVIEW WITH THE CEO

Robert Chvátal

Member of the Board of Directors and Chief Executive Officer

Q. How would you assess SAZKA Group's achievements in 2019?

A. 2019 was a pivotal year for SAZKA Group. In terms of our strategic development, we reached some important milestones, while also continuing to produce impressive growth in revenues and profitability.

We have assumed increased ownership of OPAP through the voluntary tender offer and have taken significant steps towards a majority shareholding position in Casinos Austria. We achieved this by reaching agreements with Novomatic in 2019 and ÖBAG, the representative of the Austrian state, at the beginning of 2020.

We also took major steps to optimise our capital structure by issuing two five year bonds during 2019, which we followed by a seven-year international bond in January 2020. We are delighted that these issuances included our well-received debut on the international capital markets. We used the proceeds to repay the existing debt at our midcos, simplifying our capital structure.

Q. Can you summarise the key figures for SAZKA Group in 2019?

A. SAZKA Group continued to generate impressive growth in all of our markets. Consolidated EBITDA increased by 17% to €592 million as a result of both revenue and margin growth, while profits from continuing operations increased by 35% to €311 million.

We further solidified our position as Europe's leading lottery operator. Numerical lotteries generated €668 million, while instant lotteries brought in €152 million.

The year on year EBITDA growth in each geographical market was as follows: Czech Republic up 19%, Greece and Cyprus up 17%, Austria up 21%, Italy up 5%.

Perhaps most notably, we have continued to grow participation rates at a time when many other lottery operators are struggling to do so. For example, in 2013, just 54% of the adult Czech population played a lottery game. In 2019, this number rose to 73%, according to a study by Kantar*.

I am immensely proud of SAZKA Group's ability to consistently produce such impressive growth. Increasing revenue and profitability organically, while also carrying out major strategic initiatives, like the voluntary tender offer for OPAP, bodes extremely well for the future.

Q. Is SAZKA Group's strategy designed to consolidate their position in current markets, or can we expect entry into new jurisdictions?

A. SAZKA Group have been fantastic stewards of OPAP and Casinos Austria, the parent company of Austrian Lotteries. By strengthening our position in both, we have reaffirmed our long term commitment and conviction in the prospects of these already great businesses.

We have also confirmed that the Casinos Austria headquarters will remain in Vienna and we look forward to working closely with our co-shareholders to ensure the company stays firmly entrenched in Austria's economy and society. Meanwhile, in Greece, we have demonstrated that we represent the gold standard of operating lotteries by turning OPAP from a struggling state-run lottery into one of Europe's strongest performers.

But we are always searching for new opportunities. We recognise that there is a growing appreciation of the value that privately-operated lotteries can create, and we will proactively capitalise on it. Our unique breadth of experience means that we are well placed to identify and assess opportunities and risks.

Q. Is SAZKA Group engaged with emerging trends and innovations in the lottery and gaming industry?

A. We are always attentive to emerging trends and we have proactively invested in digital platforms while ensuring that our retail partners receive the support they need to thrive.

We have developed a deep knowledge of our markets and we are always utilising new practices and technologies. All of SAZKA Group's businesses have dedicated data analysis and intelligence teams that develop analytics based solutions for sophisticated marketing purposes. We are true believers in data driven innovation and have already implemented a number of advanced solutions in this area in Austria and Czech Republic. Our platforms are always evolving and there is plenty more to come.

SAZKA Group recognises that there are increasingly more synergies between physical retail and digital verticals, which is why we are investing in solutions that help to cross merge both. One of the main targets reflecting our omnichannel vision is the integration of cutting-edge digital/mobile technologies in our physical retail operations; making the latter more compelling for tech savvy players.

Another example is the enhancement of sports betting channels. We are improving real time capabilities, while allowing customizations in User Interface. Our sports betting channels are also addressing the

*Note: Market potential study by Kantar, February 2020.

emerging interest from players in virtual segments like e-sports. Again, this is an ever-changing landscape, but we have already successfully implemented several new activities in Greece, Austria and Czech Republic.

We recognise that digital is driving change in all industries, and lotteries are no exception. Customers want new and more engaging ways to play, so we're investing heavily in research and innovation to make sure we meet and exceed those expectations. Our revenues from digital gaming continue to rise, and we have also used digital advancements to ensure that the customer experience in store remains of the highest quality.

Ultimately, our innovations are always tailored to the rules, needs and stakeholder interests of each specific market.

Q. Given SAZKA Group's investment in digital infrastructure, do you envisage digital exceeding land-based retail in the near-future?

A. For the time being, the land-based retail sector remains the biggest channel for lottery sales, but digital is becoming more appealing to players. Our strategy is to progress both, properly balancing our efforts and investments to ensure they grow in harmony. Greece is a great example. Despite the current global COVID-19 situation, in the long term, it is one of our best performing markets, largely due to the continued popularity of our physical retail products. This is why we have continued to invest in the provision of VLTs and gaming halls. At the same time, the very recently announced acquisition of the number one provider of online sports betting in Greece clearly demonstrates our focus on growing digital revenues.

To summarize, land-based retail still accounts for more than 80% of sales across the Group. While this can obviously vary within particular markets, it is too soon to expect digital revenues to exceed physical sales, although for sure, our digital offering will continue expanding following the impact of COVID-19. We will be introducing more and more digital aspects into retail operations, providing a wide range of experiences for the tech savvy player.

Q. Are good causes an integral feature of SAZKA Group's business operations?

A. I'm proud that good causes are at the core of SAZKA Group's values, and we have demonstrated this in all of our markets.

OPAP is one of the largest corporate charitable donors in Greece, where we have renovated two children's hospitals, supported 13,000 young athletes, and continued our support of an entrepreneurial programme that has created thousands of jobs and produced one of Greece's most successful start-ups – Nannuka. Meanwhile, in the Czech Republic, we are an integral partner of youth sport through our tailored school's programme and network of sports clubs.

We work closely with governments and regulators in each jurisdiction to ensure that we maximise our returns to good causes. Furthermore, it's worth noting that we are also one of the largest tax contributors in each of these countries, so we also contribute indirectly to public funding.

Of course, it's never been more important than it is now to give back to society. This is why we have supplied ventilators and 500,000 surgical masks to Greek hospitals, provided protective equipment in the Czech Republic, and launched a public health awareness campaign in Austria. We are committed to doing everything we can to help combat this crisis and aid the recovery process.

Q. What measures have SAZKA Group taken to protect customers and promote responsible gaming?

A. Responsible gaming is at the foundation of all our products. SAZKA Group has been awarded the highest level of responsible gaming certification by the World Lottery Association and we commission research to find ways to increase player protection. I am also the Vice Chairman of the European Lottery Association, where I continually promote responsible gaming measures in the industry.

We work closely with regulators in each market to maximise the safety of participation in gaming. Our focus is quite simple – design games that are popular and safe. This ensures that consumers do not seek out games offered by illegal offshore operators on the black market.

Through our experience and by sharing best practices across the Group, we have an unparalleled ability to understand consumer behaviour. This gives us the knowledge to enact measures that tackle problem gambling at the earliest stages.

Q. There were some changes to SAZKA Group's board membership and mamagement in 2019, is there anything you would like to say about the team?

A. We were pleased to appoint Katarina Kohlmayer to the board of directors. She is already proving to be an influential member of the team and her experience and skills will be vital as we continue to broaden SAZKA Group's presence on international capital markets. I am particularly looking forward to working with her to execute the Group's long-term M&A strategy.

We also welcomed Kenneth Morton to the team. While he was at KKCG, Kenneth already made valuable contributions to our voluntary tender offer for OPAP and our debut international bond issuance in November 2019. With over 15 years of corporate finance experience, I'm certain he will be a tremendous CFO for SAZKA Group.

Q. Rumours have circulated that SAZKA Group are preparing a bid for the UK National Lottery. Are you able to confirm this?

A. As one of Europe's largest and most successful lottery companies, it's only natural that SAZKA Group's name has appeared in such speculation. We are obviously aware of the upcoming licence competition for the U.K. National Lottery, but the ultimate decision on whether to participate hasn't been made yet.

We have a focused growth strategy and apply a disciplined approach to evaluating growth opportunities, including the UK National Lottery. Our track record shows that when lotteries and regulators are looking for credible, responsible and experienced operators, we bring the expertise and resources required, and always become a trusted partner.

Q. Finally, COVID-19 has already spread to virtually every country in the world and cases almost everywhere are soaring. The lockdown measures put in place to contain it are curtailing economic activity. How is SAZKA Group coping with the crisis?

A. It goes without saying that the health and safety of our customers, employees, partners and the public have always remained our top-priority. This principle has guided many of our decisions over the past two months, as we have responded to the increasingly global scale of the outbreak and the growing number of restrictions across our retail networks. While all of our digital channels continue to operate without interruption – and have in fact been achieving record after record – our physical retail networks have adopted various measures to safeguard public health and protect our employees.

To limit the financial impact of these restrictions, we have been working to drive online sales across all of our markets. This includes the introduction of new digital products, which are being thoroughly tested in order to meet the highest standards of responsible gaming, and measures to promote our existing online and digital offerings to new customers and customer who have previously played through physical channels.

We have really benefited from the scale and diversification of the Group, with strong performance in some countries, products and channels helping to offset the impact on businesses which have been more challenged. We have also had tremendous success sharing best practices across the Group – the broad perspective that we have across geographies and our experience with a wide range of technologies and products has been a great advantage, helping our various businesses to navigate uncertain waters.

I am confident that SAZKA Group will come out of this crisis stronger and more resilient than ever before.

BUSINESS REVIEW

Lotteries

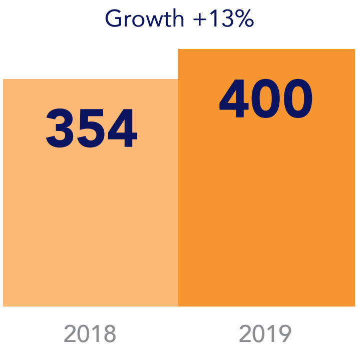
Our businesses operate lotteries in the Czech Republic, Greece, Cyprus, Austria and Italy. The lottery game offerings of our businesses include two basic categories of lotteries: numerical lotteries (also known as draw-based games) and instant lotteries (also known as scratch card games).

For the year ended December 31, 2019, we had a consolidated GGR and consolidated NGR of €1,180 million and €820 million from lottery products, which represented 61.9% and 62.5% of our total consolidated GGR and consolidated NGR, respectively and 71.0% of our consolidated EBITDA.

Numerical lotteries

Numerical lotteries EBITDA

EUR millions



Numerical lotteries EBITDA contribution

Numerical lotteries are the key focus of our businesses. Numerical lotteries are lotteries where the player puts a stake on a combination of figures and the prize of the player is determined after the winning figures are drawn. These lotteries include traditional lotteries and keno-style games and are offered in each of the markets our businesses operate.

Our businesses operate numerical lotteries in the Czech Republic, Greece, Cyprus, Austria and Italy. For numerical lotteries, we had a market share of approximately 94% in the Czech Republic, 100% in Greece, Cyprus and Austria (as a result of exclusive licenses), and 80% in Italy for the year ended December 31, 2019

Our businesses' most popular numerical lottery products include Sportka (a lot-to-type game) in the Czech Republic, Kino (a fixed-odds numerical lottery game with draws every five minutes) in

Greece, Lotto 6 aus 45 in Austria and 10eLotto (a lotto type game with draws every five minutes) and Lotto in Italy.

Many of the numerical lottery games of our businesses have well-known brands and have been part of the national life of the countries where they have been played for years. For example, Sportka was the first numerical lottery game in the former Czechoslovakia launched in 1957, Kino was launched in 2003, Lotto 6 aus 45 was launched in 1986 and Lotto was launched in 1937.

Certain of our businesses offer multi-national pooled jackpot games, which allow us to offer larger jackpots than traditional lotteries where jackpots are formed from ticket sales in a single country. Eurojackpot was introduced in the Czech Republic in 2014 and currently has 18 participating countries. EuroMillions was introduced in Austria in 2004 and also currently has 18 participating countries. We believe there may be potential for our businesses to introduce such games in markets where they are not currently offered.

Instant lotteries

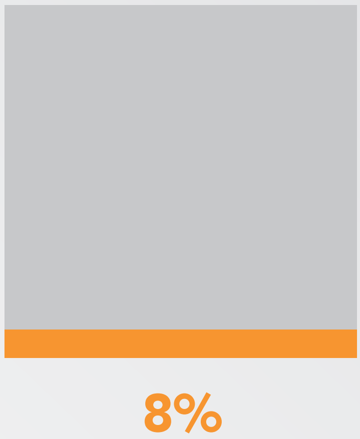
Instant Lotteries are lotteries and instant win games where the prizes are pre-drawn and distributed among the winning tickets at the moment of printing and the player's prize is revealed immediately upon opening the game field of the lottery ticket. Our businesses regularly renew and enrich our offerings of scratch cards and other instant lottery games, typically offering dozens of scratch card games at any time across all our markets, some targeted towards particular audiences. For example, in the Czech Republic our scratch card "product brand families" include "Cash" (for regular players), "Black Pearls" (for female players) and "Rentier" (for players attracted by an opportunity to win lifetime payments).

Our businesses in the Czech Republic, Greece and Austria offer instant lottery products. For the year ended December 31, 2019, according to our estimates, SAZKA a.s. had an 80% market share of GGR in the Czech Republic and OPAP and CASAG (via Austria Lotteries) had a 100% market share in Greek and Austrian lotteries, respectively, as a result of exclusive licenses to operate instant lotteries.

Instant lotteries EBITDA

EUR millions

Instant lotteries EBITDA contribution



Sports betting

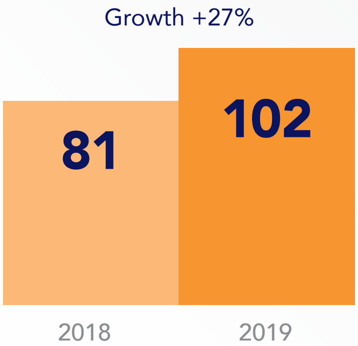
Our businesses offer sports betting products via their POS networks in Greece and Austria and through their online and mobile platforms in Greece and Austria. For the year ended December 31, 2019, our businesses had a market share for land-based sports betting of approximately 100% in Greece (due to an exclusive license) and a marginal share in Austria.

In the Czech Republic, SAZKA a.s. launched sports betting operations in 2009. SAZKA Bet is the third largest player in the Czech sports bettingg market. In Greece, OPAP offers PAME STOIXIMA, a sports betting game released in 2000. The game includes constant fixed betting odds and mutual betting odds.

In Austria, CASAG offers football pools and betting on correct scores. Both games are available via land-based retail channels and online.

Sports betting EBITDA

EUR millions



Sports betting EBITDA contribution

Digital games

Digital games consist of products developed specifically for and played via online platforms, either through websites or mobile applications.

Our businesses in the Czech Republic and Austria offer digital games including: eLotteries (lottery-style products designed specifically for online), eScratches (scratchcard-style products designed specifically for online), eCasino, and Virtual sports.

In the Czech Republic, SAZKA a.s. launched eScratches in 2017, including fourteen editions which have benefitted from the brand awareness of the existing land-based product brand families. In Greece, OPAP launched Joker in 2019, its first online lottery product.

Digital games EBITDA

EUR millions

Digital games EBITDA contribution

VLTs and gaming machines

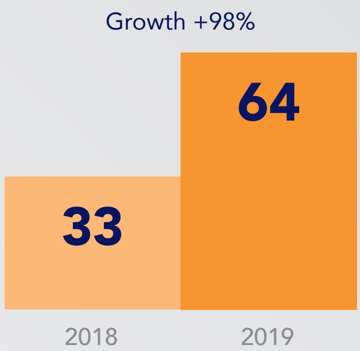
VLTs are interactive video displays which are physically similar to traditional slot machines but provide a wider range of games.

Our businesses operate VLTs in Austria, Greece and North Macedonia. For the year ended December 31, 2019, both OPAP and CASAG (through Austrian Lotteries) had a 100% market share in VLTs in Greece and Austria, respectively (as a result of exclusive licenses). In Greece, OPAP holds a license for 25,000 VLTs, all of which have been installed as of the date of this Annual Report.

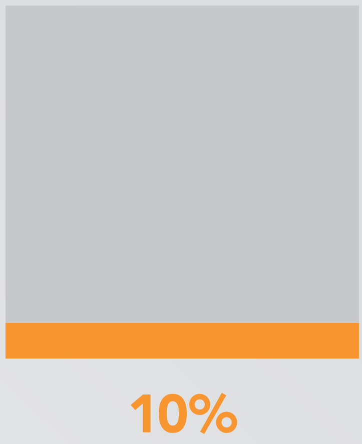
CASAG is the only company licensed to operate casinos in Austria. Currently, CASAG has 12 domestic casinos located in Austria and 24 land-based casinos internationally. In 2019, CASAG's domestic casinos had around 3 million visitors, while its international casino operations had around 6.million visitorss.

VLTs and gaming machines EBITDA

EUR millions



VLTs and gaming machines EBITDA contribution



Other non-gaming services

Our businesses in the Czech Republic and Greece also provide a variety of other services to our customers, including financial and payment services, such as mobile top-ups and bill payment services. Services offered in the Czech Republic also include automated teller machine services.

Financial and payment services

In 2015, SAZKA FTS a.s. was granted permission to provide financial and transaction services in the Czech Republic by the Czech National Bank. SAZKA FTS a.s. provides bill payment services operations for selected partners, mainly utility providers, telecommunication operators and insurance and media companies. Its services provide customers with an alternative to bill payment services provided by Czech Post. SAZKA FTS a.s. also partnered with a bank to offer a service allowing users to withdraw money from accounts at the partner bank at the POS of SAZKA a.s.
In Greece, OPAP offers a range of services through its subsidiaries Tora Wallet and Tora Direct. Tora Wallet is an electronic wallet service licensed by the Bank of Greece and offers bill payments, cash to cash remittances and ticketing services though OPAP stores. OPAP plans to launch a mobile application for financial services by 2020. Additionally, through Tora Direct, customers can top-up prepaid mobile phones in any OPAP store. Outside of OPAP stores, Tora Direct services can be found in approximately 6,500 locations such as small retail stores, kiosks and gas stations where mobile top-up vouchers are distributed through a network of POS terminals.

Mobile virtual network operator

In February 2014, SAZKA a.s. launched a mobile virtual network operator business ("MVNO") under the SAZKAmobil brand. The MVNO business provides prepaid and post-paid mobile telephone services hosted on the Vodafone network, a major telecommunications provider in the Czech Republic, and leverages consumer trust in the SAZKA brand and SAZKA a.s. POS network. As of December 31, 2019, SAZKAmobil had more than 200,000 active customers, the largest number of any MVNO in the Czech Republic. The MVNO also business helps to generate traffic to the online product offerings of SAZKA a.s.

RESPONSIBLE GAMING

Responsible gaming is at the core of our culture

We seek to contribute to local communities and the societies where we engage in business.

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

We strive to protect the general public and especially vulnerable social groups from excessive gaming and protect minors from any participation in games of chance. By their nature, lottery games are the most socially acceptable form of gaming as they involve periodic payments of small amounts to participate in infrequent games.

We apply responsible gaming principles throughout our operations. All of our lottery operators are members of the World Lottery Association and the European Lottery 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 Transparency Register (Identification number 343059028884-80).

Greece

OPAP's key objectives are to create a safe environment for players, to protect minors and other vulnerable groups; and to educate and protect the general public. In this context, OPAP supports independent research, studies and conferences that contribute to the wider understanding of problem gambling, and utilizes the findings of this research to design intervention programs that primarily protect minors and other vulnerable groups. The above framework was recognized by the WLA. OPAP has been awarded the European Lotteries Responsible Gaming Certificate. Both OPAP and Hellenic Lotteries S.A. received the WLA Level 4 award, the highest level of responsible gaming certification issued by the WLA.

Austria

Responsible gaming is at the heart of CASAG's activities. CASAG was awarded with the Level 4 Responsible Gaming Certification, the highest level of responsible gaming certification issued by the WLA. In November 2018, Austrian Lotteries was also awarded the European Lotteries Responsible Gaming Certificate, which is still maintained based on triannual renewals. CASAG is also certified under the European Casino Association's Responsible Gaming Framework.

Italy

LOTTOITALIA is committed to a strong and comprehensible responsible gambling policy. Further to full compliance with the applicable legal requirements concerning among other things minimum age and advertising restrictions, LOTTOITALIA invites players to follow certain behavioural practices to ensure that they stay in control of their gambling activity. LOTTOITALIA also reminds players that they can seek professional help to fight against pathological gambling at the free toll number of the ISS (National Health Institute). Lottomatica, SAZKA Group's JV partner, holdsthe Level 4 Responsible Gaming Certification, the highest level of responsible gaming certification issued by the WLA.

Czech Republic

SAZKA a.s. applies responsible gaming principles throughout its operations. In October 2017, SAZKA a.s. was awarded the European Lotteries Responsible Gaming Certificate confirming the company's compliance with the European Lotteries Associations' standards. In November 2017, SAZKA a.s. requested an assessment from the World Lottery Association, and subsequently was awarded with the Level 4 Responsible Gaming Certification, the highest level of responsible gaming certification issued by the WLA.

SOCIAL RESPONSIBILITY

SAZKA Group is an important contributor to societies where it operates

SAZKA Group is among the largest taxpayers in Greece, Austria and the Czech Republic. We are a significant and stable contributor to employment directly employing around six thousand people across our businesses. SAZKA Group also extensively contributes to good causes like sports, culture, health, and education.

Greece

In 2014, OPAP began an initiative to renovate the two most important, oldest and largest Children Hospitals in Greece, "Aghia Sophia" and "Pan. & Aglaias Kyriakou", which serve children from all over Greece. Both hospital, constructed in the 1940s, were in poor condition, lacking resources for fundamental operational requirements. But most of all they lacked optimism and positive feeling since the environment was grey and depressing, which did not help the psychology of the young patients. Therefore, since the beginning the key objectives of the program have been to:

1. operationally and technically upgrade nursing units and clinics
2. create a pleasant therapeutic environment for the sick children and their relatives.

Construction and decoration works have involved the upgrade of electric and technical installations, including the air conditioning and ventilation equipment, 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.

Since the launch of the program

- 80% of both hospitals have been renovated
- 25 separate renovation projects have been completed, including 19 nursing units, covering 12,110 square meters, with a capacity of 439 beds

OPAP has invested €14.5 million in the project to date.

Austria

In 2013, Austrian Lotteries launched an Austria-wide corporate volunteering programme for all employees of the group, which grants them time for social engagement. Over 700 employees have already taken advantage of this offer and worked for organisations such as Caritas, Hilfswerk, Lebenshilfe, Soma, Wiener Tafel and the Austrian Red Cross. The enormous response led management to expand the programme in 2018 and to grant five days per employee and year with full pay, rather than one as before.

In terms of sponsoring, Casinos Austria places its main emphasis on the arts and culture sector while Austrian lotteries focuses primarily on sport. The social and humanitarian sectors, which are of particular importance in socio-political terms, are jointly supported and sponsored by both companies. E.g., the group sponsored the Casinos Austria Integration Football World Cup, bringing 1,800 amateur footballers from different countries to take part in a five-a-side football tournament. Another major undertaking is the Casinos Austria Music Line, supporting musical diversity in Austria (projects that would not have been possible without support).

Czech Republic

Sazka a.s. is a major supporter of youth sports in the Czech Republic. Around 150 thousand children participate in the “Sazka Olympic multi-contest” every school year. 1,200 elementary schools participate in this nation-wide programme.

The programme is split into two parts and each school chooses in which part it wants to participate. In each part, children participate in a number of sporting disciplines which teachers directly incorporate in the physical education curriculum. Each child receives an “Olympic diploma”, which includes an analysis of the child’s sporting talents and recommendation for sports to pursue further. Gaining the “Olympic badge” includes an analysis of the child’s sporting results and the rank attained – a child can get a diamond, golden, silver or bronze badge. The best children compete against each other in district and regional rounds, with the winners advancing to the national finale.

Furthermore, 15,000 Czech sports clubs are interconnected thanks to Sazka a.s.’ unique database called ‘Sports around you’. More than 400 events are offered and advertised through this platform every month. Last but not least, 2,700 children were supported by Czech Olympic Foundation to allow them to do their favourite sports.

Italy

LOTTOITALIA (through SAZKA Group’s JV partner Lottomatica) is engaged in supporting a number of initiatives together with associations dealing with disabilities, education, childcare, financing organisations in the cultural and artistic areas (art exhibitions, conservation of monuments, cinema), as well as promoting the development of sports and of fair-play sport culture.

More details on Group’s CSR activities will be provided in a separate report available on SAZKA Group website by 30 June 2020.

FINANCIAL REVIEW

BOARD OF DIRECTORS' REPORT ON BUSINESS ACTIVITIES AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SAZKA Group's business continued to perform well during 2019 with numerical lotteries' EBITDA growing by 13%, sports betting EBITDA by 27%, and digital games' EBITDA by 47%, compared to 2018.

For the twelve months ending 31 December 2019, consolidated gross gaming revenues grew 6%, to €1,906 million, and consolidated net gaming revenues increased 6%, to €1,311 million, in each case compared to the corresponding period in 2018. This continued strong top line performance, combined with improved margins across the businesses, resulted in the Group generating consolidated EBITDA of €592 million, which was an increase of 17% compared to 2018.

Consolidated financial performance of the Group

EUR thousands

	2018	2019	Δ
Net gaming margin	1,232,949	1,311,117	6%
EBITDA	507,824	592,269	17%
Profit for the year after tax from continuing operations	230,098	311,357	35%

Significant transactions and developments in 2019

Acquisitions:
In November 2019, following the settlement of the Voluntary Tender Offer (the VTO) which was announced in July 2019 with the subscription period commencing on 1 October 2019, we acquired an additional 7.25% shareholding in OPAP S.A. After the settlement of the VTO, we acquired an additional 0.03% stake in OPAP through open market purchases. As a result, our shareholding in OPAP increased to 40.0% (32.0% on a pro-rata basis).

On 24 May 2019, we acquired an additional 3.61% of the investors' shares in EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD (the EDVCIC Investment). As a result, our shareholding in EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD increased to 75.5.%.

Disposals:
In May 2019, in connection with the 25% Acquisition (described below) we sold our entire interest in SAZKA Group Adriatic d.o.o. for cash consideration of €302.6 million (the Croatian Subgroup Disposition) and received cash consideration of €117.2 million for the assignment of an intercompany loan (the Emma Loan Assignment). As the carrying amount of net assets sold was €27.9 million and reclassification of foreign currency translation reserve from other comprehensive income to profit or loss upon disposal was €2.5 million, this sale resulted in a gain of €277.3 million. On 30 April 2019 we ceased to consolidate SAZKA Group Adriatic d.o.o. in our consolidated financial statements.

Financing:
In September 2019 we issued CZK 6.0 billion (in EUR equivalent using FX as of 30 September 2019 €232.4 million) aggregate principal amount of 5.20% notes due 2024 (the Czech Bonds).

In October 2019 Emma Delta Hellenic Holdings Limited repaid its €250.0 million margin loan facility (the Emma Delta Margin Loan) in full with cash on balance sheet and the proceeds of an intragroup loan from SAZKA Group a.s

In November 2019 we completed our debut international bond offering of €300.0 million aggregate principal amount of 4.125% Senior Notes due 2024 (the 2024 Senior Notes), the proceeds of which were used to refinance a syndicated loan facility which had been drawn to finance the acquisition of the OPAP S.A. shares in the VTO and the repayment of the Emma Delta Margin Loan.

Equity transactions:
In July 2019 KKCG AG acquired 25.00% of the shares of SAZKA Group a.s. from an affiliate of Emma Capital (the 25% Acquisition). SAZKA Group a.s. made a financial assistance loan of €420.1 million (the Financial Assistance Loan) to KKCG AG in connection with the 25% Acquisition. In July 2019 SAZKA Group a.s. made a distribution to KKCG in the form of an equity distribution of other capital funds in the amount of €420.6 million, which offset the amounts due under the financial assistance loan, including accrued interest.

Taken together, the Croatian Subgroup Disposition, the Emma Loan Assignment and the Financial Assistance Loan did not have any material effect on our cash position.

The impact of the Croatian Subgroup Disposition, Emma Loan Assignment and Financial Assistance Loan on the statement of comprehensive income for 2019 and statement of cash flows for 2019 consisted of the following:

- Impact on statement of comprehensive income: €277.3 million in gain on disposal of subsidiaries due to the Croatian Subgroup Disposition and €15.6 million profit for the period from discontinued operations;
- Impact on statement of cash flows: (i) €272.4 million in cash generated from investing activities due to the the Croatian Subgroup Disposition (net of cash disposed), (ii) €117.2 million in cash generated from investing activities due to the Emma Loan Assignment, and (iii) €420.6 million cash used in financing activities as distribution of other funds.

Other developments:
In December 2019 the Group announced the acquisition of an additional 17.2% stake in Casinos Austria AG from Novomatic AG, the completion of which remains subject to various conditions precedent. The completion of the acquisition is also subject to applicable pre-emptive rights of Casinos Austria AG shareholders. As part of the transaction the Group and Novomatic AG also agreed to amicably settle the pending arbitration proceedings initiated by the Group in relation to their June 2017 shareholders' agreement.

In December 2019, the Czech parliament approved several amendments which adjust various tax laws, one of the amendments changing the gaming tax on lottery products. Gaming tax on lottery products, calculated as a proportion of GGR, was increased from 23% to 35% with effect from 1 January 2020.

Comparison of results of operations for the twelve months ended 31 december 2019 and 31 december 2018

Consolidated statement of comprehensive income

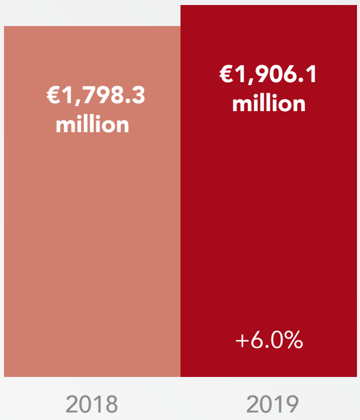
Gross gaming revenue (GGR)

Our GGR for the twelve months ended 31 December 2019 was €1,906.1 million, an increase of €107.8 million, or 6.0%, compared to €1,798.3 million in the twelve months ended 31 December 2018.

The increase in GGR was primarily attributable to growth in the VLT segment in Greece and the Instant lotteries and Digital games segments in the Czech Republic.

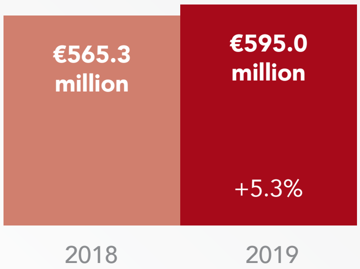
In Greece the continuing roll-out of VLT machines resulted in an increase in GGR in the VLT segment by €89.0 million in the twelve months ended 31 December 2019. This increase in GGR was partially offset by a decrease of GGR in the Sports betting segment in Greece and Cyprus by €10.0 million for the same period, primarily due to the FIFA World Cup that took place in 2018.

In the Czech Republic, new digital products resulted in an increase in GGR in the Instant lotteries segment and in the Digital games segment by €30.9 million in the twelve months ended 31 December 2019.



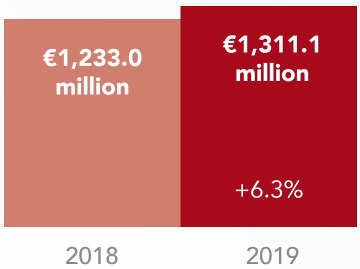
Lottery tax

Our lottery tax expense for the twelve months ended 31 December 2019 was €595.0 million, an increase of €29.6 million, or 5.3%, compared to €565.3 million in the twelve months ended 31 December 2018. This was primarily due to the increase in GGR set forth above.



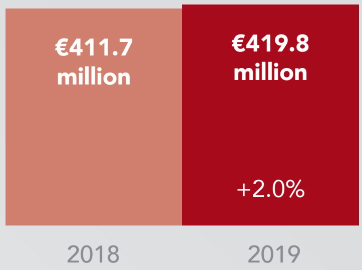
Net gaming margin

Our net gaming margin for the twelve months ended 31 December 2019 was €1,311.1 million, an increase of €78.2 million, or 6.3%, compared to €1,233.0 million in the twelve months ended 31 December 2018. This was primarily due to the factors set forth above.



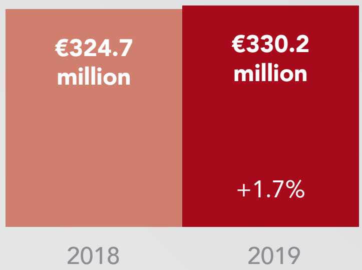
Agents' commissions

Our agents' commissions for the twelve months ended 31 December 2019 were €419.8 million, an increase of €8.1 million, or 2.0%, compared to €411.7 million in the twelve months ended 31 December 2018. This was primarily due to an increase in amount staked and GGR.



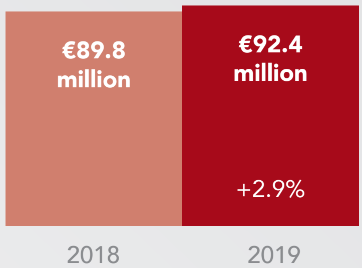
Materials, consumables and services

Our materials, consumables and services for the twelve months ended 31 December 2019 were €330.2 million, an increase of €5.4 million, or 1.7%, compared to €324.7 million in the twelve months ended 31 December 2018. This was primarily due to increases in cost of goods sold of €6.5 million and advisory and other professional services of €10.5 million, partially offset by decreases in expense relating to leases of €9.7 million as a result of the implementation of IFRS16 and fees to system providers and cost of IT and software services of €4.7 million.



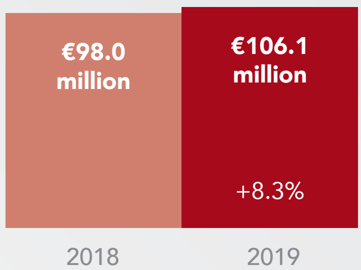
Marketing services

Our marketing services for the twelve months ended 31 December 2019 were €92.4 million, an increase of €2.6 million, or 2.9%, compared to €89.8 million in the twelve months ended 31 December 2018.



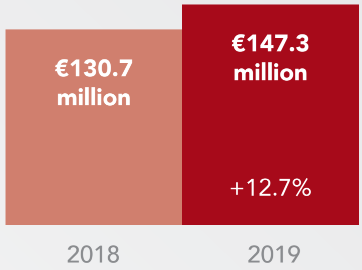
Personnel expenses

Our personnel expenses for the twelve months ended 31 December 2019 were €106.1 million, an increase of €8.1 million, or 8.3%, compared to €98.0 million in the twelve months ended 31 December 2018. This was primarily due to an increase in the number of our employees in Greece and in connection with online gaming platforms in the Czech Republic.



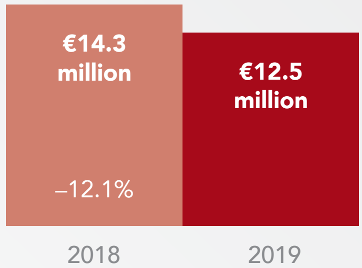
Revenue from sale of goods and services

Our revenue from sale of goods and services for the twelve months ended 31 December 2019 was €147.3 million, an increase of €16.5 million, or 12.7%, compared to €130.7 million in the twelve months ended 31 December 2018.



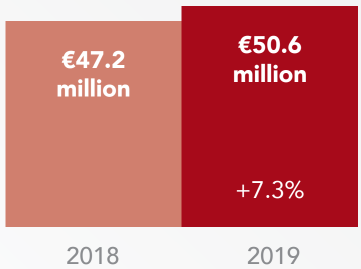
Other operating income

Our other operating income for the twelve months ended 31 December 2019 was €12.5 million, a decrease of €1.7 million, or 12.1%, compared to €14.3 million in the twelve months ended 31 December 2018.



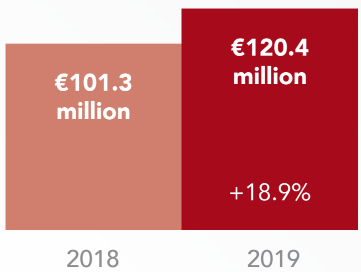
Other operating expenses

Our other operating expenses for the twelve months ended 31 December 2019 were €50.6 million, an increase of €3.4 million, or 7.3%, compared to 47.2 million in the twelve months ended 31 December 2018.



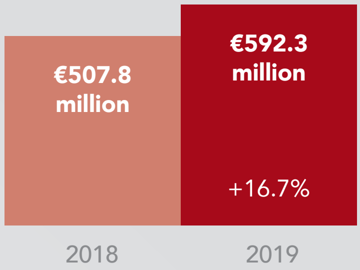
Share of profit of equity method investees (net of tax)

Our share of profit of equity method investees (net of tax) for the twelve months ended 31 December 2019 was €120.4 million, an increase of €19.1 million, or 18.9%, compared to €101.3 million in the twelve months ended 31 December 2018. This was primarily due to the acquisition of to TCB Holdings Ltd (parent company of Stoiximan Group, a leading online gaming operator in Greece) in December 2018 and growth of our share of profit of Casinos Austria AG and LOTTOITALIA S.r.l. due to an increase in amount staked and wagers and, to a lesser extent, an increase in the stake held in Casinos Austria AG.



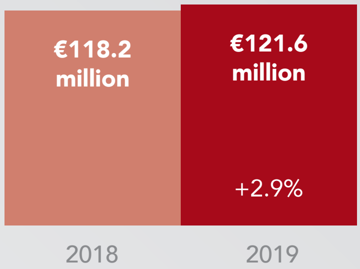
Operating EBITDA

Our operating EBITDA for the twelve months ended 31 December 2019 was €592.3 million, an increase of €84.5 million, or 16.7%, compared to €507.8 million in the twelve months ended 31 December 2018. This was primarily due to the factors set forth above.



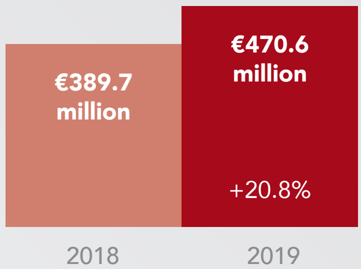
Depreciation and amortization

Our depreciation and amortization for the twelve months ended 31 December 2019 was €121.6 million, an increase of €3.5 million, or 2.9%, compared to €118.2 million in the twelve months ended 31 December 2018. This was primarily due to capital expenditure in 2018 and the impact of the adoption of IFRS 16.



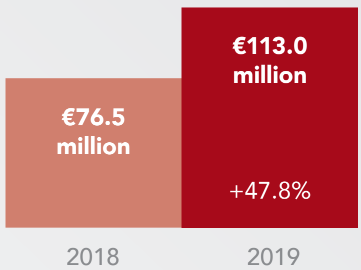
Profit from operating activities

Our profit from operating activities for the twelve months ended 31 December 2019 was €470.6 million, an increase of €81.0 million, or 20.8%, compared to €389.7 million in the twelve months ended 31 December 2018. This was primarily due to the factors set forth above.



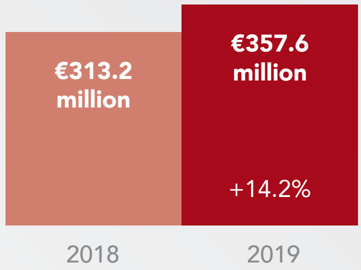
Finance costs, net

Our net finance costs for the twelve months ended 31 December 2019 were €113.0 million, an increase of €36.5 million, or 47.8%, compared to €76.5 million in the twelve months ended 31 December 2018. This was primarily due to an increase in other finance expenses in connection with the financing of the VTO. There was also a reduction in interest expense on bank loans in the amount of €10.2 million, which was partly offset by an increase in interest expense on bonds in the amount of €5.6 million.



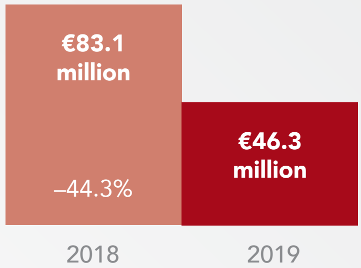
Profit before income tax

Our profit before income tax for the twelve months ended 31 December 2019 was €357.6 million, an increase of €44.5 million, or 14.2%, compared to €313.2 million in the twelve months ended 31 December 2018. This was primarily due to the factors set forth above.



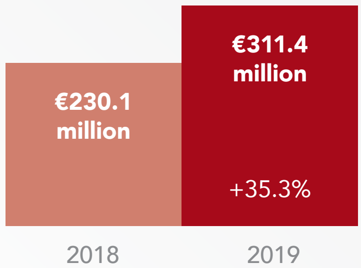
Income tax expense

Our income tax expense for the twelve months ended 31 December 2019 was €46.3 million, a decrease of €36.8 million, or 44.3%, compared to €83.1 million in the twelve months ended 31 December 2018. This was primarily due to the effect of a decrease in deferred tax liability as a result of the introduction of a lower income tax rate in Greece.



Profit for the year after tax from continuing operations

Our profit for the year after tax from continuing operations for the twelve months ended 31 December 2019 was €311.4 million, an increase of €81.3 million, or 35.3%, compared to €230.1 million in the twelve months ended 31 December 2018. This was primarily due to the factors set forth above.

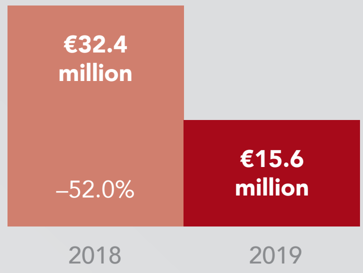


Gain on disposal of subsidiaries

On 21 May 2019, we sold our entire interest in SAZKA Group Adriatic d.o.o., which resulted in a gain of €277.3 million. Please see Significant transactions and developments in 2019.

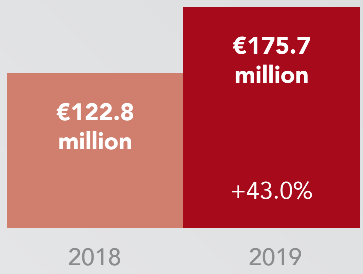
Profit for the year from discontinued operations, excluding gain on disposal

Our profit after tax from discontinued operations, excluding gain on disposal for the twelve months ended 31 December 2019 was €15.6 million, a decrease of €16.8 million, or 52.0%, compared to €32.4 million in the twelve months ended 31 December 2018. This primarily reflects the fact that SAZKA Group Adriatic d.o.o. was consolidated for 4 months in 2019 compared to 8 months in 2018.



Profit for the year after tax attributable to non-controlling interests

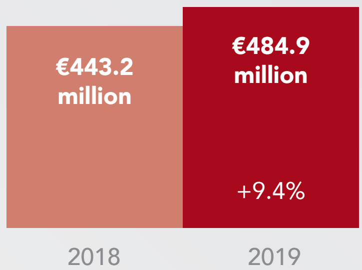
Our profit attributable to non-controlling interests for the twelve months ended 31 December 2019 was €175.7 million, an increase of €52.9 million, or 43.0%, compared to €122.8 million in the twelve months ended 31 December 2018. This was primarily due to an increase in profit for the year after tax from continuing operations.



Consolidated statement of cash flows

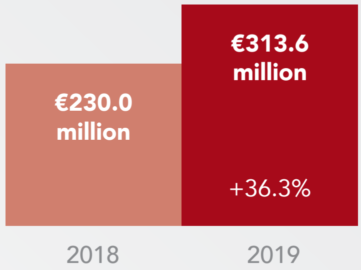
Operating result before changes in working capital and provisions

Our operating result before changes in working capital and provisions for the twelve months ended 31 December 2019 was €484.9 million, an increase of €41.7 million, or 9.4%, compared to €443.2 million in the twelve months ended 31 December 2018. This was primarily due to the increase in profit for the year after tax from continuing operations mentioned above.



Net cash generated from operating activities

Our net cash generated from operating activities for the twelve months ended 31 December 2019 was €313.6 million, an increase of €83.6 million, or 36.3%, compared to €230.0 million in the twelve months ended 31 December 2018. This was principally due to the increase in profit for the year after tax from continuing operations mentioned above, an increase in cash generated from changes in working capital and provisions in the amount of €39.2 million and a decrease of interest paid in the amount of €25.3 million, which was partly offset by an increase in income tax paid in the amount of €22.6 million. Interest paid was lower in 2019 due to refinancing of certain loans with loans bearing lower margin, the Croatian Subgroup Disposition and the issuance in the second half of 2019 of two bonds whose interest is paid semi-annually in arrear, as a result of which no interest was payable on these bonds in 2019. In connection with the VTO we also paid fees in relation to committed facilities which are presented as cash used in financing activities.



Net cash generated from investing activities

Our net cash generated from investing activities for the twelve months ended 31 December 2019 was €499.2 million. Pursuant to the Croatian Subgroup Disposition, we received €272.4 million (net of cash disposed) and cash consideration of €117.2 million for the assignment of an intercompany loan. If we had not received these amounts, our net cash generated from investing activities for the twelve months ended 31 December 2019 would have been €109.6 million, consisting primarily of dividends and distributions received from equity method investees in the amount of €137.9 million, partially offset by acquisition of property, plant and equipment and intangible assets in the amount of €37.2 million.

Our net cash used in investing activities for the twelve months ended 31 December 2018 was €347.1 million. This included cash used in our acquisition of a stake in SuperSport and Minus5 and of a stake in Casinos Austria AG in the amount of €387.4 million.

Excluding the effect of these acquisitions, our net cash generated from investing activities for the twelve months ended 31 December 2018 would have been €40.3 million, consisting primarily of dividends and distributions received in the amount of €110.1 million, partially offset by acquisition of property, plant and equipment and intangible assets in the amount of €79.8 million.

Net cash generated from/used in financing activities

Our net cash used in financing activities for the twelve months ended 31 December 2019 was €360.7 million. This included a distribution of other funds of €420.6 million in connection with the 25% Acquistion and a dividend of €149.1 million paid to the shareholders of the company as well as dividends paid to non-controlling interest of €140.8 million, primarily consisting of dividends paid by OPAP S.A. to its minority shareholders. We issued also certain bonds and loans, including the Czech Bond and 2024 Senior Notes, partially offset by the repayment of certain loans, including the Emma Delta Margin Loan. We also acquired non-controlling interest in subsidiaries in the amount of €256.6 million, including in OPAP S.A. pursuant to the VTO, the EDVCIC Investment and in HELLENIC LOTTERIES S.A. In connection with the VTO we paid fees in relation to committed facilities in the amount of €40.9 million.

Our net cash generated from financing activities for the twelve months ended 31 December 2018 was €18.7 million. This was primarily attributable to certain loans drawn, partially offset by the repayment of certain loans and dividends paid by SuperSport and OPAP S.A. to their minority shareholders.

Dividends and shareholder distributions made

The table below sets out the aggregate amount of dividends and share premium reductions paid per entity in the period indicated.

	Year ended December 31, 2018	Year ended December 31, 2019
	EUR millions	EUR millions
SAZKA a.s.	67.1	18.7
OPAP S.A.	130.7	193.6
Casinos Austria AG *	53.8	54.2
LOTTOITALIA S.r.l. **	278.8	350.6

*including dividend from Österreichische Lotterien GmbH (Austrian Lotteries) paid to shareholders other than Casinos Austria AG
**including share premium reduction in 2019 and 2018 in the amount of €147.1 million, respectively €100.9 million

Capital expenditures

The table below presents a breakdown of additions to property, plant and equipment and intangible assets and goodwill for the periods indicated.

	Year ended December 31, 2018	Year ended December 31, 2019
	EUR millions	EUR millions
Intangible assets and goodwill	33.3	29.1
Property, plant and equipment	25.3	19.6

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 Financial statements and notes.

Liquidity is described in note 10 "Cash and cash equivalents" and capital resources are described in note 12 "Equity" and note 14 "Bank loans and other borrowings".

Material commitments and contingencies are described in note 14 "Bank loans and other borrowings", note 15 "Lease liabilities", note 16 "Provisions", note 34 "Contingencies" and note 35 "Risk management". Critical accounting policies are described in note 3 "Significant accounting policies".

In 2019, The Company did not acquire any treasury shares. The Group significantly invests in new technologies, however the Group does not have its own research and development activities.

Please refer to the "Business Review", section „Interview with the CEO" for additional information on business of SAZKA Group.

The Company does not operate an organisational unit abroad. For further information required by specific laws, please refer to Further Regulatory Disclosures.

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

RISK FACTORS

INRODUCTORY NOTE

SAZKA Group has identified the following risks and uncertainties which might affect our operations, and which shall be considered in conjunction with other risks described in this Annual Report. The occurrence of any of the events discussed below, individually or in the 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, scope of potential impact or probability of occurrence. Please note that the risks described below are not the only risks we face.

The ongoing outbreak of COVID-19 could adversely affect our business activities

The measures implemented by relevant government authorities in response to the recent outbreak of COVID-19 include, among others, suspensions in the provision of public services, travel restrictions, border controls and other measures intended to discourage or prohibit the movement and gathering of people. The pandemic and related measures are expected to lead to a material deterioration in both the national economies where we carry out our business activities and the global economy.

The economic downturn may lower consumer spending on our products, as the reduction in income of our players can make them less willing to place bets or decrease their betting amounts.

Our agents and suppliers may be at risk of decreasing revenue, liquidity issues and insolvency because of the economic downturn. Consequently, since our business is reliant on them (please refer to "Risk arising from dependence on agents' networks and a few technology suppliers" for more details), their inability to meet their contractual duties due to these factors may negatively impact on our ability to reliably provide our products to consumers.

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

If the impact of the virus on public health and the economy is severe or prolonged or the restrictions imposed due to COVID-19 continue for an extended period of time, this may result in a further decrease of or continuation of weak demand for our products.

Additionally, prolonged volatility in the financial markets or disruption to the banking system may limit our access to debt capital and further increase the financial risks our business is already exposed to (please refer to "Risks associated with our indebtedness" and "Other financial risks" for more details).

The above factors may have a materially adverse impact on the financial performance of our business.

The legislative measures taken in response to COVID-19 pandemic will have an effect on our business

Governments throughout Europe have taken and proposed measures intended to mitigate the impacts of the COVID-19 pandemic. They have, among other measures, declared states of emergency, restricted the opening of shops and businesses, put severe limitations on the freedom of movement and gathering and/or passed or proposed measures amending insolvency, credit extension and other laws.

The adoption of these measures has led to the suspension or cancellation of substantially all racing and sporting events. This has negatively affected sales in our sports betting operations. While governments are currently expected to implement plans for a gradual loosening of the measures adopted to mitigate the COVID-19 pandemic, it is not clear when and whether the relevant events and leagues will be resumed. The longer such suspensions last, the greater their adverse impact on the financial performance of our business will be. The revenues generated from games related to events or leagues that have not been cancelled or suspended and new products are not sufficient to cover our entire revenue shortfall.

A significant part of our retail network has had to close.

In the Czech Republic, almost 30% of our retail network has had to be closed. We are promoting the use of online platforms for lottery products and digital-only offerings to make up for a part of the shortfall.

The Greek government's temporary ban on the operation of a wide range of shops has resulted in the closure of all of OPAP stores and PLAY gaming halls in Greece. All stores in Cyprus have also been closed. OPAP management estimate that this will result in negative cashflow of €21–22 million per month.

In Austria, a significant portion of our physical retail sales points have been closed. In coordination with the authorities, Casinos Austria has decided to close all its casinos, while its subsidiary Austrian Lotteries decided to close all its gaming halls. Casinos Austria International's casinos and VLT businesses have also closed.

In Italy, the Agenzia Dogane Monopoli has suspended all of LOTTOITALIA's games, accounting for all of LOTTOITALIA's sales.

Our subsidiaries have undertaken measures to increase online sales of some of our products, including the launch of new products. However, introducing new online products is subject to, among others, market competition and the risk of IT failure. Our subsidiaries may also have to increase investments intended to ensure responsible gaming by isolated players. Even if new products are successful, the revenue they generate currently do not amount to the revenues lost from our physical retail network.

There is a great degree of uncertainty as to when our network will be allowed to reopen and which restrictions may be in place when it reopens. Until then, the financial performance of our offline sales will be adversely affected, impacting on our overall financial condition.

Governments have further recommended that employers, including SAZKA Group and its subsidiaries, enable their employees to work remotely. Even though we have followed that recommendation, there has been no material interruption to our business continuity. However, there is no guarantee that the overall efficiency of our employees will not decrease over time a result of remote working. Remote working is further subject to IT and data security failure.

Governments have also proposed measures intended to protect debtors from insolvency (i.e. moratoria, credit repayment deferrals). These measures may decrease lenders willingness to extend credit to us. This, along with potential decreased demand for debt securities, can lead to increased cost of capital, which may reduce our liquidity, or prevent us from accessing debt capital at all.

The above factors may have a materially adverse impact on the financial performance of our business.

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

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

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

OPAP's licenses in Greece and Cyprus, CASAG's licenses in Austria and LOTTOITALIA's licenses in Italy provide them with exclusive rights to operate certain lottery and gaming activities in each of their respective jurisdictions. These exclusive licenses and concession agreements are time-limited and will eventually expire. Upon expiration, new licenses or concessions may be awarded to one or more parties through a competitive bidding process. Our businesses also face the risk that regulatory changes may open the market to broader competition.

Legal, Compliance and/or regulatory departments of SAZKA Group and the relevant subsidiaries strive to ensure compliance with all applicable rules and regulations in the relevant jurisdictions and oversee obtaining and maintaining of and compliance with the relevant licences and concessions.

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

Our businesses are required to make payments to the countries where they operate through fees for licenses (to obtain and/or to maintain), taxes on revenues (including VAT) and general corporate taxes on profits. As a result, our businesses are vulnerable to potential changes in gaming-specific and general taxation and levies in the markets in which they operate. Taxes on our businesses vary depending on the license and the game as well as the amount of revenues generated by the game. Governments or regulators can also increase these taxes. For example, with effect from 1 January 2020, the Czech government increased GGR tax from 23% to 35%. We may also be exposed to increased Czech corporate income tax liability due to the unrealized foreign exchange gains which are non-cash revenues.

Our businesses are from time to time subject to tax audits and investigations by the tax authorities, which include review of the direct tax or indirect tax regimes affecting our businesses and transactions. Although our tax departments monitor compliance with tax regulations on the best effort basis, the tax authorities may come with new interpretation of applicable laws and rules that we will have not anticipated, which may result in sizeable penalties, assessments of tax for previous periods, and interest on such amounts.

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

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

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

The gaming industry is characterized by rapidly changing technology, including the increasing importance of online and mobile channels. The future competitiveness of our businesses may depend on our ability to respond to technological changes effectively.

The introduction of new games or the modification of existing games may require the approval of the regulatory authorities in the countries in which we are introducing new games or modifying existing games. These regulatory conditions and restrictions may 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. Therefore, we must maintain value of the key brands that our businesses own or operationally control. Failing to maintain the high profile, positive perception and consumer recognition of our brands, may prevent expansion or lead to losses in our existing customer base.

Our businesses compete with other forms of recreational and leisure activities and other gaming vendors and venues. While our businesses hold exclusive licenses and concessions for land-based sales of certain products and games, in certain markets, such as Austria and Greece, our businesses face online competition for these products. This risk is now underlined by governmental measures forcing some of our physical points of sale (POS) to remain closed due to the spread of COVID-19.

Furthermore, illegal online lotteries, games, VLTs, slot machines and casino and sports betting, or games whose legal and regulatory status is unclear, compete with our businesses and this competition may impact our business negatively as it may deprive them of significant volumes of business and attract a portion of our customer base.

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

Political and macroeconomic risks

Our businesses operate primarily in the Czech Republic, Greece, Cyprus, Austria and Italy, and are exposed to the political, economic and financial market conditions in these countries as well as of the EU and other countries into which our businesses may expand. For example, Greece has encountered and continues to encounter significant fiscal challenges and structural weaknesses in its economy and has faced unprecedented difficulties in its public finances. Our business are also exposed to global factors and changes such as possible global pandemic outbreaks and climate change which may adversely affect the political and economic situation of the countries in which our business operate.

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

Macroeconomic factors in those countries where our businesses operate (such as gross domestic product growth, unemployment rates, wage growth etc.) 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 as well.

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

Risks associated with less than majority ownership of certain subsidiaries

We indirectly own less than a majority of the shares of several of the entities that operate our businesses, including OPAP, LOTTOITALIA, CASAG and Austrian Lotteries, as well as certain holding companies. We might have different interests and views on certain issues than other shareholders (for example, business strategy and financial policy, including regarding payment of dividends). In some cases we are party to agreements with the other shareholders prescribing governance rights and other matters which limit our ability to control such entities. As a result, we may in some circumstances need to reach agreement with the other shareholders who are party to these agreements in order to achieve certain outcomes.

The other shareholders in these entities might face, for example, reputational and financial issues and problems that are out of our control but which may negatively influence the business or brand of the relevant subsidiary, of other subsidiaries, and of SAZKA Group itself. Although we screen potential partners and seek to ensure that they act in accordance with high professional and ethical standards, we cannot guarantee that they will always maintain these high standards.

Risks associated with our corporate structure

As a holding company that conducts no business operations of its own and has no significant assets other than the equity interests and the intercompany receivables they hold in its subsidiaries and affiliates, we are dependent on payments from the subsidiaries and other affiliates – mainly dividends, which depend on the profitability and cash flows of their respective subsidiaries. Even if the subsidiaries generate sufficient cash from their operations, their ability to provide funds to us is subject to, among other factors, local tax restrictions and local corporate law restrictions as well as regulatory restrictions related to earnings, the level of legal or statutory reserves, losses from previous years and capitalization requirements, capital controls and the terms of any applicable shareholder agreements, or might be further limited by measures implemented by local government authorities, including in connection with the ongoing COVID-19 pandemic. For general COVID-19 related risks, please refer to "The recent outbreak of COVID-19 could adversely affect our business activities" and "The legislative measures taken in response to COVID-19 pandemic will have an effect on our business" risk factors.

Risks associated with new acquisitions

Any future acquisitions of companies, investment or partnership 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 businesses due to unforeseen legal, regulatory, contractual, technological or other issues, difficulties in realizing operating synergies, or a failure to maintain the quality of services historically provided by our businesses. In addition, companies acquired may not achieve the levels of returns, profits or productivity expected from them.

Risk of inadequate compliance procedures and policies

TThe operations of our businesses are subject to anti-money laundering, anti-bribery, fraud detection, and data protection laws and regulations, and economic sanctions programs, including those administered by national regulators, the United Nations and the EU. Our businesses are exposed to the risk of money laundering and fraudulent activities by our customers, employees, agents or other third parties (including criminal organizations), including with respect to our financial and payment service offerings. In addition, our businesses are exposed to a risk of violating 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 licenses and damage to the reputation and brand of our businesses.

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

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

The gaming industry is exposed to negative perceptions and publicity generated by a variety of sources, including citizens' groups, non-governmental organizations, politicians, media sources, 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, 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 a majority of our profit from operating activities from continuing operations) limits the frequency players are able to wager and lotteries are characterised by small stake sizes, 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 and larger stake sizes. There is however a risk that the public and political representatives do not distinguish between lotteries and other types of gaming and do not recognize that lower risk is associated with lotteries.

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

Our businesses monitor negative gaming behaviour and actively communicate with the public and other stakeholders about responsible gaming. The company and our businesses have adopted compliance policies and procedures and are focused on the integrity of their management, employees and third-party suppliers and partners. For more information about responsible gaming please see description of Responsible Gaming on page 26.

Risks associated with technical failures and security breaches

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

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

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

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

Risks arising from dependence on agents' networks and a few technology suppliers

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

The 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 servicing each entity within our Group. This dependence on suppliers can make it difficult or costly to replace them. Moreover, some of our suppliers might also be our direct competitors in different business dealings, including competition for licenses and concessions.

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

Risks associated with on-line gaming

Although the regulatory regime for land-based gaming operations is well established in many countries, regulation in these countries may not necessarily have been amended to take account of the ability to offer gaming services online. Some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated. The success of the online offering of our businesses will be affected by, among other things, developments in social networks, mobile platforms, legal and regulatory developments and other factors that we are unable to predict and which are beyond our control.

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

Risks from legal, administrative and arbitration proceedings

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

A provision is recognized in the Consolidated statement of financial position if the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the expected settlement amount.

For the overview of ongoing material administrative and civil proceedings, please refer to "Significant Court Proceedings" on page 204.

Risks associated with our indebtedness

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

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 "Risk management and disclosure methods" on page 133 et seq.

Forward-Looking Statements

This Annual 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 Annual 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 Annual Report and we do not intend, and does not assume any obligation, to update forward-looking statements set forth in this Annual 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 Annual Report.

These factors include, among others:

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

These risks and others described under "Risk Factors" are not exhaustive. Other sections of this Annual 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.

Signature of the authorised representatives

Date: 29 April 2020	Pavel Šaroch Member of the Board of Directors	Robert Chvátal Member of the Board of Directors and Chief Executive Officer

FINANCIAL STATEMENTS AND NOTES

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Consolidated statement of financial position	Note	31/12/2019	31/12/2018
ASSETS			
Intangible assets	4	1,879,140	1,989,714
Goodwill	4	600,626	892,149
Property, plant and equipment	5	194,700	142,732
Investment property		1,703	903
Other non-current investments		6,715	2,201
Equity method investees	6	649,065	670,729
Long-term receivables and other non-current assets	8	29,667	86,250
Long-term restricted cash		8,794	--
Long-term derivative financial instruments	18	9,510	6,774
Deferred tax asset	7	20,013	2,046
Total non-current assets		**3,399,933**	**3,793,498**
Inventories		7,432	11,266
Short-term trade receivables and other current assets	8	246,008	199,855
Short-term derivative financial instruments	18	3,493	--
Current tax asset		5,130	288
Short-term financial assets	9	12,547	15,010
Cash and cash equivalents	10	763,673	312,678
Total current assets		**1,038,283**	**539,097**
Total assets		**4,438,216**	**4,332,595**

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)	Note	31/12/2019	31/12/2018
EQUITY AND LIABILITIES			
Share capital	12	81	81
Capital contributions and other reserves		55,423	473,034
Translation reserve		–15,341	–9,842
Retained earnings and profit for the year		488,003	347,849
Total equity attributable to owners of the Company		**528,166**	**811,122**
Non-controlling interest	13	855,946	961,960
Total equity		**1,384,112**	**1,773,082**
Bank loans and other borrowings – non-current portion	14	2,252,527	1,653,740
Other long-term liabilities	17	9,975	126,178
Long-term lease liabilities	15	59,949	--
Long-term derivative financial instruments	18	3,716	3,306
Long term provisions	16	8,517	31,688
Employee benefits	19	2,993	4,807
Deferred tax liability	7	212,839	234,005
Total non-current liabilities		**2,550,516**	**2,053,724**
Bank loans and other borrowings, current portion	14	99,414	113,172
Short-term lease liabilities	15	8,261	--
Short-term trade and other payables	17	380,890	363,298
Short-term derivative financial instruments	18	--	81
Current tax liability		6,866	16,600
Short-term provisions	16	8,157	12,638
Total current liabilities		**503,588**	**505,789**
Total liabilities		**3,054,104**	**2,559,513**
Total equity and liabilities		**4,438,216**	**4,332,595**

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Consolidated statement of comprehensive income	Note	For 2019	For 2018 Restated*
Amount staked **	20	5,456,834	5,195,375
Consolidated statement of comprehensive income is as follows			
Gross gaming revenue (GGR)	20	1,906,083	1,798,263
Lottery tax	20	–594,966	–565,314
Net gaming margin ***	20	**1,311,117**	**1,232,949**
Revenue from sale of goods and services	20	147,334	130,729
Other operating income	21	12,532	14,261
Agents' commissions	22	–419,822	–411,718
Materials, consumables and services	23	–330,165	–324,737
Marketing services	24	–92,397	–89,779
Personnel expenses	25	–106,086	–97,980
Other operating expenses	26	–50,632	–47,198
Share of profit of equity method investees (net of tax)	27	120,388	101,297
Operating EBITDA ****	28	**592,269**	**507,824**
Depreciation and amortization	29	–121,639	–118,165
Profit from operating activities		**470,630**	**389,659**
Interest income calculated using the effective interest method	30	7,506	3,055
Other finance income	30	3,318	2,187
Finance cost	30	–123,831	–81,734
Finance costs, net		**–113,007**	**–76,492**
Profit before income tax		**357,623**	**313,167**
Income tax expense	31	–46,266	–83,069
Profit for the year after tax from continuing operations		**311,357**	**230,098**
Gain on disposal of subsidiaries		277,267	--
Profit for the period from discontinued operations, exluding gain on disposal		15,571	32,416
Profit for the year after tax from discontinuing operations	11.2	**292,838**	**32,416**
Profit for the year after tax		**604,195**	**262,514**

*The comparative Consolidated statement of comprehensive income has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

**"Amount staked" represents the total value of bets before wins are deducted, except for "VLTs & gaming machines" and certain "Digital" products where Amount staked is presented net of wins as the difference between stakes placed and wins paid during the player's session.

***Usually referred to as "Net gaming revenue" (NGR).

****"Operating EBITDA" is calculated as "Profit before income tax" less "Finance costs, net" less "Depreciation and amortization".

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income	Note	For 2019	For 2018 Restated*
Items that are or may subsequently be reclassified to profit or loss:			
Translation of foreign operations into the Group's presentation currency		–2,998	119
Foreign currency translation differences of foreign operations disposed of transferred to profit or loss		–2,528	--
Remeasurement of hedging derivatives (net of tax)	18	9,870	–6,720
Net change in fair value of cash flow hedges transferred to profit or loss (net of tax)	18	–3,638	--
Share of other comprehensive income of equity method investees		–4,123	–5,542
Items that will not be reclassified to profit or loss:			
Actuarial remeasurements		–163	–76
Other comprehensive income / (loss) for the year from continuing operations	32	**–3,580**	**–12,219**
Items that are or may subsequently be reclassified to profit or loss:			
Translation of foreign operations into the Group's presentation currency		17	2,533
Other comprehensive income for the year from discontinued operations	11.2	**17**	**2,533**
Total other comprehensive income / (loss) for the year	32	**–3,563**	**–9,686**
Total comprehensive income for the year		**600,632**	**252,828**

Profit for the period after tax attributable to:

Owners of the Company		**428,502**	**139,684**
– continuing operations		141,848	119,524
– discontinued operations	11.2	286,654	20,160
Non-controlling interests		**175,693**	**122,830**
– continuing operations		169,509	110,574
– discontinued operations	11.2	6,184	12,256
Profit for the year after tax		**604,195**	**262,514**

Total comprehensive income attributable to:

Owners of the Company		**425,871**	**131,143**
– continuing operations		139,191	108,482
– discontinued operations	11.2	286,680	22,661
Non-controlling interests		**174,761**	**121,685**
– continuing operations		168,586	109,397
– discontinued operations	11.2	6,175	12,288
Total comprehensive income for the year		**600,632**	**252,828**

*The comparative Consolidated statement of comprehensive income has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Consolidated statement of changes in equity	Note	Share capital	Reserve fund	Capital contributions
Balance at 1 January 2019		**81**	**229**	**463,119**
Profit for the year		--	--	--
Other comprehensive loss		--	--	–4,111
Total comprehensive income for the year		**--**	**--**	**–4,111**
Transactions with owners, recorded directly in equity:				
Dividends declared		--	--	--
Effect of scrip dividend in OPAP		--	--	--
Other movements in equity		--	84	--
Distribution of Capital contributions	12	--	--	–420,610
Effect of disposals of subsidiaries	11.2	--	--	--
Purchase of non-controlling interest in subsidiaries		--	--	--
Total transactions with owners		**--**	**84**	**–420,610**
Balance at 31 December 2019	12	**81**	**313**	**38,398**

Total dividend paid to shareholders of SAZKA Group a.s. and non-controlling interest was EUR 314,939 thousand, of which dividend paid in cash to shareholder of SAZKA Group a.s. was in the amount of EUR 149,073 thousand, dividend paid in cash to non-controlling interest (primarily paid to minority shareholders of OPAP S.A.) was in the amount of EUR 140,785 thousand and dividend settled by issuing of new OPAP S.A. shares was in the amount of EUR 25,081 thousand. OPAP S.A. provides shareholders the option of receiving dividends as cash or OPAP S.A. shares via a scrip programme.

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity	Note	Share capital	Reserve fund	Capital contributions
Balance at 1 January 2018		**81**	**197**	**469,443**
Profit for the year		--	--	--
Other comprehensive loss		--	--	–5,029
Total comprehensive income for the year		**--**	**--**	**–5,029**
Transactions with owners, recorded directly in equity:				
Reallocation of previous profit		--	3	--
Business combinations	11.1	--	--	--
Dividends declared		--	--	--
Other movements in equity		--	29	–1,295
Purchase of non-controlling interest in subsidiaries		--	--	--
Total transactions with owners		**--**	**32**	**–1,295**
Balance at 31 December 2018	12	**81**	**229**	**463,119**

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Translation reserve	Hedging reserve	Retained earnings and profit for the period	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
–9,842	**9,686**	**347,849**	**811,122**	**961,960**	**1,773,082**
--	--	428,502	**428,502**	175,693	**604,195**
–5,499	7,026	–47	**–2,631**	–932	**–3,563**
–5,499	**7,026**	**428,455**	**425,871**	**174,761**	**600,632**
--	--	–149,073	**–149,073**	–165,866	**–314,939**
--	--	3,879	**3,879**	21,202	**25,081**
--	--	–417	**–333**	234	**–99**
--	--	--	**–420,610**	--	**–420,610**
--	--	--	**--**	–22,436	**–22,436**
--	--	–142,690	**–142,690**	–113,909	**–256,599**
--	**--**	**–288,301**	**–708,827**	**–280,775**	**–989,602**
–15,341	**16,712**	**488,003**	**528,166**	**855,946**	**1,384,112**

Translation reserve	Hedging reserve	Retained earnings and profit for the period	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
–12,462	**15,799**	**250,004**	**723,062**	**929,072**	**1,652,134**
--	--	139,684	**139,684**	122,830	**262,514**
2,620	–6,113	–19	**–8,541**	–1,145	**–9,686**
2,620	**–6,113**	**139,665**	**131,143**	**121,685**	**252,828**
--	--	–3	**--**	--	**--**
--	--	--	**--**	26,839	**26,839**
--	--	–40,338	**–40,338**	–95,977	**–136,315**
--	--	–1,454	**–2,720**	–12,775	**–15,495**
--	--	–25	**–25**	–6,884	**–6,909**
--	**--**	**–41,820**	**–43,083**	**–88,797**	**–131,880**
–9,842	**9,686**	**347,849**	**811,122**	**961,960**	**1,773,082**

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Consolidated statement of cash flows	Note	For 2019	For 2018 Restated*
OPERATING ACTIVITIES			
Profit (+) for the year from continuing operations		311,357	230,098
Profit (+) for the year from discontinued operations	11.2	292,838	32,416
Profit (+) for the year		**604,195**	**262,514**
Adjustments for:			
Income tax expense	31	51,500	90,293
Depreciation and amortization	29	114,069	101,364
Impairment losses on intangible assets & goodwill	29	8,650	17,541
Profit (–) / Loss (+) on sale of property, plant and equipment and intangible assets	26	--	66
Gain on disposal of subsidiaries	11.2	–277,267	--
Net interest expense (+)	30	65,458	72,896
Other finance expense relating to purchase of non-controlling interest (+)	30	40,883	--
Net FX gains (–) / losses (+)	30	–2,184	–161
Other financial gains (dividends)	30	–53	–44
Share of profit (–) of equity method investees	27	–120,388	–101,297
Operating result before changes in working capital and provisions		**484,863**	**443,172**
Increase (+) / decrease (–) in provisions		–29,466	2,593
Increase (–) / decrease (+) in inventories		3,834	–2,866
Increase (–) / decrease (+) in trade receivables and other assets		–5,730	–50,949
Increase (+) / decrease (–) in trade and other payables		20,284	927
Cash generated from operating activities		**473,785**	**392,877**
Interest paid		–65,818	–91,094
Income tax paid		–94,401	–71,795
Net cash generated from operating activities		**313,566**	**229,988**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		–37,247	–79,822
Acquisition of subsidiaries, net of cash acquired	11.1	--	–200,915
Acquisition of equity method investees	6	--	–186,528
Dividends and distribution received from equity method investees	6	137,928	110,133
Proceeds from sale of subsidiary, net of cash disposed of	11.2	272,407	--
Proceeds from sale of property, plant and equipment and intangible assets		650	276
Dividends received from financial investments	30	53	44
Interest income received		7,438	2,022
Net movement in short-term financial assets**		810	7,699
Proceeds from assignment of loan receivable	11.2	117,150	--
Net cash generated from (+) / used in (–) investing activities		**499,189**	**–347,091**

*The comparative Consolidated statement of comprehensive income has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

**Net results from cash pooling transactions.

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows	Note	For 2019	For 2018 Restated*
FINANCING ACTIVITIES			
Dividends paid to owner of the company	37	–149,073	–40,338
Dividends paid to non-controlling interest	13	–140,785	–95,977
Loans and borrowings received	14	1,087,215	990,640
Repayment of loans and borrowings	14	–423,763	–805,830
Distribution of Capital contributions	12	–420,610	--
Repayment of principal element lease liabilities	15	–9,102	--
Net movement in restricted cash related to financing activities		–7,141	–13,801
Other capital transactions with owners		--	–9,094
Purchases of non-controlling interest in subsidiaries	11.1	–256,599	–6,909
Other finance expense paid relating to purchase of non-controlling interest	30	–40,883	--
Net cash generated from (+) / used in (–) financing activities		**–360,741**	**18,691**
Net decrease (–) / increase (+) in cash and cash equivalents		**452,014**	**–98,413**
Effect of currency translation on cash and cash equivalents		–1,019	803
Cash and cash equivalents at the beginning of the year	10	**312,678**	**410,288**
Cash and cash equivalents at the end of the period	10	**763,673**	**312,678**

The notes on pages 61 to 157 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements – Contents

1. General information about the Group

1.1 Description

SAZKA Group a.s. ("the Company") was established on 2 April 2012 and registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161. The Company's registered office is at Vinohradská 1511/230, Strašnice, 100 00 Praha 10, and its Identification Number is 242 87 814. The Company's purpose is to hold investments in other group entities.

SAZKA Group a.s. ("the Group") operates lottery, betting and non-lottery business in the Czech Republic, Greece, Cyprus, Italy, Austria and other countries and is included into the consolidated Group. The immediate parent of the Group is KKCG AG and its ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION (for more details see also Note 1.5 below).

1.2 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 instant and numerical lotteries, sports and odds betting and other similar games.

In addition to lottery and betting activities, the Group also operates non-lottery business activities through points of sale and terminals (e.g. telecommunication, payment services etc.). Furthermore, the Group also invests in companies with similar business activities.

1.3 Group companies

Companies included in the consolidated group as of 31 December 2019 and 31 December 2018 and their effective proportions of ownership interest are as follows (divided per main streams of business activities of the Group):

Parent company:	Note	Country	31/12/2019	31/12/2018
SAZKA Group a.s.		Czech Republic	Parent company	Parent company

Effective portion of ownership interest at SAZKA Group a.s.

Subsidiaries:	Note	Country	2019	2018
Austrian Gaming Holding a.s.		Czech Republic	100.00%	100.00%
CAME Holding GmbH		Austria	100.00%	100.00%
Emma Delta Finance Plc	(a)	Cyprus	75.48%	71.87%
Emma Delta Hellenic Holdings Limited	(a)	Cyprus	75.48%	71.87%
Emma Delta Management Ltd	(c)	Cyprus	66.70%	66.70%
EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	(a)	Cyprus	75.48%	71.87%
HELLENIC LOTTERIES S.A.	(b)	Greece	26.71%	15.89%
HORSE RACES S.A.	(b)	Greece	31.99%	23.71%
IGH Financing a.s.		Czech Republic	100.00%	100.00%
Italian Gaming Holding a.s.		Czech Republic	100.00%	100.00%
Italian GNTN Holding a.s.		Czech Republic	100.00%	–
Kavárna štěstí s.r.o.		Czech Republic	100.00%	100.00%
Medial Beteiligungs GmbH		Austria	99.66%	99.66%
Minus5 d.o.o.		Croatia	–	51.00%
Neurosoft S.A.	(b)	Greece	21.66 %	16.06%

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Effective portion of ownership interest at SAZKA Group a.s. level

Subsidiaries:	Note	Country	31/12/2019	31/12/2018
OPAP CYPRUS LTD	(b)	Cyprus	31.99%	23.71%
OPAP INTERNATIONAL LTD	(b)	Cyprus	31.99%	23.71%
OPAP INVESTMENT LTD	(b)	Cyprus	31.99%	23.71%
OPAP S.A.	(b)	Greece	31.99%	23.71%
OPAP SERVICES S.A.	(b)	Greece	–	23.71%
OPAP SPORTS LTD	(b)	Cyprus	31.99%	23.71%
PUNI BROJ d.o.o.		Croatia	–	67.00%
RUBIDIUM HOLDINGS LIMITED		Cyprus	100.00%	100.00%
SAZKA a.s.		Czech Republic	100.00%	100.00%
SAZKA Asia a.s.		Czech Republic	100.00%	100.00%
Sazka Asia Vietnam Company Limited		Vietnam	100.00%	100.00%
SAZKA Czech a.s.		Czech Republic	100.00%	100.00%
Sazka Distribution Vietnam Company Limited		Vietnam	100.00%	100.00%
SAZKA FTS a.s.		Czech Republic	100.00%	100.00%
SAZKA Group Adriatic d.o.o.		Croatia	–	100.00%
SAZKA Group Financing a.s.		Slovakia	100.00%	100.00%
SAZKA Group Russia LLC		Russia	100.00%	100.00%
SPORTLEASE a.s.		Czech Republic	100.00%	100.00%
SUPER SPORT d.o.o.		Croatia	–	67.00%
TORA DIRECT S.A.	(b)	Greece	31.99%	23.71%
TORA WALLET S.A.	(b)	Greece	31.99%	23.71%
Vitalpeak Limited		Cyprus	100.00%	100.00%

Effective portion of ownership interest at SAZKA Group a.s. level

Associates:	Note	Country	31/12/2019	31/12/2018
Casinos Austria AG *		Austria	38.16%	38.16%
CLS Beteiligungs GmbH *	(d)	Austria	66.67%	66.67%
LOTTOITALIA S.r.l.		Italy	32.50%	32.50%
LTB Beteiligungs GmbH *	(e)	Austria	66.67%	66.67%
TCB Holdings Ltd *	(b)	Malta	11.75%	8.71%

*The equity method investees comprise a group of entities.

(a) The controlling interest in EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD is represented by 100% of voting rights held by Emma Delta Management Ltd. However, the economic interest attributable to the Group is represented by 75.48% (31 December 2018: 71.87%) of investor shares owned by RUBIDIUM HOLDINGS LIMITED.

(b) The Group has de-facto control over the OPAP subgroup. The OPAP subgroup ("OPAP") includes the entities HELLENIC LOTTERIES S.A., HORSE RACES S.A., Neurosoft S.A., OPAP CYPRUS LTD, OPAP INTERNATIONAL LTD, OPAP INVESTMENT LTD, OPAP S.A., OPAP SPORTS LTD, TORA DIRECT S.A., TORA WALLET S.A. Moreover, OPAP acquired an interest in

TCB Holdings Ltd in 2018 as a result of which this company became an associate (Note 6). As of 30 December 2019 OPAP SERVICES S.A. legally merged with OPAP S.A.

The decision on the Group's de-facto control over OPAP represents a significant judgement, which is based on the following facts and circumstances.

The Group holds its interest in OPAP through a 66.70% voting interest in Emma Delta Management Ltd ("Emma Delta") which in turn holds an indirect 32.73% (31 December 2018: 33.00%) interest in OPAP. The remaining 33.30% voting interest in Emma Delta is held by a third-party investor. Emma Delta is the manager of, and owner of, all voting management shares in EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD which through an intermediate company holds the 32.73% interest in OPAP (31 December 2018: 33.00%).

OPAP S.A. paid a dividend per OPAP share of EUR 0.60 on 15 July 2019 to shareholders of record on 26 June 2019, providing shareholders the option of receiving cash or OPAP S.A. shares via a new scrip programme. The Group elected to receive cash. As a result of the scrip programme, the Group's shareholding in OPAP was diluted from 33.00% to 32.73% (with effective ownership of 24.71%).

On July 8, 2019, the Group announced its intention to launch a voluntary tender offer (the "VTO") for the acquisition of all of the shares of OPAP not held by itself or its concert parties. Pursuant to the VTO, which expired on October 29, 2019, SAZKA Group a.s. acquired 23,323,179 shares on November 5, 2019, comprising 7.25% of the outstanding shares of OPAP. In November 2019, after the settlement of the VTO, the Group acquired an additional 0.03% stake in OPAP through open market purchases. As a result of the VTO and the open market purchases, the direct economic interest in OPAP, together with the existing indirect interest in OPAP held through EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD, is equivalent to an economic interest of 31.99%. See Changes in the Group below.

The shareholding further increased as a result of the Group electing to receive OPAP's dividend payment in February 2020 as scrip (both companies that holds shares in OPAP S.A. elected to receive scrip - namely SAZKA Group a.s. and Emma Delta Hellenic Holdings Limited), please see subsequent events Note 38.

Under the terms of a shareholders' agreement between the shareholders of Emma Delta, the Group is entitled to nominate a majority of the members of the board of Emma Delta, one of whom is to act as chairperson.

Although the Group shareholding in OPAP is below 50%, it is by far the largest individual shareholding in OPAP. The remaining shares are widely dispersed among numerous public market investors with none holding more than a 5% stake. Since Emma Delta acquired the stake in OPAP in 2013, the highest shareholders' attendance at OPAP's general meetings was at most 76.6%, therefore the Group controls the majority of votes present at OPAP's general meetings. All shareholders' resolutions proposed at general meetings that the Group has voted in favour of have been approved. The Group's appointees make up a majority of the OPAP Board (including CEO, CFO and Executive Chairman).

(c) 66.70% represents voting shares, the Group's total economic share in Emma Delta Management Ltd is 75.48% (31 December 2018: 71.87%).

(d) According to the company's Articles of Association the General Meeting of the company is able to make a decision only with 75% shares approval. Therefore, the Group considers it as an investment in an associate and the company is accounted as an equity method investee.

CLS Beteiligungs GmbH ("CLS") holds a 27.08% share in Lotto-Toto-Holding GmbH, which owns 26.17% of shares in Österreichische Lotterien GmbH ("OLG") (31 December 2018: 32%). Alongside its shareholding in LTB Beteiligungs GmbH, SAZKA Group a.s.' effective share in OLG is 9.45% (31 December 2018: 11.55%).

Casinos Austria AG increased its share in OLG from 67.98% to 73.81% through an equity contribution to OLG of EUR 24,500 thousand and through a restructuring process whereby 50% of Entertainment Glücks und Unterhaltungsspiel GmbH originally owned by Casinos Austria AG was merged into OLG as of 1 January 2019. Therefore, Lotto-Toto-Holding GmbH decreased its share in OLG from 32% to 26.17% during the reporting period. This transaction is presented as a change of "Equity method investee in OLG" (Note 6).

(e) According to the company's Articles of Association the General Meeting of the company is able to make a decision only with 100% shares approval. Therefore, the Group considers it as an investment in an associate and the company is accounted as an equity method investee.

LTB Beteiligungs GmbH ("LTB") holds a 27.08% share in Lotto-Toto-Holding GmbH, which owns 26.17% of investors shares in OLG (31 December 2018: 32%), Alongside its shareholding in CLS, SAZKA Group a.s.' effective share in OLG is 9.45% (31 December 2018: 11.55%).

Casinos Austria AG increased its share in OLG from 67.98% to 73.81% through an equity contribution to OLG of EUR 24,500 thousand and through a restructuring process where 50% of Entertainment Glücks und Unterhaltungsspiel GmbH originally owned by Casinos Austria AG was merged into OLG as of 1 January 2019. Therefore, Lotto-Toto-Holding GmbH decreased its share in OLG from 32% to 26.17% during the reporting period. This transaction is presented as a change of "Equity method investee in OLG" (Note 6).

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Changes in the Group

1. Acquisitions and changes in ownership interest

In 2019 and 2018 the Group acquired interest in, or incorporated, the following companies and groups of companies (the percentage stated bellow represents the interest acquired in the period):

Company / Group companies	2019	2018	Type of transaction	Date of transaction
EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD (a)	3.61%	–	acquisition	24.5.2019
HELLENIC LOTTERIES S.A. (b)	16.50%	–	acquisition	17.9.2019
Italian GNTN Holding a.s.	100.00%	–	incorporation	20.2.2019
OPAP S.A.(c)	7.28%	–	acquisition	November 2019
PUNI BROJ d.o.o.	–	100.00%	acquisition	26.4.2018
Medial Beteiligungs GmbH (d)	–	70.03%	acquisition	15.1.2018, 5.10.2018
Minus5 d.o.o.	–	51.00%	acquisition	26.4.2018
Sazka Distribution Vietnam Company Limited	–	10.00%	acquisition	14.3.2018
SAZKA Group Adriatic d.o.o.	–	100.00%	acquisition	30.1.2018
SUPER SPORT d.o.o.	–	67.00%	acquisition	26.4.2018
TCB Holdings Ltd	–	36.75%	acquisition	18.12.2018

The above stated percentages in companies reflect the direct share acquired by their respective parent company.

(a) As at 24 May 2019 the Group acquired an additional 3.61% of the investors' shares in EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD. The increase represents an increase in economic share in the company without change of control. This additional purchase is presented as "Purchase of non-controlling interest in subsidiaries" in the Consolidated statement of changes in equity for 2019.

(b) As at 17 September 2019 OPAP INVESTMENT LTD acquired an additional 16.50% of HELLENIC LOTTERIES S.A. This additional purchase is presented as a "Purchase of non-controlling interest in subsidiaries".

(c) A voluntary tender offer by the Company to the shareholders of OPAP S.A. commenced on 1 October 2019 and expired on 29 October 2019. As a result of the VTO and subsequent purchases by the Company 23,416,309 shares were acquired by the Company, representing approximately 7.28% of the total shares outstanding of OPAP S.A. The total purchase price for the shares in the amount of EUR 213,808 thousand was paid in November 2019. This additional purchase was presented as a purchase of non-controlling interest, please refer to Consolidated statement of changes in equity – line "Purchase of non-controlling interest in subsidiaries".

After this additional purchase, the Company controls a 40.01% share in OPAP S.A. (7.28% direct share and 32.73% indirect).

(d) The Group held a share of 29.63% (without control) in Medial Beteiligungs GmbH as at 31 December 2017 and therefore the company was accounted as an equity method investee in 2017.

On 15 January 2018, the Group acquired an additional 59.26% share of Medial Beteiligungs GmbH, obtaining control and the company became fully consolidated (Note 11.1). Non-controlling interest was recognised in Consolidated statement of changes in equity – line "Business combinations" in the amount of EUR 5,933 thousand.

On 5 October 2018, the Group acquired an additional 10.77%. This additional purchase was presented as a "Purchase of non-controlling interest in subsidiaries".

Both acquisitions of shares in Medial Beteiligungs GmbH represented an increase of the Group's indirect share in its equity method investee Casinos Austria AG. Therefore, the purchase price allocation was performed at the level of the equity method investee Casinos Austria AG (Note 6).

2. Disposals

In 2019, the following companies (Note 11.2) were disposed of from the Group (the percentage stated below represents the interest sold during the period):

Company / Group companies	2019	Type of transaction	Date of transaction
PUNI BROJ d.o.o. (a)	100.00%	sale	25.4.2019
Minus5 d.o.o. (a)	51.00%	sale	25.4.2019
SAZKA Group Adriatic d.o.o. (a)	100.00%	sale	25.4.2019
SUPER SPORT d.o.o. (a)	67.00%	sale	25.4.2019

The above stated percentages in companies reflect the direct share disposed by its parent company.

(a) Following the management decision, the Group classified the Croatian subgroup (SAZKA Group Adriatic d.o.o. and all of its subsidiaries, including SUPER SPORT d.o.o., PUNI BROJ d.o.o., and Minus 5 d.o.o.) as discontinued operations according to IFRS 5 on 31 March 2019 (Note 11.2). The comparative Consolidated statement of comprehensive income has been re-presented to show the continuing operations separately from the discontinued operations.

The Croatian subgroup was sold to EMMA GAMMA LIMITED with an effective date of 30 April 2019.

There were no disposals of subsidiaries or associates in 2018.

1.4 Statutory body and supervisory board

The board of directors as at 31 December 2019:

Chairman of the board of directors:.................................. Karel Komárek

Member of the board of directors: .... Pavel Šaroch

Member of the board of directors: .... Robert Chvátal

Member of the board of directors: .... Katarína Kohlmayer

Supervisory board as at 31 December 2019:

Chairman of the supervisory board:.................................. Tomáš Porupka

1.5 Shareholder as at 31 December 2019

KKCG AG 100%

Registered office:

Kapellgasse 21,

6004 Luzern

Switzerland

2. 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 2019 and in preparing the comparative information as at 31 December 2018.

These consolidated financial statements were approved by the board of directors on 29 April 2020.

(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 below 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 ('functional currency'). The functional currency of SAZKA Group a.s. is the Czech Crown (CZK). Presentation currency of the Group is Euro (EUR) as the majority of Group's transactions representing its assets, liabilities and related profit & loss accounts are in EUR.

These IFRS consolidated financial statements are presented in Euro (EUR) for the Group reporting purposes. All financial information is rounded to the nearest thousand, unless stated otherwise.

Any differences between the amounts included in the financial statements and the respective amounts included in the notes are attributed 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, revenues and expenses. These estimates, judgements and assumptions are based on past experience and other various factors deemed appropriate as at the date of 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 individual notes.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 use of estimates and judgements affects mainly the following areas:

- Goodwill, trademarks and brands with indefinite useful lives - Note 4; accounting policy 3c;
- Judgement with respect of de-facto control over OPAP – Note 1.3.

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

When measuring the fair value of an asset or a liability, the Group 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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(f) New standards and amendments applicable from 1 January 2019

The Group applied for the first-time certain standards and amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019.

The Group's leasing activities and how these are accounted for

The Group has adopted IFRS 16 from 1 January 2019 and has applied IFRS 16 using the modified retrospective approach along with certain simplifications.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The new standard significantly changes the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors. The Standard eliminates the dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under the previously used model of IAS 17, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The Group as at 31 December 2018 did not recognize any finance leases.

Under IFRS 16, 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 new model requires a lessee to recognize a right-of-use asset and a lease liability.

As at the date of initial application of IFRS 16, a lease liability is measured at the present value of the remaining lease payments including those to be made over reasonably certain lease extension periods (when extension options exist) or excluding those in periods covered by lease termination options that are reasonably certain to be exercised (in case termination rights exist) discounted using the Group's incremental borrowing rate.

Right-of-use asset is measured at cost comprising the amount of the initial measurement of recognized lease liability plus advance payments or related accrued payments. Further, the initial measurement of the right of use should be increased by the following items, when significant:

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

The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The Group leases the following material types of underlying assets resulting from contractual arrangements that are in the scope of the new standard (previously treated as operating lease) as at 1 January 2019:

- Premises
- Cars

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

Right-of-use assets are presented in the Consolidated statement of financial position as part of the line "Property, plant and equipment".

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise printers and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

Adjustments recognized on adoption of IFRS 16

At the date of the initial application, the Group recognized a right of use asset in an amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of financial position immediately before the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets – EUR 77,235 thousand
- Lease liabilities – EUR 77,235 thousand

The Group did not recognize any deferred tax effects and, accordingly, the adoption of IFRS 16 had no impact on equity as at 1 January 2019.

Operating lease commitments disclosed as at 31 December 2018	**65,548**
Discounted using the Group's incremental borrowing rate at 1 January 2019	57,384
Short-term and low-value leases recognized on a straight-line basis as expense	–711
Adjustments as a result of a different treatment of extension and termination options	20,562
Lease liability recognized as at 1 January 2019	**77,235**
Lease liability recognized as at 1 January 2019 as discontinued operations	–8,232
Lease liability recognized as at 1 January 2019 less discontinued operations	**69,003**

The adjustments above mainly related to the Group's exclusive right for extension options of gaming halls leasing contracts. Management, when determining the lease term, considered all facts and circumstances that created an economic incentive to exercise the extension options, and made an adjustment based on the expected exercise of extension and termination options.

The recognized right of use assets relate to the following type of assets:

	Right of use asset recognized as at 1 January 2019	Discontinued operations	Right of use asset recognized as at 1 January 2019 less discontinued operations
Right of use buildings and halls	73,410	–8,232	65,178
Right of use tools, machinery and equipment	3,825	–	3,825
Total	**77,235**	**–8,232**	**69,003**

Practical expedients the Group applied:

- the Group does not apply IFRS 16 for leases of intangible assets, and
- leases with a lease term of 12 months or less and containing no purchase options are accounted for as short-term leases, and
- leases where the underlying asset has a low value ('small-ticket' leases) up to approximately EUR 4,500 thousand are accounted for as low-value leases, and
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

Impact on entity wide information:

Entity wide information	Czech Republic	Greece and Cyprus	Austria	Italy	Croatia*	Other	Total
As at 31 December 2018							
Previously published							
Segment Assets	549,384	2,460,102	319,103	301,538	102,938	599,530	4,332,595
Segment Liabilities	371,347	1,200,451	–	–	22,814	964,901	2,559,513
IFRS 16 impact	3,368	64,672	–	–	8,232	963	77,235
Adjusted for IFRS 16 impact							
Segment Assets	552,752	2,524,774	319,103	301,538	111,170	600,493	4,409,830
Segment Liabilities	374,715	1,265,123	–	–	31,046	965,864	2,636,748

*Discontinued operations

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"

Effective for annual periods beginning on or after 1 January 2019.

These amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.

The amendments did not have any material impact on the financial statements of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments (issued by IASB on 7 June 2017)

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 shall be applied when determining taxable income (tax losses), taxable bases, unutilised tax losses, unutilised tax offsets and tax rates where uncertainty over the accounting for income tax exists.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. It did not have any material effect on these financial statements.

IAS 28 (Amendments) "Long term interests in associates and joint ventures"

Effective for annual periods beginning on or after 1 January 2019.

The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

The amendments did not have an impact on the financial statements of the Group.

IAS 19 (Amendments) "Plan amendment, curtailment or settlement"

The amendment is effective for annual periods beginning on or after 1 January 2019.

These amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements.

The amendments did not have an impact on the financial statements of the Group.

Annual Improvements to IFRSs 2015 (2015–2017 Cycle)

The amendments are effective for annual periods beginning on or after 1 January 2019 and did not have any material effect on the financial statements of the Group. The improvements set out below describe the key changes in the following IFRSs:

■ **IFRS 3 "Business combinations"**
The amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

■ **IFRS 11 "Joint arrangements"**
IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.

■ **IAS 12 "Income taxes"**
The amendments clarify that a company accounts for all income tax consequences of dividend payments in the same way.

■ **IAS 23 "Borrowing costs"**
The amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

(g) Standards, interpretations and amendments issued before 31 December 2019 but not yet effective

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

IASB effective date from 1 January 2020 or later:

■ **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and loss arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations),
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

These amendments are effective for annual periods beginning on or after a date to be determined by the IASB.

■ **Amendments to IAS 1 and IAS 8 "Definition of material"**

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

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

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

■ **Amendments to References to the Conceptual Framework in IFRS Standards**

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

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition

- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in Other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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

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

■ Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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

Documents not yet endorsed by the EU:

■ Amendment to IFRS 3 "Business combinations"

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

It is not expected to be endorsed before its effective date. IASB effective date is expected to be 1 January 2020.

■ IFRS 17 "Insurance contracts"

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

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

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

It is expected to be endorsed before its effective date. IASB effective date is 1 January 2021.

■ 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.

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

(h) Changes in accounting policies

The Group adopted new accounting standard for leases (Note 2f) in 2019. There were no other significant changes in accounting policies in 2019 and the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

(i) Restatement of comparative financial information

Re-presentation of comparatives to show continuing operations separately from the discontinued operations

Following the management decision, the Group classified the Croatian subgroup (SAZKA Group Adriatic d.o.o. and all of its subsidiaries, including SUPER SPORT d.o.o., PUNI BROJ d.o.o., and Minus 5 d.o.o.) as discontinued operations according to IFRS 5 on 31 March 2019 (Note 1.3, 11.2). The comparative Consolidated statement of comprehensive income has been re-presented to show the continuing operations separately from the discontinued operations.

The Croatian subgroup was sold to EMMA GAMMA LIMITED with effective date 30 April 2019.

The adjustments to the 2018 consolidated financial statements are presented in following table.

31 December 2018	Restated	Previously published	Difference
Amount staked	5,195,375	5,501,500	–306,125
Consolidated statement of comprehensive income is as follows:			
Gross gaming revenue (GGR)	1,798,263	1,885,706	–87,443
Lottery tax	–565,314	–582,658	17,344
Net gaming margin*	**1,232,949**	**1,303,048**	**–70,099**
Revenue from sale of goods and services	130,729	130,874	–145
Other operating income	14,261	15,191	–930
Agents’ commissions	–411,718	–411,718	–
Materials, consumables and services	–324,737	–337,720	12,983
Marketing services	–89,779	–90,957	1,178
Personnel expenses	–97,980	–107,209	9,229
Other operating expenses	–47,198	–50,131	2,933
Share of profit of equity method investees (net of tax)	101,297	101,297	–
Operating EBITDA **	**507,824**	**552,675**	**–44,851**
Depreciation and amortization	–118,165	–118,905	740
Profit from operating activities	**389,659**	**433,770**	**–44,111**
Interest income calculated using the effective interest method	3,055	3,155	–100
Other finance income	2,187	2,016	171
Finance cost	–81,734	–86,134	4,400
Finance cost, net	**–76,492**	**–80,963**	**4,471**
Profit before income tax	**313,167**	**352,807**	**–39,640**
Income tax expense	–83,069	–90,293	7,224
Profit for the year after tax from continuing operations	**230,098**	**262,514**	**–32,416**
Profit for the year from discontinued operations	32,416	–	32,416
Profit for the year after tax	**262,514**	**262,514**	**–**
Total comprehensive income for the period	**252,828**	**252,828**	**–**

*Usually referred to as “Net gaming revenue” (NGR).

**“Operating EBITDA” is calculated as “Profit before income tax” less “Finance costs, net” less “Depreciation and amortization”.

3. Significant accounting policies

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

(a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control (see ii below) is transferred to the Group. Critical assumptions and judgements with respect to new acquisitions are described in Note 11.

Goodwill represents amounts arising on the acquisition of subsidiaries and is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is stated at cost less accumulated impairment losses (see accounting policy 3i and Note 4).

When the excess is negative, a bargain purchase gain is recognized 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 3e, 3f and 3g).

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

ii. Subsidiaries

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

iii. Non-controlling interests ("NCI") (Note 13)

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

Changes of the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related Non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iv. Associates and joint ventures (equity method investees) (Note 6)

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 recognized 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.

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. Transactions eliminated on consolidation

Intra-group balances and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity method investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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 recognized 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 recognized 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 recognized in Other comprehensive income and accumulated in equity as a separate component.

(c) Intangible assets

i. Goodwill

Goodwill is measured as described in Note 4. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group uses the partial goodwill method.

For more information refer to section 3i.

ii. Licenses (Note 4)

Licenses relate to lottery and betting business. They are carried at acquisition cost less accumulated amortization and impairment losses.

iii. Customer contracts and trademarks and brands (Note 4)

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

Contracts and trademarks are assets which can be used in the future. Capitalised contracts are amortized on a straight-line basis against revenues arising from such contracts. Capitalised trademarks are stated at acquisition cost and are tested for impairment every year.

Brands are determined to be intangible assets with indefinite useful life on the basis of their market strength. The Group performs impairment testing of its brands every year (Note 4).

iv. Software and Other intangible assets (Note 4)

Other intangible assets acquired by the Group, which have finite useful lives, are measured at acquisition cost less accumulated amortisation and impairment losses.

v. Amortisation (Note 29)

Intangible assets, except goodwill and other intangibles with indefinite useful lives, are amortised on a straight-line basis over their estimated useful life from the date they are available for use.

The following table shows the expected useful life of individual classes of intangible assets:

- Software .... 1–7 years
- Property rights - other .... 6 years
- Appreciable right, licenses.. 3–7 years or based on their contractual term
- Distribution network (contracts with providers) .... 20 years
- Other intangible assets .... 5–10 years

vi. 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 recognized in the Statement of comprehensive income as an expense.

(d) Property, plant and equipment ("PPE")

i. Assets owned by the Group (Note 5)

Property, plant and equipment consist of buildings, halls and structures, land, equipment, motor vehicles and other tangible fixed assets. They are stated at acquisition cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3i).

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

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

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

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

ii. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is carried at cost less accumulated depreciation and impairment losses.

When the use of a property changes from the owner-occupied to investment property, the property is reclassified from property, plant and equipment to investment property.

iii. Leases

As explained in Note 2f above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2f including the impact of change the policy.

Under the previously used model of IAS 17, leases of property, plant and equipment were classified as either finance or operating leases.

Until 31 December 2018, leases, that transferred substantially all the risks and rewards of ownership were assumed by to the Group, were classified as finance leases. Upon initial recognition the leased assets were recognized at the lower of their fair value and the present value of the minimum lease payments. Subsequently, the leased assets were carried at the initially recognized amount less accumulated depreciation and impairment losses.

Lease liabilities measurement is described in Note 3h.

iv. Assets held for sale

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

v. Depreciation (Note 29)

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

The following table shows the expected useful life of individual groups of fixed assets:

- Appliances and special technical equipment .... 3–14 years
- Fixtures and fittings .... 4–14 years
- Power and propulsion machinery and equipment .... 5–20 years
- Vehicles .... 6–7 years
- Other constructions .... 50 years
- Work machinery and equipment .... 3–14 years
- Buildings and halls .... 20–60 years
- Utility networks .... 30–60 years
- Construction improvements to outdoor surfaces .... 15–30 years

vi. Subsequent expenditure

Expenditure incurred to replace part of an item of property, plant and equipment 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 recognized in the Statement of comprehensive income as an expense.

(e) 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 for which the entity's business model is to manage the financial asset on a fair value basis i.e. to realize the asset through sales as opposed to holding the asset to collect contractual cash flows. This category represents the "default" or "residual" category if the requirements to be classified as amortised cost or fair value through other comprehensive income ("FVOCI") are not met. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss in net finance income or costs.

(f) Financial assets at fair value through other comprehensive income

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 recognized in Other comprehensive income. Any interest income, foreign exchange gains/losses and impairments are recognized immediately in profit or loss. Fair value changes that have been recognized 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 recognized in OCI for such equity instruments are subsequently never reclassified from equity to profit or loss.

(g) Financial derivatives and hedging instruments

The Group 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 trading instruments.

The financial effects of derivatives are measured at fair value and stated in separate positions of receivables and payables classified as long-term or short-term.

The fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves. The fair value of currency forwards is determined based on the market price as at the date of financial statements and corresponds to the present value of the quoted forward rate.

If a financial derivative hedges the cash flows relating to a reported liability or highly probable transaction, then the portion of the gain or loss that is determined to be an effective hedge is recognized directly in Other comprehensive income and accumulated in a separate reserve in equity. If a non-financial item is eventually recognized as a consequence of a hedge of a firm commitment or highly probable purchase transaction, then the cumulative gain or loss is removed from equity and included in the acquisition cost of such asset or liability. Otherwise, the cumulative gain or loss is reclassified from Other comprehensive income and reported in the profit or loss together with the hedged transaction.

If the hedging instrument expires or the hedging relationship terminates, while it is still probable that the hedged transaction will occur, then the cumulated gain or loss remains in equity and is recorded as described above at the point when the transaction occurs. If the hedged transaction is no longer expected to occur, then the cumulative unrealized gain or loss recorded in equity is immediately charged to the profit or loss.

If a financial derivative hedges the exchange rate risk of recognized monetary assets or liabilities, hedge accounting is not applied and the gain or loss on the hedging instrument is reported in the profit or loss for the period.

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

The Group decided to apply hedge accounting in accordance with IAS 39 after the application of IFRS 9 and so therefore maintains documentation of the hedge relationship between the hedged item and the hedging derivative in line with IAS 39.

This document contains information about the following:

- hedging derivatives; and
- hedge effectiveness; and
- hedged items and risks that are being hedged.

The Group applies hedge accounting if:

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

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.

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 hedge reserve.

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

Financial derivatives

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 recognized in profit or loss when they occur.

(h) Other non-derivative financial assets (Note 8) and liabilities (Note 17)

i. Key measurement terms

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

ii. Other non-derivative financial assets

The Group also has the following non-derivative financial assets: trade receivables, restricted cash other receivables and loans provided.

a) Classification

Trade and other receivables are initially recognized 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, if they are held to collect the cash flows and not expected to be sold.

b) Derecognition

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

c) Offsetting of financial assets and liabilities

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.

iii. 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.

As explained in Note 2f above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2f including the impact of change the policy.

Financial liabilities, other than financial liabilities at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(i) Impairment and expected credit loss model

iv. Non-financial assets and investments in subsidiaries, 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 lives or that are not yet available for use, the recoverable amount is estimated at least annually at the same time.

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

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

v. Financial assets (including trade and other receivables)

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

Measurement of ECLs

Trade receivables – simplified approach

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

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

Significant increase in credit risk is not assessed for trade receivables subject to provisioning matrix approach as they are always measured at lifetime ECL.

Other financial assets – Standard ECL model

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

Other financial assets, loan commitments and financial guarantees 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 ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained below. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Current accounts and term deposits 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 Group to bear a "low credit risk". In these cases the Group applies a "low credit risk" exemption from the Standard ECL model and consequently does not assess the significant increase in credit risk for these financial assets.

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

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

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

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

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:

1. External rating-based approach; or
2. 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 Big Three 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 are 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 statement of financial position, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss. The revaluation reserve represents the difference between amortised cost, net of ECL, and fair value of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the 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.

(j) Other non-current investments

Other non-current investments are not consolidated and are stated at cost less any impairment loss.

(k) Inventories

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

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

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.

(l) Short-term financial assets

Restricted cash is included in Short-term financial assets. Restricted cash is cash not available for immediate use. Such cash cannot be used by a Group until a certain point or event in the future.

Restricted cash consists of cash on bank accounts for purpose of guarantees given under the terms of game licenses and for debt service under the terms of facility agreements.

(m) Cash and cash equivalents (Note 10)

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

(n) Share capital (Note 12)

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

(o) Bank loans and other borrowings (Note 14)

Short-term and long-term loans are initially recognized at fair value and subsequently are stated at amortised cost. 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.

(p) Provisions (Note 16)

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

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

i. Establishment and use of provisions

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

ii. Jackpot provision

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

iii. Scratch card provision

In this kind of game, there is predetermined pay-out (as a percentage of the total value of a particular type of card sold – no matter whether the cards have been sold or not) and the difference between actual and predetermined pay-outs (which is usually favourable for the Group) is recognized as revenues. Since there is no liability for the undistributed portion of wins, the Group uses historical experience to calculate an approximate pay-out in order to recognize a provision for wins in relation to cards that have already been distributed.

iv. Warranty provision

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

(q) Revenue recognition and accounting for winnings (Note 20)

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

i. Revenues from lottery, betting and VLTs

Gaming revenues are reported net after deduction for player winnings as Gross gaming revenue (GGR).

Received stakes relating to future lottery periods are recorded as prepaid stakes ("Numerical lottery subscription") measured at fair value.

Lottery tax, assessed as a percentage (defined in the legislation of the relevant country or the relevant license according to specific country legislation) of revenue from stakes less wins in the period, is recognized based on recognized Gross gaming revenue in the period.

Prize claims are recognized in the lottery period based on the date of lottery draw and presented as other current payables at the end of the reporting period.

Unclaimed prizes (expired winnings that the winners failed to claim) are recognized as revenue after the relevant period to claim the wins expires in SAZKA a.s. In OPAP S.A. Group unclaimed prizes are attributed as a liability due to the State in accordance with applicable regulations after the given relevant claim period expires.

ii. Draw based games (numerical lotteries)

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

For fixed odds games, the pay-out is a fixed amount, for pari mutuel games a pay-out pool is created and in case there is no winner in the given draw and the prize is rolled to the next draw as a jackpot, a provision is recognized if the obligation is not avoidable (on net basis) (Note 3.p ii.).

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

iii. Instant lotteries

Revenues from lottery ticket sale are recognized in the period when the sale of the lottery ticket occurs. Instant lotteries pay-outs are recognized as a percentage of ticket sales based on historical experience.

iv. Betting (odds bets)

Odds bets are organized, according to a gaming plan, via an online (internet based) betting system connected to a central IT system.

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

v. VLTs

Revenue is defined as the sum 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 recognized at net amount (receipts – winnings) of each player's game session.

vi. Revenue from sale of goods and services

Revenue from sale of goods and services includes:

- Revenue from mobile virtual network operator services

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

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

- Revenue from mobile phone top-up

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

Group acting as agent for the sale of electronic codes to end users: In this category of contracts Group does not acquire the ownership of the electronic codes and is considered to be acting as a representative of the suppliers. The revenue recognized in this category is the commissions received by the suppliers.

- Revenue from commissions

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

- Revenue from other services

For most of its other activities, the Group operates as an agent, with revenues being recognized in net amounts when the performance obligation is satisfied by transferring goods or services to the customer.

(r) Other operating income

Lease income (Note 33)

As explained in Note 2f above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2f including the impact of the change of policy. The new IFRS 16 standard significantly modifies the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors.

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

(s) Lease payments

As explained in Note 2f above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2f including the impact of the change of policy.

Under the previously used model of IAS 17, leases of property, plant and equipment were classified as either finance or operating leases.

Until 31 December 2018, payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives received were recognized in the Statement of comprehensive income as an integral part of the total lease expense. From 1 January 2019 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.

Until 31 December 2018, each finance lease payment was allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, were included in borrowings. The interest cost was charged to profit or loss over the lease period using the effective interest method.

(t) Interest income calculated using the effective interest method, finance income and finance costs (Note 30)

Interest income comprises interest income on funds invested (including bank interest and interest on loans provided).

Finance income comprises interest income on funds invested (including bank interest and interest on loans provided), dividend income, changes in the fair value of financial assets at fair value through profit or loss, fair value changes that have been previously recognized in OCI from the disposal of Fair value through other comprehensive income financial assets, foreign exchange gains, and gains on derivative instruments that are recognized in profit or loss.

Finance expenses comprise interest expense on loans and borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss.

(u) Income tax expense (Note 31)

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

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

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

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

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

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

(v) Related parties (Note 37)

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

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

- has control or 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.

B) An entity is related to the reporting entity if any of the following conditions is met:

(I) 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).

(II) 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).

(III) Both entities are joint ventures of the same third party.

(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(V) 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.

(VI) The entity is controlled or jointly controlled by a person identified in (A).

(VII) A person identified in (I) has significant influence over the entity or is a member of the key management personnel of the entity (or its parent).

(w) Operating segments (Note 36)

Segment information is presented based on the internal management reports and information provided to the Group management consisting of the Chief Executive Officer and the Chief Financial Officer, who examine the Group's performance both from a product and entity wide information perspective. The segments are defined by separate categories of games or other services offered by Group entities. The product segments are:

i. Numerical lotteries

Classical lottery games include draw-based games, pari-mutuel games (for example, lotto games) and fixed odds games (for example, keno-type games). Numerical lotteries are lotteries where the player puts a stake on a combination of figures and the prize of the player is determined after numbers are drawn if he or she has the winning figures. This category includes OPAP's games LOTTO, PROTO, TZOKER, KINO, SUPER 3 AND EXTRA 5, and SAZKA a.s.'s games SPORTKA, EUROJACKPOT, STASTNÝCH 10 and others.

ii. Instant lotteries

Instant lotteries are lotteries and instant win games where the prizes are pre-drawn and distributed among the winning tickets at the moment of printing and prize of the player is revealed immediately upon opening the game field of the lottery ticket. For example, scratch cards require the player to scratch off certain areas hiding numbers or symbols and if the correct items are revealed, it is a winning card. This category includes scratch card games operated by HELLENIC LOTTERIES S.A. and SAZKA a.s., and passive lotteries (NATIONAL, POPULAR), operated by HELLENIC LOTTERIES S.A.

iii. Digital games

Digital games consist of games of chance developed specifically for and played via online platforms, either through internet websites or mobile apps. Digital products do not have any physical representation (such as a ticket or card). This category includes digital games e-scratch cards and SAZKA HRY offered by SAZKA a.s.

iv. Sports betting

Sports betting consists of pre-match and live betting on sporting events, both through the POS and online sports-betting platforms. This category includes PAME STOIXIMA (including virtual games and horse races betting), PROPO and PROPOGOAL offered by OPAP and SAZKABET offered by SAZKA a.s.

v. VLTs & gaming machines

VLTs are interactive video displays which look similar to classic slot machines but provide a wider range of games. This category comprises VLT games offered by OPAP under its brand PLAY.

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4. Intangible assets and goodwill

2019	Note	Licences & property rights	Brands and trademarks	Software	Intangible assets not yet available for use	Other intangible assets	Goodwill	Total
Acquisition cost								
Balance at 1/1/2019		**1,216,363**	**852,484**	**82,713**	**561**	**10,511**	**909,649**	**3,072,281**
Additions		--	--	28,133	923	--	--	29,056
Transfers		250	--	312	–562	--	--	--
Disposals		--	--	–3,766	--	--	--	–3,766
Effect of currency translation		61	898	175	11	28	4,644	5,817
Disposal of subsidiaries		–22	–55,349	--	--	–100	–292,167	–347,638
Balance at 31/12/2019		**1,216,652**	**798,033**	**107,567**	**933**	**10,439**	**622,126**	**2,755,750**
Accumulated amortisation								
Balance at 1/1/2019		**–144,762**	**--**	**–26,474**	**--**	**–1,682**	**–17,500**	**–190,418**
Amortisation expense		–60,401	--	–19,519	--	–666	--	–80,586
Amortization expense of discontinued operations		--	--	--	--	–5	--	–5
Transfers		--	--	--	--	--	--	--
Disposal		--	--	3,748	--	--	--	3,748
Impairment		–4,000	--	–650	--	--	–4,000	–8,650
Effect of currency translation		–5	--	–72	--	–9	--	–86
Disposal of subsidiaries		--	--	--	--	13	--	13
Balance at 31/12/2019		**–209,168**	**--**	**–42,967**	**--**	**–2,349**	**–21,500**	**–275,984**
Net book value at 1/1/2019		**1,071,601**	**852,484**	**56,239**	**561**	**8,829**	**892,149**	**2,881,863**
Net book value at 31/12/2019		**1,007,484**	**798,033**	**64,600**	**933**	**8,090**	**600,626**	**2,479,766**

2018	Note	Licences & property rights	Brands and trademarks	Software	Intangible assets not yet available for use	Other intangible assets	Goodwill	Total
Acquisition cost								
Balance at 1/1/2018		**1,220,706**	**797,658**	**45,730**	**487**	**10,426**	**620,195**	**2,695,202**
Business combinations	3c,11	22	55,268	--	--	94	292,167	347,551
Additions		50	--	32,981	311	6	--	33,348
Transfers		–4,380	--	4,587	–209	2	--	--
Disposals		--	--	–501	–24	--	--	–525
Effect of currency translation		–35	–442	–84	–4	–17	–2,713	–3,295
Balance at 31/12/2018		**1,216,363**	**852,484**	**82,713**	**561**	**10,511**	**909,649**	**3,072,281**
Accumulated amortisation								
Balance at 1/1/2018		**–77,627**	**--**	**–15,795**	**--**	**–1,013**	**--**	**–94,435**
Amortisation expense		–67,219	--	–11,046	--	–666	--	–78,931
Amortisation expense of discontinued operations		--	--	--	--	–8	--	–8
Transfers		103	--	–105	--	2	--	--
Disposals		--	--	481	--	--	--	481
Impairment		--	--	–41	--	--	–17,500	–17,541
Effect of currency translation		–19	--	32	--	3	--	16
Balance at 31/12/2018		**–144,762**	**--**	**–26,474**	**--**	**–1,682**	**–17,500**	**–190,418**
Net book value at 1/1/2018		**1,143,079**	**797,658**	**29,935**	**487**	**9,413**	**620,195**	**2,600,767**
Net book value at 31/12/2018		**1,071,601**	**852,484**	**56,239**	**561**	**8,829**	**892,149**	**2,881,863**

Intangible assets primarily comprise intellectual property rights (mainly licenses), brands and trademarks, software and goodwill.

As at 31 December 2019 and 31 December 2018 trademarks with carrying value of EUR 73,669 thousand (as at 31 December 2018: EUR 72,768 thousand) were pledged as collateral for borrowings. Refer to Note 34.

The most significant additions to intangible assets in 2019 and 2018 were acquisitions of new software for draw based games and sports betting.

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Brands and trademarks

	31/12/2019	31/12/2018
SAZKA	73,669	72,768
OPAP	724,364	724,364
SUPER SPORT	--	55,352
Total	**798,033**	**852,484**

Goodwill

	31/12/2019	31/12/2018
SAZKA a.s.	379,225	374,581
Emma Delta Management Ltd subgroup	205,309	205,309
Neurosoft S.A.	16,092	20,092
SUPER SPORT d.o.o. subgroup	--	291,495
Minus5 d.o.o.	--	672
Total	**600,626**	**892,149**

Indefinite-lived intangible assets, goodwill, and 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 tested goodwill and indefinite-lived intangible assets (i.e. trademarks) for impairment in 2019.

Trademarks

Impairment testing of trademarks was carried out by applying the relief from royalty method. An explicit cash flow forecast was prepared based on a business plan covering a period of at least three years. The budgets had been approved by management and were valid when the impairment test were performed. 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 (2018: 2%). Net royalties (using a royalty rate of 5%) after tax were discounted using the pre-tax weighted average cost of capital (WACC) with an uplift of 1%. WACC ranges from 8.7–10.5% were applied. Tax amortization benefit was reflected in the calculation as well.

The resulting recoverable amount exceeded the carrying amount of the trademarks, which led to the conclusion that no impairment of the trademarks had to be recognized as at 31 December 2019. In addition, the Group's management carried out a sensitivity analysis of the influence of possible changes in key assumptions on the recoverable amount. Reasonably possible changes in the assumptions do not indicate any impairment of trademarks.

Goodwill

Impairment testing is performed on annual basis as at 31 December. The recoverable amount is estimated using the higher of:

1. Value in Use (VIU) - VIU is derived from forecasts of future cash flows. The forecasts are prepared and updated by management. Pre-tax weighted average cost of capital (WACC) is applied as the appropriate discount rate to estimate the net present value of future cash flows attributable to each cash-generating unit. The cash flow forecast is always prepared based on specific expected operating results and a business plan covering a period of at least three years. To reflect continuity of the business beyond the explicit forecasting period a terminal value model (calculated using the Gordon growth formula) is applied.

   Value in Use is used for valuation of goodwill related to Neurosoft S.A.

2. Fair Value Less Costs of Disposal (FVLCD) – i.e. 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 either on:

   a. The market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial.

   Market price is used for valuation of goodwill related to Emma Delta Management Ltd subgroup with OPAP being the primary cash generating unit. OPAP shares are publicly traded on Athens Stock Exchange.

   b. The market multiples method. The Group relied on a peer based EV/EBITDA multiple benchmark to estimate the respective FVLCD. Costs of disposal are considered as immaterial. The Group used following assumptions for impairment testing: a common market participant, 11.71 EV/EBITDA market multiple.

   The market multiple method is used for valuation of goodwill related to other cash generating units.

The resulting recoverable amount calculated based on FVLCD (market multiple) method exceeded the respective carrying amount, which led to the conclusion that no impairment of the tested assets had to be recognized as at 31 December 2019. In addition, the Group's management carried out a sensitivity analysis of the influence of possible movements in key assumptions on the calculation of the recoverable amount. Expectable movements in the assumptions do not indicate any impairment of goodwill since no material effects on the results in the next year were identified.

Neurosoft S.A.

The recoverable amount of Neurosoft S.A. was determined using the Value in Use method. The value in use is determined based on the projected cash flows for the next four years derived from business plans approved by management, with these cash flows projected thereafter to perpetuity assuming a growth rate of 3.0%.

The weighted average cost of capital used to discount estimated free cash flows was equal to 7.6%.

The key assumptions used in projecting and discounting cash flows as part of the impairment test of goodwill were the following:

- Risk-free rate: The risk-free rate was determined on the basis of external figures derived from the specific market of Greece.
- Estimated EBITDA: Estimated operating profit before interest, tax, depreciation, amortization and impairment were based on actual historical experience from the last few years adjusted to take into consideration expected variances in operating profitability.

As a result of the impairment test, an impairment loss of EUR 4,000 thousand was identified and recorded and the respective expense is included in the 2019 Consolidated statement of profit or loss (2018: EUR 17,500 thousand) in the line "Depreciation and amortization".

Neurosoft S.A. Goodwill	**31/12/2019**	**31/12/2018**
Opening	20,092	37,592
Impairment loss (Note 36a)	–4,000	–17,500
Closing	**16,092**	**20,092**

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

2019	Note	Land – owned	Buildings – owned	Right of use-Buildings
Acquisition cost				
Balance at 1/1/2019		**11,474**	**45,317**	**--**
Identification of leasing at adoption of IFRS 16 as at 1/1/2019		**--**	**--**	**73,410**
Additions		--	367	6,348
Transfers		–434	–2,234	--
Disposals		--	–327	–123
Disposals of subsidiaries		--	--	–8,403
Effect of currency translation		32	287	11
Change in value		--	--	–377
Balance at 31/12/2019		**11,072**	**43,410**	**70,866**
Accumulated depreciation				
Balance at 1/1/2019		**--**	**–9,579**	**--**
Depreciation expense		--	–2,413	–7,538
Transfer		--	2,449	--
Disposals		--	327	19
Disposals of subsidiaries		--	--	721
Depreciation expense of discontinued operations		--	--	–720
Other		--	--	50
Effect of currency translation		--	–32	–8
Balance at 31/12/2019		**--**	**–9,248**	**–7,476**
Net book value at 1/1/2019		**11,474**	**35,738**	**--**
Net book value at 31/12/2019		**11,072**	**34,162**	**63,390**

Machinery and equipment – owned	Right of use – Machinery and equipment	Tangible assets under construction	Other tangible assets	Total
62,049	**147**	**976**	**56,760**	**176,723**
--	**3,825**	**--**	**--**	**77,235**
2,083	2,047	184	8,585	19,614
307	--	–952	--	–3,313
–242	–328	--	–16,740	–17,760
–3,424	--	--	–8	–11,835
87	27	5	17	466
--	--	--	--	–377
60,860	**5,718**	**213**	**48,614**	**240,753**
–4,097	**–147**	**--**	**–20,168**	**–33,991**
–8,330	–1,693	--	–12,366	–32,340
--	--	--	--	2,449
–92	147	--	16,727	17,128
1,086	--	--	--	1,807
–355	--	--	--	–1,075
--	--	--	--	50
–36	–5	--	--	–81
–11,824	**–1,698**	**--**	**–15,807**	**–46,053**
57,952	**--**	**976**	**36,592**	**142,732**
49,036	**4,020**	**213**	**32,807**	**194,700**

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2018	Note	Land – owned	Buildings – owned
Acquisition cost			
Balance at 1/1/2018		**11,493**	**43,458**
Business combinations	11.1	--	--
Additions		--	1,504
Transfers		--	515
Disposals		--	–3
Effect of currency translation		–19	–157
Balance at 31/12/2018		**11,474**	**45,317**
Accumulated depreciation			
Balance at 1/1/2018		**--**	**–6,225**
Depreciation expense		--	–3,368
Depreciation expense of discontinued operations		--	--
Disposals		--	--
Effect of currency translation		--	14
Balance at 31/12/2018		**--**	**–9,579**
Net book value at 1/1/2018		**11,493**	**37,233**
Net book value at 31/12/2018		**11,474**	**35,738**

As at 31 December 2019 a transfer has been made from PPE to investment property in the amount of EUR 864 thousand.

The most significant additions to PPE in 2019 concerned datalinks, betting terminals, printers, monitors, scanners and telecommunication equipment for OPAP.

The most significant additions to PPE in 2018 concerned lottery terminals, printers, monitors and telecommunication equipment for OPAP.

As at 31 December 2019, the net book value of buildings and adjacent land pledged as a collateral (Note 34), totals EUR 22,925 thousand (31 December 2018: EUR 21,820 thousand).

Machinery and equipment – owned	Machinery and equipment – leased	Tangible assets under construction	Other tangible assets	Total
60,119	**188**	**1,620**	**46,235**	**163,113**
2,161	--	--	8	2,169
8,995	--	1,048	13,743	25,290
1,051	--	–1,566	--	--
–10,231	–41	–116	–3,215	–13,606
–46	--	–10	–11	–243
62,049	**147**	**976**	**56,760**	**176,723**
–5,968	**–188**	**--**	**–12,550**	**–24,931**
–7,488	--	--	–10,816	–21,672
–733	--	--	--	–733
10,071	41	--	3,198	13,310
21	--	--	--	35
–4,097	**–147**	**--**	**–20,168**	**–33,991**
54,151	**--**	**1,620**	**33,685**	**138,182**
57,952	**--**	**976**	**36,592**	**142,732**

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6. Equity method investees

		31/12/2019	31/12/2018
Equity method investees	**Parent ownership interest (%)**	**649,065**	**670,729**
Casinos Austria AG (1)	38.29%	249,977	225,671
LTB Beteiligungs GmbH (2)	66.67%	43,892	46,739
CLS Beteiligungs GmbH (3)	66.67%	43,847	46,693
LOTTOITALIA S.r.l. (4)	32.50%	257,114	301,538
TCB Holdings Ltd (5)	36.75%	54,235	50,088

The above stated percentages in companies reflect the direct share owned by their respective parent company.

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 paid dividends less distribution received from the equity method investees.

The following tables represent assets and liabilities, revenues, profit or loss and total comprehensive income related to significant equity method investees:

1) Casinos Austria AG is a worldwide gaming and entertainment group based in Austria. As at 31 December 2019, Medial Beteiligungs GmbH holds a share of 38.29%. The Company has an indirect share in Medial Beteiligungs GmbH of 99.66%.

By acquiring an additional 70.03% share the Group gained control over Medial Beteiligungs GmbH in 2018. Through control over Medial Beteiligungs GmbH , Casinos Austria AG became a new associate of the Group. Medial Beteiligungs GmbH is a holding company the only significant asset of which is an investment in Casinos Austria AG thus consideration paid for Medial Beteiligungs GmbH was included in the calculation of the equity method investment in Casinos Austria AG.

The table below present the consideration paid for the 26.81% (70.03 *38.29%) economic share acquired in Casinos Austria AG:

Acquisition of additional economic share in Casinos Austria AG in 2018

Additional economic share (26.81%) acquired in the net identifiable assets	56,769
Goodwill	79,761
Consideration paid for additional economic share acquired (26.81%)	**136,530**
Initial economic share held as at 31 December 2017	79,039
Total carrying amount of equity method investee as at the date of acquisition	215,569

Casinos Austria AG	31/12/2019	31/12/2018
Non-current assets	915,801	813,264
Current assets	351,889	334,982
Non-current liabilities	–426,362	–399,770
Current liabilities	–431,921	–393,522
Net assets	409,407	354,954
Non-controlling interest	–69,349	–78,377
Net assets attributable to Casino Austria AG equity holders	340,058	276,577
Group’s share (38.29%)	130,208	105,902
Goodwill	119,769	119,769
of which Goodwill from initial economic share	40,008	40,008
of which Goodwill from additional economic share	79,761	79,761
Carrying amount of interest in associate	**249,977**	**225,671**
Casinos Austria AG	**31/12/2019**	**31/12/2018**
Amount staked	4,666,545	4,487,945
Gross gaming revenue (GGR)	1,359,147	1,338,014
Operating EBITDA	210,509	192,377
Profit for the period	111,981	92,661
of which attributable to parent	87,890	70,244
Total comprehensive income (100%)	78,481	56,382
Group’s share of total comprehensive income	**30,050**	**21,589**
Dividends received by the Group (Medial Beteiligungs GmbH)	5,743	11,486

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2) LTB Beteiligungs GmbH holds a 27.08% share in Lotto-Toto-Holding GmbH, which owns 26.17% of shares in Österreichische Lotterien GmbH ("OLG") (31 December 2018: 32%). Together with its shareholding in CLS Beteiligungs GmbH, the Group's effective share in OLG is 9.45% (31 December 2018: 11.55%). The Group holds a total share of 66.67% through CAME Holding GmbH. The shares in the company were acquired on 7 December 2016. According to the company's Articles of Association the General Meeting of the company is able to make a decision only with 100% shares approval. Therefore, the Group considers it an investment in an associate and the company is accounted as an equity method investee.

LTB Beteiligungs GmbH	31/12/2019	31/12/2018
Equity method investee in OLG	65,814	70,081
Current assets	26	33
Non-current liabilities	--	--
Current liabilities	–5	–8
Net assets (100%)	65,835	70,106
Group's share (66.67%) = carrying amount of interest in associate	**43,892**	**46,739**
LTB Beteiligungs GmbH *)	**31/12/2019**	**31/12/2018**
Profit for the period	6,506	6,133
of which share of profit of equity method investee OLG	6,524	6,146
of which net profit of LTB	–18	–13
share of OCI of equity method investee OLG	–390	–176
Total comprehensive income (100%)	6,116	5,957
Group's share of total comprehensive income	**4,078**	**3,972**
Dividends received by the Group (CAME Holding GmbH)	6,924	4,032

3) CLS Beteiligungs GmbH holds a 27.08% share in Lotto-Toto-Holding GmbH, which owns 26.17% of shares in OLG (31 December 2018: 32%). Together with its shareholding in LTB Beteiligungs GmbH, the Group's effective share in OLG is 9.45% (31 December 2018: 11.55%).The Group holds a total share of 66.67% through CAME Holding GmbH. The shares in the company were acquired on 7 December 2016. According to the company's Articles of Association the General Meeting of the company is able to make a decision only with 75% shares approval. Therefore, the Group considers it an investment in an associate and the company is accounted as an equity method investee.

CLS Beteiligungs GmbH	31/12/2019	31/12/2018
Equity method investee in OLG	65,746	69,998
Current assets	50	53
Non-current liabilities	--	--
Current liabilities	–29	–15
Net assets (100%)	65,767	70,036
Group's share (66.67%) = carrying amount of interest in associate	**43,847**	**46,693**
CLS Beteiligungs GmbH *)	**31/12/2019**	**31/12/2018**
Profit for the period	6,498	6,116
of which share of profit of equity method investee OLG	6,524	6,146
of which net profit of CLS	–26	–30
of which share of OCI of equity method investee OLG	–390	–176
Total comprehensive income (100%)	6,108	5,940
Group's share of total comprehensive income	**4,071**	**3,960**
Dividends received by the Group (CAME Holding GmbH)	6,920	4,019

4) LOTTOITALIA S.r.l. is a company that organizes and manages a lottery and gaming business in Italy. The Group holds a share of 32.5%, which was acquired on 5 May 2016. The company is accounted for using the equity method.

LOTTOITALIA S.r.l.	31/12/2019	31/12/2018
Non-current assets	606,892	708,205
Current assets	218,050	259,469
Non-current liabilities	–24	--
Current liabilities	–33,796	–39,866
Net assets (100%)	791,122	927,808
Group's share (32.50%) = carrying amount of interest in associate	**257,114**	**301,538**
LOTTOITALIA S.r.l.	**31/12/2019**	**31/12/2018**
Revenues from contract with customers	488,967	481,008
"License fee" amortization	–85,556	–85,556
Net revenues from contract with customers	403,411	395,453
Operating EBITDA	396,073	380,675
Profit for the period (100 %)	213,902	203,524
Total comprehensive income (100%)	213,902	203,524
Group's share of total comprehensive income	**69,518**	**66,145**
Dividends received by the Group (Italian Gaming Holding a.s.)	66,145	57,799
Reserve distribution received by the Group (Italian Gaming Holding a.s.)	47,796	32,796

5) On 18 December 2018, OPAP INVESTMENT LTD completed the acquisition of a 36.75% stake in TCB Holdings Ltd for a total consideration of EUR 50,000 thousand and measured it as an investment in associate for the year ending on 31 December 2018.

EUR 2,000 thousand of the consideration was recognized as a contingent payment obligation according to the respective contract. The liability was settled in February 2019.

TCB Holdings Ltd	31/12/2019	31/12/2018
Non-current assets	20,692	9,097
Current assets	68,970	53,361
Non-current liabilities	–1,068	–559
Current liabilities	–53,184	–37,752
Net assets (100%)	35,410	24,147
Group's share (36.75%)	13,013	8,874
Post audit adjustment	8	--
Goodwill	41,214	41,214
Carrying amount of interest in associate	**54,235**	**50,088**
TCB Holdings Ltd	**31/12/2019**	**31/12/2018**
Revenues	245,163	6,164
Profit (100%)	23,258	241
Other comprehensive income	–211	--
Total comprehensive income (100%)	23,047	241
Group's share of total comprehensive income	**8,470**	**88**
Dividends received by the Group (OPAP subgroup)	4,400	--

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7. Deferred tax assets and liabilities

	31/12/2019	31/12/2018
Deferred tax asset	**20,013**	**2,046**
Deferred tax liability	**212,839**	**234,005**

Deferred tax assets and liabilities related 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 3u, deferred tax was calculated using tax rates applicable to individual companies.

Change in the deferred tax

The following tables show the change in deferred tax recognized in the Consolidated statement of comprehensive income and other changes that affected deferred the tax asset or liability:

2019	Balance at 1/1/2019	Changes in 2019				Balance at 31/12/2019
Deferred tax asset	Deferred tax liability(–) / asset(+)	Recognized in profit or loss	Recognized in OCI	Disposal of subsidiaries	Other changes	Deferred tax liability(–) / asset(+)
Deferred tax asset (+) /liability (–)	**–231,959**	**29,036**	**94**	**9,963**	**40**	**–192,826**
Tangible fixed assets (difference between carrying value and tax value)	1,193	–2,338	--	--	–20	–1,165
Intangible fixed assets (difference between carrying value and tax value)	–256,612	33,120	--	9,963	2,917	–210,612
Financial assets	830	–118	--	--	--	712
Inventories	--	278	--	--	--	278
Receivables	–7,984	4,149	--	--	2,721	–1,114
Liabilities	21,832	–240	52	--	–4,577	17,067
Liabilities arising from leases	--	449	--	--	1	450
Provisions	10,773	–6,215	--	--	–989	3,569
Tax losses carried forward	114	–37	--	--	5	82
Hedging derivates	–2,105	–12	42	--	–18	–2,093

2018	Balance at 1/1/2018		Changes in 2018			Balance at 31/12/2018
Deferred tax asset	Deferred tax liability(–) / asset(+)	Recognized in profit or loss	Recognized in OCI	Business combinations	Other changes	Deferred tax liability(–) / asset(+)
Deferred tax asset (+) /liability (–)	**–222,085**	**–2,079**	**1,679**	**–9,948**	**474**	**–231,959**
Tangible fixed assets (difference between carrying value and tax value)	2,238	–1,045	--	--	--	1,193
Intangible fixed assets (difference between carrying value and tax value)	–241,049	–2,614	--	–9,948	–3,001	–256,612
Financial assets	--	830	--	--	--	830
Receivables	–8,696	363	--	--	349	–7,984
Liabilities	14,058	6,087	25	--	1,662	21,832
Provisions	14,977	–5,663	--	--	1,458	10,772
Tax losses carried forward	148	–37	--	--	3	114
Hedging derivates	–3,761	--	1,654	--	3	–2,104

The Group has unrecognized deferred tax assets, in accordance with accounting policy 3u 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.

	2019	2018
Tax losses carried forward	55,619	62,631
Total unrecognized deferred tax asset	**12,993**	**17,650**

Tax losses for which no deferred tax asset was recognized expire as follows:

	2019	2018
Tax losses carried forward	**55,619**	**62,631**
Expiring within:		
Between 1 and 5 years	55,619	62,582
Unlimited	--	49

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8. Trade and other receivables

"Long-term receivables and other non-current assets" comprise advances and deposits provided that are due in more than 12 months after the reporting date.

	31/12/2019	31/12/2018
Long-term receivables and other non-current assets	**29,667**	**86,250**
Long-term advances and deposits provided	1,387	3,441
Advances for pension benefits	221	221
Receivables from VLT vendors	22,816	25,223
Long-term loans provided	1,971	54,842
Other long-term receivables	3,272	2,523

"Receivables from VLT vendors" are not interest bearing and the amounts presented are at immaterial discount to the face value of the receivables.

	31/12/2019	31/12/2018
Short-term trade receivables and other current assets	**246,008**	**199,855**
Short-term receivables from agents	151,929	110,127
Short-term trade receivables	21,767	38,857
Receivables from VAT and other taxes	19,603	16,919
Short-term loans provided	19,177	3,458
Short-term prepaid expenses	13,977	20,554
Short-term receivables from VLT vendors	3,439	--
Other short-term receivables	16,116	9,940

"Short-term receivables from agents" are collected on weekly basis (SAZKA a.s.) or semi-weekly (OPAP S.A.). Agents must deposit cash on the Group's bank accounts (recognized as line "Guarantee deposits from lottery agents" in Note 17 "Short-term trade and other payables"). These deposits serve as a security, which can be offset against receivables from the agent. The Group also uses direct debit to transfer money from agents to the Group's bank accounts.

"Short-term prepaid expenses" consist mainly of prepayments made to football clubs for advertising and sponsorship services. Furthermore, it includes prepaid consultancy fees and prepaid rent for storage facilities.

"Short-term trade receivables" comprise mainly trade receivables of non-gaming entities in the amount of EUR 14,156 thousand (31 December 2018: EUR 26,696 thousand).

The disclosures for impairment of "Trade and other receivables" are presented in Note 35.

9. Short-term financial assets

"Short-term financial assets" in the amount of EUR 12,547 thousand (31 December 2018: EUR 15,010 thousand) consist of a receivable under a cash pooling agreement in the amount of EUR 399 thousand (31 December 2018: EUR 1,209 thousand) and restricted cash in the amount of EUR 12,148 thousand (31 December 2018: EUR 13,801 thousand). Restricted cash represents interest which will be incurred and paid in the next 12 months on certain debt facilities.

The disclosures for impairment of "Short-term financial assets" are presented in Note 35.

10. Cash and cash equivalents

	31/12/2019	31/12/2018
Cash and cash equivalents	**763,673**	**312,678**
Bank accounts	255,794	217,503
Fixed-term deposits	504,250	90,489
Cash in hand	3,629	4,686

As at 31 December 2019, the Group has pledged bank accounts with a total balance of EUR 59,218 thousand (31 December 2018: EUR 39,756 thousand) under various borrowing facilities. The balances on these bank accounts are unrestricted.

The disclosures for impairment of "Cash and cash equivalents" are presented in Note 35.

11. Acquisitions and disposals of subsidiaries, joint ventures and associates

11.1 Acquisitions

i. For the year ending 31 December 2019

In 2019 the Group acquired additional shares in HELLENIC LOTTERIES S.A., OPAP S.A. and EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD. These changes were presented as a Purchase of non-controlling interest in subsidiaries, please see Note 1.3 "Changes in the Group" and Consolidated statement of changes in equity – "Purchase of non-controlling interest in subsidiaries".

ii. For the year endig 31 December 2018

In 2018 the Group acquired interests in the following companies or group of companies:

Company	Ownership interest	Acquisition date	Purchase price in th. EUR
SUPER SPORT d.o.o. subgroup (1)	67%	26 April 2018	
Minus5 d.o.o.	51%	26 April 2018	
Total			**334,496**

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(1) The SUPER SPORT d.o.o. subgroup was acquired on 26 April 2018. On 26 April SUPER SPORT d.o.o. acquired Puni broj d.o.o. (Note 1.4).

As at 31 December 2017 the company Medial Beteiligungs GmbH (including all its investments) was accounted for using the equity method. During 2018 the Group acquired an additional 70.03% stake which was considered as a step-up acquisition without change of control (Note 6).

The acquisitions of investments had the following effect on the Group:

	Recognized values on acquisition		
Long-term receivables and other non-current assets	**SUPER SPORT d.o.o. subgroup**	**Minus5 d.o.o.**	**Total**
Tangible fixed assets	2,140	29	2,169
Brands	55,268	--	55,268
Licenses	18	4	22
Other intangible assets	93	--	93
Short-term receivables	4,201	145	4,346
Cash and cash equivalents	20,500	138	20,638
Other current assets	338	--	338
Deferred tax liability	–9,948	--	–9,948
Other current liabilities	–9,614	–75	–9,689
Net identifiable assets and liabilities	62,996	241	63,237
Goodwill (Note 4)	291,495	672	292,167
Non-controlling interest acquired	–20,789	–118	–20,907
Consideration *	333,702	795	334,497
Consideration paid, satisfied in cash	220,758	795	221,553
Cash acquired	–20,500	–138	–20,638
Cash outflow in 2018	200,258	657	200,915

*Deferred consideration of EUR 92,444 thousand represented the fair value of a liability payable in 2021. The consideration of EUR 20,499 thousand represented the fair value of contingent consideration also payable in 2021 subject to potential change based on the financial performance of the acquired entity. The fair value was estimated by calculating the present value of the future expected cash flows. The estimates were based on a discount rate of 4.35% and assumed probability-adjusted sales of SUPER SPORT d.o.o.

Significant assumptions and judgements for each type of assets and liabilities and recognition of following assets and liabilities at fair value at the acquisition date are:

- Newly identifiable intangible assets were recognized referring to an internally generated brand (SUPER SPORT). In order to determine the fair value of the brand, the income approach, i.e. relief from royalty method, was applied. This method assumes the fair value of brand is represented by the present value of a hypothetical royalty fee saved, which would otherwise be paid in the form of licence fee to the licensor. A royalty rate of 5% was applied. Financial projections were performed based on business plans covering a period of five years, followed by a perpetuity, which was used to calculate the terminal value. For the calculation of terminal value, the terminal growth model was chosen. Net royalties after tax were discounted using the weighted average cost of capital (WACC) with an uplift of 1%. The brand was valued at EUR 55,268 thousand.

  The brand was determined as intangible asset with indefinite useful life on the basis of its establishment in the market and its significant contributions to the business.

- Deferred tax liability of EUR 9,948 thousand resulting from the recognition of the brand was recognized. The corporate income tax rate of 18% valid in Croatia was used.

- All of SUPER SPORT's licences were acquired in the past from the Croatian government at a determined price and for a limited time, with pre-negotiated renewal.
- The Group did not identify any other identifiable intangible assets or liabilities assumed to be recognized. Furthermore, all other acquired assets and liabilities were considered adequate (the values approximating to fair values) and are in line with the Group accounting policies and therefore no revaluation adjustment would be required.

Goodwill which was recognized separately as a result of the acquisition is attributable mainly to synergies between operating business of the Group and the acquiree and the value of intangibles not meeting the criteria for recognition. Goodwill from the acquisition is not deductible for tax purposes.

On 15 January 2018 the Group acquired 59.26% of Medial Beteiligungs GmbH and the company became fully consolidated (Note 1.3). Non-controlling interest was recognised in Consolidated statement of changes in equity – "Business combinations" in the amount of EUR 5,932 thousand.

On 5 October 2018 the Group acquired an additional 10.77% share of Medial Beteiligungs GmbH (Note 1.3) by purchase of non-controlling interest.

Both acquisitions of Medial Beteiligungs GmbH represented an increase of indirect share in equity method investee Casinos Austria AG. Therefore, the purchase price allocation was performed at the level of Casinos Austria AG (Note 6).

11.2 Disposal of investments

i. For the period ending 31 December 2019

Following the management decision of the Group, the Group classified the Croatian subgroup (SAZKA Group Adriatic d.o.o. and all of its subsidiaries, including SUPER SPORT d.o.o., PUNI BROJ d.o.o., and Minus 5 d.o.o.) as a discontinued operations on 31 March 2019 (Note 1.3). The comparative Consolidated statement of comprehensive income (please see comment under 1.3) has been re-presented to show the continuing operations separately from the discontinued operations.

The Croatian subgroup was sold to EMMA GAMA LIMITED with regulatory approvals granted on 25 April 2019 and effective date of 30 April 2019.

Cash consideration for the sale of the Croatian subgroup was EUR 302,607 thousand.

The Company also assigned to EMMA GAMMA LIMITED receivables of EUR 117,393 thousand arising from a loan provided to Sazka Group Adriatic d.o.o. The consideration paid by EMMA GAMMA LIMITED for the assigned receivable was EUR 117,150 thousand.

The effects of disposals are provided in the following table:

Croatian subgroup	31/12/2019
Consideration received or receivable:	302,607
Cash	302,607
Total disposal consideration	**302,607**
Carrying amount of net assets sold	–27,868
Gain on sale of investment before reclassification of foreign translation reserve	**274,739**
Reclassification of foreign currency translation reserve from other comprehensive income to profit or loss upon disposal	2,528
Gain on sale of investment	**277,267**

Financial performance and cash flow information of Croatian subgroup

The financial performance and cash flow information presented below are for the four months ended 30 April 2019 (4M 2019 column) and for the period of eight months between the acquisition on 26 April 2018 and 31 December 2018 (8M 2018 column).

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Result of discontinued operations	4M 2019	8M 2018
Amount staked	173,022	306,125
Consolidated statement of comprehensive income is as follows:		
Gross gaming revenue (GGR)	47,187	87,443
Lottery tax	–9,952	–17,344
Net gaming margin*	**37,235**	**70,099**
Revenue from sale of goods and services	374	145
Other operating income	58	930
Materials, consumables and services	–5,856	–12,983
Marketing services	–455	–1,178
Personnel expenses	–4,972	–9,229
Other operating expenses	–1,321	–2,933
Operating EBITDA**	**25,063**	**44,851**
Depreciation and amortization	–1,080	–741
Profit from operating activities	**23,983**	**44,110**
Interest income calculated using the effective interest method	339	100
Other finance income	188	12
Finance cost	–3,705	–4,582
Finance costs, net	**–3,178**	**–4,470**
Profit before income tax	**20,805**	**39,640**
Income tax expense	–5,234	–7,224
Profit after income tax of discontinued operations	**15,571**	**32,416**
Gain on sale of subsidiary	**277,267**	**--**
Profit from discontinued operations	**292,838**	**32,416**
Items that are or may subsequently be reclassified to profit or loss:		
Translation of foreign operations into the Group's presentation currency	17	2,533
Other comprehensive income / (loss)	**17**	**2,533**
Total comprehensive income from discontinued operations	**292,855**	**34,949**

*Usually referred to as "Net gaming revenue" (NGR).

**"Operating EBITDA" is calculated as "Profit before income tax" less "Finance costs, net" less "Depreciation and amortization".

Cash flow from (used in) discontinued operations	2019	2018
Net cash flow from (used in) operating activities	13,715	40,657
Net cash flows from (used in) investing activities	–2,180	–201,934
Net cash flows from (used in) financing activities	–23,665	203,607
Net decrease (–) / increase (+) in cash generated by the subgroup	**–12,130**	**42,330**

	Croatian subgroup Net assets sold in 2019
Tangible fixed assets	10,028
Brands	55,349
Licenses	22
Goodwill	292,167
Other intangible assets	87
Long-term receivables	23
Short-term receivables	4,643
Cash and cash equivalents	30,200
Other current assets	2,574
Deferred tax liability	–9,963
Bank loans and other borrowings*	–209,991
Other non-current liabilities	–113,432
Other current liabilities	–11,403
Net identifiable assets and liabilities	**50,304**
Non-controlling interest	–22,436
Net assets value disposed	**27,868**
Sales price	302,607
Gain on sale of investment before reclassification of foreign translation reserve	**274,739**

*"Bank loans and other borrowings" include a loan provided by SAZKA Group a.s. to Sazka Group Adriatic d.o.o. in the amount of EUR 117,393 thousand which was as of 31 December 2018 eliminated as an intragroup transaction during the consolidation process.

ii. 31 December 2018

During the year 2018 the Group did not dispose of any of its investments.

12. Equity

Share capital

The Group's share capital consists of 20 ordinary shares in certificated form with a nominal value of CZK 100 thousand per share. The share capital is fully paid-up. No changes were made in the share capital in the periods ended 31 December 2019 or 31 December 2018.

A right to vote is attached to each share. Each share of nominal value of CZK 100,000 bears 1 vote. The total number of votes in SAZKA Group a.s. is 20. There is no distinction of any classes of shares. Possible restrictions on transferability and dividend payments, or conditions under which these may be done, might arise, in general, from applicable laws, articles of association, contractual arrangements or financing arrangements. Each shareholder has the right to a share of profit that has been approved by the general meeting for distribution, corresponding to such shareholder's participation in the share capital of the company. Similarly, in the event of company liquidation, each shareholder has the right to a share of the liquidation residue.

No shares of the Group are held by the Group or its subsidiary or associate.

Capital contributions and other reserves

On 2 May 2019, the Company provided Financial Assistance in the form of a loan in the amount of EUR 420,140 thousand to its parent company KKCG AG. On 30 July 2019 the Company distributed its "Capital contributions" in the amount of CZK 10,778,327 thousand (EUR 420,610 thousand in EUR equivalent using FX as of 30 July 2019). This liability was offset on 30 July 2019 against the receivable arising from the loan provided as Financial Assistance. The impact of these transactions on the Consolidated statement of cash flows is presented as a cash outflow from financing activities in the row "Distribution of capital contribution".

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13. Non-controlling interests

The Group's non-controlling interests amount to EUR 855,946 thousand as of 31 December 2019 and relate mainly to the OPAP S.A. subgroup. The Group holds an economic interest of 32.73% in OPAP S.A. with non-controlling interest of 67.27%. Non-controlling interest in the OPAP S.A. subgroup includes a 16.50% non-controlling interest in OPAP S.A.'s subsidiary HELLENIC LOTTERIES S.A. and a 32.28% non-controlling interest in its subsidiary Neurosoft S.A.

In November 2019, as a result of a voluntary tender offer and subsequent open market purchases, the Group's shareholding in OPAP S.A. was increased to 40.01%, with a direct share of 7.28% held by SAZKA Group a.s.

Other non-controlling interests represent 24.52% on equity of the whole Emma Delta Management Ltd subgroup (including OPAP S.A. subgroup).

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

31/12/2019	HELLENIC LOTTERIES S.A.	Neurosoft S.A.
Direct share in OPAP S.A. subgroup		
Direct non-controlling interest percentage	**16.50%**	**32.28%**
Non-current assets	121,604	10,342
Current assets	132,106	7,589
Non-current liabilities	–49,804	–3,994
Current liabilities	–112,938	–4,351
Net assets	90,968	9,586
Subgroup's non-controlling interest	--	--
Net assets attributable to the Group	90,968	9,586
Non-controlling interest calculation	**15,010**	**3,094**
Subgroup's non-controlling interest entering into consolidation	--	--
Carrying amount of non-controlling interest	**15,010**	**3,094**
Net assets excluding net assets of subgroup on lower level (Note 1.3)	90,968	9,586
Effective non-controlling interest share	79.34%	83.27%
Effective non-controlling interest	**72,174**	**7,983**

(1) Net assets of Emma Delta Management Ltd subgroup ("ED Management subgroup") consist mainly of the net assets of OPAP S.A, which are further diluted on the Emma Delta level.

(2) Other individually immaterial subgroups with NCI consist of Medial Beteiligungs GmbH subgroup and Minus5 d.o.o. subgroup (discontinued operation).

(3) Non-controlling interest of EUR 896,265 thousand is further decreased by EUR 95,024 thousand which represents the direct share of SAZKA Group a.s. in OPAP S.A. subgroup (not indirectly through ED Management subgroup)

OPAP S.A. subgroup	ED Management subgroup (incl. OPAP S.A. subgroup)[1]	Direct share in OPAP S.A. subgroup of SAZKA Group a.s.	Other (individually immaterial)[2]	Total
		7.28%		
67.27%	**24.52%**			
2,093,034	2,078,850			
876,535	886,682			
–1,315,478	–1,322,188			
–330,611	–525,115			
1,323,480	1,118,229			
18,210	896,264			
1,305,270	221,965			
878,055	**54,426**			
18,210	896,265			
896,265[3]	**950,691**	**–95,024[3]**	**279**	**855,946**
1,222,926	–205,251			
75.30%	24.52%			
920,863	**–50,329**	**–95,024**	**279**	**855,946**

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2019	HELLENIC LOTTERIES S.A.	Neurosoft S.A.
Direct share in OPAP S.A. subgroup		
Direct non-controlling interest percentage	**16.50%**	**32.28%**
Summarized information from SOCI for the year		
Net gaming margin	96,720	--
Profit	1,723	–2,899
Other comprehensive income	1	9
Total comprehensive income	1,724	–2,890
Profit allocated to non-controlling interest	**758[5]**	**–936**
OCI allocated to non-controlling interest	**--**	**3**
Share of profit of subgroup's non-controlling interest entering into consolidation	--	--
Share of other comprehensive income of subgroup's non-controlling interest entering into consolidation	--	--
Total comprehensive income attributable to non-controlling interest	**758**	**–933**
Summarized cash flow information for the year		
Net cash from operating activities	11,687	–170
Cash flows used in investing activities	–4,999	–762
Net cash from financing activities	–10,089	8
Net inflow (+) / outflow (–) of cash and cash equivalents for the year	**–3,401**	**–924**
Dividends declared to NCI[3]	**–3,304**	**--**

[1] Net assets of Emma Delta Management Ltd subgroup ("ED Management subgroup") consist mainly of the net assets of OPAP S.A, which are further diluted on the Emma Delta level.

[2] Other individually immaterial subgroups with NCI consist of Medial Beteiligungs GmbH subgroup and Minus5 d.o.o. subgroup (discontinued operation).

[3] OPAP S.A. provides shareholders the option of receiving dividends as cash or OPAP S.A. shares via a scrip programme. Dividend paid in cash to NCI was in the amount of EUR 140,785 thousand and dividend settled by issuing of new OPAP S.A. shares was in the amount of EUR 25,081 thousand.

[4] Income attributable to non-controlling interest of EUR 159,977 thousand is further decreased by EUR 7,231 thousand which represents direct share of SAZKA Group a.s. in OPAP S.A. subgroup (not indirectly through ED Management subgroup).

[5] 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.

Continuing operations			Discontinued operations		
OPAP S.A. subgroup	**ED Management subgroup (incl. OPAP S.A. subgroup)[1]**	**Direct share in OPAP S.A. subgroup of SAZKA Group a.s.**	**SUPER SPORT subgroup**	**Other (individually immaterial)[2]**	**Total**
		7.28%			
67.27%	**24.52%**		**33.00%**		
1,091,711	1,091,711		37,235		
239,559	61,508		18,750		
–1,118	–366		–28		
238,441	61,142		18,722		
160,904[5]	**15,845[5]**	**–7,177**	**6,188**	**111**	**175,693**
–752	**–108[5]**	**–54**	**–9**	**–12**	**–932**
–178	160,726		--		
3	–749		--		
159,977[4]	**175,714**	**–7,231[4]**	**6,179**	**99**	**174,761**
279,330	244,845		18,159		
–49,030	–24,234		–180		
221,519	221,020		–31,769		
451,819	**441,631**		**–13,790**		**427,841**
–130,445	**–24,617**		**–10,785**	**–19**	**–165,866**

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The Group's non-controlling interests amounted to EUR 961,960 thousand as of 31 December 2018 and related mainly to the OPAP S.A. subgroup. The Group held an economic interest of 33.00% in OPAP S.A. with non-controlling interest of 67.00%. Non-controlling interest in the OPAP S.A. subgroup included a 33.00% non-controlling interest in OPAP S.A.'s subsidiary HELLENIC LOTTERIES S.A. and a 32.28% non-controlling interest in its subsidiary Neurosoft S.A.

Other non-controlling interests included 28.13% of the equity of the Emma Delta Management Ltd subgroup, 33.00% of the equity of SUPER SPORT d.o.o. subgroup and 49.00% of the equity of Minus5 d.o.o.

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

31/12/2018	HELLENIC LOTTERIES S.A.	Neurosoft S.A.
Direct non-controlling interest percentage	**33.00%**	**32.28%**
Non-current assets	127,792	10,910
Current assets	125,641	7,800
Non-current liabilities	–49,760	–3,243
Current liabilities	–104,415	–2,991
Net assets	99,258	12,477
Subgroup's non-controlling interest	--	--
Net assets attributable to the Group	99,258	12,477
Non-controlling interest calculation	**32,755**	**4,027**
Subgroup's non-controlling interest entering into consolidation	--	--
Carrying amount of non-controlling interest	**32,755**	**4,027**
Net assets excluding net assets of subgroup on lower level (Note 1.4)	99,258	12,477
Effective non-controlling interest share	84.11%	83.94%
Effective non-controlling interest	**83,485**	**10,472**

[1] Net assets of Emma Delta Management Ltd subgroup ("ED Management subgroup") consist mainly of the net assets of OPAP S.A and margin loan, which are further diluted on the Emma Delta level.

[2] Other individually immaterial subgroups in terms of NCI consist of Medial Beteiligungs GmbH subgroup and Minus5 d.o.o. subgroup.

OPAP S.A. subgroup	ED Management subgroup (incl. OPAP S.A. subgroup)[1]	SUPER SPORT subgroup	Other (individually immaterial)[2]	Total
67.00%	**28.13%**	**33.00%**		
2,093,068	2,078,884	57,808		
381,218	392,031	44,557		
–905,426	–1,059,049	–9,963		
–295,024	–298,696	–12,743		
1,273,836	1,113,170	79,559		
36,782	865,609	--		
1,237,054	247,561	79,659		
828,826	**69,639**	**26,287**		
36,782	865,608	--		
865,608	**935,247**	**26,287**	**425**	**961,960**
1,162,101	–160,666	79,659		
76.28%	28.13%	33.00%		
886,486	**–45,195**	**26,287**	**425**	**961,960**

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2018	HELLENIC LOTTERIES S.A.	Neurosoft S.A.
Direct non-controlling interest percentage	**33.00%**	**32.28%**
Summarized information from SOCI for the year		
Net gaming margin	106,518	--
Profit	6,315	–295
Other comprehensive income	8	3
Total comprehensive income	6,322	–292
Profit allocated to non-controlling interest	**2,084**	**–96**
OCI allocated to non-controlling interest	**3**	**1**
Share of profit of subgroup's non-controlling interest entering into consolidation	--	--
Share of other comprehensive income of subgroup's non-controlling interest entering into consolidation	--	--
Total comprehensive income attributable to non-controlling interest	**2,087**	**–95**
Summarized cash flow information for the year		
Net cash from operating activities	17,194	1,094
Cash flows used in investing activities	118	–867
Net cash from financing activities	–20,511	62
Net inflow (+) / outflow (–) of cash and cash equivalents for the year	**–3,198**	**289**
Dividends paid to NCI	**--**	**--**

(1) Net assets of Emma Delta Management Ltd subgroup ("ED Management subgroup") consist mainly of the net assets of OPAP S.A and margin loan, which are further diluted on the Emma Delta level.

(2) Other individually immaterial subgroups in terms of NCI consist of Medial Beteiligungs GmbH subgroup and Minus5 d.o.o. subgroup.

Continuing operation		Discontinued operations		
OPAP S.A. subgroup	ED Management subgroup (incl. OPAP S.A. subgroup)[1]	SUPER SPORT subgroup	Other (individually immaterial)[2]	Total
67.00%	**28.13%**	**33.00%**		
1,039,935	1,039,935	70,099		
143,251	36,507	36,809		
–873	–288	95		
142,378	36,219	36,904		
95,978	**10,269**	**12,147**		
–585	**–80**	**32**		
1,988	97,966	--		
4	–581	--		
97,385	**107,574**	**12,179**	**1,932**	**121,685**
253,109	185,500	60,740		
–109,315	–95,141	–915		
–198,441	–140,376	–20,241		
–54,647	**–50,018**	**39,584**		**–10,434**
–88,621	**–88,621**	**–6,680**	**–676**	**–95,977**

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14. Bank loans and other borrowings

	31/12/2019	31/12/2018
Bank loans and other borrowings – non-current portion	**2,252,527**	**1,653,740**
Long-term bank loans	483,225	799,353
Long-term loans from companies outside the Group	--	8,622
Long-term liabilities arising from debt securities (bonds)	1,769,302	845,765

	31/12/2019	31/12/2018
Bank loans and other borrowings – current portion	**99,414**	**113,172**
Current portion of long-term bank loans and borrowings	83,288	109,176
Short-term bank loans and borrowings received	--	3,383
Short-term liabilities arising from debt securities (bonds)	14,342	422
Overdrafts	1,784	191

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

	2019	2018
Balance 1 January	**1,766,912**	**1,599,712**
Cash flows		
Loans and borrowings received	1,087,215	990,640
Repayment of loans and borrowings	–423,763	–805,830
Interest for previous year paid*	–4,326	--
Non-cash changes		
Accrued unpaid interest	11,811	–15,043
Non-cash settlement	–7,936	--
Effect of disposal of subsidiaries	–85,115	--
Effect of FX differences recognized in Profit or loss	–4,428	1,174
Effect of FX differences recognized in Other comprehensive income	11,571	–3,741
Balance 31 December	**2,351,941**	**1,766,912**

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

Loans received from related parties

As at 31 December 2019 and 31 December 2018, the Group had no loans from related parties.

Debt instruments

Issuer	Issued debt instrument	Currency	Principal amount in thousands of EUR 31/12/2019	Maturity	Interest rate	Book value 31/12/ 2019	Book value 31/12/ 2018
Bank loans						**566,513**	**908,912**
CAME Holding GmbH	Bank loan	EUR	95,709	2020	3M EURIBOR + margin*	96,574	108,211
Emma Delta Hellenic Holdings Limited	Bank loan	EUR	--	2019	3M EURIBOR + margin*	--	145,383
OPAP S.A.	Bank loan	EUR	573	2025	3M EURIBOR + margin*	573	665
Italian Gaming Holding a.s.**	Bank loan	EUR	212,828	2023	3M EURIBOR + margin*	211,926	278,013
SAZKA a.s.	Bank loan	CZK	110,685	2024	3M PRIBOR + margin*	109,860	132,554
SAZKA a.s.	Bank loan	CZK	147,580	2025	3M PRIBOR + margin*	147,580	145,773
SAZKA Group Adriatic d.o.o.	Bank loan	EUR	--	2023	3M EURIBOR + margin*	--	14,064
SAZKA Group Adriatic d.o.o.	Bank loan	EUR	--	2024	3M EURIBOR + margin*	--	10,684
SAZKA Group Adriatic d.o.o.	Bank loan	HRK	--	2023	3M EURIBOR + margin*	--	41,777
SAZKA Group Adriatic d.o.o.	Bank loan	HRK	--	2024	3M EURIBOR + margin*	--	31,788
Bond loans						**1,054,004**	**649,595**
OPAP S.A.	Bond loan	EUR	250,000	2023	FIXED	249,393	248,804
OPAP S.A.	Bond loan	EUR	200,000	2022	FIXED	200,133	197,510
HELLENIC LOTTERIES S.A.	Bond loan	EUR	50,000	2023	FIXED	49,828	49,286
HORSE RACES S.A.	Bond loan	EUR	5,000	2020	6M EURIBOR + margin*	5,055	5,000
OPAP S.A.	Bond loan	EUR	--	2020	FIXED	--	49,482
OPAP S.A.	Bond loan	EUR	100,000	2023	3M EURIBOR + margin*	100,029	99,513
OPAP S.A.	Bond loan	EUR	300,000	2024	3M EURIBOR + margin*	298,812	--
OPAP S.A.	Bond loan	EUR	100,000	2024	FIXED	100,565	--
OPAP S.A.	Bond loan	EUR	50,000	2022	3M EURIBOR + margin*	50,189	--
Bonds						**729,640**	**196,592**
SAZKA Group Financing a.s. – EUR 200m**	Issued bonds	EUR	200,000	2022	4.00%	197,490	196,592
SAZKA Group a.s. CZK 6bn	Issued bonds	CZK	236,128	2024	5.20%	234,954	--
SAZKA Group a.s. EUR 300m**	Issued bonds	EUR	300,000	2024	4.13%	297,196	--
Other						**1,784**	**11,813**
Total						**2,351,941**	**1,766,912**

*Margin applicable to the outstanding bank loans and issued bond loans as of 31 December 2019 is in the range of 2.05% – 3.90% p.a.

**A proportion of issued bonds and loans in the amount of EUR 376 million is used by management as a hedging instrument in the "Net investment hedge" (see Note 18)

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15. Lease liabilities

Until 31 December 2018 leases of "Property, plant and equipment" were classified as either finance leases or operating leases, see also Note 2f. From 1 January 2019, leases are recognized as a right-of use asset and a corresponding liability at the date at which leased asset is available for use by the Group.

This Note provides information for leases where the Group is lessee. For leases where the Group is lessor please refer to Note 33. For the amounts recognized as a right-of use asset please refer to the Note 5.

As at 31 December 2018 the Group did not recognize any finance leases.

Balance at 1/1/2019	2f	**77,235**
Disposals of subsidiaries		–7,726
Payment lease liabilities		–9,102
New lease contracts		7,768
Effect of currency translation		35
Balance at 31/12/2019		**68,210**
Interest expense from leases	30	**–2,528**
Expense relating to short-term leases		–485
Expense relating to leases of low value assets		–761
Expense relating to variable lease payments		–967
Total expenses relating to leases not recognised as Right of use assets according to practical expedients	23	**–2,213**

Amounts of minimum lease payments at balance sheet date under non-cancellable operating leases were:

		2018
Within one year		10,607
From one to five years		22,600
In more than five years		32,341
Total		**65,548**

16. Provisions

Short-term provisions	Note	Short-term provision for jackpots and scratch cards	Other short-term provisions	Total
Balance at 1/1/2018		**7,324**	**2,365**	**9,689**
Additions		8,762	3,917	12,679
Utilisation		–7,296	–2,355	–9,651
Effect of currency translation		–56	–23	–79
Balance at 31/12/2018		**8,734**	**3,904**	**12,638**
Balance at 1/1/2019		**8,734**	**3,904**	**12,638**
Additions		8,074	--	8,074
Utilisation		–8,752	–3,108	–11,860
Release		--	–805	–805
Effect of currency translation		101	9	110
Balance at 31/12/2019		**8,157**	**--**	**8,157**

The provision for jackpots is generated cumulatively till the jackpot is won as described in (Note 3p).

Long-term provisions	Note	Litigation provision	Other long-term provisions	Total
Balance at 1/1/2018		**29,493**	**4,274**	**33,767**
Additions		1,776	856	2,632
Utilisation		–1,161	--	–1,161
Release		–3,529	--	–3,529
Effect of currency translation		--	–21	–21
Balance at 31/12/2018		**26,579**	**5,109**	**31,688**
Balance at 1/1/2019		**26,579**	**5,109**	**31,688**
Additions		2,454	--	2,454
Utilisation		–2,418	–4,557	–6,975
Release		–18,533	–123	–18,656
Effect of currency translation		--	6	6
Balance at 31/12/2019		**8,082**	**435**	**8,517**

Release of "Litigation provision" as of 31 December 2019 in the amount of EUR 18,533 thousand (31 December 2018: EUR 3,529 thousand) was driven by the closure of legal proceedings due to receipt of a positive ruling for the case from the Supreme Court of Greece and reaching an arrangement with the counterparty. The amount of EUR 8,517 thousand relates mainly to provisions recorded for probable losses from several lawsuits by third parties, agents and employees against the Group.

17. Trade and other payables

	31/12/2019	31/12/2018
Other long-term liabilities	**9,975**	**126,178**
Deferred consideration for the purchase of SUPER SPORT d.o.o. (Note 11)	--	112,943
Obligation to purchase IGT Czech Republic LLC	2,069	2,011
Deferred consideration for the purchase of shares in OPAP S.A.	6,709	--
Guarantee deposits from lottery agents	--	9,771
Other payables	1,197	1,453

	31/12/2019	31/12/2018
Short-term trade and other payables	**380,890**	**363,298**
Liabilities arising from unclaimed prizes	126,043	121,793
Short-term trade payables	73,214	86,060
Lottery tax liabilities	80,908	74,534
Payables to state (social and health insurance liabilities, other taxes)	16,171	11,758
Payables to employees	18,040	10,796
Prepaid stakes	13,946	9,593
Contract liabilities	1,140	1,388
Guarantee deposits from lottery agents	14,745	--
Deferred consideration for the purchase of shares in OPAP S.A. (to be paid in October 2020)	3,000	--
Other payables	33,683	47,376

Based on a clarification of the definition of "Guarantee deposits from lottery agents" the amount of EUR 14,745 thousand was reclassified from long term trade payables to short term trade payables in 2019.

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"Lottery tax liabilities" are due when cash for stakes is accepted. Lottery tax is calculated as the tax base multiplied by a rate, which varies based on the type of game and country by country. The tax base is the difference between "Amount staked" and prizes paid .

Trade payables comprise items arising from the Group's ordinary course of business and are due as specified in the respective payment terms.

As at 31 December 2019 and 31 December 2018, "Trade and other payables" were not secured.

The Group's exposure to currency and liquidity risk related to "Trade and other payables" is described in Note 35 to the consolidated financial statements – Risk management.

18. Derivatives

As at 31 December 2019, the Group had the following financial derivatives for hedging:

The Group uses interest rate derivatives (IRS) to mitigate the risk of negative impact on future cash flow due to an increase in interest rates. The future cashflows relate to interest payments under loan agreements, in which interest payments are based on floating rates (EURIBOR, PRIBOR).

When the hedge accounting requirements are fulfilled, derivatives are designated and recognized as hedging derivatives. The changes in fair value of hedging derivatives are recognized through equity and other comprehensive income.

The Group also uses currency derivatives (FX forwards, FX swaps) to mitigate currency risk. Although the currency derivatives economically offset the currency risk, hedge accounting criteria are not fulfilled for these derivatives, apart from derivatives designated as hedging instruments under net investment hedges (see section below). Consequently, the currency derivatives are recognized as trading derivatives classified as financial instruments at fair value through profit or loss.

Further, the Group makes use of non-derivative financial liabilities to hedge foreign currency risks resulting from net investments, provided that these other financial liabilities meet the same requirements as a hedging derivative (see Note 14). The non-derivative financial liabilities can only be used for hedging of foreign currency risks. 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. The Group enters into currency forwards that have similar critical terms as the hedged item, such as currency or notional amount. As all critical terms matched during the year, the economic relationship was 100% effective. The Group does not recognize any hedge ineffectiveness from net investment hedges in the consolidated profit or loss statement. 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 hedge reserve.

The Group held the following hedging derivatives:

Hedging derivatives	Due date	Fixed rate	Nominal value as at 31/12/2019	Average fixed rate 31/12/2019	Fair value as at 31/12/2019
Interest rate swaps	2020	3M PRIBOR	17,710	0.310	341
Interest rate swaps	2024	3M PRIBOR	91,499	1.729	851
Interest rate swaps	2024	3M PRIBOR	22,912	2.215	–50
Interest rate swaps	2025	3M PRIBOR	121,999	1.894	300
Interest rate swaps	2025	3M PRIBOR	5,903	2.512	–185
Interest rate swaps	2023	3M EURIBOR	100,000	0.365	–2,524
Net investment hedge*	2020	--	230,000	26.214	3,152
Total hedging derivatives			**590,023**	**--**	**1,885**

*FX forward, where the currency exchange rate CZK/EUR is fixed. FX forwards represent hedging instruments for the "Net investment hedge".

Hedging derivatives	Due date	Fixed rate	Nominal value as at 31/12/2018	Average fixed rate 31/12/2018	Fair value as at 31/12/2018
Interest rate swaps	2020	3M PRIBOR	17,493	0.310	577
Interest rate swaps	2024	3M PRIBOR	115,610	1.783	187
Interest rate swaps	2025	3M PRIBOR	126,336	1.922	–2,067
Interest rate swaps	2022	3M EURIBOR	79,202	–0.248	60
Interest rate swaps	2023	3M EURIBOR	100,000	0.004	–1,271
Total hedging derivatives			**438,641**	**--**	**–2,514**

The effect of hedge accounting recognized in profit or loss and other comprehensive income during the year were as follows:

	Hedging gains(+)/losses (–) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2019
Cash flow hedge reserve, net of tax	**9,870**	**–3,638**	**6,232**
attributable to owners of the Company	10,664*	–3,638	7,026
attributable to non-controlling interest	–794	--	–794

*Includes revaluation of hedging instruments under the "Net investment hedge" in the amount of EUR 6,084 thousand.

	Hedging gains(+)/losses (–) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2018
Cash flow hedge reserve, net of tax	**–5,056**	**–1,664**	**–6,720**
attributable to owners of the Company	–4,449	–1,664	–6,113
attributable to non-controlling interest	–607	--	–607

Effects of cash flow hedge are recognized in other comprehensive income under the line item "Remeasurement of hedging derivatives" and in profit or loss under the line item "Finance cost".

The hedged cash flows are interest payments on bank loans in actual amount as 31 December 2019 of EUR 571,093 thousand (2018: EUR 657,060 thousand). The IRSs designated as hedging instruments perfectly matches the critical terms of the loan, which ensures high effectivity of the hedge relationship for the life-time of the hedge. Subsequently the Group applies a Dollar offset method to measure the effectiveness of the hedge relationship. The effectiveness of hedging as of 31 December 2019 and 2018 met IFRS criteria for recognition as hedging derivatives. The Group has not recognized any hedge ineffectiveness arising from these hedges in the consolidated statement of profit or loss.

The Group held the following trading derivatives:

Trading derivatives	Due date	Nominal value as at 31/12/2019	Fair value as at 31/12/2019	Nominal value as at 31/12/2018	Fair value as at 31/12/2018
FX forwards	2019	--	--	50,000	–81
FX swaps	2022	14,136	–74	41,068	–167
Call option	2023	8,359	8,359	8,800	6,702
FX swaps	2023	148,286	–883	197,680	–553
Total trading financial derivatives		**170,781**	**7,402**	**297,548**	**5,901**

All financial derivatives at fair value as at 31 December 2019 and 2018 were categorised to Level 2 in the fair value 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 foreign currency forwards and swaps – present value of future cash flows based on the forward exchange rates at the balance sheet date;
- for call options – option pricing models.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For all of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

19. Employee benefits

Long-term incentive scheme of OPAP S.A.

On 28 March 2017 the Board of Directors of OPAP S.A., following a recommendation of the Remuneration and Nomination Committee of OPAP S.A., approved a long term incentive scheme with distribution of part of the net profits to Executive Members of the Board of Directors and other key management personnel, excluding the CEO. The programme's duration was 3 years, for the period 2017-2019.

The targets relate to:

- the profitability of OPAP S.A. for the 3 year period mentioned above and
- increasing OPAP S.A.'s share price on the Athens Exchange.

Finally, the scheme defines that the maximum amount to be distributed to up to 30 beneficiaries is EUR 7,000 thousand.

As of 31 December 2019, the liability that relates to the above scheme amounts to EUR 3,578 thousand (2018: EUR 2,305 thousand) for the Group. The amount is reflected among the others, in the line "Payables to employees", Note 17.

Bonus programme in Sazka a.s.

In 2015 a long-term bonus programme in Sazka a.s. was approved. The aim of the long-term bonus programme is to motivate the management in Sazka a.s. to meet long-term growth targets.

A short-term payable totalling EUR 1,351 thousand (31 December 2018: EUR 3,415 thousand) was recognized in respect of this programme, see also Note 17 line "Payables to employees".

Defined Benefit Plan

Under Greek labour law, employees are entitled to termination payments in the event of retirement with the amount of payment varying in relation to the employee's compensation and length of service. The liability arising from the above obligation is valued by an independent firm of actuaries. The last actuarial valuation was undertaken in December 2019.

The analysis of the plans in Consolidated statement of financial position is as follows:

	31/12/2019
Current service costs	456
Interest costs	35
Settlement cost (result)	4,204
Total cost recognized in Consolidated statement of profit or loss	**4,695**
Actuarial (gain)/loss arising from financial assumptions	157
Actuarial (gain)/loss arising from experience adjustment	58
Total actuarial (gain)/loss recognized in other comprehensive income	**215**
Payments	–4,420
Closing balance as at 31 December	**2,993**

The principal actuarial assumptions used in the actuarial valuation as at 31 December 2019 are the following:

Actuarial assumptions used:	31/12/2019
Discount rate	1.15%
Rate of increase in salaries	2.00%
Average service in the company	25,8
Inflation rate	1.50%

The following table shows the change in actuarial liability of the Group if the discount rate was 0.5% higher or lower than the rate used and the corresponding change if the expected rate of salary increase was 0.5% higher or lower than the rate used:

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 the expected wages' increase by 0.5%
Actuarial liability	2,684	3,333	3,279	2,716
Percentage change	–10.18%	11.53%	9.75%	–9.09%

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20. Revenues and Revenue from sale of goods and services

	2019	2018 Restated*
Amount staked	5,456,834	5,195,375
Pay-outs to winners	–3,550,751	–3,397,112
Gross gaming revenue (GGR)	**1,906,083**	**1,798,263**
Lottery tax	–594,966	–565,314
Net gaming margin**	**1,311,117**	**1,232,949**
Revenue from sale of goods and services	**147,334**	**130,729**
Sales of goods	102,523	94,816
Sales of services	44,811	35,913

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

**Usually referred to as Net gaming revenue (NGR).

In the following table Total revenue is disaggregated by major product/services lines and timing of revenue recognition. The table also includes a reconciliation of disaggregated revenue with the Group's operating segments (Note 36).

31 December 2019 Gross gaming revenue (GGR) and Revenue from sale of goods and services according to major products/service lines	Numerical lotteries	Instant lotteries	Sports betting	Digital games	VLTs & gaming machines	Other	Total
Draw based games	968,423	--	--	--	--	--	968,423
Passive lotteries	--	53,515	--	--	--	--	53,515
Instant lotteries	--	157,925	--	8,857	--	--	166,782
Sports betting	--	--	402,850	--	--	--	402,850
VLTs & gaming machines	--	--	--	16,855	297,658	--	314,513
Mobile virtual network operator (MVNO)	--	--	--	--	--	10,419	10,419
Mobile phone top-up service	--	--	--	--	--	97,483	97,483
Other	--	--	--	--	--	39,432	39,432
Total Gross gaming revenue (GGR) and Revenue from sale of goods and services	**968,423**	**211,440**	**402,850**	**25,712**	**297,658**	**147,334**	**2,053,417**
Lottery tax							–594,966
Total Net gaming revenue (NGR) and Revenue from sale of goods and services							**1,458,451**

31 December 2018 Restated* Gross gaming revenue (GGR) and Revenue from sale of goods and services according to major products/service lines	Numerical lotteries	Instant lotteries	Sports betting	Digital games	VLTs & gaming machines	Other	Total
Draw based games	966,684	--	--	--	--	--	966,684
Passive lotteries	--	56,527	--	--	--	--	56,527
Instant lotteries	--	146,211	--	4,511	--	--	150,722
Sports betting	--	--	411,975	--	--	--	411,975
VLTs & gaming machines	--	--	--	3,696	208,659	--	212,355
Mobile virtual network operator (MVNO)	--	--	--	--	--	10,122	10,122
Mobile phone top-up service	--	--	--	--	--	92,877	92,877
Other	--	--	--	--	--	27,730	27,730
Total Gross gaming revenue (GGR) and Revenue from sale of goods and services	**966,684**	**202,738**	**411,975**	**8,207**	**208,659**	**130,729**	**1,928,992**
Lottery tax							–565,314
Total Net gaming revenue (NGR) and Revenue from sale of goods and services							**1,363,678**

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

Disaggregation of revenues according to timing of revenue recognition for the 12 month period ended 31 December 2019:

	At a pointin time	Over time	Total
Mobile virtual network operator (MVNO)	10,419	--	10,419
Mobile phone top-up	97,483	--	97,483
Other	30,958	8,474	39,432
Total revenues from contracts with customers	**138,860**	**8,474**	**147,334**
Gross gaming revenue (GGR)			1,906,083
Total revenues			**2,053,417**

Disaggregation of revenues according to timing of revenue recognition for the 12 month period ended 31 December 2018:

	At a pointin time	Over time	Total Restated*
Mobile virtual network operator (MVNO)	10,122	--	10,122
Mobile phone top-up	92,877	--	92,877
Other	27,730	--	27,730
Total revenues from contracts with customers	**130,729**	**--**	**130,729**
Gross gaming revenue (GGR)			1,798,263
Total revenues			**1,928,992**

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

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The Group recognized the following assets and liabilities related to contracts with customers:

	31/12/2019	31/12/2018
Current contract liabilities relating to MVNO contracts (Note 17)	1,140	1,388

21. Other operating income

	2019	2018 Restated*
Other operating income	**12,532**	**14,261**
Income from leases	4,511	3,640
Income from subsidies	941	518
The remaining portion of operating income	7,080	10,103

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

22. Agents' commissions

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

*Usually referred to as "Net gaming revenue" (NGR).

23. Materials, consumables and services

	2019	2018 Restated*
Materials, consumables and services	**–330,165**	**–324,737**
Cost of goods sold	–104,078	–97,561
Fees to system providers	–99,463	–100,972
Advisory and other professional services	–71,636	–61,173
Cost of IT and software services	–12,221	–15,449
Telecommunication services	–10,286	–10,533
Scratch card production cost	–7,987	–6,939
Expense relating to leases (Note 14)	–2,213	–11,869
Materials and consumables	–2,002	–1,821
Other services	–20,279	–18,420

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

The majority of "Materials, consumables and services" are directly related to revenue from lottery and betting activities.

24. Marketing services

	2019	2018 Restated*
Marketing services	**–92,397**	**–89,779**
Advertising	–71,930	–67,147
Sponsorship and donations	–20,467	–22,632

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

25. Personnel expenses

	2019	2018 Restated*
Personnel expenses	**–106,086**	**–97,980**
Wages and salaries	–81,018	–77,218
Social security and health insurance	–18,241	–16,378
Other social expenses	–2,167	–2,120
Retirement benefit costs	–4,660	–2,264

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

The average number of employees in 2019 was 2,023 employees (2018: 3,110).

The decrease in number of employees is mainly related to the sale of the Croatian subgroup.

“Social security and health insurance” expense includes an amount of EUR 11,695 thousand (2018: EUR 11,008 thousand) related to contribution to state pension funds. The Group’s legal and constructive obligation for these pension state plans is limited to the contributions.

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26. Other operating expenses

	2019	2018 Restated*
Other operating expenses	**–50,632**	**–47,198**
Other taxes	–14,354	–12,283
Travel expenses	–3,876	–4,005
Repair and maintenance	–5,487	–2,342
Fees	–1,509	–1,340
Insurance premiums	–1,112	–1,015
Net impairment losses on financial assets	–4,818	48
Write off trade receivables	–1,201	--
The remaining portion of operating expenses	–18,275	–26,261

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

As at 31 December 2019, "The remaining portion of operating expenses" primarily comprises expenses related to the OPAP subgroup amounting to EUR 15,661 thousand (2018: 19,559 EUR thousand). These contain mainly manufacturing materials (slips, coupons) for OPAP stores totally amounting to EUR 2,492 thousand (2018: 10,689 EUR thousand). Other items include subscriptions for international organizations of EUR 1,429 thousand (2018: EUR 1,993 thousand) and prizes for horse races of EUR 895 thousand (2018: EUR 946 thousand). Other items are individually immaterial.

27. Share of profit equity method investees

	2019	2018
Share of profit equity method investees (net of tax)	**120,388**	**101,297**

As at 31 December 2019 the Group has significant influence in associated companies Casinos Austria AG, LTB Beteiligungs GmbH, CLS Beteiligungs GmbH, LOTTOITALIA S.r.l. and TCB Holdings Ltd as described in Note 6.

28. Operating EBITDA

The Directors of the Group have presented the performance measure "Operating EBITDA" as they monitor this performance measure at a consolidated level. Operating EBITDA is not a defined performance measure in IFRS.

"Operating EBITDA" is calculated as "Profit before income tax" less "Finance costs, net" less "Depreciation and amortization".

29. Depreciation and amortization

	2019	2018 Restated*
Depreciation and amortization	**–121,639**	**–118,165**
Depreciation of property, plant and equipment incl. investment property	–23,172	–21,693
Amortisation of intangible assets	–80,586	–78,931
Impairment of intangible assets	–4,650	–41
Impairment of goodwill	–4,000	–17,500
Depreciation of right of use asset	–9,231	--

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

30. Interest income calculated using the effective interest method, finance income and finance costs

	2019	2018 Restated*
Interest income calculated using the effective interest method	**7,506**	**3,055**
Interest income from loans	5,918	2,130
Interest income from bonds	1,588	925
Other finance income	**3,318**	**2,187**
Dividends received from financial investments	53	44
Other finance income	1,086	1,799
Foreign exchange gains	2,179	344
Finance cost	**–123,831**	**–81,734**
Interest expense on bank loans	–29,606	–39,784
Interest expense on leases	–2,528	--
Interest expense on bonds	–38,129	–32,576
Other finance expenses	–53,568	–9,374
Finance costs, net	**–113,007**	**–76,492**

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

"Other finance expenses" primary relates to financing fees in the amount of EUR 40,883 thousand incurred in relation to the VTO for OPAP S.A. described in Note 1.3 (Changes in the Group).

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31. Income tax expense

	2019	2018 Restated*
Income tax expense	**–46,266**	**–83,069**
Current income tax	–75,302	–80,990
Deferred income tax	29,036	–2,079

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

Income tax expense attributable to:	2019	2018 Restated*
– continuing operations	–46,266	–83,069
– discontinued operations	–5,234	–7,224

"Deferred tax" is calculated using tax rates that are expected to be valid when the asset is realized or the liability settled. The tax rates are country dependent and following 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 estimated tax for 2019 and adjustment to estimated tax for 2018.

Corporate income tax by country/region	Tax rate	
	2019	2018
Austria	25.00%	25.00%
Croatia	18.00%	18.00%
Cyprus	12.50%	12.50%
Czech Republic	19.00%	19.00%
Greece	24.00%	29.00%
Russia	20.00%	20.00%
Slovakia	21.00%	21.00%
Vietnam	20.00%	20.00%

During 2019 the income tax reduced in Greece. More specifically, the Law 4649/2019 (Government's Gazette A' 201/12.12.2019) amended the Income Tax Code (Law 4172/2013) regarding the corporate income tax and sets the income tax rate at 24%.

In the prior year, the law that was then in force L.4579/2018 (Government's Gazette A' 201/03.12.2018), defined a gradual reduction in corporate income tax rates as follows:

- 28.00% for the 2019 fiscal year
- 27.00% for the 2020 fiscal year
- 26.00% for the 2021 fiscal year
- 25.00% for the fiscal years from 2022 onwards

Consequently, for the current year the income and deferred tax expense is calculated using 24% rate, while in prior year income tax expense was calculated using 29% rate whereas, the deferred tax was calculated using rates from 25% to 28%.

The impact of the change in tax rate in Greece has been recognised in tax expense in profit or loss except to the extent that it relates to items previously recognized outside profit or loss.

Reconciliation of effective tax rate

		2019		2018 Restated*
Profit before income tax		**357,623**		**313,167**
Income tax using the current applicable tax rate (a)	19.00%	67,948	19.00%	59,502
Effect of changes in tax rate	–9.65%	–34,519	0.00%	--
Effect of non-deductible expenses	13.12%	46,907	5.07%	15,890
Effect of non-taxable income	–7.59%	–27,151	–1.20%	–3,756
Effect of certain income subject to a special tax rate	0.00%	–9	0.00%	–7
Tax credits	0.00%	--	0.03%	103
Tax relating to prior periods	0.07%	245	0.00%	--
Effect of accumulated tax loss claimed in the current period	–1.88%	–6,710	0.09%	270
Effect of not recognized deferred tax assets relating to tax losses of current period	1.08%	3,850	1.19%	3,724
Effect of profit or loss of equity method investees	–6.67%	–23,837	–6.78%	–21,243
Effect of adjustments that do not result in deferred tax	1.42%	5,070	2.07%	6,476
Effect of different tax rate in company within the Group	4.05%	14,472	7.06%	22,110
Income tax expense presented in the Consolidated statement of comprehensive income	**12.95%**	**46,266**	**26.53%**	**83,069**

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

(a) 19% income tax rate was used for reconciliation since it is a domestic tax rate of parent Company.

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32. Other comprehensive income/loss for the year

	31/12/2019	31/12/2018 Restated*
Items that are or may be reclassified to profit or loss:		
Translation of foreign operations into the Group's presentation currency	–2,998	119
Foreign currency translation differences of foreign operations disposed of transferred to profit or loss	–2,528	--
Translation of foreign operations into the Group's presentation currency total	**–5,526**	**119**
Share of OCI of equity method investees	–4,123	–5,542
Share of OCI of equity method investees	**–4,123**	**–5,542**
Effective portion of changes in fair value of cash flow hedges, before tax	10,681	–8,374
Deferred tax	–811	1,654
Effective portion of changes in fair value of cash flow hedges, net of tax	**9,870**	**–6,720**
Effective portion of changes in fair value of cash flow hedges transferred to profit or loss, before tax	–4,491	--
Deferred tax	853	--
Effective portion of changes in fair value of cash flow hedges transferred to profit or loss, net of tax	**–3,638**	**--**
Items that will not be reclassified to profit or loss:		
Actuarial gain/loss - before tax	–215	–101
Actuarial gain/loss - deferred tax	52	25
Actuarial gain/loss, net of tax	**–163**	**–76**
Other comprehensive income/(loss) for the year, net of income tax from continuing operations	**–3,580**	**–12,219**
Items that are or may subsequently be reclassified to profit or loss:		
Translation of foreign operations into the Group's presentation currency	17	2,533
Other comprehensive income/(loss) for the year, net of income tax from discontinued operations	**17**	**2,533**
Other comprehensive income/(loss) for the period, net of income tax	**–3,563**	**–9,686**

*The comparative Statement of other comprehensive income has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

Other comprehensive income/ (loss) attributable to:		
owners of the Company	–2,631	–8,541
non-controlling interest	–932	–1,145
Other comprehensive income/ (loss) for the period, net of income tax	**–3,563**	**–9,686**

33. Lease income

Income

As explained in Note 2f above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described in Note 2f including the impact of the change of policy. The new IFRS 16 standard significantly differentiates the accounting of leases for lessees while essentially, maintaining the existing requirements of IAS 17 for the lessors.

The Group leases non-residential premises and movable assets under leases – see Note 3r. In 2019, an amount of EUR 4,511 thousand (2018: EUR 3,640 thousand) was recognized as income from operating leases in the Consolidated statement of comprehensive income. The income is included in "Other operating income" in Note 21.

The Group will receive the following income from operating lease instalments (long-term contracts only):

	2019	2018
Within one year	355	453
From one to five years	226	2,257
Total	**581**	**2,710**

34. Contingencies

Legal matters

OPAP S.A. has appealed to the administrative courts, awaiting the hearing, for the imposition in 2014 of additional taxes and surcharges for the fiscal year 2010 of a total amount of EUR 29,568 thousand and at the same time OPAP SERVICES S.A. has also exercised legal right against the imposition of additional taxes and surcharges totalling EUR 2,773 thousand resulting from the tax audit conducted in 2016 for the fiscal year 2012. Both amounts have already been paid to the respective authorities.

Third party lawsuits against the OPAP S.A. subgroup have been filed of a total claim of EUR 366,696 thousand (2018: EUR 138,459 thousand), for which the outcome is estimated as positive for the subgroup and consequently, no provision is required. The majority of these claims relate to old distribution agent arrangements where similar cases were recently all ruled with a positive outcome for OPAP. In 2019, an additional number of former agents became a party to the lawsuit which resulted in an increase in the total potential claim.

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Off balance sheet items and pledged assets

Off-balance sheet assets	31/12/2019	31/12/2018
Guarantees received (bank and other guarantees)	27,956	39,666
Total	**27,956**	**39,666**

Off-balance sheet liabilities	31/12/2019	31/12/2018
Guarantees granted (notes, other guarantees)	53,500	--
Total	**53,500**	**--**

It is noted that out of the total of the above guarantees to Hellenic Republic Asset Development fund (HRADF) EUR 50,000 thousand are related to HELLENIC LOTTERIES S.A. and EUR 3,500 thousand to HORSE RACES S.A. and refer to the performance obligations arising from the respective concession agreements.

Pledged assets for the loans received by the company	31/12/2019	31/12/2018
Tangible and intangible fixed assets	96,594	94,588
Bank accounts	59,218	39,756

The highest portion of pledged tangible and intangible assets represent trademarks with carrying value of EUR 73,669 thousand (2018: EUR 72,768 thousand).

In addition the following securities and shares were pledged:

OPAP S.A. is a fully consolidated entity and therefore the shares are not presented on the Group's Statement of financial position. The pledge relates to the loan liability hold by Emma Delta Hellenic Holdings Limited which was fully repaid in November 2019. The related pledge agreement was terminated in March 2020.

Sazka a.s. is a fully consolidated entity and therefore the shares are not presented on the Group's Statement of financial position. The loan liabilities related to the pledge amount to EUR 258,265 thousand as of 31 December 2019. Net assets of Sazka a.s. are EUR 223,958 thousand as of 31 December 2019 (2018: EUR 174,769 thousand) and consists of the following:

	31/12/2019	31/12/2018
Assets		
Intangible assets	88,883	86,625
Goodwill	379,226	374,582
Property, plant and equipment	30,271	28,111
Other non-current investments	774	764
Long-term receivables and other non-current assets	1,814	3,979
Long-term restricted cash	2,165	--
Long-term derivative financial instruments	1,151	--
Total non-current assets	**504,284**	**494,061**
Inventories	458	253
Short-term trade receivables and other current assets	7,885	13,057
Short-term derivative financial instruments	341	--
Cash and cash equivalents	59,523	37,575
Total current assets	**68,207**	**50,885**
Total assets	**572,491**	**544,946**
Total liabilities	**348,533**	**370,177**
Net assets	**223,958**	**174,769**

Pledge of LOTTOITALIA shares and enterprise pledge – pledged value of equity method investees represents the Share of equity attributable to the Group of EUR 257,114 thousand (2018: EUR 301,538 thousand).

Pledge of Medial Beteiligungs GmbH shares (a company holding participations in Casinos Austria AG without any additional economic activities – for further detail see Note 6.1) – pledged value of its equity method investees represents the share of equity attributable to the Group of EUR 249,977 thousand (2018: EUR 225,670 thousand).

Pledge of SUPER SPORT d.o.o. and Minus5 d.o.o. shares and enterprise pledge as of 31 December 2018. SUPER SPORT d.o.o. and Minus5 d.o.o. were disposed of in 2019 (see Note 11.2).

35. Risk management and disclosure methods

This section elaborates on the financial and operational risks the Group is exposed to and on its risk management methods. The key financial risks the Group faces comprise credit risk and liquidity 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 the trading counterparty or business customer is unable to fulfil its obligation resulting from payment obligations, obligation to off-take a service at a certain price and non-delivery of the contracted service.

The Group's bank accounts are predominantly with international financial institutions. The Group has procedures for assessment of credit risk which are applied to all customers to whom sales are made on credit terms. In addition, the balances of receivables are continuously monitored on an individual and an aggregated level.

The Group is exposed to credit risk primarily as a result of its operating (in relation to its trade receivables) and financing activities (including in relation to deposits with banks and financial institutions, loans provided to third parties and other financial instruments).

The maximum credit risk exposure regarding financial assets is their carrying amount (if the counterparties fail to meet all their contractual obligations and, at the same time, the guarantees and pledges provided are found to be worthless).

One of key measures to mitigate the credit risk in ordinary business activities are deposits received from agents see Note 8. Receivables from the agents are monitored by management on regular basis. The Group also monitors the credit rating of the banks and financial institutions with which it transacts.

The maximum exposure to credit risks at the reporting date by type of counterparty and geographical region is provided in the tables below.

Credit risk by type of counterparty

At 31 December 2019	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Long-term trade receivables and other non-current assets	27,249	--	74	2,123	29,446
Long-term derivative financial instruments	8,359	--	1,151	--	9,510
Long-term restricted cash	--	--	8,794	--	8,794
Short-term financial assets	399	--	12,148	--	12,547
Short-term trade receivables and other current assets	96,600	8,739	1,877	105,212	212,428
Short-term derivative financial instruments	--	--	3,493	--	3,493
Cash and cash equivalents	164	--	763,509	--	763,673
Total	**132,771**	**8,739**	**791,046**	**107,335**	**1,039,891**

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At 31 December 2018	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Long-term trade receivables and other non-current assets	37,064	--	2,220	46,966	86,250
Long-term derivative financial instruments	--	--	6,774	--	6,774
Short-term financial assets	4,861	--	10,149	--	15,010
Short-term trade receivables and other current assets	156,344	462	2,885	23,245	182,936
Short-term derivative financial instruments	--	--	--	--	--
Cash and cash equivalents	11,390	--	301,288	--	312,678
Total	**209,659**	**462**	**323,316**	**70,211**	**603,648**

ii. Credit risk by region

Long-term and short-term receivables, Short-term financial assets and Cash and cash equivalents	31/12/2019	31/12/2018
Czech Republic	153,237	105,952
Greece	793,978	334,012
Croatia	--	46,892
Cyprus	43,167	83,779
Austria	15,652	11,207
Switzerland	16,775	1,061
Malta	16,318	--
United Kingdom	171	20,009
Other countries	593	736
Total	**1,039,891**	**603,648**

iii. Ageing structure of financial assets

Ageing structure

At 31 December 2019	Current	Past due 0–90 days	Past due 91–180 days	Past due 181–365 days	More than one year	ECL allowance	Total
Long-term trade receivables and other non-current assets	**29,446**	**--**	**--**	**--**	**--**	**--**	**29,446**
Long-term deposits	1,387	--	--	--	--	--	1,387
Long-term receivables from VLT vendors	22,816	--	--	--	--	--	22,816
Long-term loans provided	1,971	--	--	--	--	--	1,971
Other long-term receivables	3,272	--	--	--	--	--	3,272
Short-term trade receivables and other current assets	**204,067**	**4,375**	**2,709**	**523**	**44,004**	**–43,250**	**212,428**
Short-term receivables from agents	148,413	3,102	2,328	58	37,748	–39,720	151,929
Short-term trade receivables	20,486	1,183	247	194	825	–1,168	21,767
Short-term loans provided	19,294	--	--	--	--	–117	19,177
Short-term receivables from VLT vendors	3,439	--	--	--	--	--	3,439
Other short-term receivables	12,435	90	134	271	5,431	–2,245	16,116
Cash and cash equivalents	**763,673**	**--**	**--**	**--**	**--**	**--**	**763,673**
Cash in hand	3,629	--	--	--	--	--	3,629
Bank accounts	255,794	--	--	--	--	--	255,794
Term deposits	504,250	--	--	--	--	--	504,250
Total	**997,186**	**4,375**	**2,709**	**523**	**44,004**	**–43,250**	**1,005,547**
Long-term restricted cash	**8,794**	**--**	**--**	**--**	**--**	**--**	**8,794**
Short-term financial assets	**12,547**	**--**	**--**	**--**	**--**	**--**	**12,547**
Restricted cash	12,148	--	--	--	--	--	12,148
Cash pooling	399	--	--	--	--	--	399

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Ageing structure

At 31 December 2018	Current	Past due 0–90 days	Past due 91–180 days	Past due 181–365 days	More than one year	ECL allowance	Total
Long-term trade receivables and other non-current assets	**86,305**	**--**	**--**	**--**	**--**	**–55**	**86,250**
Long-term deposits	3,442	--	--	--	--	–1	3,441
Long-term receivables from VLT vendors	25,242	--	--	--	--	–19	25,223
Long-term loans provided	54,877	--	--	--	--	–35	54,842
Other long-term receivables	2,744	--	--	--	--	--	2,744
Short-term trade receivables and other current assets	**173,340**	**8,631**	**690**	**1,577**	**37,342**	**–38,644**	**182,936**
Short-term receivables from agents	100,936	8,510	284	1,409	37,329	–38,341	110,127
Short-term trade receivables	38,388	121	406	168	13	–239	38,857
Short-term loans provided	3,461	--	--	--	--	–3	3,458
Other short-term receivables	30,555	--	--	--	--	–61	30,494
Cash and cash equivalents	**312,678**	**--**	**--**	**--**	**--**	**--**	**312,678**
Cash in hand	4,686	--	--	--	--	--	4,686
Bank accounts	217,503	--	--	--	--	--	217,503
Term deposits	90,489	--	--	--	--	--	90,489
Total	**572,323**	**8,631**	**690**	**1,577**	**37,342**	**–38,699**	**581,864**
Short-term financial assets	**15,010**	**--**	**--**	**--**	**--**	**--**	**15,010**
Restricted cash	13,801	--	--	--	--	--	13,801
Cash pooling	1,209	--	--	--	--	--	1,209

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's internal credit ratings if they are available.

iv. Credit quality of financial assets at amortized cost

The Group classifies financial assets into credit quality classes. Class 1 consists of high quality financial assets that do not have any indicators of impairment and fulfils the definition for "low credit risk" exemption and own cash in hand. Class 2 consists of all other financial assets.

At 31 December 2019	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**763,673**	**--**	**--**	**--**	**--**	**763,673**
Bank accounts in banks:	255,794	--	--	--	--	255,794
Term deposits in banks:	504,250	--	--	--	--	504,250
Cash in hand	3,629	--	--	--	--	3,629
Short-term financial assets	**12,547**	**--**	**--**	**--**	**--**	**12,547**
Restricted cash in bank	12,148	--	--	--	--	12,148
Cash pooling	399	--	--	--	--	399
Long-term restricted cash	**8,794**	**--**	**--**	**--**	**--**	**8,794**
Class 2						
Short-term receivables	**19,294**	**--**	**--**	**236,384**	**–43,250**	**212,428**
Short-term receivables from agents	--	--	--	191,649	–39,720	151,929
Short-term trade receivables	--	--	--	22,935	–1,168	21,767
Short-term loans provided	19,294	--	--	--	–117	19,177
Short-term receivables from VLT vendors	--	--	--	3,439	--	3,439
Other short-term receivables	--	--	--	18,361	–2,245	16,116
Long-term receivables	**29,446**	**--**	**--**	**--**	**--**	**29,446**
Long-term deposits	1,387	--	--	--	--	1,387
Long-term receivables from VLT vendors	22,816	--	--	--	--	22,816
Long-term loans provided	1,971	--	--	--	--	1,971
Other long-term receivables	3,272	--	--	--	--	3,272
Total	**833,754**	**--**	**--**	**236,384**	**–43,250**	**1,026,888**

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

At 31 December 2018	Stage 1	Stage 2	Stage 3	Provision matrix	ECL allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**312,678**	**--**	**--**	**--**	**--**	**312,678**
Bank accounts in banks:	217,503	--	--	--	--	217,503
Term deposits in banks:	90,489	--	--	--	--	90,489
Cash in hand	4,686	--	--	--	--	4,686
Short-term financial assets	**15,010**	**--**	**--**	**--**	**--**	**15,010**
Restricted cash in bank	13,801	--	--	--	--	13,801
Cash pooling	1,209	--	--	--	--	1,209
Class 2						
Short-term receivables	**3,461**	**--**	**--**	**218,119**	**–38,644**	**182,936**
Short-term receivables from agents	--	--	--	148,468	–38,341	110,127
Short-term trade receivables	--	--	--	39,096	–239	38,857
Short-term loans provided	3,461	--	--	--	–3	3,458
Other short-term receivables	--	--	--	30,555	–61	30,494
Long-term receivables	**86,305**	**--**	**--**	**--**	**–55**	**86,250**
Long-term deposits	3,442	--	--	--	–1	3,441
Long-term receivables from VLT vendors	25,242	--	--	--	–19	25,223
Long-term loans provided	54,877	--	--	--	–35	54,842
Other long-term receivables	2,744	--	--	--	--	2,744
Total	**417,454**	**--**	**--**	**218,119**	**–38,699**	**596,874**

Movements of ECL allowances were as follows:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2018	**–23**	**--**	**--**	**–38,722**	**–38,745**
Additions – increase in allowance recognized in profit or loss during the year	–35	--	--	--	–35
Reversals – amounts unused	--	--	--	8	8
Write-offs – receivables written off during the year as uncollectible	--	--	--	75	75
Effect of currency translation	--	--	--	–2	–2
Balance at 31 December 2018	**–58**	**--**	**--**	**–38,641**	**–38,699**
Additions – increase in allowance recognized in profit or loss during the year	–117	--	--	–4,701	–4,818
Effect of currency translation	58	--	--	209	267
Balance at 31 December 2019	**–117**	**--**	**--**	**–43,133**	**–43,250**

Impairment matrix for short-term trade receivables as of 31 December 2019:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**184,773**	**0.07%**	**–122**	**184,651**
Short-term receivables from agents	148,413	0.04%	–63	148,350
Short-term trade receivables	20,486	0.27%	–55	20,431
Short-term receivables to VLT vendors	3,439	0.00%	--	3,439
Other short-term receivables	12,435	0.03%	–4	12,431
Past due < 90 days	**4,375**	**7.98%**	**–349**	**4,026**
Short-term receivables from agents	3,102	6.29%	–195	2,907
Short-term trade receivables	1,183	12.51%	–148	1,035
Other short-term receivables	90	6.67%	–6	84
Past due 91–180 days	**2,709**	**64.23%**	**–1,740**	**969**
Short-term receivables from agents	2,328	71.13%	–1,656	672
Short-term trade receivables	247	22.67%	–56	191
Other short-term receivables	134	20,90%	–28	106
Past due 181–365 days	**523**	**48.76%**	**–255**	**268**
Short-term receivables from agents	58	100.00%	–58	--
Short-term trade receivables	194	43.30%	–84	110
Other short-term receivables	271	41.70%	–113	158
Past due >365 days	**44,004**	**92.94%**	**–40,667**	**3,337**
Short-term receivables from agents	37,748	100.00%	–37,748	--
Short-term trade receivables	825	100.00%	–825	--
Other short-term receivables	5,431	38.56%	–2,094	3,337
Total	**236,384**	**18.25%**	**–43,133**	**193,251**

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Impairment matrix for short-term trade receivables as of 31 December 2018:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**169,879**	**0.23%**	**–392**	**169,487**
Short-term receivables from agents	100,936	0.25%	–254	100,682
Short-term trade receivables	38,388	0.20%	–77	38,311
Other short-term receivables	30,555	0.20%	–61	30,494
Past due < 90 days	**8,631**	**1.60%**	**–138**	**8,493**
Short-term receivables from agents	8,510	1.61%	–137	8,373
Short-term trade receivables	121	1.00%	–1	120
Other short-term receivables	--	--	--	--
Past due 91–180 days	**690**	**20.00%**	**–138**	**552**
Short-term receivables from agents	284	20.00%	–57	227
Short-term trade receivables	406	20.00%	–81	325
Other short-term receivables	--	--	--	--
Past due 181–365 days	**1,577**	**40.00%**	**–631**	**946**
Short-term receivables from agents	1,409	40.00%	–564	845
Short-term trade receivables	168	40.00%	–67	101
Other short-term receivables	--	--	--	--
Past due >365 days	**37,342**	**100.00%**	**–37,342**	**--**
Short-term receivables from agents	37,329	100.00%	–37,329	--
Short-term trade receivables	13	100.00%	–13	--
Other short-term receivables	--	--	--	--
Total	**218,119**	**15.75%**	**–38,641**	**179,478**

(b) Liquidity risk

Liquidity risk represents the risk that the company might not be able to fulfil its payment obligations, primarily in respect amounts due to providers of bank 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 (Note 8).

The Group maintains free liquidity sources that consist of cash and equivalents in currencies in which the future financial needs are expected.

The Group aims to balance its financing facility requirements using bank overdrafts, cash pooling, bank loans and leases.

The Group uses IT tools for liquidity management, market management, valuation of financial instruments and for trading and risk management purposes.

The Group's management minimises liquidity risk through ongoing future cash flow management and planning. The key cash flow planning tool is annual medium-term plans prepared for the period of the at least following five years. The key Group 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 Group ensures that a portion of its assets is highly liquid.

The table below presents an analysis of Group's financial assets and liabilities classified by maturity, namely by the period remaining from the reporting date till the contractual maturity. Where earlier repayment is possible, the Group makes the most prudent assessment possible, therefore expecting the earliest possible repayment of liabilities and the latest possible repayment of receivables. Assets and liabilities whose maturity is not contractually specified are grouped under the "due on demand" category.

Liquidity risk analysis (by maturity)

At 31 December 2019	Carrying amount	Contractual cash flows [1]	1 year or less	1–5 years	More than 5 years	Due on demand
Assets						
Other non-current investments	6,715	6,715	--	--	--	6,715
Long-term restricted cash	8,794	8,794	--	--	--	8,794
Long-term trade receivables and other non-current assets	29,446	29,446	--	20,261	9,185	--
Long-term derivative financial instruments	9,510	9,510	--	9,510	--	--
Short-term trade receivables and other current assets	212,428	212,428	212,428	--	--	--
Short-term derivative financial instruments	3,493	3,493	3,493	--	--	--
Short-term financial assets	12,547	12,547	12,547	--	--	--
Total	**282,933**	**282,933**	**228,468**	**29,771**	**9,185**	**15,509**
Cash	**763,673**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings	–2,351,941	–2,688,010	–146,234	–2,394,196	–147,580	--
Other long-term liabilities	–9,975	–9,975	--	–9,632	–343	--
Long-term lease liabilities	–59,949	–72,261	--	–35,345	–36,916	--
Long-term derivative financial instruments	–3,716	–3,716	--	–3,716	--	--
Short-term trade and other payables	–265,771	–265,771	–265,771	--	--	--
Short-term lease liabilities	–8,261	–10,639	–10,639	--	--	--
Total	**–2,699,613**	**–3,050,372**	**–422,644**	**–2,442,889**	**–184,839**	**--**
Net balance – liquidity risk	**–1,653,007**	**–2,767,439**	**–194,176**	**–2,413,118**	**–175,654**	**15,509**

[1] Contractual cash flows are not discounted to net present value and include interest, if applicable.

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At 31 December 2018	Carrying amount	Contractual cash flows [1]	1 year or less	1–5 years	More than 5 years	Due on demand
Assets						
Other non-current investments	2,201	2,201	--	--	--	2,201
Long-term trade receivables and other non-current assets	86,250	86,250	--	76,080	10,170	--
Long-term derivative financial instruments	6,774	6,774	--	6,774	--	--
Short-term trade receivables and other current assets	182,936	182,936	182,936	--	--	--
Short-term derivative financial instruments	--	--	--	--	--	--
Short-term financial assets	15,010	15,010	15,010	--	--	--
Total	**293,171**	**293,171**	**197,946**	**82,854**	**10,170**	**2,201**
Cash	**312,678**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings	–1,766,912	–2,024,269	–140,733	–1,670,727	–212,809	--
Other long-term liabilities	–126,178	–126,178	--	–126,178	--	--
Long-term derivative financial instruments	–3,306	–3,306	--	–3,306	--	--
Short-term trade and other payables	–266,210	–266,210	–266,210	--	--	--
Short-term derivative financial instruments	–81	–81	–81	--	--	--
Total	**–2,162,687**	**–2,420,044**	**–407,024**	**–1,800,211**	**–212,809**	**--**
Net balance – liquidity risk	**–1,556,838**	**–2,126,873**	**–209,078**	**–1,717,357**	**–202,639**	**2,201**

[1] Contractual cash flows are not discounted to net present value and include interest, if applicable.

(c) Offsetting arrangements

Effects of offsetting on the balance sheet 2019

	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements not set off in the Statement of financial position	Net amounts
Assets					
Short-term financial assets	12,547	--	12,547	–8,863	3,684
Short-term trade receivables and other current assets	270,622	–58,194	212,428	–487	211,941
Cash and cash equivalents	763,673	--	763,673	–66,101	697,572
Total	**1,046,842**	**–58,194**	**988,648**	**–75,451**	**913,197**
Liabilities					
Bank loans and other borrowings - non-current portion	2,252,527	--	2,252,527	–34,834	2,217,693
Bank loans and other borrowings - current portion	99,414	--	99,414	–40,130	59,284
Short-term trade and other payables	323,965	–58,194	265,771	–487	265,284
Total	**2,675,906**	**–58,194**	**2,617,712**	**–75,451**	**2,542,261**

Effects of offsetting on the balance sheet 2018

	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements not set off in the Statement of financial position	Net amounts
Assets					
Long-term receivables and other non-current assets	86,250	--	86,250	–1,303	84,947
Short-term financial assets	15,010	--	15,010	–13,801	1,209
Short-term trade receivables and other current assets	183,760	–824	182,936	–9,656	173,280
Cash and cash equivalents	312,678	--	312,678	–39,756	272,922
Total	**597,698**	**–824**	**596,874**	**–64,516**	**532,358**
Liabilities					
Bank loans and other borrowings - current portion	113,172	--	113,172	–53,557	59,615
Other long-term liabilities	126,178	--	126,178	–9,772	116,406
Short-term trade and other payables	267,034	–824	266,210	–1,187	265,023
Total	**506,384**	**–824**	**505,560**	**–64,516**	**441,044**

Gross amounts offset in the balance sheet

Payables arising from agents' commissions are offset against receivables from agents and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

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

As at 31 December 2019, deposits received from agents could be offset against the "Short-term trade receivables and other current assets" in the amount of EUR 487 thousand.

As at 31 December 2019, restricted cash could be offset against liabilities from bank loans in the amount of EUR 8,863 thousand.

As at 31 December 2019, cash withheld on bank accounts for purposes of interest payments relating to bank loans could be offset against liabilities from bank loans in the amount of EUR 6,883 thousand.

As at 31 December 2019, bank accounts pledged to financing banks as collateral for bank loans provided to the Group could be offset against liabilities from bank loans in the amount of EUR 59,218 thousand.

(d) Interest rate risk

In its business activities, the Group is exposed to the risk of interest rate fluctuation.

The risk to the Group relating to changes in market interest rates is primarily attributable to the Group's bank 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 (interest rate swaps) is considered (Note 18).

The interest rate risk of long-term loans of the Group concluded with floating interest rates is mainly hedged by interest rate swap contracts.

Major interest rate costs are either hedged by interest rate swaps or have fixed interest rate.

	Profit or loss		Equity, net of tax	
Effect in thousands of Euro	**100 bp increase + profit/ – loss**	**100 bp decrease + profit/ – loss**	**100 bp increase + increase/ – decrease**	**100 bp decrease + increase/ – decrease**
31/12/2019				
Variable rate instruments	–10,224	10,224	--	--
Interest rate swaps	1,624	–1,624	2,600	–2,600
Cash flow sensitivity (net)	**–8,600**	**8,600**	**2,600**	**–2,600**
31/12/2018				
Variable rate instruments	–9,091	9,091	--	--
Interest rate swaps	661	–661	4,386	–4,386
Cash flow sensitivity (net)	**–8,430**	**8,430**	**4,386**	**–4,386**

(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.

The management also evaluates potential currency risks prior to the conclusion of significant contracts or business transactions.

At 31 December 2019	EUR	CZK	USD	Other	Total
Long-term trade receivables and other current assets	27,632	1,814	--	--	29,446
Long-term derivative financial instruments	8,359	1,151	--	--	9,510
Long-term restricted cash	6,629	2,165	--	--	8,794
Short-term financial assets	12,426	121	--	--	12,547
Short-term trade receivables and other current assets	200,317	12,014	27	70	212,428
Short-term derivative financial instruments	3,152	341	--	--	3,493
Cash and cash equivalents	687,096	76,146	410	21	763,673
Total assets	**945,611**	**93,752**	**437**	**91**	**1,039,891**
Bank loans and other borrowings – non-current portion	–1,788,165	–464,362	--	--	–2,252,527
Long-term lease liabilities	–57,649	–2,300	--	--	–59,949
Long-term derivative financial instruments	–3,481	–235	--	--	–3,716
Other long-term liabilities	–7,547	–2,428	--	--	–9,975
Bank loans and other borrowings – current portion	–71,383	–28,031	--	--	–99,414
Short-term lease liabilities	–7,130	–1,131	--	--	–8,261
Short-term trade and other payables	–229,786	–33,045	–2,200	–740	–265,771
Total liabilities	**–2,165,141**	**–531,532**	**–2,200**	**–740**	**–2,699,613**
Total	**–1,219,530**	**–437,780**	**–1,763**	**–649**	**–1,659,722**

At 31 December 2018	EUR	CZK	USD	Other	Total
Long-term trade receivables and other current assets	82,270	3,980	--	--	86,250
Long-term derivative financial instruments	6,774	--	--	--	6,774
Short-term financial assets	14,084	777	--	149	15,010
Short-term trade receivables and other current assets	165,628	12,899	3	4,406	182,936
Cash and cash equivalents	230,290	40,829	225	41,334	312,678
Total assets	**499,046**	**58,485**	**228**	**45,889**	**603,648**
Bank loans and other borrowings – non-current portion	–1,336,437	–253,927	--	–63,376	–1,653,740
Other long-term liabilities	–123,817	–350	–2,011	--	–126,178
Long-term derivative financial instruments	–2,003	–1,303	--	--	–3,306
Bank loans and other borrowings – current portion	–78,520	–23,945	--	–10,707	–113,172
Short-term trade and other payables	–217,539	–40,579	–3,099	–4,993	–266,210
Short-term derivative financial instruments	–81	--	--	--	–81
Total liabilities	**–1,758,397**	**–320,104**	**–5,110**	**–79,076**	**–2,162,687**
Total	**–1,259,350**	**–261,619**	**–4,882**	**–33,188**	**–1,559,039**

A reasonably possible strengthening (weakening) of EUR, CZK and USD against all other currencies as at 31 December 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity, net of tax	
Effect in thousands of Euro	10% currency strengthening + profit/ – loss	10% currency weakening + profit/ – loss	10% currency strengthening + increase/ – decrease	10% currency weakening + increase/ – decrease
31/12/2019				
CZK	59	–59	--	--
EUR	3,696	–3,696	–41,494	41,494
USD	176	–176	--	--
31/12/2018				
CZK	–12	12	--	--
EUR	–12,812	12,812	–22,519	22,519
USD	488	–488	--	--

(f) Capital management

The Group's aim is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of own business.

Through capital management and debt-to-equity ratio optimisation, the Group aims to ensure the going concern principle prerequisites and to maximise the level of dividends to shareholders.

During 2019 and 2018 the Group fulfilled all the conditions required by external financing arrangements.

At the reporting date, the Group recorded the following debt-to-equity ratio:

	31/12/2019	31/12/2018
Total Bank loans and other borrowings	2,351,941	1,766,912
Less: cash and cash equivalents and short-term financial assets	–776,220	327,688
Net debt	**1,575,721**	**1,439,224**
Total equity	**1,384,112**	**1,773,082**
Debt to equity ratio	**1.138**	**0.812**

Comparing years 2019 and 2018 the change of the "Debt to equity ratio" relates mainly to changes in Equity.

As of 31 December 2019 "Total comprehensive income for the year" increased by EUR 347,804 thousand. The increase is caused mainly by the sale of the Croatian subgroup where "Gain on disposal of subsidiaries" was recognized in the amount of EUR 277,267 thousand.

On the other hand, there were material movements in equity as of 31 December 2019, including "Distribution of Capital contributions" in the amount of EUR 420,610 thousand (see Note 12) and "Purchase of non-controlling interest in subsidiaries" in the amount of EUR 256,599 thousand (31 December 2018: EUR 6,909 thousand) and "Dividends declared" in the amount of EUR 314,939 thousand (31 December 2018: EUR 136,315 thousand).

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(g) Financial instruments and fair values

The Group considers that all carrying amounts are a reasonable approximation of fair values.

With respect to the negative EURIBOR reference rates and hedging strategy applied for interest rates and other currencies, the Group considers the carrying amounts to be a reasonable approximation of fair values for "Bank loans and other borrowings".

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated statement of financial position, are as follows:

	Carrying amount		Fair value	
Fair values and carrying amounts of financial assets and liabilities	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Assets				
Other non-current investments & Long-term restricted cash	15,509	2,201	15,509	2,201
Long-term trade receivables and other non-current assets	29,446	86,250	29,446	86,250
Long-term derivative financial instruments	9,510	6,774	9,510	6,774
Short-term trade receivables and other current assets	212,428	182,936	212,428	182,936
Short-term derivative financial instruments	3,493	--	3,493	--
Short-term financial assets	12,547	15,010	12,547	15,010
Cash and cash equivalents	763,673	312,678	763,673	312,678
Total	**1,046,606**	**605,849**	**1,046,606**	**605,849**
Liabilities				
Bank loans and other borrowings – non-current portion	–2,252,527	–1,653,740	–2,252,527	–1,653,740
Other long-term liabilities	–9,975	–126,178	–9,975	–126,178
Long-term lease liabilities	–59,949	--	–59,949	--
Long-term derivative financial instruments	–3,716	–3,306	–3,716	–3,306
Bank loans and other borrowings – current portion	–99,414	–113,172	–99,414	–113,172
Short-term lease liabilities	–8,261	--	–8,261	--
Short-term trade and other payables	–265,771	–266,210	–265,771	–266,210
Short-term derivative financial instruments	--	–81	--	–81
Total	**–2,699,613**	**–2,162,687**	**–2,699,613**	**–2,162,687**

Fair value hierarchy

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other techniques based on inputs that have a material impact on the reported fair value and that are observable, either directly or indirectly
- Level 3: techniques based on inputs that have a material impact on the reported fair value and that are not based on observable market data

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount at 31/12/19		Fair value at 31/12/19		
	Held-for-trading	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swaps	--	1,493	--	1,493	--
Call option	8,359	--	--	8,359	--
Net investment hedge	--	3,152	--	3,152	--
Financial liabilities measured at fair value					
Interest rate swaps	–957	–2,760	--	–3,717	--
Currency swap	--	--	--	--	--
Currency forward	--	--	--	--	--

	Carrying amount at 31/12/18		Fair value at 31/12/18		
	Held-for-trading	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swaps	13	60	--	73	--
Call option	6,701	--	--	6,701	--
Financial liabilities measured at fair value					
Interest rate swaps	–167	–2,574	--	–2,741	--
Currency swap	–565	--	--	–565	--
Currency forward	–81	--	--	–81	--

Fair values shown in the tables were obtained from financial institutions with whom the Group entered into the derivative transaction. The Group considers that the carrying amount of the call option is reasonable approximation of fair value.

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36. Operating segments

(a) Product segments

2019 FINANCIAL PRODUCT SEGMENTS	Numerical Lotteries	Instant lotteries	Sports Betting
Amount staked	2,723,998	583,148	1,798,140
Gross gaming revenue (GGR)	968,423	211,440	402,850
Net gaming revenue	**668,339**	**151,602**	**265,317**
Revenue from sale of goods and services and other operating income	--	61	1,404
Agents' commission	–202,454	–49,622	–92,439
Operating expenses	–157,695	–53,139	–81,211
Share of profit of equity method investees	91,828	–530	9,228
Operating EBITDA	**400,018**	**48,372**	**102,299**
Depreciation and amortization	–27,355	–17,612	–17,918
Impairment of intangible assets and goodwill	--	--	–4,000
Profit/loss from operating activities from continuing operations	**372,663**	**30,760**	**80,381**
Profit for the year from discontinued operations, excluding gain on disposal	**--**	**--**	**13,787**

*Unallocated items represent non-lottery operations and headquarter expenses.

2018 FINANCIAL PRODUCT SEGMENTS Restated*	Numerical Lotteries	Instant lotteries	Sports Betting
Amount staked	2,695,352	559,040	1,708,495
Gross gaming revenue (GGR)	966,684	202,738	411,975
Net gaming revenue	**665,027**	**145,149**	**270,909**
Revenue from sale of goods and services and other operating income	--	75	1,152
Agents' commission	–209,106	–48,877	–98,844
Operating expenses	–189,385	–46,726	–93,075
Share of profit of equity method investees	86,982	–1,319	660
Operating EBITDA	**353,518**	**48,302**	**80,802**
Depreciation and amortization	–23,819	–18,135	–14,865
Impairment of intangible assets and goodwill	--	--	--
Profit/loss from operating activities from continuing operations	**329,699**	**30,167**	**65,937**
Profit for the year from discontinued operations	**--**	**--**	**14,932**

*The comparative Consolidated statement of profit or loss has been re-presented to show the continuing operations separately from discontinued operations (Note 2i).

**Unallocated items represent non-lottery operations and headquarter expenses.

	Digital games	VLTs & gaming machines	Total reportable segments	Unallocated items*	Total
	53,890	297,658	5,456,834	--	5,456,834
	25,712	297,658	1,906,083	--	1,906,083
	17,498	**208,361**	**1,311,117**	**--**	**1,311,117**
	--	--	1,465	158,401	159,866
	–40	–70,585	–415,140	–4,682	–419,822
	–11,960	–82,706	–386,711	–192,569	–579,280
	10,585	9,277	120,388	--	120,388
	16,083	**64,347**	**631,119**	**–38,850**	**592,269**
	–930	–41,653	–105,468	–7,521	–112,989
	--	--	–4,000	–4,650	–8,650
	15,153	**22,694**	**521,651**	**–51,021**	**470,630**
	8,088	**1,257**	**23,132**	**–7,561**	**15,571**

	Digital games	VLTs & gaming machines	Total reportable segments	Unallocated items**	Total
	23,829	208,659	5,195,375	--	5,195,375
	8,207	208,659	1,798,263	--	1,798,263
	5,803	**146,061**	**1,232,949**	**--**	**1,232,949**
	--	--	1,227	143,763	144,990
	–69	–50,135	–407,031	–4,687	–411,718
	–3,963	–64,451	–397,600	–162,094	–559,694
	9,152	1,098	96,573	4,724	101,297
	10,923	**32,573**	**526,118**	**–18,294**	**507,824**
	–687	–37,017	–94,523	–6,101	–100,624
	--	--	--	–17,541	–17,541
	10,236	**–4,444**	**431,595**	**–41,936**	**389,659**
	14,619	**2,421**	**43,505**	**445**	**32,417**

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

(b) Entity wide information

As at 31 December 2019, the Group's operations were in the Czech Republic, Greece, Cyprus, Austria, Italy, Croatia and Other. Other and headquarter costs includes Russia, Slovakia, Vietnam, and overheads. Companies in Other countries are financing vehicles or dormant companies.

Entity wide information	Czech Republic	Greece and Cyprus	Austria	Italy	Croatia	Other and headquarter costs	Total
Gross gaming revenue (GGR)	286,187	1,619,896	--	--	--	--	1,906,083
Net gaming revenue	219,406	1,091,711	--	--	--	--	1,311,117
Share of profit of equity method investees	--	8,547	42,323	69,518	--	--	120,388
Operating EBITDA	**94,083**	**412,657**	**42,323**	**69,518**	**--**	**–26,312**	**592,269**
Operating EBITDA from discontinued operations	**--**	**--**	**--**	**--**	**25,064**	**--**	**25,064**
Segment Assets	577,165	2,955,385	337,715	257,115	--	310,836	4,438,216
Segment Liabilities	350,553	1,646,090	--	--	--	1,057,462	3,054,104

In 2018 Group's operations were in Czech Republic, Greece, Cyprus, Austria, Italy and Other. Other and headquarter costs includes Russia, Slovakia, Vietnam and overheads. Companies in Other countries are financing vehicles or dormant companies.

Entity wide information Restated *	Czech Republic	Greece and Cyprus	Austria	Italy	Croatia	Other and headquarter costs	Total
Gross gaming revenue (GGR)	251,248	1,547,015	--	--	--	--	1,798,263
Net gaming revenue	193,015	1,039,934	--	--	--	--	1,232,949
Share of profit equity method investees	--	89	35,063	66,145	--	--	101,297
Operating EBITDA	**79,008**	**353,628**	**35,063**	**66,145**	**--**	**–26,020**	**507,824**
Operating EBITDA from discontinued operations	**--**	**--**	**--**	**--**	**44,850**	**--**	**44,850**
Segment Assets	549,384	2,460,102	319,103	301,538	102,938	599,530	4,332,595
Segment Liabilities	371,347	1,200,451	--	--	22,814	964,901	2,559,513

*The comparative Consolidated statement of profit or loss has been re-presented to show continuing operations separately from discontinued operations (Note 2i).

37. 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 relationships with companies related through common shareholders or directors of the company.

The transactions disclosed below were related party transaction for the Group due to the counterparty being within the KKCG group and EMMA GAMMA LIMITED group in the reported periods.

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

There were no material transactions with the shareholders of the Group (Note 1.5) in the current year or in prior year periods, except for:

- dividends paid in the amount of EUR 149,073 thousand in 2019 (2018: EUR 40,338 thousand),
- trade receivables in the amount of EUR 8,532 thousand in 2019 (2018: EUR 0 thousand),
- revenue from sale of goods and services in the amount of EUR 8,445 thousand (2018: EUR 0 thousand).

There were no material transactions with equity method investees (Note 6) in the current year or in prior year periods, except for dividends received in the amount of EUR 90,133 thousand in 2019 (2018: EUR 77,380 thousand) and reserve distribution of equity method investee in the amount of EUR 47,796 thousand (2018: EUR 32,796 thousand).

(a) Outstanding related party balances as at 31 December 2019 and 31 December 2018:

The following table presents outstanding receivables and payables from related parties of the Group other than shareholders of the Group as at 31 December 2019 and 31 December 2018:

	31/12/2019	31/12/2018
ASSETS		
Long-term trade receivables and other non-current assets	1,377	1,360
Short-term financial assets	399	1,061
Short term trade receivables and other current assets	272	250
LIABILITIES		
Short-term trade and other payables	3,127	3,073

(b) Transactions with related parties for the year ended 31 December 2019 and 31 December 2018:

The following table presents transactions with related parties of the Group other than shareholders of the Group with effect on the Consolidated statement of comprehensive income for the periods ended 31 December 2019 and 31 December 2018:

	2019	2018
Revenue from sale of goods and services	349	300
Other operating income	53	39
Materials, consumables and services	7,385	7,350
Personnel expenses	21	21
Other operating expenses	427	1,479
Finance income	643	62

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Euro)

(c) Transactions with members of the Group's Board of directors, supervisory board and executive management ended 31 December 2019 and 31 December 2018:

In 2019, the Group paid out bonuses to members of the Group entities' - Group's Board of directors, supervisory board and executive management amounting to EUR 795 thousand (2018: EUR 895 thousand).

Bonuses, remuneration and other personal expenses incurred in respect of members of the Board of Directors, Supervisory Board and executive management of the consolidated entities:

	2019		2018 Restated*	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Wages and salaries	--	12,753	--	9,715
Social and health insurance	101	2,184	107	666
Retirement benefit costs	--	117	--	1,152
Remuneration of members of statutory bodies	795	--	895	--
Total	**896**	**15,054**	**1,002**	**11,533**

As of 31 December 2019, a payable totalling EUR 3,578 thousand (2018: EUR 2,305 thousand) was recognized in respect of the "Long-term incentive scheme of OPAP S.A." (see Note 19). The amount is reflected among the others, in the line "Payables to employees" see Note 17.

As of 31 December 2019, a short-term payable totalling EUR 1,351 thousand (31 December 2018: EUR 3,415 thousand) was recognized in respect of the "Bonus programme in Sazka a.s." (see Note 19). The amount is reflected among the others, in the line "Payables to employees" see Note 17.

In addition to remuneration expenses in 2018, the OPAP S.A. subgroup paid bonuses amounting to EUR 1,538 thousand directly from retained earnings.

The following table summarises SAZKA Group securities owned by members of the Board of Directors as at 31 December 2019:

	Nominal value per note	Number of shares/notes	Total nominal value in TEUR	Total market value in TEUR
SAZKA Group a.s. CZK bond	10,000 CZK	345	134	--
SAZKA Group Financing bond	1,000 EUR	25	25	--
OPAP shares	--	5,387	--	62

38. Subsequent events

Description of significant subsequent events that occurred after 31 December 2019:

1. On 5 February 2020 the Company issued EUR 300,000 thousand senior notes. Proceeds were used, together with cash on balance sheet to repay and cancel the CAME Holding Loan Facility and the Italian Gaming Holding a.s. Loan Facilities as described below and to pay certain fees and expenses in connection with the issuance of the senior notes. The issue price for the senior notes was 99.24%. The notes are due on 15 February 2027 and have a fixed interest rate equal to 3.88% p.a. Interest is paid semi-annually in arrear on 15 August and 15 February each year.

2. On 10 February 2020 the Group fully repaid a bank loan at CAME Holding GmbH. The total amount of the prepayment (principal, interest and break costs) was EUR 96,982 thousand.

3. On 17 February 2020 the Group fully repaid a bank loan at Italian Gaming Holding a.s. The total amount of the prepayment (principal and interest) was EUR 214,773 thousand.

4. On 6 March 2020 the Group signed a shareholder agreement with ÖBAG, an entity owned by the Austrian government regarding the management of Casinos Austria AG.

   As a part of the agreement, ÖBAG is waiving its pre-emption rights with respect to the acquisition of a 17.2% stake in Casinos Austria AG from Novomatic AG. The pre-emption period for the shareholders will finish after the issue of these 2019 Group Consolidated financial statements, however as a result of the signed shareholders agreement, the Group should acquire an additional stake of at least 13.5% in Casinos Austria AG (resulting in a stake of at least 51.8% in total) subject to necessary regulatory approvals and Casinos Austria AG shareholders' meeting approval and should include Casinos Austria AG into its consolidated financial statements according to IFRS 10. The remaining 3.6% in Casinos Austria AG is still subject to the pre-emption rights of other Casinos Austria AG shareholders but the exercise of these pre-emption rights would not have any impact on the above mentioned agreement.

5. On 13 January 2020, the Company entered into a guarantee facility agreement with Erste Group Bank AG. The guarantee facility agreement provides for a payment guarantee related to the acquisition of Novomatic's shareholding in Casinos Austria AG.

6. On 8 January 2020 OPAP S.A. approved the distribution of a total gross extra-ordinary dividend of 1.00 euro per share. Under OPAP S.A.'s scrip dividend programme, OPAP S.A. shareholders had the option to choose to receive the dividend in cash or new shares in OPAP S.A. The Group decided to take the dividend in new shares. Emma Delta Hellenic Holding Limited received 8,881,595 new shares that along with its existing 105,270,000 shares will result in a total holding of 114,151,595 shares. SAZKA Group a.s. received 1,975,626 new shares that along with its existing 23,416,309 shares will result in a total holding of 25,391,935 shares. Accordingly, the combined participation increased from 40.01% to 41.69%. The dividend paid to other shareholders in cash is EUR 162,935 thousand.

7. On 23 March 2020 OPAP S.A. prepaid an outstanding retail bond. The bondholders received EUR 200,000 thousand and the accrued interest EUR 3,539 thousand on 23 March 2020.

8. On 16 April 2020 the general meeting of LOTTOITALIA S.r.l. approved a dividend in the amount of EUR 149,732 thousand. The Group received its share in the amount of EUR 48,663 thousand on 23 April 2020.

9. On 21 April 2020 OPAP S.A. announced (i) the receipt of regulatory approvals for its previously announced acquisition of 51% of Stoiximan Group's Greek and Cypriot business (SMGC) from TCB Holding and (ii) the acquisition (subject to regulatory approvals) of a further stake in SMGC, as a result of which OPAP will have a total shareholding of 85% in and sole control of SMGC. OPAP will retain its existing 36.75% shareholding in TCB Holding, which will continue to provide online betting and other online gaming services outside of Greece and Cyprus.

   The aggregate net consideration planned to be paid in the course of 2020 for these transactions is EUR 163.4 million, plus net cash. In addition, subject to performance criteria set for the SMGC, the sellers shall be entitled to receive certain earn-out payments, calculated as a multiple of EBITDA differential for the years 2020 and 2021.

10. The global COVID-19 outbreak has had an ongoing impact on the operations of the Company and its subsidiaries. The outbreak has been considered as a non-adjusting post balance sheet event. However, the future impact of the outbreak has to be assessed in light of the going concern basis of accounting that has been used in the preparation of these financial statements. The situation is still developing and therefore the Company and its subsidiaries are analysing the potential impacts to future operations and financial position of the Group and its subsidiaries on an ongoing basis. Management through its continuous monitoring of risks has assessed the current development and impact on the Company and its subsidiaries including, but not limited to, the impact on liquidity risk and concluded that the financial position and operations of the Company and its subsidiaries for the next twelve months are robust.

    The Company and its subsidiaries have implemented a number of measures to ensure normal operations, invoking business continuity plans where appropriate, as well as planning to achieve a quick ramp-up of the business once restrictions will be lifted. The Company and its subsidiaries have not experienced any material interruption to the continuity of their core business processes as a result of the COVID-19 outbreak.

[1] Refers to the term loan facility entered into by CAME Holding GmbH under the CAME Secured Term Facility Agreement dated 11 December 2017 and amended and restated on 20 December 2018

[2] Refers to the facilities availible to Italian Gaming Holding a.s. pursuant to the IGH Facilities Agreement dated 9 May 2016 as amended on 14 December 2018

While all of the Group's online and digital channels have continued to operate without interruption, the physical retail networks have been subject to restrictions (described below) to safeguard public health and protect our employees.

All of the Group's operating companies have fully complied with the decisions and recommendations of the public authorities in the countries of their operations.

These developments will impact the Group's financial performance. The extent of the impact will depend on factors including, but not limited to, the duration of the outbreak, how long current restrictions remain in place, further measures taken by governments, the extent of the overall economic disruption, and the effectiveness of our mitigation measures.

SAZKA Group a.s. and its subsidiaries have been implementing and continuing to evaluate savings and deferrals in operating costs (for example, marketing costs) and capital expenses. Profitability and cash flow in the subsidiaries have been further supported by a reduction of variable costs (for example taxes on GGR and sales commissions).

The operating companies are also evaluating the various schemes launched by governments to provide support to businesses, for example by deferring tax payments and subsidizing the cost of employees in impacted businesses.

Given the current circumstances, the uncertainty and rapidly changing nature of the situation, SAZKA Group has undertaken measures to maximise liquidity within the Group, in particular through the measures described above. As of 31 March 2020, the cash balances of SAZKA Group a.s. and its 100%-owned subsidiaries were approximately EUR 100 million.

Management monitors the cash position of the Group and the Company and has carried out sensitivity analysis of its forecasts cashflows. Management is confident that the Company has sufficient liquidity to repay all amounts due to creditors within the next twelve months. Under the terms of certain financings, the Group shall comply with certain conditions (including financial covenants), which are tested on an interim and annual basis. As at 31 December 2019, the Group was in compliance with these conditions, and has therefore classified its borrowings with a maturity in over twelve months as long-term. The financial effect of the COVID-19 outbreak on the Group's income statement and statement of financial position is uncertain at this point of time. The Group is monitoring the situation continuously.

Description of restrictions, measures and impacts by jurisdiction are described below:

Czech Republic

As of 16 March 2020, the Government of the Czech Republic implemented restrictions on movement of citizens in the Czech Republic in order to contain the spread of the COVID-19 epidemic. Citizens are permitted to shop for supplies limited to food, essential items, fuel, and medicine. The public can also access necessary financial and postal services. From 20 April 2020, certain businesses are allowed to reopen, and certain types of outdoor events and gatherings which were previously prohibited are permitted.

We estimate that approximately 95% of SAZKA a.s.' retail network can currently provide its products, up from approximately 70% in earlier weeks.

At the same time, we are actively promoting the use of online platforms for lottery products and digital-only offerings as well as optimising our portfolio of digital-only products. In parallel, further improvements in the sign-up process have been implemented to allow for safe registrations and authorizations without having to visit the physical points of sale.

Gross gaming revenue year to date (including the period impacted by COVID-19 and the periods before) is approximately in line with SAZKA a.s.' budget (set before COVID-19). Gross gaming revenue so far in April has been slightly above budget, with strong performance in digital channels more than compensating for the negative impact on sales via physical points of sale.

Greece

On 13 March 2020, the Greek government published its decision to impose a temporary ban on the operation of a wide range of shops, indoor venues, and other locations. As a result of this, all OPAP stores and PLAY gaming halls in Greece have been closed since 14 March 2020. OPAP's stores in Cyprus have been temporarily closed as well.

Due to these restrictions, OPAP's increased focus has been online, which in turn has been reflected in growth in digital games. Further measures involve the enhancement of OPAP's product portfolio, including the launch of virtual sports and a third additional weekly draw for Joker. However online products do not contribute a material amount of revenues.

Operating costs have been reduced, mainly by adjusting marketing and sponsorship spending. Capital expenditures have been put on hold, with most projects postponed to 2021 where possible.

OPAP management estimate that the monthly impact of the current restrictions on OPAP is a reduction of approximately EUR 130–140 million to GGR and approximately EUR 50–53 million to EBITDA before mitigating measures which OPAP management estimate could result in savings of approximately EUR 4–6 million of EBITDA per month. OPAP management estimate monthly cash burn during the current restrictions at EUR 21–22 million.

On 28 April 2020 the Prime Minister announced a gradual lifting of restrictions imposed to contain the spread of coronavirus in Greece, beginning of 4 May 2020. It was announced that OPAP stores (excluding PLAY gaming halls) will reopen on 11 May, as part of the second group of shops which are allowed to reopen. Safety precautions will apply to staff and customers (e.g. mask use), seating in-store will not be allowed, while a maximum number of people allowed in-store at any given time will be established depending on store size.

Austria

On 13 March 2020, the Austrian government published its decision to impose a temporary ban on the operation of a wide range of shops, excluding those providing basic services such as food retail, pharmacies, post offices, banks, petrol stations and tobacco stores. The decision went into force on 16 March 2020. The Austrian government has subsequently relaxed some restrictions, including allowing small shops to open from 14 April 2020. On 21 April 2020 the Chancellor announced plans to allow large shops to open from 1 May 2020, with further easing of restrictions, including opening of restaurants and hospitality businesses, potentially following later in May.

The ban has had only a limited impact on the availability of Casinos Austria's subsidiary Austrian Lotteries' products through its main physical retail channels.

In coordination with the authorities, Casinos Austria decided to close all its casinos in Austria, while its subsidiary Austrian Lotteries decided to close all its gaming halls on 13 March 2020. All the casinos of Casinos Austria's subsidiary Casinos Austria International, which operates casinos and VLT businesses in multiple countries, are also currently closed.

Austrian Lotteries' online gaming activities have remained available to the public during the entire period. They include draw-based games (Austrian Lotteries' major products Lotto and Euromillions), instant scratch cards, online casino, poker, bingo and sports betting.

The Austrian government and the governments of certain jurisdictions where Casinos Austria International operates have introduced measures to support part-time workers, which may allow Casinos Austria to reduce the financial impact of the closure.

Italy

Due to the ongoing COVID-19 outbreak, the Agenzia Dogane Monopoli (ADM) suspended sales of LOTTOITALIA's 10e Lotto and Millionday games through its retail network, effective from 31 March 2020. LOTTOITALIA's Lotto game was also suspended. These games account for 100% of LOTTOITALIA's sales. On 23 April 2020 the ADM published a decree allowing sales of 10e Lotto and Millionday games from 27 April 2020 and Lotto from 4 May 2020.

A majority of LOTTOITALIA's costs and are expected to continue to be incurred during the suspension. In 2019, LOTTOITALIA's raw materials, services and other costs were EUR 92.8 million.

Date: 29 April 2020	Signature of the authorised representatives: Pavel Šaroch Member of the Board of Directors Robert Chvátal Member of the Board of Directors and Chief Executive Officer

FINANCIAL STATEMENTS

31 December 2019

Company name: .... SAZKA Group a.s.

Identification number: 24287814

Legal form: .... Joint stock company

Primary business: .... Holding and managing of domestic and foreign investments

Balance sheet date: .... 31 December 2019

Date of preparation of the financial statements: .... 29 April 2020

Balance sheet (in thousand Czech crowns)

Ref.	ASSETS	Row	31.12.2019			31.12.2018
			Gross	Provision	Net	Net
a	b	c	1	2	3	4
	Total assets	**001**	**39,657,470**	**(1,037,599)**	**38,619,871**	**32,935,018**
B.	**Fixed assets**	**003**	**32,879,231**	**(1,037,599)**	**31,841,632**	**29,164,774**
B. I.	**Intangible fixed assets**	**004**	**292**	**(104)**	**188**	**83**
B. I. 2.	Royalties	006	292	(104)	188	83
B. I. 2. 1.	Software	007	292	(104)	188	83
B. II.	**Tangible fixed assets**	**014**	**809**	**(215)**	**594**	**160**
B. II. 2.	Equipment	018	809	(215)	594	160
B. III.	**Long-term investments**	**027**	**32,878,130**	**(1,037,280)**	**31,840,850**	**29,164,531**
B. III. 1.	Investments - subsidiaries and controlling party	028	32,765,025	(1,037,280)	31,727,745	28,264,156
B. III. 6.	Loans and borrowings – other	033	--	--	--	900,375
B. III. 7.	Other long-term investments	034	113,105	--	113,105	--
B. III. 7. 1.	Long-term investments – other	035	113,105	--	113,105	--
C.	**Current assets**	**037**	**6,469,249**	**--**	**6,469,249**	**3,667,681**
C. II.	**Receivables**	**046**	**5,210,337**	**--**	**5,210,337**	**2,986,655**
C. II. 1.	Long-term receivables	047	--	--	--	2,881,200
C. II. 1. 2.	Receivables – subsidiaries and controlling party	049	--	--	--	2,881,200
C. II. 2.	Short-term receivables	057	5,210,337	--	5,210,337	105,455
C. II. 2. 1.	Trade receivables	058	239,280	--	239,280	170
C. II. 2. 2.	Receivables – subsidiaries and controlling party	059	4,858,249	--	4,858,249	95,722
C. II. 2.	Receivables – other	061	112,808	--	112,808	9,563
C. II. 2. 4. 3.	Taxes - receivables from the state	064	31,950	--	31,950	5,733
C. II. 2. 4. 4.	Short-term advances paid	065	88	--	88	263
C. II. 2. 4. 5.	Estimated receivables	066	4	--	4	11
C. II. 2. 4. 6.	Other receivables	067	80,766	--	80,766	3,556
C. IV.	**Cash**	**075**	**1,258,912**	**--**	**1,258,912**	**681,026**
C. IV. 2.	Cash at bank	077	1,258,912	--	1,258,912	681,026
D.	**Prepayments and accrued income**	**078**	**308,990**	**--**	**308,990**	**102,563**
D. 1.	Prepaid expenses	079	308,990	-	308,990	102,563

Ref.	Liabilities and equity	Row	31.12.2019	31.12.2018
a	b	c	5	4
	Total liabilities and equity	**082**	**38,619,871**	**32,935,018**
A.	**Equity**	**083**	**17,831,240**	**23,235,307**
A. I.	**Share capital**	**084**	**2,000**	**2,000**
A. I. 1.	Share capital	085	2,000	2,000
A. II.	**Share premium and capital contributions**	**088**	**1,035,496**	**11,822,048**
A. II. 2.	Capital contributions	090	1,035,496	11,822,048
A. II. 2. 1.	Other capital contributions	091	1,418,729	12,197,055
A. II. 2. 2.	Assets and liabilities revaluation	092	(383,233)	(375,007)
A. IV.	**Retained earnings / Accumulated losses**	**099**	**7,584,259**	**2,111,005**
A. IV. 1.	Retained earnings or accumulated losses (+/–)	100	7,584,259	2,111,005
A. V.	**Profit / (loss) for the current period**	**102**	**9,209,485**	**9,300,254**
B. + C.	**Liabilities**	**104**	**20,788,631**	**9,699,711**
B.	**Provisions**	**105**	**14,154**	**8,801**
B. 4.	Other provisions	109	14,154	8,801
C.	**Liabilities**	**110**	**20,774,477**	**9,690,910**
C. I.	**Long-term liabilities**	**111**	**18,750,742**	**6,889,159**
C. I. 1.	Debentures and bonds issued	112	13,623,000	--
C. I. 1. 1.	Convertible debentures and bonds issued	113	13,623,000	--
C. I. 6.	Liabilities – subsidiaries and controlling party	119	5,127,738	6,889,155
C. I. 8.	Deferred tax liability	121	4	4
C. II.	**Short-term liabilities**	**126**	**2,023,735**	**2,801,751**
C. II. 1.	Debentures and bonds issued	127	125,113	--
C. II. 1. 1.	Convertible debentures and bonds issued	128	125,113	--
C. II. 4.	Trade payables	132	114,446	61,838
C. II. 6.	Liabilities – subsidiaries and controlling party	134	1,756,237	2,674,220
C. II. 8.	Liabilities – other	136	27,939	65,693
C. II. 8. 3.	Liabilities to employees	139	2,835	1,917
C. II. 8. 4.	Liabilities for social security and health insurance	140	940	673
C. II. 8. 5.	Taxes and state subsidies payable	141	685	3,669
C. II. 8. 6.	Estimated payables	142	23,479	57,356
C. II. 8. 7.	Other liabilities	143	--	2,078

Income statement (in thousand Czech crowns)

Ref.	TEXT	Row	Accounting period	
			2019	2018
a	b	c	1	2
I.	**Sales of products and services**	**01**	**245,735**	**602**
A.	**Cost of sales**	**03**	**768,915**	**422,382**
A. 2.	Raw materials and consumables used	05	1,087	938
A. 3.	Services	06	767,828	421,444
D.	**Staff costs**	**09**	**57,561**	**41,315**
D. 1.	Wages and salaries	10	45,436	32,824
D. 2.	Social security, health insurance and other social costs	11	12,125	8,491
D. 2. 1.	Social security and health insurance costs	12	10,406	7,375
D. 2. 2.	Other social costs	13	1,719	1,116
E.	**Value adjustments in operating activities**	**14**	**155**	**90**
E. 1.	Value adjustments of fixed assets	15	155	90
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	155	90
III.	**Operating income – other**	**20**	**3,025,068**	**169**
III. 3.	Other operating income	23	3,025,068	169
F.	**Operating expenses – other**	**24**	**3,048,841**	**5,940**
F. 3.	Taxes and charges from operating activities	27	2,222	2,272
F. 4.	Operating provisions and complex prepaid expenses	28	5,353	2,275
F. 5.	Other operating expenses	29	3,041,266	1,393
*****	**Operating result**	**30**	**(604,669)**	**(468,956)**
IV.	Income from sales of long-term investments – shares	31	12,290,385	9,864,003
IV. 1.	Income from sales of investments – subsidiaries or controlling party	32	12,290,385	9,864,003
G.	Shares sold	34	68	--
VI.	Interest and similar income	39	152,028	168,391
VI. 1.	Interest and similar income – subsidiaries or controlling party	40	111,075	165,521
VI. 2.	Other interest and similar income	41	40,953	2,870
I.	Value adjustments and provisions from financial operations	42	1,037,280	--
J.	Interest and similar expenses	43	432,519	214,915
J. 1.	Interest and similar expenses – subsidiaries or controlling party	44	295,716	214,915
J. 2.	Other interest and similar expenses	45	136,803	--
VII.	Other financial income	46	--	4,249
K.	Other financial expenses	47	1,158,392	52,518
*****	**Financial result**	**48**	**9,814,154**	**9,769,210**
******	**Net profit / (loss) before taxation**	**49**	**9,209,485**	**9,300,254**
******	**Net profit / (loss) after taxation**	**53**	**9,209,485**	**9,300,254**
*******	**Net profit / (loss) for the financial period**	**55**	**9,209,485**	**9,300,254**
	Net turnover for the financial period	**56**	**15,713,216**	**10,037,414**

Statement of cash flows (in thousand Czech crowns)

Ref.	TEXT	Accounting period 2019	2018
a	b	1	2
	Cash flows from operating activities		
	Net profit /(loss) before tax	**9,209,485**	**9,300,254**
A. 1.	Adjustments for non-cash movements:	–11,000,576	–9,814,001
A. 1. 1.	Depreciation and amortisation of fixed assets	155	90
A. 1. 2.	Change in provisions	1,042,633	2,275
A. 1. 3.	(Profit)/loss from disposal of fixed assets	–7,799,621	0
A. 1. 4.	Dividend income	–4,490,696	–9,864,003
A. 1. 5.	Net interest expense/(income)	280,491	46,524
A. 1. 6.	Other non-cash movements	–33,538	1,113
A *	**Net cash flow from operating activities before tax and changes in working capital**	**–1,791,091**	**–513,747**
A. 2.	Working capital changes:	–346,898	37,656
A. 2. 1.	Change in receivables and prepayments	–363,830	–6,820
A. 2. 2.	Change in short-term payables and accruals	16,932	44,476
A **	**Net cash flow from operating activities before tax**	**–2,137,989**	**–476,091**
A. 3.	Interest paid	–242,574	–265,029
A. 4.	Interest received	218,854	155,059
A. 6.	Dividends received	4,490,696	9,864,003
A ***	**Net cash flow from operating activities**	**2,328,987**	**9,277,942**
	Cash flow from investing activities		
B. 1.	Acquisition of fixed assets	–105	0
B. 2.	Proceeds from sale of fixed assets	7,799,689	0
B. 3.	Loans to related parties	–1,967,153	–1,425,859
B. 4.	Expenses related to the acquisition of shares and other long – term financial assets	–6,188,091	–12,949,572
B. 5.	Income from shares and other long - term financial assets	1,409,847	0
B. 6.	Loans and advances to unrelated parties	900,375	–900,375
B ***	**Net cash flow from investing activities**	**1,954,562**	**–15,275,806**
	Cash flow from financing activities		
C. 1.	Change in long- and short-term liabilities	10,899,663	6,090,646
C. 2.	Changes in equity:	–14,605,326	–1,034,400
C. 2. 1.	Cash inflow from the increase of share capital	–10,778,326	0
C. 2. 6.	Dividends paid	–3,827,000	–1,034,400
C ***	**Net cash flow from financing activities**	**–3,705,663**	**5,056,246**
	Net increase/(decrease) in cash and cash equivalents	**577,886**	**–941,618**
	Cash and cash equivalents at the beginning of the year	**681,026**	**1,622,644**
	Cash and cash equivalents at the end of the year	**1,258,912**	**681,026**

Statement of changes in equity (CZK '000)

	Share capital	Other capital funds	Property revaluation reserve (+/)	Retained earnings	Restatement of retain earnings	Total
As at 1 January 2018	**2,000**	**12,197,055**	**–506,218**	**3,349,293**	**–203,888**	**14,838,242**
Fair value gains/(losses)						
– Investments in subsidiaries and associates	0	0	131,211	0	0	131,211
Dividends/profit distribution paid	0	0	0	–1,034,400	0	–1,034,400
Net profit/(loss) for the current period	0	0	0	9,300,254	0	9,300,254
Restatement of retain earnings	0	0	0	–2,314,893	2,314,893	0
As at 31 December 2018	**2,000**	**12,197,055**	**–375,007**	**9,300,254**	**2,111,005**	**23,235,307**
Fair value gains/(losses)						
– Financial derivatives	0	0	156,177	0	0	156,177
– Investments in subsidiaries and associates	0	0	–164,403	0	0	–164,403
Dividends/profit distribution paid	0	0	0	0	–3,827,000	–3,827,000
Net profit/(loss) for the current period	0	0	0	9,209,485	0	9,209,485
Restatement of retain earnings	0	0	0	–9,300,254	9,300,254	0
Other movement of Equity	0	–10,778,326	0	0	0	–10,778,326
As at 31 December 2019	**2,000**	**1,418,729**	**–383,233**	**9,209,485**	**7,584,259**	**17,831,240**

1. General information

1.1. Introductory information about the Company

SAZKA Group a.s. ("the Company") was incorporated on 2 April 2012 by the Municipal Court in Prague, Section B 18161, and has its registered office at Vinohradská 1511/230, Prague 100 00, Czech Republic. The Company's primary business activities are holding and managing of domestic and foreign investments.

The Company is not a member/shareholder with unlimited liability in any undertaking.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large sized companies and have been prepared under the historical cost convention except as disclosed below.

2.2. Financial investments

Long-term financial investments are investments in subsidiaries, associates, other securities and investments, loans, borrowings, securities available for sale and held to maturity with a maturity of over 1 year and other long-term financial investments.

2.2.1. Investments in subsidiaries

Investments in subsidiaries represent shares in enterprises that are controlled by the Company ("the subsidiary").

Investments in subsidiaries are recorded at cost less a provision for diminution in value.

2.2.2. Other securities and investments

The Company classifies securities and investments, other than investments in subsidiaries and associates, as Other long-term investments.

Securities that are acquired principally for the purpose of generating profits from short-term (maximum of 1-year period) fluctuations in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements, are classified as available-for-sale. These investments are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, in which case they are included in current assets. Management determines the appropriate classification of investments as at the time of purchase and the classification is reviewed on a regular basis.

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value.

Gains and losses arising from changes in the fair value of trading instruments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognised as a movement in equity and recognised into the income statement on realisation or when permanently impaired.

A provision for impairment is established for held-to-maturity investments when their carrying value is greater than their estimated recoverable amount.

2.3. Determining the fair value

The Company uses fair value measurement for financial derivatives and other securities and investments. The Company uses discounted cash-flow models for determination of fair value of financial derivatives, that are not traded on an active market.

2.4. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers.

Receivables from related parties have not been provided for.

2.5. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

Cash, receivables and liabilities balances 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 the equity for the purpose of hedging of investments.

Investments in subsidiaries and associates and other investments and securities denominated in a foreign currency, which are not accounted for at fair value, are translated at the period-end exchange rate as published by the Czech National Bank. Any translation difference is recognised in equity, with the exception of held-to-maturity investments for which the translation difference is recognised in the profit and loss account. When investments and securities are measured at fair value, any foreign exchange translation difference is considered to be part of the fair value re-measurement.

2.6. Derivative financial instruments

Derivative financial instruments including currency forwards are initially recognised on the balance sheet at cost and are subsequently re-measured at their fair value. All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively.

The Company did not identify any derivatives embedded in other financial instruments.

The Company makes use of derivative instruments to manage exposures to foreign currency risk. The Company designates certain derivatives prospectively as a net investment hedge attributable to investments in foreign operation, held in foreign currencies and revalued to the presentation currency at the reporting date.

Hedge accounting is used for derivatives designated in this way, provided that certain criteria, including defining the hedging strategy and hedging relationship before hedge accounting is applied and ongoing documentation of the actual and expected effectiveness of the hedge, are met. At inception of a hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Changes in the fair value of derivatives that qualify as effective net investment hedges are recorded as foreign currency translation reserve in equity and are transferred to the income statement and classified as an income or expense in the period during which the hedged item is released to the income statement, i.e. on the disposal or partial disposal of the foreign operation.

The Company also has non-hedging financial derivatives that serve as a hedging instrument in accordance with the Company's risk management strategy, but hedge accounting cannot be used under Generally Accepted Accounting Principles in the Czech Republic Czech accounting regulations, because the criteria for hedge accounting were not met. Those derivatives are therefore reported as non-derivative financial liabilities.

Changes in the fair value of financial derivatives held for trading are reported in the financial result.

For determination of fair value measurement for financial derivatives The Company uses discounted cash-flow models using exclusively market parameters.

2.6.1. Hedge accounting

Apart from hedging derivatives described in previous section, the Company makes use of non-derivative financial liabilities to hedge foreign currency risks arising from net investments, provided that these other financial liabilities meet the same requirements as a hedging derivative. The non-derivative financial liabilities can be used only for hedging of foreign currency risks.

Foreign currency revaluation of non-derivative financial liabilities that qualify as effective net investment hedges is recorded as foreign currency translation reserve in equity and is transferred to the income statement and classified as an income or expense in the period during which the hedged item affects the income statement, i.e. on the disposal or partial disposal of the foreign operation.

2.7. Provisions

The Company recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

The Company recognises provisions to cover its obligations or expenses, when the nature of the obligations or expenses is clearly defined and it is probable or certain as at the balance sheet date that they will be incurred, however their precise amount or timing is not known. The provision recognised as at the balance sheet date represent the best estimate of expenses that will be probably incurred, or the amount of liability that is required for their settlement.

2.8. Revenue recognition

Sales are recognised when goods are shipped to the customer and are stated net of discounts and value added tax.

Sales are recognised as at the date the services are rendered and are stated net of discounts and value added tax.

2.9. Related parties

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 have directly or indirectly significant influence on the Company,
- members of the Company's or 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.

Material transactions and outstanding balances with related parties are disclosed in notes 11 Related parties transactions and 13 Employees.

2.10. Interest expense

Interest on borrowings is expensed.

2.11. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.12. Accruals and deferrals

The costs associated with lease contracts brokerage are equally recognized over the lease term to credit institution or subsidiary.

2.13. Cash-flow statement, cash and cash equivalents

The Company has prepared a Cash-flow statement using the indirect method.

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected.

2.14. Advances received for profit shares

The Company recognizes received advances for profit shares as current period income on a line Income from sales of investments – subsidiaries or controlling party, if the following conditions are met:

- high probability that the profit for the current period of the company paying the advance on profit shares will exceed the amount of these paid advances;
- the company paying the advance on profit shares is a subsidiary in which the Company owns a 100% share
- the advance on profit shares is paid to the Company at the end of the current period.

If at least 1 of these conditions is not met, then the Company recognises received profit share advances as a liability on the line Liabilities - subsidiaries and controlling party.

2.15. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognised in the financial statements.

2.16. Consolidation

The Company prepares consolidated financial statements of the narrowest group of entities to which the Company belongs. These financial statements have been prepared in accordance with International Financial Reporting Standards.

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.

3. Long term financial investments

3.1. Investments in subsidiaries

31 December 2019	Carrying value (CZK'000)	% of capital	Net assets (CZK'000)	Profit / loss for 2019 (CZK'000)
SAZKA Czech a.s.	1,664,542	100	1,744,374	1,693,056
Austrian Gaming Holding a.s.	5,139,943	100	4,844,484	(693)
VITALPEAK LIMITED	1,321	100	538	(302)
RUBIDIUM HOLDINGS LIMITED	11,126,139	100	12,505,003	1,724,876
IGH Financing a.s.	2,974	100	2,696	214
SAZKA Asia a.s.	80,540	100	78,548	(329)
EMMA DELTA MANAGEMENT LTD.	6,353	66,7	2145	446
SAZKA Group Financing a.s.	51,519	100	54727	9,129
SAZKA Group Russia LLC	2,399	100	649	198
Italian Gaming Holding a.s.	8,214,335	100	3,016,375	1,489,947
Italian GNTN a.s.	4,800	100	4,729	(71)
OPAP S.A.*	5,432,880	7,28	19,507,376	5,028,806
Total	**31,727,745**			

Except from OPAP S.A. balances are not audited.

* In addition to a direct stake of 7.28% in OPAP S.A., the company also controls an indirect stake in the company through RUBIDIUM HOLDINGS LIMITED of 32.73% of the voting rights. The total share of voting rights in OPAP S.A. is 40.01% and the total effective share is 31.99%.
SAZKA Group a.s. with a share of 40.01% in voting rights is the largest shareholder of OPAP S.A., participation in the General Meeting never exceeded 80%, therefore SAZKA Group a.s. controls an absolute majority in voting at the General Meeting.

31 December 2018	Carrying value (CZK'000)	% of capital	Net assets (CZK'000)	Profit / loss for 2018 (CZK'000)
SAZKA Czech	1,664,542	100	1,734,317	471,523
Austrian Gaming Holding a.s.	5,117,943	100	4,883,218	(146)
VILALPEAK LIMITED	566	100	180	(334)
RUBIDIUM HOLDINGS LIMITED	10,677,537	100	17,126,213	(334)
IGH Financing a.s.	1,412,752	100	1,439,760	9,109,774
SAZKA Asia a.s.	80,540	100	78,722	11
EMMA DELTA MANAGEMENT LTD.	6,431	66,7	17,159	(360)
SAZKA Group Financing a.s.	52,158	100	53,457	(1,209)
SAZKA Group Russia LLC	3	100	1,080	(823)
SAZKA Group Adriatic d.o.o.	69	100	5,272	5,270
Italian Gaming Holding a.s.	9,251,615	100	2,500,832	1,083,232
Total	**28,264,156**			

On 21 May 2019, the transfer of 100% of SAZKA Group a.s.'s share in SAZKA Group Adriatic d.o.o. to EMMA GAMMA LIMITED was completed. The buyer paid CZK 7,799,689 thousand for a 100% share.

Furthermore, SAZKA Group a.s. transferred its receivable from SAZKA Group Adriatic d.o.o. to EMMA GAMMA LIMITED. The assignment of the shareholder loan became effective as of May 20, 2019. EMMA GAMMA LIMITED paid the amount of CZK 3,024,638 thousand for the assigned receivable. This income is recognized in the income statement as other operating income. The carrying amount of the receivable is recognized in the income statement as other operating expenses.

Change in the provision for impairment of investments in subsidiaries:

(CZK'000)	2019	Subsidiaries 2018
Beginning balance as at 31 December	0	0
Charge for the year	1,037,280	0
Ending balance as at 31 December	**1,037,280**	**0**

The provision is created on the basis of the estimated recoverable amount assessed according to the discounted cash flows for the investment in Italian Gaming Holding a.s. The value of this investment is derived from the license to operate selected number lotteries. The license is held by LOTTOITALIA S.a r.l., in which Italian Gaming Holding as has a 32.5% stake. The license is for a definite period and its maturity ends in 2025.

Changes in the status of ownership interests in subsidiaries at cost can be analysed as:

(CZK'000)	Subsidiaries
As at 1 January 2018	**15,183,529**
Acquisition of shares of Italian Gaming Holding a.s.	9,251,615
VITALPEAK LIMITED - increase of the registered capital of the company	517
Austrian Gaming Holding a.s. – contribution to other capital contributions	2,295,750
IGH Financing a.s. - contribution to other capital contributions	1,301,000
SAZKA Asia a.s. - contribution to other capital contributions	49,186
SAZKA Group Financing a.s. - contribution to other capital contributions	51,280
SAZKA Group Adriatic d.o.o. - contribution to other capital contributions	68
Revaluation of foreign currency investments	131,211
As at 31 December 2018	**28,264,156**
Disposal of shares of SAZKA Group Adriatic d.o.o.	(68)
Acquisition of shares of OPAP S.A	5,455,234
RUBIDIUM HOLDINGS LIMITED - contribution to other capital contributions	589,038
Austrian Gaming Holding a.s. -contribution to other capital contributions	22,000
IGH Financing a.s. – decrease of other capital contributions	(1,409,778)
VITALPEAK LIMITED - contribution to other capital contributions	775
SAZKA Group Russia LLC -contribution to other capital contributions	2,371
Revaluation of investments	(164,402)
Acquisition of shares and contribution to other capital contributions to Italian GNTN Holding a.s.	4,800
Other	899
As at 31 December 2019	**32,765,025**

3.2. Other long-term and short-term financial investments

3.2.1. Available-for-sale investments

31 December 2019	Number of securities	Nominal value	Fair value (CZK'000)
Foreign Convertible bill of exchange	1	5,000 ths. USD	113,105

A convertible bill of exchange can be converted into shares under certain conditions, including defined financial transactions.

The Company acquired the convertible bill of exchange as at 17 December 2019, and as a result the fair value of the convertible bill of exchange as at 31 December 2019 did not differ significantly from the recalculated nominal value. The maturity of the convertible bill of exchange is 17 December 2022 with an interest rate of 10% p.a.

3.3. Loans and borrowings

Intercompany loans and borrowings are described in the note 11 Related party transactions.

Loans and borrowings consist of:

(CZK'000)	Balance as at 31. December 2019	Balance as at 31. December 2018
Subsidiary - EMMA DELTA HELLENIC HOLDINGS LIMITED	4,858,249	0
Subsidiary - SAZKA Group Adriatic d.o.o.	0	2,975,515
Other	0	900,375
Total	**4,858,249**	**3,880,157**

As at 31 December 2019, the Company reports in current assets on the line Receivables - subsidiaries and controlling party a loan provided to EMMA DELTA HELLENIC HOLDINGS LIMITED in the amount of CZK 4,858,249 thousand (as at 31 December 2018: CZK 0), the principal of the provided loan is EUR 190,000 thousand. The loan is due on 30 April 2020, the interest rate is 3.65% p.a.

As at 31 December 2018, the Company reported in current and non-current assets on the lines Receivables - subsidiaries and controlling party, in particular the loan provided to SAZKA Group Adriatic doo in the total amount CZK 2,975,515 thousand. Interest payable in 2019 was reported as a short-term part of the loan. In 2019, a loan was repaid to SAZKA Group Adriatic d.o.o as part of a transaction related to the sale of a stake in SAZKA Group Adriatic d.o.o., please see more information in the note 3.

Other loans and advances were repaid early in December 2019 (as at 31 December 2018: CZK 903,235 thousand), and principals, including interest, in the amount of CZK 941,364 thousand were repaid as part of repaid loans.

4. Receivables

The Company does not record any overdue receivables as at 31 December 2019 or 31 December 2018.

As at 31 December 2019 and 31 December 2018, the Company did not create a provision for receivables.

Unsettled receivables have not been covered by guarantees and none of them are due after more than 5 years.

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

Receivables from related parties are disclosed in the note 11 Transactions with related parties.

5. Accruals of assets

The Company accrues costs related to the acquisition of a loan and the issuance of bonds. The costs of obtaining loans and issuing bonds are deferred to costs together with the repayment of the loan and bonds. Accruals occur:

- in connection with the acquisition of a loan from SAZKA Group Financing a.s. As at 31 December 2019, the Company reported an amount of CZK 74,538 thousand, as the balance of accruals (as at 31 December 2018: CZK 100,328 thousand)
- in connection with the issue of CZK bonds, the balance of accruals as at 31 December 2019 amounts to CZK 114,749 thousand (as of 31 December 2018: 0)
- in connection with the issue of EUR bonds, the balance of accruals as at 31 December 2019 amounts to CZK 111,431 thousand (as of 31 December 2018: 0)

6. Equity

The shareholders exceeding 20% of the share capital are as follows:

(in %)	31 December 2019	31 December 2018
KKCG AG	100	75
EMMA GAMMA LIMITED	0	25
Total	**100**	**100**

6.1. Changes in equity

On 14 March 2019, KKCG AG (as a buyer) signed with EMMA GAMMA LIMITED (as a seller) share purchase agreement of the Company. Based on this agreement KKCG AG acquired all of the shares of EMMA GAMMA LIMITED, as a result of which KKCG AG became the sole shareholder of the Company. On 2 May 2019, the Company made a loan in the amount of EUR 420,000 thousand as a financial assistance to its majority shareholder AG KKCG. On 30 July 2019, the sole shareholder made a distribution of other capital funds in the amount of CZK 10,778,326 thousand., which offset the amounts due under the financial assistance loan.

The sole shareholder approved the financial statements for 2018 and decided about the allocation of profit earned in 2018 of CZK 9,300,254 thousand on 10 May 2019.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2019.

7. Payables, commitments and contingent liabilities

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

The Company provided the following guarantees which are not recorded in the balance sheet

as at 31 December 2019:

The company provided the guarantees to financial institutions for loans its subsidiaries. Furthermore, the Company provided guarantees to the owners of bonds issued by the subsidiary SAZKA Group Financing a.s. up to EUR 250 million (CZK 6,352,500 thousand).

Outstanding principals of guaranteed loans and bonds in the group:

CAME HOLDING GmbH .... bank loan EUR 95.7 million .... (CZK 2,431,737 thousand)

SAZKA GROUP Financing a.s. .... issued bonds EUR 200 million .... (CZK 5,082,000 thousand)

The loan provided to CAME Holding GmbH was repaid at the beginning of 2020 (refer to subsequent events).

Terms and conditions of bonds issued by SAZKA Group Financing a.s. are published in the prospectus for the bonds and were met as at 31 December 2019.

The company Italian Gaming Holding a.s. (as a borrower) entered into a bank loan agreement. In connection with the financing, the Company entered into an agreement to pledge 100% of the shares of Italian Gaming Holding a.s. in order to secure claims in favour of the creditor. This loan was repaid at the beginning of 2020 (refer to subsequent events).

Payables to related parties are described in the note 11. Related party transactions.

The Company did not provide any other guarantees which were not recorded in the balance sheet.

8. Bonds issued and other borrowings

Analysis of the bonds issued:

	Collateral	Maturity	Interest rate (%)	Currency	Balance as at 31 December 2019 (CZK'000)
CZK bond	Financial guarantee provided by SAZKA Czech a.s.	2024	CZK	5,20	6,084,933
EUR bond	Financial guarantee provided by SAZKA Czech a.s.	2024	EUR	4,125	7,663,180
Total issued bonds					**13,748,113**

On 23 September 2019, the Company issued a bond (CZK Bond) with a nominal value of CZK 6,000,000 thousand and a fixed interest rate of 5.20% p.a. (ISIN CZ0003522930). Interest is repaid semi-annually in arrears.

During 2019, the Company entered into a financing agreement in connection with a voluntary offer to repurchase shares in OPAP S.A. ("Voluntary tender offer" or also VTO). Acquired funds was used to cover the share price held by minority shareholders, thus a 67% stake in OPAP S.A. In connection with this financing, the Company paid CZK 1,049,540 thousand in bank fees. Based on the result of the Voluntary tender offer, the Company purchased a 7.25% stake in OPAP S.A. in the amount of EUR 212,893 thousand (CZK 5,431,957 thousand). In the connection with the Voluntary tender offer in OPAP S.A., the Company also provided a loan in the amount of EUR 190,000 thousand to EMMA DELTA HELLENIC HOLDINGS LIMITED. The value of the loan as at 31 December 2019 is CZK 4,858,249 thousand. The transactions were partially financed by a bank loan in the amount of EUR 300,000 thousand and issued CZK bonds. The bank loan was subsequently repaid from the funds obtained by issuing Euro bonds.

On 15 November 2019, the Company issued a bond (EURO bond) with a nominal value of EUR 300,000 thousand with a fixed interest rate of 4.125% p.a. Interest is repaid semi-annually in arrears.

Bank loans have certain financial covenants attached to them. Violation of these covenants can lead to immediate maturity of the debt. As of December 31, 2019, the Company fulfilled the covenants.

SAZKA Czech a.s. provided a financial guarantee in connection with the issue of bonds and it is a guarantor for the above-mentioned bonds up to the amount of CZK 2,723,110 thousand.

Loans received from related parties are described in the note 11.

9. Derivative financial instruments

The Company uses FX forward derivatives with banks for hedging of the foreign exchange risks that the Company is exposed to.

9.1. Financial derivatives that meet the criteria for hedge accounting – net investment hedging

(CZK'000)	31 December 2019			31 December 2018		
	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Negative	2018	
Currency forwards	80,097	0	EUR 230 m	--	--	--
Total fair value hedging agreements	80,097	0	EUR 230 m	--	--	--

The change in fair value of the above-described net investment hedging instruments is recognised

in the foreign currency translation reserve in equity until the hedged items are recognised in the profit and loss account, i.e. on the disposal or partial disposal of the foreign operation.

Change in fair value of foreign exchange derivatives recorded in equity:

(CZK'000)	2019	2018
As at 1 January	**0**	**0**
Charge for the year (+/-)	80,097	0
As at 31 December	**80,097**	**0**

Hedging effectiveness

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

The Company enters into currency forwards that have similar critical terms as the hedged item, such as currency or notional amount. As all critical terms matched during the year, the economic relationship was 100% effective. The Company hasn't recognized any hedge ineffectiveness arising from net investment hedges in the income statement.

Hedge accounting

Apart from hedging derivatives described in previous section, the Company makes use of non-derivative financial liabilities to hedge foreign currency risks arising from net investments, provided that these other financial liabilities meet the same requirements as a hedging derivative. The non-derivative financial liabilities can be used only for hedging of foreign currency risks.

Summary of non-derivative financial liabilities to hedge foreign currency risks arising from net investments.

(CZK'000)	31 December 2019			31 December 2018	
	Part of the liability in EUR used for hedging	Accounting value (CZK'000) – part used for hedging	Type of hedge relationship	Accounting value (CZK'000) – part used for hedging	Type of hedge relationship
Issued bonds due in 2024	EUR 300 m	7,623,000	NI hedge	--	NI hedge
Loan received from SAZKA Group Financing a.s.	EUR 10 m	254,100	NI hedge	--	NI hedge
Loan received from Italian Gaming Holding a.s.	EUR 66 m	1,677,060	NI hedge	--	NI hedge
Total non-derivative financial liabilities – NI hedge	**EUR 376 m**	**9,554,160**	**--**	**--**	**--**

Foreign currency revaluation of non-derivative financial liabilities recorded in equity:

(CZK'000)	2019	2018
As at 1 January	**--**	**--**
FX revaluation charge for the year (+/–)	76,080	--
As at 31 December	**76,080**	**--**

Foreign currency translation reserve (CZK'000)	31 December 2019	31 December 2018
Foreign currency translation reserve - derivatives	80,354	-
Foreign currency translation reserve - non-derivative financial liabilities	76,080	-
Total	**156,177**	**-**

9.2. Financial derivatives held for trading

(CZK'000)	31 December 2019			31 December 2018		
	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Negative	2018	
Currency forwards	0	0	0	0	2,078	EUR 50,000
Total trading agreements	**0**	**0**		**0**	**2,078**	

10. Revenue

Revenue analysis:

(CZK'000)	2019		2018	
	Domestic	Foreign	Domestic	Foreign
Sales of services	742	244,933	602	0
Total sales of own products and services	**742**	**244,933**	**602**	**0**

10. Related party transactions

All material transactions with related parties are presented in this note.

The Company had the following related party transactions:

(CZK'000)	2019	2018
Revenues		
Sales of services	244,993	0
Interest income	111,075	165,521
Dividend income	4,490,696	9,864,003
Total	**4,846,764**	**10,029,524**
Costs		
Purchase of material	695	0
Purchase of services	69,264	68,430
Interest expenses	295,716	214,915
Total	**365,675**	**283,345**

The following related party balances were outstanding as at:

(CZK'000)	31 December 2019	31 December 2018
Receivables		
Trade receivables	239,127	3
Other receivables	0	1,745
Loans receivable	4,858,249	2,976,922
Total	**5,100,285**	**2,978,670**
Liabilities		
Liabilities to companies within the consolidation group	6,919,413	9,605,879
Out of which:		
Trade payables	35,438	42,504
Loans payable	6,883,975	9,563,375
Total	**6,919,413**	**9,605,879**

The loans receivable and payable bear interest at market interest rates.

Loans received as at 31 December 2019 represent a long-term loan received from SAZKA Group Financing a.s. in the amount of CZK 5,127,738 thousand (as at 31 December 2018: CZK 5,191,305 thousand) and a liability for unpaid interest. The loan is due in 2022, the interest rate is 4.25% p.a.

Loans received as at 31 December 2019 are further represented by a loan from Italian Gaming Holding a.s. in the amount of CZK 1,742,919 thousand (as at 31 December 2018: CZK 1,699,972 thousand), which was repaid in 2020,refer to subsequent events. The interest rate was 3.75% p.a.

As of December 31, 2018, the Company recorded short-term loans from IGH Financing a.s. in the amount of CZK 1,436,380 thousand and SAZKA Czech a.s. in the amount of CZK 1,222,848 thousand. Both loans were repaid in 2019.

As part of its core business, the Company used short-term deposits with related entities. As at 31 December 2019, the Company had no deposits received or provided.

No loans/ credits/ other considerations were provided to the members of the Board of Directors and the Supervisory Board as at 31 December 2019.

12. Fees paid and payable to the audit company

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit s.r.o. is included in the consolidated annual report SAZKA Group a.s.

13. Employees

	2019		2018	
	number	(CZK '000)	number	(CZK '000)
Emoluments to the Statutory Body	4	0	4	0
Emoluments to members of the Supervisory Board	1	0	3	0
Wages and salaries to other management	6	25,723	5	19,315
Wages and salaries to other employees	15	19,713	19	13,509
Social security costs		10,406		7,375
Other social costs		1,719		1,116
Wages and salaries total		**57,561**		**41,315**

The Company's management includes senior staff members directly reporting to the Statutory Body.

No considerations were provided to the Statutory Body and members of the Supervisory Board as at 31 December 2019.

14. Income tax

A potential net deferred tax asset of CZK 86,441 thousand as at 31 December 2019 (as at 31 December 2018: CZK 103,211 thousand), has not been recognised as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised. The 19% rate has been used to calculate it as at 31 December 2019 and 2018.

The Company has tax losses as at 31 December 2019 of CZK 57,568 thousand, which can be utilised up to 2023.

15. Cash-flow statement

Cash and cash equivalents disclosed in the Cash-flow statement can be analysed as follows:

(CZK'000)	31 December 2019	31 December 2018
Cash at banks	1,258,912	681,026
Total cash and cash equivalents	**1,258,912**	**681,026**

16. Subsequent events

On 13 January 2020, the Company entered into a guarantee facility agreement with Erste Group Bank AG. The guarantee facility agreement provides for a payment guarantee related to the acquisition of Novomatic's shareholding in Casinos Austria AG.

On March 6, 2020, the Company signed a shareholder agreement with Österreichische Beteiligungs AG ("ÖBAG") regarding the governance of Casinos Austria AG. As a part of the agreement, ÖBAG is waiving its pre-emption rights with respect to the acquisition of a 17.2% stake in Casinos Austria AG from Novomatic AG. The completion is subject to necessary regulatory approvals and Casinos Austria AG shareholders' meeting approval.

On 5 February 2020 the Company issued EUR 300,000 thousand senior notes. Proceeds were used, together with cash on balance sheet, to repay and cancel the CAME Holding Loan Facility and the Italian Gaming Holding a.s. Loan Facilities as described below and to pay certain fees and expenses in connection with the issuance of the senior notes. The issue price for the senior notes was 99.24%. The notes are due on 15 February 2027 and have a fixed interest rate equal to 3.88% p.a. Interest is paid semi-annually in arrear on 15 August and 15 February each year.

On 7 February 2020, the Company provided a loan to company CAME in the amount of EUR 91,500 thousand (EUR 2,290,245 thousand). By repaying the loan, the guarantee provided by the Company is terminated, refer to the Note 7.

On 12 February, the Company repaid a loan in the amount of the principal and the loan EUR 68,592 thousand (1,742,920 thousand CZK) to Italian Gaming Holding a.s. as at 31 December 2019.

On 14 February 2020, the Company provided a loan to Italian Gaming Holding a.s. in the amount of EUR 139,000 thousand (CZK 3,452,065 thousand). Subsequently, Italian Gaming Holding a.s. repaid the bank loan, which resulted to the release of the shares of Italian Gaming Holding a.s., which were pledged in favour of the financing banks.

The company extended the maturity of the loan (in the amount of the principal EUR 190,000 thousand) provided to the controlled company EMMA DELTA HELLENIC HOLDINGS LIMITED by 30 April 2020.

COVID-19

The global COVID-19 outbreak has had an ongoing impact on the operations of the Company and its subsidiaries. The outbreak has been considered as a non-adjusting post balance sheet event. However, the future impact of the outbreak has to be assessed in light of the going concern basis of accounting that has been used in the preparation of these financial statements. However, the situation is still developing and therefore the Company and its subsidiaries are analysing the potential impacts to future operations and financial position of the Company and its subsidiaries on an ongoing basis. Management, through its continuous monitoring of risks haves assessed the current development and impact on the Company and its subsidiaries including, but not limited to, the impact on liquidity risk and concluded that the financial position and operations of the Company and its subsidiaries for the next twelve months are robust.

The Company and its subsidiaries have implemented a number of measures to ensure normal operations, invoking business continuity plans where appropriate, as well as planning to achieve a quick ramp-up of the business once restrictions will be lifted. The Company and its subsidiaries have not experienced any material interruption to the continuity of their core business processes as a result of the COVID-19 outbreak.

While all of the online and digital channels have continued to operate without interruption, the physical retail networks have been subject to restrictions (described below) to safeguard public health and protect our employees.

All of the operating companies have fully complied with the decisions and recommendations of the public authorities in the countries of their operations.

These developments will impact the Company financial performance. The extent of the impact will depend on factors including, but not limited to, the duration of the outbreak, how long current restrictions remain in place, further measures taken by governments, the extent of the overall economic disruption, and the effectiveness of our mitigation measures.

SAZKA Group a.s. and its subsidiaries have been implementing and continuing to evaluate savings and deferrals in operating costs (for example, marketing costs) and capital expenses. Profitability and cash flow in the subsidiaries have been further supported by a reduction of variable costs (for example taxes on GGR and sales commissions).

The operating companies are also evaluating the various schemes launched by governments to provide support to businesses, for example by deferring tax payments and subsidizing the cost of employees in impacted businesses.

Given the current circumstances, the uncertainty and rapidly changing nature of the situation, SAZKA Group a.s. and its subsidiaries have undertaken measures to maximise liquidity, in particular through the measures described above. As of 31 March 2020, the cash balances of SAZKA Group a.s. and its 100%-owned subsidiaries were approximately EUR 100 million.

Management monitors the cash position of the Company and its subsidiaries and has carried out sensitivity analysis of its forecasts cashflows. Management is confident that the Company has sufficient liquidity to repay all amounts due to creditors within the next twelve months. Under the terms of certain financings, the Company and its subsidiaries shall comply with certain conditions (including financial covenants), which are tested on an interim and annual basis. As at 31 December 2019, the Company and its subsidiaries was in compliance with these conditions, and has therefore classified its borrowings with a maturity in over twelve months as long-term. The financial effect of the COVID-19 outbreak on the income statement and statement of financial position is uncertain at this point of time. The Company is monitoring the situation continuously.

Description of restrictions, measures and impacts by jurisdiction are described below:

Czech Republic

As of 16 March 2020, the Government of the Czech Republic implemented restrictions on movement of citizens in the Czech Republic in order to contain the spread of the COVID-19 epidemic. Citizens are permitted to shop for supplies limited to food, essential items, fuel, and medicine. The public can also access necessary financial and postal services. From 20 April 2020, certain businesses are allowed to reopen, and certain types of outdoor events and gatherings which were previously prohibited are permitted.

We estimate that approximately 95% of SAZKA a.s.' retail network currently provide its products, up from approximately 70% in previous weeks.

We estimate that over 70% of SAZKA's Czech retail network continue to provide SAKZA's products and expect this proportion to increase to approximately 95% on 27 April 2020.

At the same time, we are actively promoting the use of online platforms for lottery products and digital-only offerings as well as optimising our portfolio of digital-only products. In parallel, further improvements in the sign-up process have been implemented to allow for safe registrations and authorizations without having to visit the physical points of sale.

Gross gaming revenue year to date (including the period impacted by COVID-19 and the periods before) is approximately in line with SAZKA a.s.' budget (set before COVID-19). Gross gaming revenue so far in April has been slightly above budget, with strong performance in digital channels more than compensating for the negative impact on sales via physical points of sale.

Greece

On 13 March 2020, the Greek government published its decision to impose a temporary ban on the operation of a wide range of shops, indoor venues, and other locations. As a result of this, all OPAP stores and PLAY gaming halls in Greece have been closed since 14 March 2020. OPAP 's stores in Cyprus have been temporarily closed as well. The restrictions currently in place apply until at least 4 May 2020.

Due to these restrictions, OPAP's increased focus has been online, which in turn has been reflected in growth in digital games. Further measures involve the enhancement of OPAP's product portfolio, including the launch of virtual sports and a third additional weekly draw for Joker. However online products do not contribute a material amount of revenues.

Operating costs have been reduced, mainly by adjusting marketing and sponsorship spending. Capital expenditures have been put on hold, with most projects postponed to 2021 where possible.

OPAP management estimate that the monthly impact of the current restrictions on OPAP is a reduction of approximately EUR 130–140 million to GGR and approximately EUR 50–53 million to EBITDA before mitigating measures which OPAP management estimate could result in savings of approximately EUR 4–6 million of EBITDA per month. OPAP management estimate monthly cash burn during the current restrictions at EUR 21–22 million.

On 28 April 2020 the Prime Minister announced a gradual lifting of restrictions imposed to contain the spread of coronavirus in Greece, beginning of 4 May 2020. It was announced that OPAP stores (excluding PLAY gaming halls) will reopen on 11 May, as part of the second group of shops which are allowed to reopen. Safety precautions will apply to staff and customers (e.g. mask use), seating in-store will not be allowed, while a maximum number of people allowed in-store at any given time will be established depending on store size.

Austria

On 13 March 2020, the Austrian government published its decision to impose a temporary ban on the operation of a wide range of shops, excluding those providing basic services such as food retail, pharmacies, post offices, banks, petrol stations and tobacco stores. The decision went into force on 16 March 2020. The Austrian government has subsequently relaxed some restrictions, including allowing small shops to open from 14 April 2020. On 21 April 2020 the Chancellor announced plans to allow large shops to open from 1 May 2020, with further easing of restrictions, including opening of restaurants and hospitality businesses, potentially following later in May.

The ban has had only a limited impact on the availability of Casinos Austria's subsidiary Austrian Lotteries' products through its main physical retail channels as over 90% of its point of sale are functioning, with the number of closed points of sale gradually reducing in April.

In coordination with the authorities, Casinos Austria decided to close all its casinos in Austria, while its subsidiary Austrian Lotteries decided to close all its gaming halls on 13 March 2020. All the casinos of Casinos Austria's subsidiary Casinos Austria International, which operates casinos and VLT businesses in multiple countries, are also currently closed.

Austrian Lotteries' online gaming activities have remained available to the public during the entire period. They include draw-based games (Austrian Lotteries' major products Lotto and Euromillions), instant scratch cards, online casino, poker, bingo and sports betting. Supported by marketing activities, Austrian Lotteries have seen a double-digit percentage increase in online sales during the period of the restrictions compared to previous weeks.

The Austrian government and the governments of certain jurisdictions where Casinos Austria International operates have introduced measures to support part-time workers, which may allow Casinos Austria to reduce the financial impact of the closure.

Italy

Due to the ongoing COVID-19 outbreak, the Agenzia Dogane Monopoli (ADM) suspended sales of LOTTOITALIA's 10e Lotto and Millionday games through its retail network, effective from 31 March 2020. LOTTOITALIA's Lotto game was also suspended. These games account for 100% of LOTTOITALIA's sales. On 23 April 2020 the ADM published a decree allowing sales of 10e Lotto and Millionday games from 27 April 2020 and Lotto from 4 May 2020.

A majority of LOTTOITALIA's costs and are expected to continue to be incurred during the suspension. In 2019, LOTTOITALIA's raw materials, services and other costs were EUR 92.8 million.

Date:	Signature of the authorised representatives:	
29 April 2020	Pavel Šaroch Statutory Representative	Robert Chvátal Statutory Representative

FURTHER REGULATORY DISCLOSURES

Report of the board of directors of SAZKA Group a.s. on the relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity

The company SAZKA Group a.s., with its registered seat at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Identification No. 242 87,814, registered in the Commercial Register maintained by the Municipal Court in Prague under file no. B 18161 (hereinafter the "Company") in the accounting period from 1 January 2019 to 31 December 2019 (hereinafter the "Accounting Period") was a controlled entity within the meaning of Section 74 et seq. of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended (hereinafter the "Business Corporations Act" or "BCA").

The board of directors of the Company, as a controlled entity, in accordance with Section 82 of Business Corporations Act has drafted for the lapsed Accounting Period this report on the relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity (hereinafter also the "Report on Relations" and "Related Entities"). The Report on Relations is structured in accordance with Section 82 (2) and (4) of BCA.

1. The structure of relations between the company and other related entities

The Company is directly controlled by the company KKCG AG, having its registered seat at Kapellgasse 21, 6004 Lucerne, Switzerland, registered under Registration No. CHE-326.367.231 (hereinafter "KKCG AG").

Until 11 July 2019, apart from KKCG AG, the Company was controlled also by the company EMMA CAPITAL LIMITED, having its registered seat at Themistokli Dervi 48, Athienitis Centennial Building, 3rd Floor, Office 303, 1066 Nicosia, Republic of Cyprus, Registration No. HE310908 (acting in concert with the companies EMMA GAMMA LIMITED and EMMA APLHA HOLDING LTD).

The Company is the dominant entity of SAZKA Group concern.

A list of all Related Entities (in respect of the Company) as of 31 December 2019 constitutes an Annex to this Report on Relations.

2. The role of the company

The role of the Company, as a controlled entity, is in particular, to hold and manage equity stakes in companies active in the business of lottery and games operation and their unified management.

3. The method and means of control

The control is exercised vis- à-vis the Company 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 Related Entities the Company took the following actions concerning assets that exceed 10% of own capital of the Company as determined from the last financial statements:

- granting a loan facility (financial assistance) to KKCG AG in the amount of EUR 420 million, pursuant to a Facility Agreement dated 2.5.2019, as listed s. 5.1 below (the loan repaid as of 30.7.2019);
- providing a guarantee relating to the loan facility (originally dated 8.12.2016) in the amount of EUR 250 million granted to Emma Delta Hellenic Holdings Limited, in favour of The Bank of New York Mellon, as listed in s. 5.1 below, on 12.7.2019 (the loan repaid as of 31.10.2019);
- granting a loan to Emma Delta Hellenic Holdings Limited for the repayment of existing EUR loan facility pursuant to a EUR 210 million facility agreement originally dated 31.10.2019 (as listed in s. 5.1 below);
- distributing other capital funds of the Company to its sole shareholder in the amount of CZK 10,778,326,650.10 by virtue of resolution dated 30.7.2019;
- distributing retained profits of the Company to its sole shareholder in the amount of CZK 3,827,000,000 by virtue of resolution dated 4.11.2019;

- sale of SAZKA Group Adriatic d.o.o. to EMMA GAMMA LIMITED pursuant to a Share Sale and Purchase Agreement dated 14.3.2019 (as listed in s. 5.1 below);
- assignment of rights under the long-term loan provided to SAZKA Group Adriatic d.o.o. as per the Loan Agreement (dated 27.3.2018) to EMMA GAMMA LIMITED pursuant to an Agreement on Assignment of Rights and Assumption of Obligations dated 14.3.2019 (as listed in s. 5.1 below);
- release of guarantee provided in respect of obligations of SAZKA Group Adriatic d.o.o. under a Facility Agreement (dated 27.3.2018) pursuant to a Deed of Release of Guarantee dated 20.5.2019 (as listed in s. 5.1 below); and
- short term deposits with KKCG Structured Finance AG pursuant to a Cash Pooling Agreement originally dated 20.6.2016 (as listed in section 5.2 below).

5. An overview of contracts

5.1 The following contracts were concluded further between the Company and the Related Entities during the Accounting Period:

- Amendment and Restatement Agreement relating to a Facility Agreement (originally dated 8.12.2016) with Emma Delta Hellenic Holdings Limited and other contracting parties dated 14.1.2019 (repaid as of 31.10.2019);
- Loan Agreement with RUBIDIUM HOLDINGS LIMITED dated 23.1.2019 (repaid as of 30.9.2019);
- Framework Agreement on Provision of Advisory Services with KKCG AG dated 12.2.2019;
- Agreement on the Provision of a Contribution into Other Capital Funds with Italian GNTN Holding a.s. dated 27.2.2019;
- Indemnity Agreement with Organisation of Football Prognostics S.A. (OPAP S.A.) dated 1.3.2019;
- Supplement Agreement No. 2 to Loan Agreement (dated 30.10.2017) with SAZKA Group Russia LLC dated 8.3.2019 (terminated by a Set-Off Agreement in conjunction with an Agreement on Termination of Obligations dated 26.8.2019);
- Amendment Deed amending the Shareholders' Agreement (originally dated 17.8.2016) with KKCG AG, EMMA GAMMA LIMITED and other contracting parties dated 14.3.2019 (terminated as a result of share transfer completion on 11.7.2019);
- Agreement on Sale and Purchase of Shares with EMMA GAMMA LIMITED dated 14.3.2019;
- Deed on Termination in respect of Deed on Refinancing (originally dated 12.7.2017) with KKCG AG, EMMA GAMMA LIMITED and other contracting party dated 14.3.2019;
- Agreement on Assignment of Rights and Assumption of Obligations under the Facility Agreement (dated 27.3.2018) with EMMA GAMMA LIMITED and SAZKA Group Adriatic d.o.o. dated 14.3.2019;
- Supplement No. 2 to the Framework Agreement on Provision of Advisory Services (dated 23.8.2016) with KKCG a.s. dated 18.3.2019;
- Amendment No. 2 to the Shareholders' Agreement (originally dated 24.7.2014) with RUBIDIUM HOLDINGS LIMITED and other contracting parties dated 18.3.2019;
- Amendment No. 1 to the Assignment Agreement (dated 14.12.2018) with IGH Financing a.s. dated 26.3.2019 (repaid as of 23.5.2019);
- Amendment No. 1 to the Share Purchase and Joint Venture Agreement (dated 26.4.2018) with SAZKA Group Adriatic d.o.o. and other contracting parties dated 2.4.2019;
- Facility Agreement with KKCG AG dated 2.5.2019 (repaid as of 30.7.2019);
- Deed of Release of Guarantee relating to the Facility Agreement (dated 27.3.2018) with SAZKA Group Adriatic d.o.o. dated 20.5.2019;
- Assignment Agreement relating to the Subordination Agreement (dated 27.3.2018) with EMMA GAMMA LIMITED, SAZKA Group Adriatic d.o.o. and other contracting party dated 20.5.2019;
- Subscription Agreement with RUBIDIUM HOLDINGS LIMITED dated 24.5.2019;
- Amendment No. 1 to the Share Pledge Agreement (dated 27.3.2018) with SAZKA Group Adriatic d.o.o., EMMA GAMMA LIMITED and other contacting party dated 7.6.2019;
- Agreement on the Provision of a Contribution into Other Capital Funds with Austrian Gaming Holding a.s. dated 11.6.2019;

- Amendment No. 3 to the Shareholders' Agreement (originally dated 24.7.2014) with RUBIDIUM HOLDINGS LIMITED and other contracting parties dated 27.6.2019;
- Interim Facility Agreement with SAZKA Czech a.s., SAZKA Group Holding a.s., KKCG AG and other contracting parties dated 7.7.2019 (until the replacement by Senior Facilities Agreement dated 10.10.2019);
- Process Agent Appointment Acceptance Letter with KKCG UK Limited dated 7.7.2019;
- Side Letter to the Shareholders' Agreement (originally dated 17.8.2016) with KKCG AG, EMMA GAMMA LIMITED and other contacting parties dated 11.7.2019;
- Consultancy Agreement with KKCG AG dated 11.7.2019;
- Amendment and Restatement Agreement relating to a Facility Agreement (originally dated 8.12.2016) with Emma Delta Hellenic Holdings Limited and other contracting parties dated 12.7.2019 (repaid as of 31.10.2019);
- Agreement on Provision of Financial Assistance with SAZKA Group Russia LLC dated 15.7.2019;
- Supplement Agreement No. 3 to a Loan Agreement (originally dated 30.10.2017) with SAZKA Group Russia LLC dated 24.7.2019 (terminated by a Set-Off Agreement in conjunction with an Agreement on Termination of Obligations dated 26.8.2019);
- Amendment No. 1 to the Cash Pooling Agreement (dated 20.6.2016) with KKCG Structured Finance AG dated 24. 7. 2019;
- Repayment Confirmation relating to a Facility Agreement (dated 2.5.2019) with KKCG AG dated 30.7.2019;
- Royalty Agreement with OPAP S.A. dated 20.8.2019;
- Agreement for the Provision of Consultancy and Advisory Services with OPAP S.A. dated 20.8.2019;
- Set-Off Agreement with SAZKA Group Russia LLC dated 26.8.2019;
- Agreement on Termination of Obligations relating to a Loan Agreement (dated 30.10.2017) with SAZKA Group Russia LLC dated 26.8.2019;
- Agreement on Provision of Financial Assistance with SAZKA Group Russia LLC dated 31.8.2019;
- Subscription Agreement with VITALPEAK LIMITED dated 13.9.2019;
- Amendment No. 2 to the Individual Agreement on Provision of Services (dated 1. 11.2016) with DataSpring s.r.o. dated 18. 9. 2019;
- Amendment Agreement relating to a Facility Agreement (originally dated 8.12.2016) with Emma Delta Hellenic Holdings Limited and other contracting parties dated 30.9.2019 (repaid as of 31.10.2019);
- Senior Facilities Agreement with SAZKA Czech a.s., SAZKA Group Holding a.s., KKCG AG and other contracting parties dated 10.10.2019 (repaid as of 15.11.2019);
- Senior Secured Bridge Facility Agreement with SAZKA Czech a.s., SAZKA Group Holding a.s., KKCG AG and other contracting parties dated 10.10.2019 (commitments cancelled as of 31.10.2019);
- Proceeds Loan Agreement with SAZKA Group Holding a.s. dated 10.10.2019 (commitments cancelled as of 31.10.2019);
- Intercreditor Agreement with KKCG AG, SAZKA Group Holding a.s., SAZKA Czech a.s. and other contracting parties dated 10.10.2019 (subject of the agreement has ceased to exist);
- Process Agent Appointment and Acceptance Letter with KKCG UK Limited, SAZKA Czech a.s., SAZKA Group Holding a.s. and KKCG AG dated 10.10.2019;
- Joint Cooperation and Common Interest Agreement with Emma Delta Hellenic Holdings Limited, OPAP S.A. and KKCG AG dated 22.10.2019;
- Facility Agreement with Emma Delta Hellenic Holdings Limited dared 31.10.2019;

- Amendment No. 4 to the Business Premises Tenancy Agreement (originally dated 31.10.2017) with Vinohradská 230 a.s. dated 1.11.2019;
- Purchase Agreement in relation to bonds with SAZKA Czech a.s. and other contracting parties dated 12.11.2019;
- Indenture in relation to bonds with SAZKA Czech a.s. and other contracting parties dated 15.11.2019;
- Agreement n Provision of Financial Assistance No. 3 with SAZKA Group Russia LLC dated 22.11.2019;
- Amendment no. 1 to the Facility Agreement (dated 31.10.2019) with Emma Delta Hellenic Holdings Limited dated 29.11.2019;
- Cash Pooling Agreement with Italian Gaming Holding a.s. dated 29.11.2019;
- Supplement No. 1 to the Shareholders' Agreement (dated 22.6.2017) with CAME Holding GmbH and other contracting party dated 10.12.2019;
- Agreement on Termination of the Framework Agreement on Provision of Advisory Services (originally dated 1.12.2016) with EMMA CAPITAL LIMITED dated 11.12.2019;
- Agreement on Termination of the Framework Agreement on Provision of Advisory Services (originally dated 5.12.2019) with Emerging Markets Capital, a.s. dated 11.12.2019;
- Amendment no. 2 to the Facility Agreement (originally dated 31.10.2019) with Emma Delta Hellenic Holdings Limited dated 12.12.2019; and
- Amendment no. 3 to the Facility Agreement (originally dated 31.10.2019) with Emma Delta Hellenic Holdings Limited dated 20.12.2019.

5.2 The following contracts concluded between the Company and the Related Entities 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 1.10.2015;
- Agreement on the use of fitness centre with Vinohradská 230 a.s. dated 1.3.2016;
- Cash Pooling Agreement with KKCG Structured Finance AG dated 20.6.2016, as amended by Amendment No. 1 dated 24.7.2019;
- Framework Agreement on Provision of Advisory Services with KKCG a.s. dated 23.8.2016, as amended by Supplement No. 1 dated 30.6.2017 and Supplement No. 2 dated 18.3.2019;
- Shareholders' Agreement with KKCG AG, EMMA GAMMA LIMITED and other contracting parties dated 17.8.2016, as amended on 9.10.2017, 22.10.2018 and 14.3.2019 (terminated as a result of share transfer completion on 11.7.2019);
- Shareholders' Agreement with RUBIDIUM HOLDINGS LIMITED and other contracting parties dated 24.7.2014, as amended on 17.8.2016, 18.3.2019 and 27.6.2019;
- Joint Venture Agreement with Italian Gaming Holding a.s. and other contracting parties dated 30.4.2016, as amended on 31.5.2017;
- Framework Agreement on Provision of Services with DataSpring s.r.o. dated 1.11.2016;
- Individual Agreement on Provision of Services with DataSpring s.r.o. dated 1.11.2016, as amended by Amendment no. 1 as of 1.11.2017 and Amendment No. 2 as of 18.9.2019;
- Framework Agreement on Provision of Advisory Services with EMMA CAPITAL LIMITED dated 1.12.2016, as amended by Amendment No. 1 dated 7.12.2017 (terminated pursuant to the Agreement on Termination dated 11.12.2019);
- Framework Agreement on Provision of Advisory Services with Emerging Markets Capital dated 5.12.2019, as amended on 8.12.2017, 10.12.2018 and 21.12.2018 (terminated pursuant to the Agreement on Termination dated 11.12.2019);
- Loan Agreement with SAZKA Group Russia LLC dated 30.10.2017, as supplemented by Supplement Agreement No. 1 dated 17.4.2018, No. 2 dated 8.3.2019 and No. 3 dated 24.7.2019 (terminated by a Set-Off Agreement in conjunction with an Agreement on Termination of Obligations dated 26.8.2019);
- Accession to the Assumption and Guarantee Agreement with CAME Holding GmbH and other contracting parties dated 1.2.2017, as amended by an Extension Agreement dated 5.10.2018;
- Agreement with End-user on the Provision of Services relating to the Use of Microsoft SW Products with DataSpring s.r.o. dated 13.4.2017;

- Shareholders' Agreement with CAME Holding GmbH and other contracting party dated 22.6.2017, as supplemented by Supplement No. 1 dated 10.12.2019;
- Agreement on Security Inspections with Kynero Consulting a.s. dated 29.9.2017, as amended by Amendment No. 1 dated 18.6.2018;
- Share Pledge Agreement with EMMA GAMMA LIMITED and other contracting parties dated 14.7.2017 (until the pledge release in connection with the share sale);
- Framework Agreement on Provision of Accounting Services with KKCG a.s. dated 1.11.2017;
- Project Support Agreement with SAZKA Group Financing a.s. dated 14.11.2017;
- Framework Agreement on Ticketing Services in the Field of Air Transport with G-Jet s.r.o. dated 15.11.2017;
- Meeting Rooms Licence to Hire with KKCG UK Limited dated 1.1.2017;
- Business Premises Tenancy Agreement with Vinohradská 230 a.s. dated 31.10.2017, as amended on 1.3.2018, 29. 6. 2018, 31.8.2018 and 1.11.2019;
- Movable Assets Rent Agreement with KKCG a.s. dated 1.11.2017;
- Financial Guarantee for obligations of SAZKA Group Financing a.s. dated 14.11.2017;
- Agreement on Provision of ICT Services with DataSpring s.r.o. dated 1.12.2017;
- Loan Agreement with SAZKA Group Financing a.s. dated 12.12.2017, as amended by Amendment No. 1 dated 31.5.2018;
- Agreement on the Compensation for Software Extension with KKCG a.s. dated 13.12.2017;
- Confidentiality Agreement with OPAP S.A. dated 15.1.2018, as amended on 6.7.2018;
- Accession Agreement with KKCG a.s. and other contracting party dated 31.1.2018;
- Subordination Agreement with SAZKA Group Adriatic d.o.o and other contracting party dated 27.3.2018 (until the assignment pursuant to an Assignment Agreement dated 20.5.2019);
- Share Pledge Agreement with SAZKA Group Adriatic d.o.o. and other contacting party dated 27.3.2018 (until the transfer pursuant to an Amendment No. 1 dated 7.6.2019);
- Facility Agreement with SAZKA Group Adriatic d.o.o. dated 27.3.2018 (until the assignment pursuant to an Agreement on Assignment of Rights and Assumption of Obligations dated 14.3.2019);
- Share Purchase and Joint Venture Agreement with SAZKA Group Adriatic d.o.o. and other contracting party dated 26.4.2018 (until the assignment pursuant to Amendment No. 1 dated 2.4.2019);
- Personal Data Processing Agreement with DataSpring s.r.o. dated 24.5.2018;
- Personal Data Processing Agreement with KKCG a.s. dated 16.7.2018;
- Framework Deposit Agreement with SAZKA Czech dated 24.8.2018;
- Framework Deposit Agreement with SAZKA a.s. dated 17.9.2018, as amended by Amendment No. 1 dated 21.12.2018;
- Share Pledge Agreement (originally dated 9.5.2016) with Italian Gaming Holding a.s. and other contracting party, as amended by Side Agreement dated 29.10.2018;
- Framework Deposit Agreement with IGH Financing a.s. dated 19.11.2018;
- Subordination Agreement (originally dated 9.5.2016) with Italian Gaming Holding a.s. and other contracting party, as amended by Amendment No. 1 dated 14.12.2018;
- Loan Agreement with Italian Gaming Holding a.s. dated 14.12.2018; and
- Receivable Assignment Agreement with IGH Financing a.s. dated 14.12.2018, as amended by Amendment No. 1 dated 26.3.2019 (repaid as of 23.5.2019).

6. The assessment of damage suffered and its settlement

The Company did not suffer any damage as a result of influence of controlling persons during the Accounting Period.

7. The evaluation of advantages and disadvantages resulting from the relations between the related entities

A membership in the KKCG Group, with the Controlling Entity KKCG AG, enables the Company to benefit, especially, from the sharing of know-how and information (to the extent permitted by law and contractual arrangements with third parties), from the ability to take advantage from the good reputation associated with the KKCG brand and to access intra-group and bank financing of the Company (for example, in the form of the possibility to have collateral for financial liabilities of the Company provided by other persons in the group).

The Company has not identified any disadvantages arising to it from the relationships between the Related Entities.

Annex: List of Related Entities as of 31.12.2019

Annex: List of Related Entities

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2019

COMPANY	Registered seat, Identification number / Registration number
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. no 36828617
AEC a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 26236176
AEC Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04772148
AEC s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 31384072
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, post code 702 00, identification no. 28345801;
Aricoma Group a.s.	Prague 4, Chodov, Líbalova 2348/1, post code 149 00, identification no. 04615671
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04047788
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, identification no. 043 08 697
AUTOCONT s.r.o.	Krasovského 14, Bratislava - mestská časť Petržalka, post code 851 01, Slovak Republic, identification no. 36 396 222
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27457621
BOSM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773877

BXY Czech, a.s., v likvidaci	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04559851
CAD Studio s.r.o.	Ostrava, Moravská Ostrava, Hornopolní 3322/34, post code 702 00, identification no. 26197081
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no.038898d
CES EA s.r.o.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 08028656
Cestovní kancelář FISCHER, a.s.	Prague 4 – Nusle, Na Strži 65/1702, post code 140 62, identification no. 26141647
CKF facility s.r.o.	Prague 4 – Nusle, Na Strži 65/1702, post code 140 62, identification no. 28982738
Cleverlance Enterprise Solutions a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 27408787
Cleverlance Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04771915
Cleverlance H2B a.s.	Brno, Slatina, Tuřanka 1519/115a, post code 627 00, identification no. 28223756
Cleverlance Slovakia s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 35942487
Cloud4com SK, s.r.o.	Bratislava, Staré Grunty 36, post code 841 04, Slovak Republic, identification no. 50569694
Cloud4com, a.s.	Prague 7, Holešovice, U Uranie 954/18, post code 170 00, identification no. 24660329
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, reg. č. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, registration no. 506335
Conectart s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 24728055
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 28808681
EMMA DELTA FINANCE PLC, in liquidation	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Republic of Cyprus, registration no. HE 284780
EMMA DELTA HELLENIC HOLDINGS LIMITED	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Republic of Cyprus, registration no. HE320752
EMMA DELTA MANAGEMENT LTD	Arch. Makariou III, 2–4, CAPITAL CENTER, 9th floor, 1065 Nicosia, Republic of Cyprus, registration no. HE314151
EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Republic of Cyprus, registration no. HE314350

FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04283112
Geewa a.s.	Prague 9, Karlín, Sokolovská 366/84, post code 186 00, identification no. 25617036
Geologichchne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, registration no.31978102
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27079171
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, registration no.25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, registration no.132846101000
IGH Financing a.s., v likvidaci	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05034353
INDUSTRIAL CENTER 28/23 SP. Z O.O.	ul.Twarda 18, 00-105 Warszawa, Poland, registration no.1132912313
INTERMOS Prague s.r.o.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Moskovská 13, post code 811 08, Slovak Republic, identification no. 35898411
Internet Projekt, s.r.o.	Prague 2, Nové Město, Vyšehradská 1376/43, post code 128 00, identification no. 08526541
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04828526
Italian GNTN Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07911319
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 02612020
Kavárna štěstí s.r.o.	Prague 9, K Žižkovu 851/4, post code 190 00, identification no. 05111901
KKCG a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 27107744
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-271.643.388

KKCG Methanol Holdings LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, United States of America, registration no. 36-4831670
KKCG Real Estate a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-292.174.442
KKCG Technologies s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, identification no. 07171234
KKCG UK Limited	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, registration no.8869774
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, registration no. 84-2817214
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, registration no. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24193461
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.30-0988055
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D’Acquisto 5, Italy, registration no. 01294260334
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. FN84439a
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, registration no.117154k
MEDICEM Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, registration no. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 48036374
Megalax Real, s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 07774656
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564534000
MND a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, post code 696 18, identification no. 25547631

MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, registration no. HRB206722
MND Energy Trading a.s	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, registration no. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52308944
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, registration no. HRB207844
MND Group B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 34246576
MND Oil & Gas a.s.	Úprkova 807/6, 695 01 Hodonín, identification no. 074 35 304
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52990680
MND Ukraine B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 59394072
MNG Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no.CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26915189
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration no.84923002000
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, registration no. 1046301405094
OPAP CYPRUS LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE140568
OPAP INTERNATIONAL LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE145913
OPAP INVESTMENT LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greece, registration no.3823201000
OPAP SPORTS LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE133603
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5252630921
POM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773800

Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, registration no. 36042045
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564470000
RUBIDIUM HOLDING LIMITED	8 Alasias Street, Christodoulides Building, 3095 Limassol, Republic of Cyprus, registration no. HE287956
SafeDX s.r.o.	Prague 9, Vysočany, K Žižkovu 813/2, post code 190 00, identification no. 04585119
SALEZA, a.s. (in bankruptcy, insolvency proceedings initiated)	Prague 9, K Žižkovu čp. 851, post code 19093, identification no. 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05266289
Sazka Asia Vietnam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, registration no.0314057663
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24852104
Sazka Distribution Viet Nam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, registration no.0313898374
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 01993143
SAZKA Group	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24287814
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava - mestká časť Karlova Ves, post code 841 04, Slovak Republic, identification no. 51142317
SAZKA Group Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07877838
SAZKA Group Russia LLC	Prospect Mira 40, floor 8, premises I, room 11, 129090 Moskva, Russia, registration no. 1177746915257
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5272464443
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, post code 710 00, identification no. 25830953
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 01726587
SUPERMARINE, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062773
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27631842

TOK Poland Sp. Z o.o.	ul. Twarda 18, 00-105 Warszawa, Poland, Reg. č 5252689699
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.5641201000
TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 81-1952040
VESTINLOG, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05629276
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26203944
Vitalpeak Limited	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 228204
VSU Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062897
WOODSLOCK a.s.	Prague 4, Líbalova 2348/1, post code 149 00, identification no. 27379434

Certain regulatory information prescribed by Capital Market Undertakings Act

This section contains information that Act No. 256/2004 Coll., Capital Market Undertakings Act, as amended, requires to be in a separate part of this report, especially the information referred to in Sections 118(4) (b)-(h) and (j)-(l) and 118(6) of the Capital Market Undertakings Act.

This section contains information which SAZKA Group a.s. (in this section referred to as "Issuer") is required to disclose under the Capital Market Undertakings Acts, as an issuer of CZK 6bn SUN SG 5.20/2024 (ISIN: CZ0003522930) bonds listed on the Prague Stock Exchange.

1. General information about the issuer

Company name: .... SAZKA Group a.s.

Registered office: .... Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic

Company ID no.: 242 87 814

VAT registration no.:... CZ24287814

LEI (Legal Entity Identifier): 3157001WZJ5O35EAL536

Commercial court:... Commercial Register at the Municipal Court in Prague

Commercial court file no.:.................................... B 18161

Date of Incorporation:... 2 April 2012

Establishment date:... 26 January 2012

Legal form: .... joint-stock company

Telephone no: .... +420 225 010 612

E-mail:... ir@sazkagroup.com

Web (general):... www.sazkagroup.com

Web (section for investors):................................. https://www.sazkagroup.com/investors

Description of activities:

As stated in its articles of association of 26 January 2012, the Issuer was established for business purposes. According to article 3 of the articles of association, the Issuer's registered activities are (i) manufacturing, trade and services other than those listed in Annexes 1 to 3 to the Trade Licensing Act and (ii) the lease of property, residential and non-residential premises.

The Issuer performs the management of its ownership interests in the lottery and gaming companies within SAZKA Group. The Issuer itself does not undertake business activity on the markets of lotteries or games, and it is not the licence holder or operator of lotteries or gaming activities.

For more details about the operations of SAZKA Group, kindly refer to section "At a Glance" of this Consolidated Annual Report.

Key legal norms the Issuer observes in the course of its business:

- Act No. 89/2012 Coll., the Civil Code, as amended
- Act No. 90/2012 Coll., the Business Corporations Act, as amended
- Act No. 256/2004 Coll., Capital Market Undertakings Act, as amended
- Act No. 455/1991 Coll., the Trade Licensing Act, as amended
- Act No. 563/1991 Coll., the Accounting Act, as amended

The key operating companies in the Issuer's group observe the following main legal norms, as applicable:

- Act No. 186/2016 Coll., the Gambling Act, as amended
- Italian Civil Code from the year 1942, No. 262, and Italian concession deed No. 0058555 20/06/2016-I
- Greek Act No. 4548/2018, on the reform of joint-stock companies
- Greek Act No. 2843/2000 in relation to monopoly laws, as amended
- Greek Act No. 3229/2004, on the supervision of the gaming market, as amended
- Greek Act No. 4002/2011, on the regulation of the gaming market for video lottery terminals and online games, as amended
- Greek Act No. 3556/2007, on transparency requirements for companies whose shares are traded on a regulated market, as amended
- Austrian Act No. 620/1989, on gambling, as amended.

Organizational structure

The Issuer as a holding company primarily manages its ownership interests in companies within the SAZKA Group. The Issuer 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 Issuer as such does not conduct business in the area of gaming and does not hold the respective licences for such games. For the list of direct/indirect subsidiaries of the Issuer, please refer to "General Information about the Group" in Financial statements and notes.

Since 11 July 2019, the Issuer is 100% owned and directly controlled by KKCG AG, registered under Reg. No. CHE-326.367.231, having its registered seat at Kapellgasse 21, 6004 Lucerne, Switzerland (parent company of KKCG group of companies, the group further as "KKCG Group"). The sole shareholder of KKCG AG is the company 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. The Foundation per se is not controlled by any other person, nor does any other person hold shares in it. The designated beneficiary of Valea Foundation is Mr Karel Komárek.

Until 11 July 2019, the Issuer was owned by KKCG AG (holding 75% of the share capital) and an affiliate of Emma Capital Limited (holding 25% of the share capital). On this date, the transaction for the transfer of all shares held by such affiliate of Emma Capital Limited in the Issuer to KKCG AG was completed and KKCG AG became the owner of 100% of the share capital and voting rights in the Issuer.

In accordance with the articles of association of the Issuer, no shareholder has the possibility to influence the activities of the Issuer other than by his votes at general meetings. The Issuer'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 Issuer beyond certain limits set out by the applicable laws and articles of association of the Issuer.

The registered capital of the Issuer

The registered capital of the Issuer is CZK 2,000,000 and has been paid up in full. It is divided into 20 (twenty) registered common shares, of nominal value of CZK 100,000 each. The shares of the Issuer are not traded and therefore no ISIN has been assigned to them.

Description of the rights and duties attaching to the shares

The same rights and duties are associated with all the Issuer's shares. These rights and duties are set out in the relevant provisions of the articles of association of the Issuer and the applicable laws, primarily the Business Corporations Act and the Civil Code. The rights attaching to the Issuer's shares include, not exhaustively, the right to participate in the general meeting of the Issuer and to vote on matters within the competency of the general meeting, the right to a share in the profit – dividends, the right to request and obtain at the general meeting any explanation regarding the affairs of the Issuer, provided that such explanation is necessary to assess the issues on 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 with a nominal value of CZK 100,000 carries 1 (one) vote and therefore the total number of votes in the Issuer is 20 (twenty). None of the shares has restrictions on their voting rights. The obligations associated with the shares are primarily the payments for the subscribed shares within relevant deadlines.

The Issuer has not adopted any specific dividend policy. Pay-out of its dividends is governed by the Business Corporations Act.

Shares of the Issuer in the ownership of persons with the managerial powers

The persons with the managerial powers of the Issuer do not own shares or similar securities representing a share in the Issuer, do not hold any options or comparable investment instruments the value of which relates to the shares or similar security representing a share in the Issuer, and are not contracting parties to such contracts concluded in their favour.

Remuneration charged for the accounting period by auditors

The table below depicts the remuneration of the Issuer's statutory auditor PricewaterhouseCoopers Audit s.r.o. for services provided in 2019:

EUR thousands	Issuer	Other consolidated entities
Statutory audit of annual financial statements	88	238
Other assurance services	604	0
Tax advisory	0	0
Other non-audit services	0	0

The services provided by the statutory auditor of the Issuer in 2019 (in addition to the statutory audit of annual financial statements) were:

- review of interim consolidated financial statements of SAZKA Group and its components,
- reporting on the financial information presented in the bond issue prospectus,
- audit of special purpose financial information for the year 2018 prepared for the purpose of reporting to the investors in relation the bond issues,
- agreed upon procedures on the Issuer's statements of compliance with the covenant arising from conditions for bond issues (ISIN SK4120013475 and ISIN CZ0003522930),
- agreed upon procedures on the gaming revenue report of SAZKA a.s. for the year 2018, and
- specified procedures performed on the group reporting package of OPAP S.A. as of 31 December 2018.

Rating

As of the date of publication of this Annual Report, Issuer has a corporate rating, as well as the rating on its two Eurobond issues, of B+ (negative outlook) by S&P Global Ratings and BB- (stable outlook) by Fitch Ratings.

2. Corporate bodies of the issuer

The Issuer had in the course of 2019 the following corporate bodies:

a) General Meeting,

b) Board of Directors,

c) Supervisory Board.

2.1 General meeting

The General Meeting is the supreme body of the Issuer. Until 11 July 2019, the General Meeting was convened at least once per each accounting period. A resolution of the General Meeting could be adopted outside the General Meeting (by means of per rollam voting). Since 11 July 2019, the Issuer has a sole shareholder who, in accordance with section 12 (1) of the Business Corporations Act, exercises the powers of the General Meeting. Given that the Issuer has a sole shareholder, the procedural rules set out in Article 22 et seq. of articles of association of the Issuer are not currently applicable.

The powers of the General Meeting (and the powers of the sole shareholders 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 capital and on authorising the Board of Directors to increase the registered capital,
- **c)** the possibility of offsetting a financial claim towards the Issuer 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 on the settlement of loss,
- **i)** filing of an application for admission of the Issuer’s equity securities to trading in the European regulated market or on 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 Issuer,
- **n)** taking over the effects of any acts performed on behalf of the Issuer before its incorporation,
- **o)** approval of silent partnership agreements,
- **p)** giving strategic instructions to the Board of Directors which do not interfere with the business management of the Issuer 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 Issuer,
- **s)** approval of the Issuer’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 Issuer is the Board of Directors. Until 11 July 2019, the Board of Directors consisted of four (4) members, from 11 July 2019 until 12 December 2019 the Board of Directors consisted of three (3) members and since 12 December 2019 the Board of Directors consists of four (4) members again. Members of the Board of Directors are elected and recalled by the Issuer’s General Meeting. The term of the office of the members of the Board of Directors is five (5) years. The Board of Directors elects and recalls its Chairman (until 11 July 2019 also its Vice-Chairman).

The Board of Directors is responsible for business management of the Issuer and is vested with any and all other competences except those reserved for any other body of the Issuer under the Articles of Association, the law or a decision of a public authority. The Board of Directors is responsible for proper bookkeeping. Furthermore, it presents to the General Meeting for approval the annual, extraordinary, consolidated or, as the case may be, interim financial statements, and, in compliance with the Articles of Association, the proposal to distribute profits or pay losses.

Nobody is entitled to give instructions to the Board of Directors regarding business management. This shall not prejudice the right of a member of the Board of Directors to ask the Issuer's General Meeting for an instruction concerning business management.

The Board of Directors meets according to the current needs of the Issuer. The Board of Directors may also adopt resolutions outside meetings, either in writing or using technical facilities (per rollam). Per rollam resolutions of the Board of Directors are passed if a majority of votes of all members of the Board of Directors have been cast in favour of it. A meeting of the Board of Directors is quorate if a majority of all of its members is present. Decisions of the Board of Directors are passed if a majority of votes of the members present at the meeting have been cast in favour of it – the Chairman has a casting vote in case of equality of votes.

The Issuer is always represented towards third parties by two members of the Board of Directors acting jointly.

The members of the Board of Directors of the Issuer in the year 2019 were the following persons:

- Mr Karel Komárek – since 17 August 2016 (Chairman of the Board of Directors)
- Mr Pavel Šaroch – since 17 August 2016
- Mr Robert Chvátal – since 11 July 2019
- Ms Katarína Kohlmayer – since 12 December 2019
- (Mr Jiří Šmejc – since 17 August 2016 until 11 July 2019, Vice-Chairman of the Board of Directors)
- (Mr Pavel Horák – since 17 August 2016 until 11 July 2019)

Karel Komárek – Chairman of the Board of Directors

Appointment to the Board of Directors: 17 August 2016
Date of expiration of current term: 17 August 2021
Business address: Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic

For Mr Komarek's Experience and Expertise please refer to page 12 of the Annual Report.

Mr Komárek is the Chairman of the Board of Directors of KKCG AG and member of the statutory bodies of various other companies forming 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: 17 August 2021
Business address: Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic

For Mr Šaroch's Experience and Expertise please refer to page 12 of the Annual Report.

Mr Šaroch is the Chief Investment Officer of the KKCG Group and member of statutory and supervisory bodies of various other companies forming part of the KKCG Group (including, among others, KKCG AG and KKCG a.s.). Mr Šaroch is also a member of the statutory and supervisory bodies of other companies within SAZKA Group, the following of which are considered significant:

- Chairman of the board of directors of SAZKA Czech a.s., Czech Republic;
- Chairman of the board of directors of SAZKA a.s., Czech Republic;
- Member of the supervisory board of SAZKA FTS a.s., Czech Republic;
- Chairman of the board of directors of Austrian Gaming Holding a.s., Czech Republic;
- Chairman of the board of directors of Italian Gaming Holding a.s., Czech Republic;
- Chairman of the board of directors of SAZKA Group Financing a.s., Slovak Republic;
- Second Vice-Chairman of the board of directors of OPAP S.A., Greece; and
- Member of the board of directors of LOTTOITALIA s.r.l., Italy.

Robert Chvátal – Member of the Board of Directors

Appointment to the Board of Directors: 11 July 2019
Date of expiration of current term: 11 July 2024
Business address: Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic

For Mr Chvátal's Experience and Expertise please refer to page 12 of the Annual Report.

Mr Chvátal is the Chief Executive Officer of the Issuer and also a member of the statutory and supervisory bodies of other companies in SAZKA Group, the following of which are considered significant:

- Member of the board of directors of SAZKA Czech a.s., Czech Republic;
- CEO and Member of the board of directors of SAZKA a.s., Czech Republic;
- Member of the board of directors of Austrian Gaming Holding a.s., Czech Republic;
- Member of the board of directors of Italian Gaming Holding a.s., Czech Republic;
- 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; and
- 1st Vice-president of the supervisory board of Casinos Austria AG, Austria.

Katarína Kohlmayer – Member of the Board of Directors

Appointment to the Board of Directors: 12 December 2019
Date of expiration of current term: 12 December 2024
Business address: Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic

For Ms Kohlmayer's Experience and Expertise please refer to page 12 of the Annual Report.

Ms Kohlmayer is the Chief Financial Officer of the KKCG Group, 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 also a member of the statutory and supervisory bodies of other companies in SAZKA Group, the following of which is considered significant:

- Member of the board of directors of OPAP S.A., Greece; and
- Member of the supervisory board of Casinos Austria AG, Austria.

2.3 Supervisory board

The Supervisory Board is the supervising body of the Issuer. Until 11 July 2019, the Supervisory Board had three (3) members. Since 11 July 2019, the Supervisory Board has consisted of one (1) member. 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 recalled by the General Meeting and their term is five (5) years.

The Supervisory Board supervises the exercise of powers by the Board of Directors and the activities of the Issuer. The Supervisory Board reviews the annual, extraordinary, consolidated and, if applicable, the interim financial statements and the proposal for distribution of profits or settlement of losses, and submits its statement to the General Meeting. The Supervisory Board is entitled to inspect any and all documents and records concerning the Issuer's activities and check whether the accounting records are properly maintained and accurate and whether the business or any other activity of the Issuer complies with the applicable laws and regulations and the Articles of Association.

The members of the Supervisory Board of the Issuer in the year 2019 were the following persons:

- Mr Tomáš Porupka – since 17 August 2016 (since 11 July 2019, the sole member)
- (Mr Jakub Sokol – since 17 August 2016 until 11 July 2019)
- (Ms Radka Blažková – since 17 August 2016 until 11 July 2019)

Mr Tomáš Porupka – Sole member of the Supervisory Board of the Issuer

Appointment to the Supervisory Board: 17 August 2016
Date of expiration of current term: 17 August 2021
Business address: Vinohradská 1511/230, Strašnice, 100 00 Prague 10, 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 SAZKA Group, the following of which are considered significant:

- Member of the Supervisory Board of SAZKA a.s., Czech Republic;
- Sole member of the Supervisory Board of SAZKA Czech a.s., Czech Republic;
- Sole member of the Supervisory Board of Austrian Gaming Holding a.s., Czech Republic;
- Sole member of the Supervisory Board of Italian Gaming Holding a.s., Czech Republic; and
- Chairman of the Supervisory Board of SAZKA Group Financing a.s., Slovak Republic.

2.4 Conflict of interest

The Issuer is not aware of any potential conflict of interest between the Issuer-related obligations of the members of the Board of Directors and the sole member of the Supervisory Board of the Issuer 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 which may be different to the Issuer's.

2.5 Audit committee

The Issuer has started the formal establishment of the Audit Committee. The Audit Committee will have three (3) members which will be appointed by the sole shareholder of the Issuer exercising the powers of the General Meeting of the Issuer during the first weeks of May 2020. The term of service of the members of the Audit Committee will be five years. Members of the Audit Committee shall elect Chairman of the Audit Committee.

Following persons will be elected as the members of the Audit Committee:

(i) Mr Otakar Hora;

(ii) Mr Jan Hrazdira; and

(iii) Mr Zdeněk Jurák.

The competence of the Audit Committee is prescribed by the applicable law (Act No. 93/2009 Coll., on Auditors, as amended). The Audit Committee, in particular:

a) monitors the effectiveness of the internal quality control and risk management systems and monitors the process of the preparation of financial statements and consolidated financial statements;

b) recommends to the Supervisory Board auditors to be appointed and assesses the independence of the statutory auditors and audit firms and discusses with auditors any threats to their independence and adopted safeguards;

c) submits 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

d) exercises other powers pursuant to applicable Czech and European Union legislation.

As of 31 December 2019, no committees of the Board of Directors or the Supervisory Board of the Issuer were established.

3. Persons with managerial powers, remuneration

3.1 Basic information

The persons with the managerial powers of the Issuer are:

(i) the members of the Board of Directors,

(ii) the members of the Supervisory Board of the Issuer, and

(iii) the following other persons as of 31 December 2019:

- Mr Petr Stöhr, Chief Financial Officer (as of February 1, 2020 replaced by Mr Kenneth Morton)

  Responsible for defining, initiating, coordinating and supervising the Group-level financing, tax and reporting strategy, for supervision of the implementation of key strategic financial initiatives as well as for the leadership of budgeting process.

- Mr Štěpán Dlouhý, Chief Investment Officer

  Responsible for market monitoring and identification of investment opportunities, realization of acquisitions, divestments, mergers and other M&A activities as well as for direct negotiation of transactions terms.

- Mr Tony Khatskevich, Chief Technology Officer

  Responsible for defining, implementing and executing the mid/long-term strategy of the Group in IT/Technology area, for liaising with other executive managers in IT/Technology across the whole Group and participation in strategic management of their activities as well as initiation and coordination of Group-level technology initiatives

- Mr Ján Matuška, Chief Operating Officer

  Responsible for the organic development of SAZKA Group operating companies, monitoring their performance and ensuring best practice exchange within the Group. Participates in management processes that affect business and operational areas and is responsible for designing business model optimizations as well as for developing relationships with strategic partners.

It should be noted that Mr Robert Chvátal, who is a member of the Board of Directors of the Issuer, is also the Chief Executive Officer of the Issuer and in this position he leads the SAZKA Group and the development and implementation of its strategy.

3.2 Principles of Remuneration

The Issuer has neither adopted any particular remuneration policy nor established any remuneration committee.

3.2.1 Members of the Board of Directors and Members of the Supervisory Board

None of the members of the Board of Directors of the Issuer is an employee of the Issuer. The members of the Board of Directors and the Supervisory Board concluded with the Issuer agreements on the performance of office, in particular Mr Karel Komárek on 17 August 2016, Mr Pavel Šaroch on 17 August 2016, Mr Robert Chvátal on 11 July 2019, Ms Katarína Kohlmayer on 12 December 2019 and Mr Tomáš Porupka on 17 August 2016, that were approved by the General Meeting of the Issuer. All such 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 and a member of the Supervisory Board is performed without remuneration;
- The function shall be performed personally, with the due care and, in general, in accordance with applicable laws, the articles of association of the Issuer and the terms and conditions of the agreement;
- The Issuer is obliged to reimburse duly documented and reasonable costs incurred by the relevant member of the Board of Directors or the Supervisory Board when performing his or her function, including, for example, costs of business trips;
- The relevant member of the Board of Directors or the Supervisory Board is obliged to compensate damages caused to the Issuer as a result of breach of his or her duties while performing the function;
- The members of the Board of Directors and the Supervisory Board accepted an obligation of confidentiality and non-competition to the extent determined by applicable laws or the articles of association of the Issuer;
- The term of the agreement correlates with the term of office of the relevant member of the Board of Directors or the Supervisory Board;
- No specific benefits are agreed in case of the termination of the agreement or the function of the relevant member of the Board of Directors or the Supervisory Board.

Some members of the Board of Directors of the Issuer and of the Supervisory Board are entitled to remuneration from certain entities controlled by the Issuer, either by virtue of serving as members of statutory bodies or being in an employment relationship with such controlled entities and/or from the mother company of the Issuer.

3.2.2 Other persons with the managerial powers

The remuneration system of other persons with the managerial powers is agreed in employment contracts that the Issuer concluded with the relevant executives, in particular with Mr Stöhr (Chief Financial Officer) on 1 February 2017 (replaced by Mr Kenneth Morton as of 1. February 2020), Mr Dlouhý (Chief Investment Officer) on 1 March 2016, Mr Khatskevich (Chief Technology Officer), on 16 March 2018 and Mr Matuška (Chief Operating Officer) on 30 April 2019. The employment contracts are concluded for an indefinite period except for the employment contract of Mr Khatskevich which is concluded until 4 September 2021.

The remuneration system of the persons named above includes a fixed monthly salary in the amount agreed in their employment contracts approved by the members of the board of directors, and an annual bonus (without legal claim) calculated as a given percentage (ranging usually from 25% to 50%) of the annual fixed salary, which is dependent on the fulfilment of annual KPIs. KPIs (maximum of 6) are individually set for each person and comprise of individually set goals (depending on the particular position of each person) and may also include goals linked to achievement of certain economic results of the Issuer and/or its group (such as certain level of EBITDA). KPIs are evaluated by the supervisors of the persons named above, including the weight of the goals. Set and evaluated KPIs are reviewed by the HR department. Evaluation takes place in the first weeks of each year. Calculated bonus entitlements are usually agreed and confirmed for payment by the Members of Board of Directors during the month of February.

In addition, some of the persons above are entitled to a Long Term Incentive Scheme (LTIS), which is a 3 year incentive plan. LTIS bonus is calculated as a given percentage of the annual fixed salary per 3 year period based on the fulfilment of long term KPIs. KPIs are defined and agreed at the beginning of employment by a supervisor and Members of Board of Directors, who also evaluate the fulfilment of such long term KPIs after a 3 years period.

Apart from the monetary income, the executives are entitled to certain non-monetary benefits which include, for example, a contribution on voluntary pensions insurance, a catering allowance, 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.

3.2.3 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 Issuer and from persons controlled by the Issuer.

2019 Management Remuneration EUR thousands (netto amounts)

Members of the Board of Directors	**Controlled companies**	**Issuer**	
Monetary	2,534	0	
Non-Monetary	14	0	
Tax advisory	0	0	
Members of the Supervisory Board			
Monetary	64	105	
Non-Monetary	0	0	
Senior Management			
Monetary	0	618	
Non-Monetary	0	49	
Total	**2,613**	**772**	**3,385**

4. Corporate governance and administration codes

In the Czech Republic, there are no binding corporate governance codes, which the Issuer has to comply with. The Issuer, as at the date of this Annual Report, did not commit to comply with any specific corporate governance code as it considers applicable regulations sufficient for its current needs given its size applicable in the Czech Republic. The Issuer strictly adheres to applicable rules and regulations, in particular the Capital Market Business Act, the Business Undertakings Act and the Civil Code. The Issuer also follows the principle of transparency with respect to investors and regulators.

5. Diversity policy applied to the statutory body and the supervisory board

In the Czech Republic, there is no binding diversity regime, which the Issuer has to comply with. The Issuer, as at the date of this Annual Report, did not commit to comply with any specific diversity regime. The Issuer is dedicated to diversity and equality and supports these principles in its subsidiaries. The Issuer also fully adheres to the Czech law No. 198/2009 Coll., on equal treatment and on the legal means of protection against discrimination and on amendment to some laws, as in force, as well as its Compliance Policies, which the Issuer considers sufficient for its current needs.

6. Financial reporting process

The Issuer's approach to risks in relation to the financial reporting process is primarily driven by the Accounting Act. The Issuer kept its stand-alone books in accordance with the Czech accounting standard for the year ended 31 December 2019 and prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Other SAZKA Group companies, however, regardless of the accounting standard they use to prepare their individual financial statements, report all data for the Issuer's consolidation purposes according to IFRS. Unified accounting policies followed by the Issuer and selected subsidiaries are defined in consolidation guidelines which are in full compliance with generally applicable accounting standards. The guidelines are supplemented with additional documents detailing specific areas of the accounting process.

General principles applicable to the preparation of the Issuer'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 Issuer on the basis of approved supporting documents. Approvals take place primarily online, through the approval process in the enterprise information system. The scope of each approver's signatory authority is set forth in the relevant company's internal regulations. In each material organization, 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 organizations 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 identifying the user that created, changed, or reversed any accounting record, thereby allowing potential mistakes of fraud to be identified and rectified.

The accuracy of the accounts and financial statements is checked by an independent auditor, which audits stand-alone and consolidated financial statements prepared with respect to the reporting date, that is, December 31 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 Issuer's internal regulations. Where discrepancies are found, corrective action is proposed.

7. Significant court proceedings

The following administrative and civil proceedings are considered by SAZKA Group as material:

Czech Republic

Petition for the annulment of the contract for the sale of business to SAZKA a.s.: In November 2011, the plaintiff (an individual) in the Czech Republic commenced an action for annulment of the contract pursuant to which SAZKA a.s. acquired its business. If the plaintiff is successful, SAZKA a.s. could lose its license and business. As the plaintiff did not name SAZKA a.s. as party to the proceedings, the Issuer can base information regarding the proceedings only on public sources.

The proceedings have so far addressed only procedural issues, such as the plaintiff's request for exemption from the court fee and appointment of attorney by the court. The Municipal Court in Prague dismissed the plaintiff's petition for the appointment of attorney, among others, on November 2, 2015, and the High Court in Prague confirmed the decision on March 26, 2018. The proceedings are currently at the stage of an appellate review of the High Court decision. The Issuer's Board of Directors does not expect the plaintiff to succeed in the case.

Greece

Claims for loss of profit compensation: In July 2017, an appellate court awarded compensation for loss of profit in favor of a former agent in the amount of approximately €9.0 million plus interest from June 2006 to December 2011, for a total of approximately €13.5 million. OPAP S.A. sought an annulment of this decision and the Supreme Court of Athens annulled and remanded the case to the appellate court for review in early 2020. The case was heard before Athens Court of Appeal on the 30.01.2020 and respective decision is pending.

The same former agent also sought compensation for (i) the loss of profit from 2012 to 2016 in the amount of €11.1 million and an alternative claim in the amount 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 resolution of the proceeding described above.

Judgment No. 1645/2019: A company providing marketing services to OPAP S.A. alleged non-payment and subsequently sued OPAP S.A. for approximately €10.6 million, an alternative claim for €23.7 million and a further alternative claim for €4.8 million. The court of first instance dismissed the petition by Judgment No. 1645/2019 on April 18, 2019. Both the claimant and OPAP S.A. submitted respective appeals to the Athens Court of Appeals. The case was heard before Athens Court of Appeal on 12.03.2020 and respective decision is pending.

Termination of contract claims: There are over 460 litigation cases at various stages, initiated by the former agents of OPAP S.A. before the courts of first instance in Athens with respect to the invalidity of the termination of their contracts with OPAP S.A. 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 €283.35 million. Most hearings took place in 2019 or will take place in 2020. The court of first instance in Athens has issued several judgments in favor of OPAP S.A. which dismissed more than 60 claims by petitioners alleging unlawful contract termination and seeking restitution of the contract and other several judgments which dismissed another more than 25 claims by petitioners seeking compensation for loss of profit and other damages amounting to €17.6 million and partially recognized the claim of one petitioner for an amount of €0.05 million.

Italy

Award of the concession to operate the Lotto game in Italy: Stanley International Betting Limited and Stanleybet Malta Ltd brought a claim against the Agenzia delle Dogane e dei Monopoli (the "ADM") before the Regional Administrative Court of Lazio in connection with the award of the Lotto concession to LOTTOITALIA s.r.l. (the "Italian Award Litigation"). The Italian Award Litigation was suspended until the State Council (Consiglio di Stato) decided a separate claim brought by the same plaintiffs against the ADM seeking cancellation of the open tender for the concession to operate the Lotto game, which was ultimately dismissed on August 12, 2019 by the State Council. No hearing has been scheduled on the Italian Award Litigation.

8. Significant contracts

The Issuer as well as entities within SAZKA Group enter into various contractual relationships as part of their business. They are mainly relationships within the scope of their business activities and the financing thereof. In addition, these relationships are related to ensuring their operations, security, risk reduction, use of external specialists or consultants, etc. The contractual relationships and other obligations that may be considered significant from the perspective of the Issuer and of SAZKA Group as of 31 December 2019 are listed below.

- Agreements concerning the loan financing provided by SAZKA Group Financing a.s. to the Issuer 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 Issuer, Georgiella Holdings Co. Limited and other parties regarding their mutual rights in relation to the holding of an ownership interest in OPAP S.A.
- The shareholders' agreement originally dated 22 June 2017 between the Issuer, CAME Holding GmbH and Novomatic AG laying down the voting rights in Casinos Austria AG and supplemented by the Share Purchase Agreement dated 10 December 2019 regarding the acquisition of 17.2% of shareholding interest from Novomatic AG in CASAG (subject to certain CPs).
- The intra-group loan financing provided by the Issuer to Emma Delta Hellenic Holdings Limited pursuant to a bridge loan agreement originally dated 31 October 2019, for the repayment of existing external facility granted to Emma Delta Hellenic Holdings Limited.
- Obligations resulting from the issue of notes "SAZKA GR. 5,20/24" (ISIN CZ0003522930) by the Issuer 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 Issuer on 15 November 2019.

9. Description of expected financing of the activities of the issuer

The Issuer maintains an ongoing dialogue with financing banks, however, there are no signed or committed financing arrangements beyond those described in this Annual Report.

10. Non-financial reporting

The Issuer 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 on 30 June 2020 on Issuer's web in section for investors (https://www.sazkagroup.com/investors).

11. Events that have a significant meaning for the assessment of solvency of the issuer

The Issuer is not aware of any event specific to it which would have a material impact on the assessment of the Issuer's solvency except the events described as "subsequent events" in the Consolidated Financial Statements appearing in this Consolidated Annual Report, section "Financial Statements and Notes".

With the use of all reasonable care and to the best of our knowledge, we confirm that the Consolidated Annual Report for the year 2019 gives a true and fair view of the financial situation, business activities and economic results of the Company and its consolidated group for the relevant accounting period, and perspective for future financial situation, business activities and economic results of the Company and its consolidated group.

Date:	Signature of the authorised representatives:	
29 April 2020		
	Pavel Šaroch	Robert Chvátal
	Statutory Representative	Statutory Representative

Independent auditor's report

to the shareholder of company SAZKA Group a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of SAZKA Group a.s., with its registered office at Vinohradská 1511/230, Praha 10, Strašnice („the Company") and its subsidiaries (together "the Group") as at 31 December 2019, of their consolidated financial performance and their consolidated cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").
- the accompanying separate financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with Czech accounting legislation.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 "Audit regulations"). These standards consist of International Standards on Auditing (ISAs) as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's

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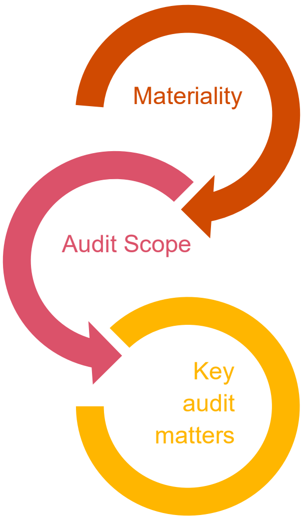
responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the Act on Auditors, EU Regulation and International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants accepted by the Chamber of Auditors of the Czech Republic (together "Ethic regulations"), and we fulfilled our other ethical responsibilities in accordance with the Ethic regulations.

Our audit approach

Overview



Overall Group materiality: EUR 17.9 million, which represents 5% of the Group's profit before tax from continuing operations.

Overall materiality for the Company: CZK 309.0 million, which was determined as 0.8% of the total assets.

Significant components of the Group were subject to a full scope audit by PwC network firms. Our audit work addressed 100% of the Group's revenues and 94% of the Group's profit for the year.

Revenue Recognition Based on Complex Information Systems – Gross Gaming Revenue
(consolidated financial statements)

Impairment assessment of Intangible assets and Goodwill
(consolidated financial statements)

Impact of COVID-19
(separate and consolidated financial statements)

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the "financial statements"). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on each set of financial statements.

Overall Group materiality	EUR 17.9 million (EUR 17.6 million for the previous period)
Overall materiality for the Company standing alone	CZK 309.0 million (CZK 658.0 million for the previous period)
How we determined it	Overall Group materiality was determined as 5% of the consolidated profit before tax from continuing operations. Overall materiality for the Company was determined as 0.8% of the total assets.
Rationale for the materiality benchmark applied	Materiality is a matter of professional judgment. In drawing conclusions about materiality, we considered both quantitative and qualitative factors. For the Overall Group materiality, we chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is measured the most by users, and it is a generally accepted benchmark. We chose 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 its source of income are primarily dividends. The primary goal of the Company is enhancing investments in its subsidiaries. Based on these facts, we determined the overall materiality for the Company based on the total assets. We chose 0.8% threshold, because based on our professional judgment, this percentage is within the range of acceptable quantitative materiality thresholds for this benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition Based on Complex Information Systems – Gross Gaming Revenue (consolidated financial statements)	
For the year ended 31 December 2019, Gross gaming revenue for the Group amounted to EUR 1,906 million. Refer to Notes 3 q) and 20 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 daily transactions being recorded, processed, computed, and accounted for using highly-complex interconnected IT systems (both in house and third-party ones), with a number of different and specialised bases for calculating revenue. The accuracy and completeness of the amounts recognized from these revenue streams are highly reliant on Information Technology (IT) systems, and/or automated processes and controls (i.e. calculations, reconciliations) implemented in and / or using these systems. The nature, complexity and the increased use of the aforementioned Information Technology (IT) systems combined with the large volume and complexity of transactions being processed on a daily basis increase the risk over the effective 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. application, operating system, database) for the systems in scope of the audit and tested the operating effectiveness of the aforementioned processes and controls. In addition, in order 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 have also relied on business process controls, and performed analytical, and substantive procedures as part of our audit. For the instances where, at a Company and Group level, the aforementioned systems and/or related processes and controls were outsourced to third parties and sufficient audit evidence concerning the relevant financial statement assertions was not available from records held within the Group, we obtained and evaluated the respective assurance reports, issued by the auditors of the Service Organizations, in order to obtain an understanding of the nature of the services being provided, and assess whether the third party services were operating as intended, and we evaluated relevant complementary controls in order to ensure the reliable revenue recognition.

Impairment assessment of Intangible assets and Goodwill (consolidated financial statements)

Management tests annually goodwill and indefinite useful life of intangible assets for impairment, and other intangible assets in case of any impairment indicators exist.

At 31 December 2019, Goodwill measured at cost less any accumulated impairment losses, amounted to EUR 601 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 to sell.

For the purpose of goodwill impairment tests, the calculations of fair value less costs to sell use market price on active market (if available) or market multiples method. The calculations of value in use are based on cash flow projections based on financial budgets and cash projections approved by management.

At 31 December 2019, intangible assets measured at cost less accumulated depreciation and any impairment, amounted to EUR 1,879 million in the consolidated financial statements.

The financial and operating performance of certain Group's companies has indications that the carrying amount exceeds the recoverable amount and thus an impairment assessment has been performed for the concession right of the subsidiary Horse Races SA.

The calculations for intangibles impairment tests use cash flow projections based on financial budgets approved by management covering a one-year period and cash projections for the remaining period of the use of the concession right.

This is a key audit matter for our audit given that management in determining the recoverable amount exercised judgement in calculating the future cash flows, (e.g. expectations on market development, and discount rates applied to future cash flow forecast). Details on the assumptions used are included in Note 4 "Intangible assets and goodwill" to the consolidated financial statements.

We evaluated management's overall impairment testing process, including process for identifying indicators for impairment, preparation of impairment testing models as well as their review and approval.

The key assumptions assessed per case included, the revenue growth rates, margin trends and discount rates.

We discussed extensively with management, the suitability of the impairment model and reasonableness of the assumptions used and with the support of our valuation specialists we performed the following procedures:

Benchmarking of the key assumptions used in management's valuation models with market trends and assumptions made in the prior year.

Testing the mathematical accuracy of the cash flow models and agreeing relevant data to approved business plans.

Assessing the reliability of management's forecast through a review of actual performance against previous forecasts.

Assessing the sensitivity of impairment tests to changes in significant assumptions.

We validated the appropriateness of the related disclosures included in Note 4 to the consolidated financial statements.

Impact of COVID-19 *(separate and consolidated financial statements)*	
The Company and the Group prepared its financial statements using the going concern basis of accounting. Refer to Notes 2 b) and 38 to the consolidated financial statements and Note 16 to the separate financial statements, for management's going concern and other relevant disclosures. We focused on the appropriateness of the going concern basis of accounting given the potential impact that the recent outbreak of COVID-19 will have on the Company's and Group's operations and financial position. The ability of the Group and the Company to continue operating as a going concern is dependent on Management's ability to maintain liquidity in order to meet its current financing and operating obligations. Management has also considered the impact of COVID-19 on the Group's future operating results and cashflows. The outbreak of COVID-19 and related restrictions that were adopted by the governments in countries where the Group operates have negatively affected its operations and future cash inflows. Management's assessment of the going concern basis of accounting is based on financial performance and cash flow projections which are dependent on significant management judgement and can be influenced by management bias.	In assessing the appropriateness of the going concern basis of accounting used in preparing the consolidated and separate financial statements, we: Obtained Management's assessment of the impact of COVID-19 on its future operations, financial performance and cash flows, including their analysis of future liquidity requirements. We discussed with Management the key assumptions made and assessed their plans to mitigate potential liquidity shortfalls. Obtained evidence over Management's underlying cash flow projections by evaluating these against relevant external and internal sources as deemed necessary. We compared revenues and cost assumptions against historical information. Checked the mathematical accuracy of Management's cash flow forecasts. Performed independent sensitivity analysis to assess the impact of changes in the key assumptions underlying the cash flow forecast such as a further suspension of operations beyond Management's assessment. We evaluated Management's conclusion that there are no material uncertainties with respect to going concern. Reviewed the adequacy and appropriateness of Management's going concern and other relevant disclosures in the Note 16 to the separate financial statements and in the Note 38 to the consolidated financial statements. Following the performance of the above procedures, including the assessment of Management's underlying assumptions used in their assessment, and due to the Company's and Group's significant cash reserves, we satisfied ourselves that, even though the impact of COVID-19 on the Company and the Group is expected to negatively impact the Group's operating results and cash flows, Management's use of the going concern basis of accounting is appropriate.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

The Group comprise the Company and its subsidiary. The Group engagement team carried out audit work on the Company's financial statements. The Group engagement team determined Group audit materiality and issued audit instructions to component auditors. Our audit work addressed 100% of the Group's revenues and 94% of the Group's profit for the year.

Other information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the Annual Report, but it does not include both of the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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 law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information. Based on the procedures performed, 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 is prepared in compliance with the applicable legal requirements.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group and the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board of the Company for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Company's separate financial statements in accordance with Czech accounting legislation 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.

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 above-stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, 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

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 Supervisory Board

We confirm that the audit opinion expressed herein is consistent with the additional report to the Supervisory Board of the Company, performing the role of Audit Committee, 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 years 2018 - 2019 by the General Meeting of Shareholders of the Company on 16 January 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for 2 years.

Provided non-audit services

The non-audit services are disclosed on page 196 of the Annual Report.

PwC Network did not provide prohibited services referred to in the Article 5 of the EU Regulation.

30 April 2020

PricewaterhouseCoopers Audit, s.r.o.

represented by

Jiří Zouhar

Jiří Zouhar

Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.