

2011 Annual Report

SAZKA sázková kancelář, a.s.

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Identification Data and Company profile

Trade name: SAZKA sázková kancelář, a.s.

Registered office: Prague 9, K Žižkovu 851, postcode 190 93

Comp. Reg. No.: 264 93 993

Legal form: joint-stock company

Sphere of business:

- Manufacturing, trade and services not included in Annexes No. 1 to 3 of the Trade Licensing Act;
- Operation of lotteries and other similar games in consistence with the generally binding legal regulations;
- Installation, repair, inspection and testing of electrical equipment;
- Manufacturing, installation, repairs of electrical machines and devices, electronic and telecommunication devices;
- Activities of accounting consultants, keeping of accounts, keeping of tax records.

Sphere of activities:

- Lease of real estate, apartments and non-residential premises.

Registration in the Commercial Register: SAZKA sázková kancelář, a.s., was registered in the Commercial Register kept by the Municipal Court in Prague on 28 November 2001, Section B, file No. 7424.

Company profile:

SAZKA sázková kancelář, a.s., operates the largest lottery company in the Czech Republic, occupying more than 90% of the market.

The Company's basic activity is the operation of lotteries and other similar games pursuant to Act No. 202/1990 Coll., on Lotteries and Other Similar Games, as amended.

The Company's main products include number lotteries, SPORTKA being the best known of them. In addition to number lotteries, the product range offers also instant (scratch) lotteries, sports betting and fast draw games.

In the portfolio of non-lottery services, the leading products are charging of pre-paid mobile phones, sale of tickets and facilitation of payments for goods and services.

Its products are provided by SAZKA sázková kancelář, a.s., through a unique sales network of 6,500 points of sale located across the Czech Republic.

The Company's shareholders are KKCG Group and PPF Group.

SAZKA sázková kancelář, a.s., is a full member of the largest and most important international lottery organizations – European Lotteries (EL) a World Lottery Association (WLA).

SAZKA, sázková kancelář, a.s. pursues the principles of responsible gaming and respecting ethical principles in the betting and lottery industry. These activities are developed and supported by SAZKA at both national and international levels.

In the future, SAZKA sázková kancelář, a.s., will continue to make use of all relevant marketing, financial and other tools in order to pursue stabilization and further consolidation of its privileged position on the Czech lottery market. SAZKA will, among other, focus also on qualitative changes to some of its products and on preserving and enhancing the high comfort for its lottery/betting clients.

SAZKA sázková kancelář, a.s., complies with the applicable legal regulations covering both the sphere of its business activities and the environment.

SAZKA sázková kancelář, a.s., does not carry out any activities as regards research and development.

Human Resources

Strengthening of the Company's reputation and its position perceived by the public has been an important aspect of working with the human resources.

Motivation of employees while improving the quality of the Company's business activities had a high priority in working with the human resources in 2011. All tools aimed at strengthening and developing our relations with the customers and providers were implemented in this connection, while supporting the activities, which reinforce the Company's position in the competitive environment.

In order to achieve this task, high demands were placed on the performance of the Company's employees, in particular its specialists and its middle and top management.

At the end of the year, measures were taken based on the existing scope for improvement in the work organization. These measures included changes to the organizational structure of SAZKA sázková kancelář a.s.

The staff level as shown in the records as at 31 December 2011 compared to the same date of the previous year is shown below:

	31 December 2010	31 December 2011
Number of employees	SAZKA, a.s.	SAZKA sázková kancelář, a.s.
<i>Registration status</i>	446	322
<i>Actual state (including women on maternity and parental leave)</i>	476	349

The above figures reflect, in particular, the organizational measures mentioned above.

In cooperation with the trade union, elections were held on 26 January 2012, based on a decision of the Board of Directors of SAZKA sázková kancelář, a.s., dated 5 January 2012, to elect one member of the Supervisory Board of SAZKA sázková kancelář, a.s., to be elected by the Company employees. Mr. Ing. Ivo Tajšl was elected by the Company employees into the office of a member of the Supervisory Board of SAZKA sázková kancelář, a.s.

Overview of Major Events in 2011

Company Sale Agreement

On 26 September 2011, SAZKA sázková kancelář, a.s., entered into a company transfer agreement with the insolvency administrator of the debtor SAZKA, a.s., JUDr. Josef Cupka, as part of the liquidation of the assets of SAZKA, a.s., in accordance with Section 290 of Act No. 182/2006 Coll., on Bankruptcy and Its Settlement Methods (the Insolvency Act), as amended. The agreement entered into effect on 1 November 2011. Based on that agreement, SAZKA sázková kancelář, a.s., became the new owner and operator of SAZKA, a.s., in bankruptcy.

Equity Participations as at 31 December 2011

Agro Tera, a.s.

Comp. Reg. No.: 251 38 481, Tax ID: CZ25138481

The company was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 4796, on 24 June 1997

Registered office:

Prague 8, Sokolovská 140 /325, postcode 186 00

Registered capital:

CZK 355,120,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

On 30 December 2011, a Stock Transfer Agreement concerning the shares issued by Agro Tera, a.s., was signed between SAZKA sázková kancelář, a.s., and Canero B. V. The transfer of shares became effective on 9 January 2012.

ARKADIA, a.s.

Comp. Reg. No.: 252 87 907, Tax ID: CZ25287907

The company was registered in the Commercial Register kept by the Regional Court in Hradec Králové, Section B, file No. 1775, on 28 April 1998

Registered office:

Trutnov, Dolní Staré Město, Krkonošská 566, postcode 541 01

Registered capital:

CZK 431,500,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

On 30 December 2011, a Stock Transfer Agreement concerning the shares issued by ARKADIA, a.s., was signed between SAZKA sázková kancelář, a.s., and Canero B. V. The transfer of shares became effective on 9 January 2012.

BUSINESS CENTRE SERVICE a.s.

Comp. Reg. No.: 601 94 227, Tax ID: CZ60194227

The company was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 2443, on 14 February 1994

Registered office:

K Žižkovu 851, 190 93, Prague 9

Registered capital:

CZK 51,580,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

As of 1 March 2012, BUSINESS CENTRE SERVICE a.s. entered into liquidation.

KPS MEDIA a.s.

Comp. Reg. No.: 618 60 735, Tax ID: CZ61860735

The company was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 2983, on 26 January 1995

Registered office:

K Žižkovu 851, postcode 190 93, Prague 9

Registered capital:

CZK 110,000,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

GTECH Czech Republic LLC.

Registered office:

The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, USA

Equity participation held by SAZKA sázková kancelář, a.s.: 63%

BESTSPORT akciová společnost

Comp. Reg. No.: 190 13 825, Tax ID: CZ19013825

The company was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 4485, on 28 June 1991

Registered office:

K Žižkovu 851, 190 93, Prague 9

Registered capital:

CZK 1,700,000,000

Equity participation held by SAZKA sázková kancelář, a.s.: 0.07%

SPORTLEASE a.s.

Comp. Reg. No.: 623 61 546, Tax ID: CZ62361546

The company was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 10231, on 8 March 1995

Registered office:

K Žižkovu 851, 190 93, Prague 9

Registered capital:

CZK 40,100,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

KOLBY a.s.

Comp. Reg. No.: 255 12 919, Tax ID: CZ25512919

The company was registered in the Commercial Register kept by the Regional Court in Brno, Section B, file No. 2535, on 23 December 1997

Registered office:

Česká 51, postcode 691 26, Pouzdřany

Registered capital:

CZK 78,950,000

Equity participation held by SAZKA sázková kancelář, a.s.: 99.94%

On 7 February 2012, a Stock Transfer Agreement concerning the shares issued by KOLBY a.s., was signed between SAZKA sázková kancelář, a.s., and ROSSO STEEL, a.s. The transfer of shares became effective on 23 February 2012.

SAZKA INTERNATIONAL

The company was registered in the Single National Legal Entity Register in Russia on 4 April 2006

National Registration No.

1067746448220

Tax ID:

7718580664

Registered office:

Russian, Moscow 107023, Malaja Semjonovskaja
No. 9, building 3

Registered capital:

RUB 10,000

Equity participation held by SAZKA sázková kancelář, a.s.: 100%

SAZKA sázková kancelář, a.s., has no establishment abroad.

2011 Report by the Company Board of Directors on the Business Activities of SAZKA sázková kancelář, a.s., and on the Situation of its Assets

SAZKA sázková kancelář, a.s., (hereinafter referred to as the “**Company**”) was during the 2011 accounting period and continues to be a company engaged in the operation of lotteries and other similar games in consistence with the generally binding legal regulations, particularly pursuant to Act No. 202/1990 Coll., on Lotteries and Other Similar Games, as amended.

The acquisition of SAZKA, a.s., Comp. Reg. No.: 471 16 307, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93 (hereinafter referred to as the “**SAZKA enterprise**”), into the sole ownership of the Company was a truly major event in the Company’s business activities in 2011. The SAZKA enterprise was acquired by the Company as part of the insolvency proceedings in relation to the assets of SAZKA, a.s., conducted by the Municipal Court in Prague under ref. No. MSPH 60 INS 628/2011-A-2 (hereinafter referred to as the “**Insolvency Proceedings**”), based on the Company Sale Agreement as part of the liquidation of the assets of SAZKA, a.s. made and entered into on 26 September 2011, in accordance with the provisions of Section 290 of the Insolvency Act, by and between the Company and JUDr. Josef Cupka, the insolvency administrator of SAZKA, a.s., having its registered office in Prague 2, Trojanova 18, postcode 120 00. The aforesaid agreement entered into effect on 1 November 2011 – as of that date, the Company has acquired the entire SAZKA, a.s. enterprise into its ownership.

Several changes occurred during 2011 with respect to the Company’s Board of Directors. In the period from the start of 2011, the Board of Directors was first composed of three members only. In connection with the acquisition of the SAZKA enterprise and, consequently, with the significant increase in the volume of business activities carried out by the Company, it became necessary to replace and strengthen the staff composition of the Company’s statutory body in order to ensure for the Board of Directors to be able to manage further the Company’s activities under this new situation with the maximum professional care possible. Since 2 December 2012, the Company’s Board of Directors has been working in the following six-member composition: Pavel Horák – Chairman, Pavel Šaroč – Vice Chairman, and Radek Dyntar, Petr Dohnal, Josef Novotný and Vladimír Mlynář as members. Throughout the 2011 accounting period, the Board of Directors duly performed the responsibilities arising from the generally binding legal regulations, in particular the Commercial Code, the Trade Licencing Act, the Act on Accounting and other legal regulations, as well as from the Company’s articles and the conclusions adopted by the decisions of the sole shareholder acting within the competence of the Company’s General Meeting.

The Company’s Board of Directors managed the Company’s activities and provided commercial guidance for the Company, including proper keeping of accounts, throughout the 2011 accounting period.

The Company’s Board of Directors shall submit to the sole shareholder, acting within the competence of the Company’s General Meeting, for approval the regular Financial Statements of the Company prepared for the 2011 accounting period, as well as the proposal of the Board of Directors to cover the loss of the 2011 accounting period. In consistence with the provision of Section 66a (9) of the Commercial Code, the Company’s Board of Directors has already prepared a Report on Related Parties and will also prepare the Company’s Annual Report.

At its meetings held in the 2011 accounting period, the Company’s Board of Directors discussed, in particular, the Company’s economic results and the achievement of both short-term and long-term objectives in the Company’s business activities; upon the effective acquisition of the SAZKA enterprise as part of the Insolvency Proceedings, the discussions during the meetings concerned primarily the actions to be taken in order to stabilize the SAZKA enterprise and, thus, the Company itself.

The overall revenues generated by the Company in 2011 amounted to CZK 811,027 thousand. The economic result (before taxes) for 2011 turned out at CZK -287,268 thousand. The loss incurred was mainly caused by

need for immediate investments necessary to stabilize the Company, resulting from the acquisition of the SAZKA enterprise as part of the Insolvency Proceedings and to strengthen the Company's position on the relevant market of lottery businesses.

The Company's situation of assets corresponds to the information disclosed in the regular Financial Statements of the Company as prepared for the 2011 accounting period and verified by our auditor, KPMG Česká republika Audit, s.r.o.

In Prague on 26 April 2012



Pavel Horák
Chairman of the Board of Directors
SAZKA sázková kancelář, a.s.

2011 Report by the Board of Directors of SAZKA sázková kancelář, a.s., on Related Parties

Prepared in accordance with Section §66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended (hereinafter referred to as the "Commercial Code")

Controlled entity: **SAZKA sázková kancelář, a.s.**, Comp. Reg. No.: 264 93 993, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93 (formerly Sázková kancelář, a.s., having its registered office in Uherské Hradiště, Mařatice, Jaktáře 1475, postcode 686 01, between 3 August 2011 and 10 November 2011 in Prague 6, Evropská 2690/17, postcode 160 00)

Controlling entity: **SYNOT TIP, a.s.**, Comp. Reg. No.: 263 01 091, having its registered office in Uherské Hradiště, Mařatice, Jaktáře 1475, postcode 686 01 (the sole shareholder of SAZKA sázková kancelář, a.s., until 26 May 2011)

PFQ Czech, a.s., Comp. Reg. No.: 247 80 502, having its registered office in Prague 6, Evropská 2690/17, postcode 160 00, as the sole shareholder of SAZKA sázková kancelář, a.s. (the sole shareholder of SAZKA sázková kancelář, a.s., since 26 May 2011)

An Operating Cooperation Agreement was signed in 2011 between SAZKA sázková kancelář, a.s., and SYNOT TIP, a.s. (date of signing: 27 May 2011). SYNOT TIP, a.s., is controlled by SYNOT Holding, s.r.o., Comp. Reg. No.: 25325809, having its registered office in Prague 1, Revoluční 1200/16, postcode 110 00.

PFQ Czech, a.s., is controlled by its sole shareholder BQV Czech, a.s., Comp. Reg. No.: 247 81 029, having its registered office in Prague 6, Evropská 2690/17, postcode 160 00.

The following agreements were signed between SAZKA sázková kancelář, a.s., and PFQ Czech, a.s. in 2011:

- Loan Agreement signed on 31 May 2011;
- Set-off Agreement signed on 31 October 2011;
- Agreement on Additional Contribution above and Beyond the Registered Capital signed on 29 September 2011;
- Agreement on Additional Contribution above and Beyond the Registered Capital signed on 27 October 2011.

As of 1 November 2011, SAZKA sázková kancelář, a.s., is a controlling entity in relation to the following:

- ARKADIA, a.s., Comp. Reg. No.: 252 87 907, having its registered office in Trutnov, Dolní Staré Město, Krkonošská 556, postcode 541 01 (currently in Prague 9, Novovysočanská 697/44, postcode 190 00), as the sole shareholder of this company;
- Agro Tera, a.s., Comp. Reg. No.: 251 38 481, having its registered office in: Prague 8, Sokolovská 140/325, postcode 186 00 (currently in Prague 9, Novovysočanská 697/44, postcode 190 00), as the sole shareholder of this company;
- BUSINESS CENTRE SERVICE a.s. (since 1 March 2012 BUSINESS CENTRE SERVICE a.s. in liquidation), Comp. Reg. No.: 601 94 227, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93, as the sole shareholder of this company;
- KOLBY a.s., Comp. Reg. No.: 255 12 919, having its registered office in Pouzdřany, Česká 51, postcode 691 26, as an owner holding 99.94% of shares in this company;

- KPS MEDIA a.s., Comp. Reg. No.: 618 60 735, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93, as the sole shareholder of this company;
- SPORTLEASE a.s., Comp. Reg. No.: 623 61 546, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93, as the sole shareholder of this company;
- SAZKA INTERNATIONAL, Reg. No. 00817848, having its registered office in Malaja Semenovskaja 9, 3rd floor, Building 3, 107023 Moscow, Russian Federation, as the sole shareholder of this company;
- GTECH Czech Republic LLC, having its registered office in The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, district New Castle, Delaware 19801, USA, as an owner holding 63% of equity in this company.

The following agreements were signed between SAZKA sázková kancelář, a.s., and ARKADIA, a.s., in the period from 1 November 2011 until 31 December 2011:

- Loan Agreement between ARKADIA, a.s., (as the Creditor) and SAZKA sázková kancelář, a.s., (as the Debtor) signed on 27 December 2011;
- Debt Assumption Agreement between ARKADIA, a.s., (as the Creditor), SAZKA sázková kancelář, a.s., (as the Original Debtor) and Canero B.V. (as the Assuming Debtor) signed on 30 December 2011.

A Purchase Agreement concerning the purchase of a passenger car by SAZKA sázková kancelář, a.s. was signed between SAZKA sázková kancelář, a.s., and SPORTLEASE a.s., in the period from 1 November 2011 until 31 December 2011 (date of signing: 30 November 2011).

No agreements were signed between SAZKA sázková kancelář, a.s., and Agro Tera, a.s., BUSINESS CENTRE SERVICE a.s. in liquidation, KOLBY a.s., KPS MEDIA a.s., SAZKA INTERNATIONAL and GTECH Czech Republic LLC in the period from 1 November 2011 until do 31 December 2011.

According to the knowledge of SAZKA sázková kancelář, a.s., no other agreements except for those listed above were signed between the aforesaid companies, no other legal actions were taken in the interest of the aforesaid companies and no measures were adopted or implemented at the initiative of the aforesaid companies.

The performance and counter-performance provided under the agreements listed above were on an arm's length basis, i.e. in consistence with the prices common in commercial relations. No harm was suffered by the controlled entities under the agreements. Consequently, it was not necessary to reimburse such harm or conclude such a reimbursement agreement.

The Board of Directors concludes that this Report was prepared in consistence with due care, that it is full and complete and that the disclosure of additional information, particularly as regards extended scope or detail of the information, is subject to trade secret pursuant to the provisions of Section 17 of the Commercial Code.

In Prague on 30 March 2012

SAZKA sázková kancelář, a.s.

Pavel Horák
Chairman of the Board of Directors

Pavel Šaroch
Vice-Chairman of the Board of Directors

2011 Report by the Supervisory Board of SAZKA sázková kancelář, a.s., on Control Activities

During 2011, the Supervisory Board ensured the tasks assigned to it by virtue of law and the articles of SAZKA sázková kancelář, a.s., (hereinafter referred to as the “**Company**”). Consequently, the Supervisory Board carried out supervision over the execution of the competence by the Board of Directors when carrying out the Company’s business activities and checked whether the binding regulations and articles are complied with and the resolutions of the General Meeting are properly implemented during the activities of the Company.

At its meetings, the Supervisory Board discussed, in particular, the current events in the Company, its economic results and financial situation. To this end, the necessary information and underlying materials were presented to the Supervisory Board by the Company’s Board of Directors.

Several personnel changes took place in the Supervisory Board during 2011, resulting in the following current composition of the Supervisory Board: Mr. Karel Komárek – Chairman of the Supervisory Board (date of entry into office: 2 December 2011); Lubomír Král – Vice-Chairman of the Supervisory Board (date of entry into office: 2 December 2011) and Ivo Tajšl – member of the Supervisory Board elected by the Company’s staff (date of entry into office: 26 January 2012).

At its meeting No. 2/2012 held on 26 April 2012, the Supervisory Board examined the Company’s 2011 Annual Financial Statements and was informed about the auditor’s opinion attached thereto, in consistence with Section 8.3.10 (b) of the Company’s articles. The Supervisory Board concludes that the Financial Statements were prepared in compliance with the generally binding legal regulations and give a true and fair view of the Company’s financial situation. Consequently, the Supervisory Board advises the General Meeting to approve the Company’s 2011 Financial Statements.

At its meeting No. 2/2012 held on 26 April 2012 and based on the provisions of Section 66a (10) of Act No. 513/1991 Coll., the Commercial Code, as amended (hereinafter referred to as the “Commercial Code”), the Supervisory Board examined the Report on Related Parties prepared by the Company’s Board of Directors and concludes that the Report is in consistence with the relevant requirements under the Commercial Code.

In Prague on 26 April 2012

SAZKA sázková kancelář, a.s.



Karel Komárek

Chairman of the Supervisory Board

Auditor's Report and Financial Statements as at 31 December 2011



SAZKA sázková kancelář, a.s.

Auditor's Report and Financial Statements

As at 31 December 2011



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Česká republika

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Report by an Independent Auditor to the Shareholders of SAZKA sázková kancelář, a.s.

We have audited the Financial Statements of SAZKA sázková kancelář, a.s., attached hereto, i.e. the balance sheet as at 31 December 2011 and the profit and loss account for 2011, as well as the notes to these Financial Statements including a description of the relevant accounting principles applied and additional information. The data concerning SAZKA sázková kancelář, a.s., are provided in item 1 of the notes to these Financial Statements.

Responsibility of the Statutory Body of the Accounting Entity for the Financial Statements

The statutory body of SAZKA sázková kancelář, a.s., is responsible for the preparation of the Financial Statements giving a true and fair view of the situation in consistence with the applicable Czech accounting regulations, as well as for such internal control system, which it considers necessary in order to prepare the Financial Statements so that it is free of any material misstatements caused by fraud or mistake.

Auditor's Responsibility

Our responsibility as the auditor is to express an opinion on these Financial Statements based on our audit. We conducted our audit in consistence with the Act on Auditors, International Auditing Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These regulations require that we respect the ethical requirements and that we plan and perform the audit in a manner in order to obtain reasonable assurance as to whether the Financial Statements are free of any material misstatements.

An audit includes the performance of auditing procedures in order to obtain evidence supporting the amounts and disclosures in the Financial Statements. The selection of the auditing procedures is at the auditor's discretion, including an assessment of the risks that the Financial Statements contain material misstatements caused by fraud or mistake. When assessing these risks, the auditor must evaluate the internal control system, which is relevant for the preparation of Financial Statements giving a true and fair view. This assessment is aimed at proposing appropriate auditing principles rather than to give an opinion on the efficiency of the accounting entity's internal control system. An audit also includes assessing the accounting principles applied and the appropriateness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the obtained evidence provide a sufficient and appropriate basis to give our opinion.



Auditor's Opinion

In our opinion, the Financial Statements give a true and fair view of the assets and liabilities of SAZKA sázková kancelář, a.s., as at 31 December 2011 as well as of the expenses, revenues and the results of its operations for 2011 in consistence with the Czech accounting regulations.

In Prague on 27 March 2012

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.

Licence No. 71

Petr Sikora
Ing. Petr Sikora
Partner

Licence No. 2001

BALANCE SHEET

Trade name or other name of
the accounting entity

As at 31 December 2011
(in full thousand CZK)

SAZKA sázková

kancelář, a.s.

place of business of the acc.
entity

K Žižkovu 851

Prague 9

190 93

Comp. Reg. No.

26 49 39 93

Ident. a	ASSETS b	Line c	Current accounting period			Previous acc. period
			Gross 1	Correction 2	Net 3	Net 4
	TOTAL ASSETS (I. 02 + 03 + 31 + 63)	001	4.623.047	-62.200	4.560.847	101.598
A.	Receivables from subscriptions for registered capital	002	0	0	0	0
B.	Fixed assets (I. 04 + 13 + 23)	003	3.444.231	-62.200	3.382.031	0
B. I.	Intangible fixed assets (I. 05 to 12)	004	1.957.197	-57.012	1.900.185	0
B. I. 1	Incorporation expenses	005	0	0	0	0
2	Research and development	006	0	0	0	0
3	Software	007	115.565	-9.521	106.044	0
4	Valuable rights	008	1.515.536	-42.056	1.473.480	0
5	Goodwill	009	326.096	-5.435	320.661	0
6	Other intangible fixed assets	010	0	0	0	0
7	Intangible fixed assets under construction	011	0	0	0	0
8	Advance payments for intangible fixed assets	012	0	0	0	0
B. II.	Tangible fixed assets (I. 14 to 22)	013	902.836	-5.188	897.648	0
B. II. 1	Lands	014	239.919	0	239.919	0
2	Constructions	015	575.063	-1.767	573.296	0
3	Machinery, equipment, vehicles, furniture and fixtures	016	55.065	-3.421	51.644	0
4	Perennial crops	017	0	0	0	0
5	Livestock and livestock groups	018	0	0	0	0
6	Other tangible fixed assets	019	32.789	0	32.789	0
7	Tangible fixed assets under construction	020	0	0	0	0
8	Advance payments for fixed tangible assets	021	0	0	0	0
9	Adjustments to acquired assets	022	0	0	0	0
B. III.	Long-term financial assets (I. 24 to 30)	023	584.198	0	584.198	0
B. III. 1	Shares in controlled entities	024	529.198	0	529.198	0
2	Shares in entities with substantial influence	025	0	0	0	0
3	Other long-term securities and shares	026	0	0	0	0
4	Loans and credits to controlled entities or entities with substantial influence	027	0	0	0	0
5	Other financial investments	028	55.000	0	55.000	0
6	Financial investments acquired	029	0	0	0	0
7	Advance payments for long-term financial assets	030	0	0	0	0

Ident. a	ASSETS b	Line c	Current accounting period			Previous acc. period
			Gross 1	Correction 2	Net 3	Net 4
C.	Current assets (I. 32 + 39 + 48 + 58)	031	1.168.103	0	1.168.103	101.296
C. I.	Inventory (I. 33 to 38)	032	3.619	0	3.619	0
C. I. 1	Materials	033	194	0	194	0
2	Work in progress and semi-products	034	0	0	0	0
3	Finished products	035	0	0	0	0
4	Young and other animals and animal groups	036	0	0	0	0
5	Merchandise	037	3.425	0	3.425	0
6	Advance payments for inventory	038	0	0	0	0
C. II.	Long-term receivables (I. 40 to 47)	039	167.814	0	167.814	0
C. II. 1	Trade receivables	040	0	0	0	0
2	Receivables from controlled or controlling entities	041	0	0	0	0
3	Receivables from entities with substantial influence	042	0	0	0	0
4	Receivables from partners, cooperative members and association members	043	0	0	0	0
5	Long-term advance payments	044	0	0	0	0
6	Estimated receivables	045	0	0	0	0
7	Other receivables	046	147.559	0	147.559	0
8	Deferred tax receivable	047	20.255	0	20.255	0
C. III.	Short-term receivables (I. 49 to 57)	048	836.304	0	836.304	38.833
C. III. 1	Trade receivables	049	341.604	0	341.604	1.090
2	Receivables from controlled or controlling entities	050	0	0	0	0
3	Receivables from entities with substantial influence	051	0	0	0	0
4	Receivables from partners, cooperative members and association members	052	0	0	0	0
5	Social security and health insurance	053	0	0	0	0
6	Due from state - tax receivables	054	0	0	0	37.730
7	Short-term advance payments	055	597	0	597	0
8	Estimated receivables	056	25	0	25	13
9	Other receivables	057	494.078	0	494.078	0
C. IV.	Short-term financial assets (I. 59 to 62)	058	160.366	0	160.366	62.463
C. IV. 1	Cash	059	5.158	0	5.158	0
2	Bank accounts	060	155.208	0	155.208	62.463
3	Short-term securities and interests	061	0	0	0	0
4	Short-term financial assets acquired	062	0	0	0	0
D. I.	Accruals and deferrals (I. 64 to 66)	063	10.713	0	10.713	302
D. I. 1	Deferred expenses	064	10.475	0	10.475	302
2	Complex deferred costs	065	0	0	0	0
3	Deferred income	066	238	0	238	0

Ident. a	LIABILITIES b	Line c	Current accounting period 5	Previous acc. period 6
	TOTAL LIABILITIES (l. 68 + 86 + 119)	067	4 560 847	101 598
A.	Equity (l. 69 + 73 + 79 + 82 + 85)	068	-168 508	48 205
A. I.	Registered capital (l. 70 to 72)	069	450 000	450 000
1	Registered capital	070	450 000	450 000
2	Company's own shares and interests (-)	071	0	0
3	Changes in registered capital	072	0	0
A. II.	Capital funds (l. 74 to 78)	073	51 800	1 500
A. II. 1	Share premium	074	1 500	1 500
2	Other capital funds	075	50 300	0
3	Difference from revaluation of assets and liabilities	076	0	0
4	Difference from revaluation in transformation	077	0	0
5	Difference from transformation	078	0	0
A. III.	Reserve funds, indivisible fund and other retained earnings funds (l. 80 + 81)	079	0	0
A. III. 1	Legal reserve fund / Indivisible fund	080	0	0
3	Statutory and other funds	081	0	0
A. IV.	Profit / loss from previous years (l. 83 + 84)	082	-403 295	-362 649
A. IV. 1	Retained earnings from previous years	083	0	0
2	Accumulated losses from previous years	084	-403 295	-362 649
A. V.	Profit / loss of current accounting period (+/-) l.01 - (+ 69 + 73 + 79 + 82 + 86 + 119)/	085	-267 013	-40 646
B.	Liabilities (l. 87 + 92 + 103 + 115)	086	4 219 581	53 393
B. I.	Reserves (l. 88 to 91)	087	224 639	0
B. I. 1	Reserves under special legal regulations	088	0	0
2	Reserve for pension and similar payables	089	0	0
3	Income tax reserve	090	0	0
4	Other reserves	091	224 639	0
B. II.	Long-term payables (l. 93 to 102)	092	121 497	45 200
B. II. 1	Trade payables	093	0	0
2	Payables to controlled or controlling entities	094	0	45 200
3	Payables to entities with substantial influence	095	0	0
4	Payables to partners, cooperative members and association members	096	0	0
5	Long-term advances received	097	0	0
6	Issued bonds	098	0	0
7	Long-term notes payable	099	0	0
8	Estimated payables	100	0	0
9	Other payables	101	121 497	0
10	Deferred tax liability	102	0	0

Ident	LIABILITIES	Line	Current acc. period	Previous acc. period
a	b	c	5	6
B. III.	Short-term payables (l. 104 to 114)	103	3 793 695	8 193
B. III. 1	Trade payables	104	225 167	390
2	Payables to controlled and controlling entities	105	3 422 742	0
3	Payables to entities with substantial influence	106	0	0
4	Payables to partners, cooperative members and association members	107	0	0
5	Payroll	108	8 236	0
6	Payables to social security and health insurance	109	5 237	0
7	Due to state - tax liabilities and subsidies	110	13 700	7 696
8	Short-term advances received	111	8	0
9	Issued bonds	112	0	0
10	Estimated payables	113	118 559	107
11	Other payables	114	46	0
B. IV.	Bank loans and financial assistance (l. 116 to 118)	115	79 750	0
B. IV. 1	Long-term bank loans	116	0	0
2	Short-term bank loans	117	0	0
3	Short-term financial assistance	118	79 750	0
C. I.	Accruals and deferrals (l. 120 + 121)	119	509 774	0
C. I. 1	Accrued expenses	120	456 044	0
2	Deferred revenues	121	53 730	0

IDENTIFIKACE AUDITORA
KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a, 186 00 Praha 8
IČ: 49619187, auditorské oprávnění č. 71

**PROFIT AND LOSS
ACCOUNT**
As at 31 December 2011
(in full thousand CZK)

Comp. Reg. No.
26 49 39 93

Trade name or other name of the
accounting entity

SAZKA sázková

kancelář, a.s.

Registered office, residence or place
of business of the acc. entity

K Žižkovu 851

Prague 9

190 93

Ident a	TEXT b	Line No. c	Actual figures in	
			current period 1	previous period 2
I.	Revenues from goods sold	01	0	0
A.	Costs on goods sold	02	0	0
+	Sale margin (I. 01-02)	03	0	0
II.	Production (I. 05+06+07)	04	811 027	38 239
II. 1	Revenues from own products and services	05	811 027	38 239
2	Change in inventory of own products	06	0	0
3	Capitalization	07	0	0
B.	Production consumption (I. 09+10)	08	694 242	8 311
B. 1	Consumption of material and energy	09	4 762	5
B. 2	Services	10	689 480	8 306
+	Value added (I. 03+04-08)	11	116 785	29 928
C.	Personnel expenses (I. 13+16)	12	48 453	0
C. 1	Wages and salaries	13	37 668	0
C. 2	Remuneration to board members	14	0	0
C. 3	Social security and health insurance expenses	15	9 751	0
C. 4	Social expenses	16	1 034	0
D.	Taxes and fees	17	100 810	2 815
E.	Depreciation of intangible and tangible fixed assets	18	62 214	0
III.	Revenues from disposals of fixed assets and materials (I. 20+21)	19	800	0
III. 1	Revenues from disposals of fixed assets	20	800	0
2	Revenues from disposals of materials	21	0	0
F.	Net book value of disposed fixed assets and materials (I. 23+24)	22	0	0
F. 1	Net book value of fixed assets disposed	23	0	0
F. 2	Materials sold	24	0	0
G.	Change in operating reserves and adjustments and complex deferred costs	25	24 588	37 731
IV.	Other operating revenues	26	68 619	10
H.	Other operating expenses	27	175 225	30 393
V.	Transfer of operating revenues	28	0	0
I.	Transfer of operating expenses	29	0	0
*	Operating profit / loss	30	-225 086	-41 001
	/(I.11-12-17-18+19-22-25+26-27+(-28)-(-29)/			

Ident. a	TEXT b	Line No. c	Actual figures in	
			current period 1	previous period 2
VI.	Revenues from sales of securities and interests	31	68 348	0
J.	Securities and interests sold	32	69 978	0
VII.	Revenues from long-term financial assets (l. 34 + 35 + 36)	33	1 080	0
VII. 1	Revenues from shares in controlled entities and entities with substantial influence	34	0	0
VII. 2	Revenues from other long-term securities and interests	35	0	0
VII. 3	Revenues from other long-term financial assets	36	1 080	0
VIII.	Revenues from short-term financial assets	37	145	0
K.	Expenses on financial assets	38	0	0
IX.	Revenues from revaluation of securities and derivatives	39	0	0
L.	Cost of revaluation of securities and derivatives	40	0	0
M.	Changes in financial reserves and adjustments	41	0	0
X.	Interest revenues	42	2 772	373
N.	Interest expenses	43	65 157	0
XI.	Other financial revenues	44	1 828	0
O.	Other financial expenses	45	1 220	18
XII.	Transfer of financial revenues	46	0	0
P.	Transfer of financial expenses	47	0	0
*	Profit / loss from financial operations /(l.31-32+33+37-38+39-40-41+42-43+44-45-(-46)+(-47))/	48	-62 182	355
Q.	Income tax on ordinary income (l. 50 + 51)	49	-20 255	0
Q. 1	- Tax due	50	0	0
Q. 2	- Tax deferred	51	-20 255	0
**	Operating profit / loss from ordinary activity (l. 30 + 48 - 49)	52	-267 013	-40 646
XIII.	Extraordinary revenues	53	0	0
R.	Extraordinary expenses	54	0	0
S.	Income tax on extraordinary income (l. 56 + 57)	55	0	0
S. 1	- Tax due	56	0	0
S. 2	- Tax deferred	57	0	0
*	Profit / loss from extraordinary activity (l. 53 - 54 -55)	58	0	0
T.	Transfer of profit / loss to partners (+/-)	59	0	0
***	Profit / loss of current accounting period (+/-) (l. 52 + 58 - 59)	60	-267 013	-40 646
****	Profit / loss before tax (+/-) (l. 30 + 48 + 53 - 54)	61	-287 268	-40 646

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.

For the year ended 31 December 2011

(in thousand CZK)

1. GENERAL INFORMATION ABOUT THE COMPANY

1.1. CHARACTERISTICS

SAZKA sázková kancelář, a.s., (hereinafter also referred to as the “Company”) is a company registered in the Czech Republic pursuant to the Commercial Code. SAZKA sázková kancelář, a.s., is the largest domestic operator of number and instant (scratch) lotteries as well as one of the largest betting offices in the Czech Republic. Its business activities consist fundamentally in operating sporting and fixed odds betting, number and instant lotteries.

SAZKA sázková kancelář, a.s., is a joint-stock company registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file No. 7424, Czech Republic, on 28 November 2001. The registered office of the Company is at K Žižkovu 851, Prague 9, postcode 190 93; Comp. Reg. No.: 264 93 993.

Based on the Company Sale Agreement as part of the liquidation of the assets of SAZKA, a.s. made and entered into on 26 September 2011, in accordance with the provisions of Section 290 of the Insolvency Act, by and between JUDr. Josef Cupka, the insolvency administrator of SAZKA, a.s., in bankruptcy, as the Seller, and SAZKA sázková kancelář, a.s., as the Buyer, SAZKA sázková kancelář, a.s., (previously Sázková kancelář, a.s., until 10 November 2011) acquired the enterprise SAZKA, a.s., in bankruptcy, effective 1 November 2011.

1.2. SPHERE OF ACTIVITIES

The Company’s main sphere of activity is the operation of lotteries and other similar games in consistence with the generally binding legal regulations, i.e. operation of sporting and fixed odds betting, instant and number lotteries and other similar games pursuant to Act No. 300/2011 Coll., on Lotteries and Other Similar Games (hereinafter referred to as the “Lottery Act”), amending Act No. 202/1990 Coll., on Lotteries and Other Similar Games.

In addition to lottery and betting activities, SAZKA sázková kancelář, a.s., carries out also non-lottery activities through a network of points of sale and terminals (such as charging of pre-paid mobile phones, sale of tickets for various cultural, sports and social events organized particularly in the O₂ Arena, facilitation of terminal-based payments for invoices, insurance and postal orders).

1.3. COMPOSITION OF THE STATUTORY BODY AND THE SUPERVISORY BOARD

Composition of the Board of Directors as at 31 December 2011:

Chairman of the Board of Directors:	Pavel Horák
Vice-Chairman of the Board of Directors:	Pavel Šároch
Members of the Board of Directors:	Petr Dohnal

Radek Dyntar
Josef Novotný
Vladimír Mlynář

Composition of the Supervisory Board as at 31 December 2011:

Member of the Supervisory Board: Karel Komárek
Member of the Supervisory Board: Lubomír Král

Proxy as at 31 December 2011: Kamil Ziegler

1.4. SOLE SHAREHOLDER OF THE COMPANY

Until 26 May 2011, the sole shareholder of the Company was:

SYNOT TIP, a.s.
Uherské Hradiště, Mařatice, Jaktáře 1475, postcode 686 01
Comp. Reg. No.: 263 01 091

As of 26 May 2011,

PFQ Czech, a.s.
Prague 6, Evropská 2690/17, postcode 160 00
Comp. Reg. No.: 247 80 502

became the sole shareholder of the Company.

2. IMPORTANT EVENTS IN 2011

On 26 May 2011, PFQ Czech, a.s. acquired 100% of shares of Sázková kancelář, a.s. In this connection, some changes took place in the Board of Directors, which decided to terminate the operation of all VLT (video-lottery terminal) automated machines operated by the Company until then, effective as at 30 June 2011.

Sázková kancelář, a.s., participated in the tender for the sale of SAZKA, a.s., under the Insolvency Proceedings announced by the insolvency administrator JUDr. Josef Cupka. At the end of August 2011, the Company collected the Information Memorandum. Subsequently, the Company's Board of Directors decided on the participation in the tender. The binding application was sent and the entry security of CZK 500,000 thousand was deposited at the beginning of September 2011. At the end of September 2011, Sázková kancelář, a.s., offered CZK 3,810,000 thousand for the aforesaid enterprise. Upon the opening of all envelopes, the insolvency administrator evaluated the offer of Sázková kancelář, a.s., as the highest bid. On 26 September 2011, the insolvency administrator and Sázková kancelář, a.s., signed the Company Sale Agreement as part of the liquidation of the assets of SAZKA in accordance with Section 290 of the Insolvency Act. The Agreement entered into effect upon the fulfilment of the suspensive conditions. The main prerequisite was to obtain consent from the Office for the Protection of Competition. This Office gave its consent in October 2011. According to the Agreement referred to above, the effective date was the first day of the month following after the month when the conditions were met. The Agreement was effective as of 1 November 2011 and Sázková kancelář, a.s., is the rightful owner of SAZKA, a.s.

Changes in the Commercial Register during the reporting period:

The following changes were made in the Board of Directors in 2011:

The trade name of the Company was changed on 10 November 2011, from the original Sázková kancelář, a.s., to SAZKA sázková kancelář, a.s.

Members of the Board of Directors and Supervisory Board during 2011:

Chairman of the Board of Directors:	Tomáš Rybáček Petr Mikoška
Vice-Chairman of the Board of Directors:	Kateřina Luisa Paděra Daňhelová Miroslav Valenta
Members of the Board of Directors:	Jan Soukal Jana Studničková Ing. Kvetoslava Klčovská
Chairman of the Supervisory Board:	Miroslav Valenta Ivo Valenta Pavel Šaroch
Members of the Supervisory Board:	Pavel Michalcio Katarína Kmet'ová Miroslav Valenta Jitka Mašátová

3. BACKGROUND FOR PREPARING THE FINANCIAL STATEMENTS ACCORDING TO THE CZECH ACCOUNTING STANDARDS

The Financial Statements for the period from 1 January 2011 to 31 December 2011 was prepared in accordance with Act No. 563/1991 Sb., on Accounting, as amended, and the follow-up regulations governing the accounting of entrepreneurs, as well as in accordance with Decree No. 500/2002 Coll., as amended, implementing certain provisions of the Act on Accounting and the Czech Accounting Standards for entrepreneurs, based on the validity of the presumption of the accounting entity as an ongoing business.

The Financial Statements are based on the principle of historical cost, except for those asset and liability items, for which real-value recognition is required under the accounting regulations.

The Financial Statements were also prepared with the application of estimates and assumptions, which affect the use of accounting principles and the level of assets, liabilities, revenues and expenses reported in the Financial Statements. The estimates and assumptions applied in the current period had an impact mainly on the individual revaluation of the particular asset and liability items acquired under the purchase of the SAZKA enterprise and on the economic life and depreciation of the assets acquired. Although the estimates are based on the Company's management best possible knowledge of the events occurred, the actual results achieved can differ from the estimated ones.

4. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

4.1. GENERAL ACCOUNTING PRINCIPLES AND METHODS

The Company's accounting respects the general accounting principles, particularly the principle on asset valuation at historical cost, the principle of material and accrual accounting, the principle of prudence and the assumption of the accounting entity's ability to continue its activities in the future accounting period.

4.2. DIFFERENTIATION BETWEEN SHORT-TERM AND LONG-TERM ITEMS

Based on the nature of its activities, SAZKA sázková kancelář, a.s., sets out the presentation of its short-term and long-term assets and short-term and long-term liabilities as separate items shown directly in the balance sheet. The asset and liability items are shown in groups corresponding to their liquidity.

Short-term assets cover cash, cash equivalents and other assets, for which it can be expected that they will be realized within twelve months after the balance sheet date. Other assets are classified as long-term assets. Liabilities are reported as short-term liabilities where due and payable within twelve days after the balance sheet date. All other liabilities are classified as long-term liabilities.

4.3. INTANGIBLE AND TANGIBLE FIXED ASSETS

The limit for the monitoring of long-term asset categories for newly acquired intangible and tangible fixed assets is set to CZK 1 thousand.

Intangible long-term assets are depreciated for accounting purposes based on the expected economic life, as follows:

Intangible assets	Method	Depreciation period
Goodwill	Linear	5 years
Software	Linear	5 - 7 years
Valuable rights	Linear	6 years

The accounting depreciation for the depreciated fixed tangible assets is calculated based on the acquisition price and the expected economic life of the asset item concerned.

The economic life is defined as follows:

Tangible assets	Method	Period of depreciation
Devices and special technical equipment	Linear	4 - 14 years
Inventory	Linear	4 - 14 years
Power and driver machines and equipment	Linear	5 - 20 years
Vehicles	Linear	6 years
Other constructions	Linear	50 years
Working machinery and equipment	Linear	4 - 14 years
Buildings and halls	Linear	30 - 60 years
Engineering networks	Linear	30 - 60 years
Construction modifications of outdoor surfaces	Linear	15 - 30 years

4.4. FINANCIAL LEASING

The Company recognized the leased assets by including the leasing instalments in the costs on a material and accrual basis. At the time when the leasing contract expires and the Company exercises the purchase option, the item concerned is classified, under an internal guideline, as a fixed asset at the purchase price and depreciated according to the depreciation schedule.

4.5. ADJUSTMENTS TO RECEIVABLES

The adjustments to non-statute barred overdue receivables are calculated as follows:

- Tax effective adjustments are created according to the Act on Reserves;
- The Company determines adjustments to doubtful debts based on its own financial solvency analysis of its customers and the age structure of the receivables;
- No adjustments are created to receivables from related parties or from employees.

4.6. LOANS RECEIVED

Short-term loans include also a part of long-term loans, which is due and payable within twelve months after the date of preparation of the Financial Accounting Statements.

4.7. CONVERSION OF FOREIGN CURRENCIES

In order to convert assets and liabilities in foreign currencies to the Czech currency, SAZKA sázková kancelář, a.s., uses the current exchange rate (daily exchange rate) published by the Czech National Bank (CNB) and valid at the time of asset acquisition or liability occurrence. The realized and unrealized exchange rate gains or losses are recognized as a revenue or expense of the current year. As at the date of preparation of the Financial Statements, the assets and liabilities in foreign currencies are converted using the CNB exchange rate valid on the balance sheet date.

4.8. RECOGNITION OF EXPENSES AND REVENUES

Expenses and revenues are recognized in the period, to which they relate on material and accrual basis.

Expenses and revenues are expressed in the counter-value received or claimed and constitute amounts claimed for the goods and services provided under the ordinary business activities. Revenues are reduced to account for estimated discounts, value added tax and other sales-related taxes.

Revenues from number lotteries, instant lotteries and betting games are recognized as revenue on an accrual basis. The period for these lotteries and betting games is 1 week from Monday to Sunday. Revenues include also forfeit winnings (won, but not claimed properly), which are presented as part of other operating revenues.

Expenses include winnings, administrative fees and other costs directly attributable to number lotteries and betting games, as well as overhead expenses attributed to number lotteries and betting games.

Winnings are presented as part of cost of services. Expenses and revenues from charging of mobile phone (GSM) cards are recognized on an accrual basis at the time when the transaction takes place. Based on the terms and conditions of the agreements with the mobile operators, the revenues equal to a fixed amount calculated from the revenues from GSM sales. The invoicing period is one week, from Monday to Sunday.

Revenues from the tickets sale are recognized on an accrual basis at the time when the transaction takes place.

In consistence with the prudence principle, the creation of reserves and adjustments to cover all risks, losses and devaluation known as at the date of preparation of the Financial Assets are charged to expenses by the Company.

4.9. INCOME TAX

Income tax for the relevant period consists of the tax due and the change in the tax deferred.

The income tax due is calculated using the applicable tax rate from the accounting profit increased or decreased for permanently or temporarily tax non-eligible expenses and tax-free revenues (such as creation and settlement of other reserves and adjustments, representation expenses, difference between the accounting and tax depreciation), which are known at the time of preparation of the Financial Statements.

Deferred tax is calculated from the differences, which occurred as at the time of preparation of the Financial Statements due to the difference accounting and tax views of certain items in the accounting records, adjusted for the expected income tax rate applicable to the period in which the tax liability or receivable are to be claimed.

A deferred tax receivable is booked only if it is likely that it will be claimed in the following accounting periods.

4.10. RESERVES

Reserves are recognized in the amounts representing the best possible estimate of the counter-performance at the balance sheet, which will result in full settlement of the existing liability, taking into account all risks and uncertainties related to such liability.

The level of reserves is recorded on a continuous basis.

A jackpot reserve is created given the fact that the jackpot (winning) accrues cumulatively and is transferred to the following accounting period.

An income tax reserve is created by the Company since the time of preparation of the Financial Statements precedes the time of determination of the tax liability. In the following accounting period, the reserve is released and the tax liability determined by the Company is booked.

The balance sheet includes also an income tax reserve decreased by the income tax advance payments provided; the resulting tax receivable, if any, is recognized under Due from state – tax receivables.

4.11. STATUTORY RESERVE FUND

The Company shall create a reserve fund from its net profits reported in the regular Financial Statements for the year, in which a net profit is generated for the first time by the Company, with allocations amounting to 20% of the net profit, but not more than 10% of the registered capital, to be increased every year with an amount of 5% of the net profit, until 20% of the registered capital. This reserve fund can only be used to cover the Company's losses and its mobilization is decided by the Board of Directors.

5. VALUATION METHODS

5.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Assets are valued at cost price, covering the cost of acquisition (including customs duty), transport costs and other costs related to the acquisition. Interest is capitalized during the acquisition of these assets, i.e. until the asset concerned is put into use. Subsequently, they become part of financial expenses.

Intangible and tangible fixed assets acquired for free are valued at reproduction cost of acquisition and recognized in favour of the other capital funds account. The reproduction cost of acquisition of these assets is determined on the basis of a professional appraisal or expert opinion, as the case may be.

Expenses for technical improvement of intangible and tangible fixed assets increase their cost of acquisition.

5.2. FINANCIAL ASSETS

Securities and ownership interests are valued at cost price, covering:

- a) Equity shares including share premium (or reserve fund, where applicable);
- b) Securities due, including an aliquot interest revenue purchased;
- c) Loans and credits at nominal value.

The cost price of securities and ownership interests include direct expenses related to the acquisition, such as fees and commissions to agents, consultants, and stock exchanges. Excluded from the cost price are the interest on loans to purchase the securities and ownership interests and the expenses related to the holding of the securities and ownership interests.

The nominal value of loans and credits is increased by the value of the unpaid interest (except for interest on late payment) as at the date of preparation of the Financial Statements.

Securities are valued at cost price.

5.3. INVENTORY

The valuation method applied to any purchased material inventory is determined by the acquisition price including the acquisition-related costs (transport, customs duties, commission). For merchandise, a fixed cost of acquisition plus a variance is determined in advance. This valuation method is used in the recognition of lottery tickets. In case of inventory shrinkage, the difference is recognized as an expense.

5.4. RECEIVABLES

Receivables and assigned receivables are recognized at their nominal value or at the acquisition price, respectively.

Receivables from loans and credits provided are increased by uncollected interest (except for interest on late payment) as at the date of preparation of the Financial Accounting Statements.

Trade receivables arise mainly in relation to providers who facilitate lotteries and betting games. The providers accept deposits for number lotteries and sell instant lottery tickets; in addition, they provide other services operated at the sales terminals and disburse low-value lottery winnings.

Receivables from lotteries are recognized at the time when the provider accepts the respective deposit for the number lottery or sells an instant lottery ticket. In this case, the invoicing period is one week, from Monday to Sunday.

At the end of every week, SAZKA sázková kancelář, a.s., obtains a full settlement of the deposits made and lottery tickets sold and, on the basis of the settlement, a gross receivables from lotteries to be paid by the providers is recognized. This gross amount of the receivable is further decreased by the winnings, which have been paid by the providers directly to the winners during the respective week as well as by the providers' commissions.

The standard maturity period for the receivables under other agreements is set by the Company to 14 days.

The Company's records show no receivables covered under a right of lien.

5.5. LOANS RECEIVED

Upon their receipt, loans are booked at their nominal value. At the time of preparation of the Financial Statements, the loan balance is increased by the outstanding interest.

5.6. COMPANY ACQUISITION

All assets and liabilities acquired under the purchase of the SAZKA enterprise as at 1 November 2011 were revalued, in consistence with the applicable legislation in force, to the fair value determined according to the expert opinion prepared by PRAGUE ACCOUNTING SERVICES s.r.o.

6. CONSOLIDATION

In accordance with the provision of Section 62 (2) of Decree No. 500/2002 Coll., the Financial Statements of the Company and all its consolidated accounting entities are included in the consolidated Financial Statements of the higher consolidation unit. The consolidated Financial Statements of the higher consolidation unit shall be published in consistence with the provision of Section 62 (3c) of the Decree and in compliance with Section 21a of the Act on Accounting.

7. FIXED ASSETS

7.1. INTANGIBLE FIXED ASSETS

Intangible fixed assets in 2011 are constituted by the intangible assets acquired under the purchase of the SAZKA enterprise. They comprise software amounting in total to CZK 115,565 thousand and valuable rights amounting in total to CZK 1,515,536 thousand, of which the trade mark constitutes CZK 1,498,841 thousand. The purchase of the SAZKA enterprise generated a goodwill amounting to CZK 326,096 thousand.

	Software	Valuable rights	Goodwill	Total
Cost of acquisition				
Balance as at 1 January 2011	--	--	--	--
Company acquisition	115,565	1,515,536	326,096	1,957,197
Balance as at 31 December 2011	115,565	1,515,536	326,096	1,957,197
Accumulated depreciation				
Balance as at 1 January 2011	--	--	--	--
Depreciation	9,521	42,056	5,435	57,012
Balance as at 31 December 2011	9,521	42,056	5,435	57,012
Net book value as at 1 January 2011	--	--	--	--
Net book value as at 31 December 2011	106,044	1,473,480	320,661	1,900,185

7.2. TANGIBLE FIXED ASSETS

The most important increase in the tangible fixed assets in 2011 is constituted by tangible assets acquired under the purchase of the SAZKA enterprise. They comprise buildings amounting in total to CZK 575,063 thousand, machinery, equipment, vehicles, furniture and fixtures amounting in total to CZK 55,065 thousand, land amounting in total to CZK 239,919 thousand, and other tangible fixed assets amounting in total to CZK 32,789 thousand.

	Land	Buildings	Vehicles	Office equipment	Works of art	Total
Cost of acquisition						
Balance as at 1 January 2011	--	--	--	--	--	--
Company acquisition	239,919	575,063	1,862	53,291	32,789	902,924
Decrease	--	--	--	-88	--	-88
Balance as at 31 December 2011	239,919	575,063	1,862	53,203	32,789	902,836
Accumulated depreciation						
Balance as at 1 January 2011	--	--	--	--	--	--
Depreciation	--	1,767	124	3,311	--	5,202
Accumulated depreciation to decrease	--	--	--	-14	--	-14
Balance as at 31 December 2011	--	1,767	124	3,297	--	5,188
Net book value as at 1 January 2011	--	--	--	--	--	--
Net book value as at 31 January 2011	239,919	573,296	1,738	49,906	32,789	897,648

No long-term assets are encumbered with a right of lien as at 31 December 2011.

The Company's records show no tangible or intangible fixed assets that would not be reported in the balance sheet as at 31 December 2011 or 31 December 2010.

8. LONG-TERM FINANCIAL ASSETS

8.1. SHARES IN CONTROLLED ENTITIES

Shares as at 31 December 2011				
	Share holding	Share value as at 31 December 2011	Total gain (+)/ loss (-) for 2011	Equity as at 31 December 2011
KPS MEDIA a.s.	100%	66,928	-35,394	84,687
BUSINESS CENTRE SERVICE a.s.	100%	61,014	-20,119	58,648
KOLBY a.s.	99,94%	46,261	-15,803 ^{***)}	40,872 ^{***)}
Agro Tera, a.s.	100%	176,500	-27,946	325,016
ARKADIA, a.s.	100%	153,500	-21,349	475,697
SPORTLEASE a.s.	100%	24,995	-22,683	17,375
BESTSPORT akciová společnost	0,07%	-- ^{*)}	-- ^{**)}	-- ^{**)}
GTECH Czech Republic LLC.	63%	-- ^{*)}	-- ^{**)}	-- ^{**)}
SAZKA INTERNATIONAL	100%	-- ^{*)}	-- ^{**)}	-- ^{**)}
Total shares		529,198		

^{*)} The shares held in the above companies were valued at zero level as part of the valuation of the SAZKA enterprise as at 1 November 2011.

^{**)} Not available at the date of preparation of the Financial Statements.

^{***)} Information about KOLBY a.s., is based on interim Financial Statements, not yet audited.

The value of long-term financial assets was determined as part of the SAZKA valuation process.

The equity participation held by SAZKA sázková kancelář, a.s., in GTECH Czech Republic LLC as at 31 December 2011 constitutes a 63% share. The remaining share in this company, i.e. 37%, should be purchased on 31 December 2022. The future expenditure amounting to CZK 55,122 thousand, related to the commitment to purchase 37% share in GTECH Czech Republic LLC and based on the valuation at the SAZKA purchase date, is included under accrued expenses.

The Company does not record any equity participations or shares as at 31 December 2010.

8.2. NUMBERS AND NOMINAL VALUES OF SHARES

Agro Tera, a.s., Sokolovská 140/325, 186 00 Prague

- Global share No. 01, registered share with a total nominal value of CZK 355,120 thousand (in total 386 shares in certified form, sequence numbers 001 to 386, each share with a face value of CZK 920 thousand)

ARKADIA, a.s., Krkonošská 566, 541 01 Trutnov, Dolní Staré Město

- Global share č. 01, registered share with a total nominal value of CZK 129,450 thousand (in total 12,945 shares, each with a face value of CZK 10 thousand);

- Global share č. 02, registered share with a total nominal value of CZK 302,050 thousand (in total 30,205 shares, each with a face value of CZK 10 thousand)

BUSINESS CENTRE SERVICE a.s., K Žižkovu 851, 190 93 Prague 9

- 1 share No. 1 with a face value of CZK 1 000 thousand
- 50 shares No. 2 to 51 with a total nominal value of CZK 50,000 thousand (each share with a face value of CZK 1,000 thousand);
- 5 shares No. 1 to 5 with a total nominal value of CZK 500 thousand (each share with a face value of CZK 100 thousand);
- 8 shares No. 1 to 8 a total nominal value of CZK 80 thousand (each share with a face value of CZK 10 thousand)

KPS MEDIA a.s., K Žižkovu 851, 190 93 Prague 9

- Global share No. 01, bearer share with a total nominal value of CZK 16,000 thousand (100 shares, each share with a face value of CZK 160 thousand);
- Global share No. 02, bearer share with a total nominal value of CZK 94,000 thousand (188 shares, each share with a face value of CZK 500 thousand)

KOLBY a.s., Česká 51, 691 26 Pouzdrány

- Global share No. 01, 789 registered shares with a total nominal value of CZK 78,900 thousand (each share with a face value of CZK 100 thousand)

SPORTLEASE a.s., K Žižkovu 851, 190 93 Prague 9

- 40 shares No. 1 to 40, registered shares with a total nominal value of CZK 40,000 thousand (each share with a face value of CZK 1,000 thousand)
- 1 share No. 41, registered share with a face value of CZK 100 thousand

BESTSPORT akciová společnost, K Žižkovu 851, 190 93 Prague 9

- Global share No. 3, for 10 shares with a total nominal value of CZK 1,000 thousand (each share with a face value of CZK 100 thousand)
- Global share No. 5, for 50 shares with a total nominal value of CZK 150 thousand (each share with a face value of CZK 100 thousand)

GTECH Czech Republic LLC., 1209 Orange Street, Delaware, USA

- The Company holds a 63% share in GTECH Czech Republic LLC registered equity.

SAZKA INTERNATIONAL, Malaja Semjonovskaja No. 9, Russia, 107023 Moscow

- 10,000 shares with a total nominal value of CZK 10 thousand roubles (each share with a face value of 1 rouble)

8.3. OTHER LONG-TERM FINANCIAL ASSETS

The value of other long-term financial assets was determined as part of the SAZKA valuation process as at 1 November 2011.

Other long-term financial assets amounting to CZK 55,000 thousand comprise term deposits, representing amounts which, according to the licence issued by the Ministry of Finance of the Czech Republic, are intended as a gaming security for the settlement of instant lotteries at the expiry of each respective licence.

As at 31 December 2010, the Company did not report any other long-term financial assets.

9. INVENTORY

The records of SAZKA sázková kancelář, a.s., show that the inventory as at 31 December 2011 comprises primarily items intended for the Company's loyalty programme. The net book value of the inventory as at

31 December 2011 is CZK 3,619 thousand. As at 31 December 2010, the Company did not report any inventory.

There are no impaired, unnecessary or unusable inventory items at the Company's warehouse as at 31 December 2011. Consequently, there is no reason to create adjustments.

10. LONG-TERM RECEIVABLES

Long-term receivables comprise other receivables with a maturity period longer than within the following twelve months after the balance sheet date.

In total, other long-term receivables amount to CZK 147,559 thousand (2010 – CZK 0 thousand). The most important item reported under other long-term receivables is a debt owed by Občanské sdružení ZELENÝ OSTROV (hereinafter referred to as the "OSZO") and Telefónica Czech Republic, a.s.

The debt owed by Telefónica Czech Republic, a.s. is recorded on the basis of a security deposit paid for the transfer of sales revenues from GSM charging amounting to CZK 65,500 thousand.

On 1 November 2011 and as part of the purchase of the SAZKA enterprise, SAZKA sázková kancelář, a.s., acquired the debt owed by OSZO on the basis of the sale of land, amounting to CZK 91,177 thousand. This amount for the land is to be repaid step-by-step in annual instalments until 2021. The long-term receivable arising herefrom amounts to CZK 82,059 thousand, of which long-term receivables with a maturity period of more than five years represent CZK 45,589 thousand; the remaining part of this receivable is reported in the position of other short-term receivables.

11. SHORT-TERM RECEIVABLES

Short-term trade receivables amount to CZK 341,604 thousand (2010 – CZK 1,090 thousand), of which CZK 243,821 thousand (2010 – CZK 0 thousand) is constituted by overdue receivables.

Other short-term receivables amount to CZK 494,078 thousand (2010 – CZK 0 thousand), of which CZK 382,718 thousand is constituted by the advance payment provided for the transfer of the 2011 proceeds to OSZO.

12. DEFERRED EXPENSE

The most important items of deferred expense, totalling CZK 10,475 thousand (2010 – CZK 302 thousand) concern the remunerations for the providers amounting to CZK 6,510 thousand.

13. ADJUSTMENTS

Adjustments represent a temporary decrease in value of the assets. As there was no decrease in value as at 31 December 2011, the Company did not create any adjustments.

	Adjustment to receivables	Total
Balance as at 1 January 2011	37,731 ^{*)}	37,731
Creation	--	--
Release/use	-37,731 ^{*)}	-37,731
Balance as at 31 December 2011	--	--

^{*)} As at 31 December 2010, Sázková kancelář, a.s., recorded a receivable due from the state amounting to CZK 75,461 thousand. This receivable concerned the refund of input value added tax. The recognition of the right to input VAT refund was the subject-matter of a dispute between the Company and the state. An adjustment amounting to CZK 37,731 thousand (50% of the total claim) was created in relation to this receivable in 2010. In 2011, the receivable was written off as an expense and the adjustment was cancelled. The reason for the write-off was a court decision in a similar case.

14. EQUITY

Overview of changes in equity

	Registered capital	Share premium	Other capital funds	Accumulated losses from previous years	Loss in the current period	Total
Balance as at 1 January 2011	450,000	1,500	--	-362,649	-40,646	48,205
Allocations to funds	--	--	50,300	--	--	50,300
Transfer of the profit / loss	--	--	--	-40,646	40,646	--
2011 loss	--	--	--	--	-267,013	-267,013
Total as at 31 December 2011	450,000	1,500	50,300	-403,295	-267,013	-168,508

14.1. REGISTERED CAPITAL

The Company's registered capital consists of 4,500 common registered shares in certified form, each with a face value of CZK 100 thousand. There were no changes in the registered capital of the Company in 2011.

14.2. OTHER CAPITAL FUNDS

On 29 September 2011, an Agreement on Additional Contribution above and Beyond the Registered Capital was signed between PFQ Czech, a.s., (the Company's sole shareholder) and Sázková kancelář, a.s., on the basis of which the Company's equity was increased by CZK 5,000 thousand in the form of a voluntary additional contribution above and beyond the Company's registered capital.

On 27 October 2011, an Agreement on Additional Contribution above and Beyond the Registered Capital was signed between PFQ Czech, a.s., (the Company's sole shareholder) and Sázková kancelář, a.s., on the basis of which the Company's equity was increased by CZK 45,300 thousand in the form of a voluntary additional contribution above and beyond the Company's registered capital.

14.3. PROFIT / LOSS FROM THE PREVIOUS YEARS AND IN THE CURRENT ACCOUNTING PERIOD

The loss from the previous accounting period was transferred to the account of accumulated losses from previous years.

15. TRANSFER OF A PART OF THE PROCEEDS

A part of the full 2011 proceeds for games, which were previously operated by SAZKA, a.s., in 2011 and then passed over to SAZKA sázková kancelář, a.s. with the licence under the purchase of the SAZKA enterprise, are transferred by the Company. This settlement procedure was negotiated with the Ministry of Finance of the Czech Republic.

Consequently, the settlement of the proceeds as shown in the following table includes figures for SAZKA, a.s., for the period January-October 2011 and for SAZKA sázková kancelář, a.s., for the period January-December 2011. The statutory transfer rate of a part of the proceeds for public non-profit purposes is calculated pursuant to the definition in Act No. 202/1990 Coll., on Lotteries and Other Similar Games.

Advances for transfer of proceeds for the current year of 2011 paid to the organizations:	
OSZO	382,718
Children – Culture – Sport Foundation	1,117
Statutory minimum transfer rate is 20% of the proceeds for the current year	364,202

16. RESERVES

In 2011, the Company created reserves amounting to CZK 224,639 thousand in the following structure:

	Reserve for real-estate transfer tax	Jackpot reserve	Other reserves	Total
Balance as at 1 January 2011	--	--	--	--
Company acquisition	--	162,320	--	162,320
Creation	28,111	29,634	4,574	62,319
Balance as at 31 December 2011	28,111	191,954	4,574	224,639

17. LONG-TERM LIABILITIES

As at 31 December 2011, the Company reports a long-term liability arising from the security deposits received, amounting to CZK 121,497 thousand.

According to the particular agreements with the providers, these security deposits shall become due and payable upon the termination of activities and settlement of all debts owed to SAZKA sázková kancelář, a.s. Given that a long-term relationship is expected when signing such an agreement with a provider, these liabilities are registered as long-term liabilities.

The Company's records show no long-term liabilities with a maturity period over five years.

As at 31 December 2010, the Company did not report any other long-term liabilities.

18. SHORT-TERM LIABILITIES

18.1. TRADE PAYABLES

Short-term trade payables amount to CZK 225,167 thousand (2010 – CZK 390 thousand), of which CZK 29,298 thousand (2010 – CZK 73 thousand) are represented by overdue payables.

18.2. PAYABLES TO CONTROLLING ENTITIES

In 2011, the Company drew on loans from KKCG SE and PPF Group N.V. totalling CZK 3,810,000 thousand, for the purpose of the acquisition of SAZKA, a.s.

The loan balances as at 31 December 2011, with indication of the maturity date and the interest rate, are provided in the following table:

2011	Maturity	Interest rate	Balance	
			31 December 2011	Due within 1 year
PPF Group N.V.	16 January 2012	4%	25,050	25,050
KKCG SE	16 January 2012	4%	25,050	25,050
PPF Group N.V.	30 September 2012	6%	1,655,000	1,655,000
KKCG SE	30 September 2012	6%	1,655,000	1,655,000
Total			3,360,100	3,360,100

No security is attached to all of the loans listed above. Outstanding interest on the aforesaid loans was recorded in a total amount of CZK 62,642 thousand.

As at 31 December 2010, the Company reported a long-term payable to the controlling entities amounting to CZK 45,200 thousand.

18.3. PAYROLL AND PAYABLES TO SOCIAL SECURITY AND HEALTH INSURANCE

As at 31 December 2011, SAZKA sázková kancelář a.s., reports payroll payables amounting to CZK 8,236 thousand (2010 – CZK 0 thousand). Payables to social security and health insurance amount to CZK 5,237 thousand (2010 – CZK 0 thousand), of which CZK 3,742 thousand (2010 – CZK 0 thousand) are represented

by social security payables and CZK 1,495 thousand (2010 – CZK 0 thousand) by health insurance payables. None of these payables are overdue.

18.4. RECEIVABLES DUE FROM STATE AND PAYABLES TO STATE

As at 31 December 2011, SAZKA sázková kancelář a.s., reports payables based on employment income tax, value added tax, withholding tax and administrative and local fees totalling CZK 13,700 thousand. None of these payables are overdue.

As at 31 December 2010, the Company reported a receivable due from state amounting to CZK 75,461 thousand based on the value added tax (see point 13 above).

19. ESTIMATED ACCRUED EXPENSES

The items reported under the estimated accrued expenses totalling CZK 118,559 thousand (2010 – CZK 107 thousand) include, in particular, the estimates of administrative fees to be paid for the operation of lotteries and betting games in 2011, as well as estimated items for operating expenses falling under 2011.

20. SHORT-TERM FINANCIAL ASSISTANCE

As at 31 December 2011, the Company reports short-term financial assistance amounting to CZK 79,750 thousand received from ARKADIA, a.s., with which a Loan Agreement was signed on 27 December 2011. On 30 December 2011, a Debt Assumption Agreement was signed between SAZKA sázková kancelář, a.s., ARKADIA, a.s., and Canero B.V., on the basis of which Canero B.V. assumed the liability under the aforesaid loan from SAZKA sázková kancelář, a.s. This Agreement entered into effect in 2012 as described in item 28.2 below.

21. ACCRUALS AND DEFERRALS

21.1. ACCRUED EXPENSES

Total accrued expenses amount to CZK 456,044 thousand. The accrued expense items include, in particular, the future payment obligations arising from the statutory transfer of a part of the proceeds, which was generated as at 1 November 2011, i.e. as at the date when the SAZKA enterprise was acquired by SAZKA sázková kancelář, a.s., amounting to CZK 328,189 thousand. In addition, the accrued expenses cover the claims of winners, which were not properly claim by 31 December 2011, amounting to CZK 22,421 thousand.

As at 31 December 2010, the Company's records did not show any accrued expenses.

21.2. DEFERRED REVENUES

The deferred revenue items totalling CZK 53,730 thousand comprise, in particular, the subscriptions to number lotteries amounting to CZK 48,251 thousand.

As at 31 December 2010, the Company's records did not show any deferred revenues.

22. INCOME TAX

22.1. INCOME TAX DUE

A preliminary calculation of the tax due was carried out as at 31 December 2011. SAZKA sázková kancelář, a.s., generated a tax loss of CZK 12,470 thousand in 2011.

22.2. INCOME TAX DEFERRED

The reported deferred tax receivables and liabilities are shown in the table below:

	Receivables		Liabilities		Difference	
	2011	2010	2011	2010	2011	2010
Fixed assets	4,265	--	--	--	4,265	--
Reserves	11,841	--	--	--	11,841	--
Tax losses	4,181	--	--	--	4,181	--
Other temporary differences	10	--	- 42	--	-31	--
Deferred tax receivable (+) / liability (-)	20,297	--	- 42	--	20,255	--

By reason of the deferred tax, a tax receivable amounting to CZK 20,255 thousand was recorded (2010 – CZK 0 thousand). A 19% tax rate was applied to calculate the deferred tax in consistence with the accounting principles described in item 4.9 above.

23. OVERVIEW OF LEASING LIABILITIES

23.1. FINANCIAL LEASING

Overview of assets acquired by the Company in the form of financial leasing:

2011	Total leasing instalments	Paid as at 31 December 2011	Due within 1 year	Due within more than 1 year
Lottery equipment	5,452	681	2,726	2,045
Total	5,452	681	2,726	2,045

In 2010, the Company did not have any assets leased under financial leasing.

23.2. OPERATING LEASING

A central computer system and intermediation terminals are leased by the Company until 2022. The total annual expenses related to this leasing in 2011 amounted to CZK 14,582 thousand (2010 – CZK 0 thousand).

Passenger cars (expenses amounting to CZK 3,418 thousand in 2011) and IT technology (expenses amounting to CZK 2,261 thousand in 2011) are leased by the Company in the form of operating leasing. In addition, the Company was using slot machines, the leasing of which was terminated in June 2011. The total annual expenses related to this leasing in 2011 amounted to CZK 4,929 thousand (2010 – CZK 4,724 thousand).

24. EMPLOYEES AND MANAGERS

The average number of employees and managers and the personnel costs in 2011:

	Number	Wage costs	Social security and health insurance expenses	Social expenses
2011				
Employees	363	32,578	7,943	903
Managers	35	5,090	1,808	131
Total	398	37,668	9,751	1,034

In 2010, the Company had no employees.

No remunerations were paid and no loans were granted to members of the statutory bodies in 2011 and 2010.

25. OPERATING PROFIT / LOSS AND INFORMATION ON SALES REVENUES

	2011	2010
Operating profit / loss after taxes	-267,013	-40,646
Profit / loss from betting and lottery activities	-205,946	-40,646
Profit / loss from non-lottery activities	-61,067	--
Total sales revenues	811,027	38,239
Of which: Sales revenues from lottery activities	781,859	38,239 ^{*)}
Sales revenues from non-lottery activities	29,168	--

^{*)} All sales revenues from the lottery activities generated by the Company in 2010 consisted in revenues from slot machines.

All sales revenues in 2011 and 2010 are domestic revenues.

26. TRANSACTIONS WITH RELATED PARTIES

Receivables and payables including trade receivables and trade payables as described in items 11 and 17 above:

	Receivables as		Payables as	
	at 31 December		at 31 December	
	2011	2010	2011	2010
KPS MEDIA a.s.	708	--	9,941	--
BUSINESS CENTRE SERVICE a.s.	2,205	--	12,155	--
KOLBY a.s.	98	--	--	--
Agro Tera,a.s.	2	--	--	--
ARKADIA, a.s.	--	--	79,788 ^{*)}	--
SPORTLEASE a.s.	58	--	535	--
GTECH Czech Republic LLC.	--	--	--	--
SAZKA INTERNATIONAL	263	--	--	--
Total	3,334	--	102,419	--

Sales revenues and purchases:

	Sales revenues for		Purchases for	
	2011	2010	2011	2010
KPS MEDIA a.s.	229	--	8,284	--
BUSINESS CENTRE SERVICE a.s.	2,114	--	16,934	--
KOLBY a.s.	43	--	--	--
Agro Tera,a.s.	--	--	--	--
ARKADIA, a.s.	1	--	38	--
SPORTLEASE a.s.	44	--	--	--
GTECH Czech Republic LLC.	--	--	--	--
SAZKA INTERNATIONAL	--	--	--	--
Total	2,431	--	25,256	--

^{*)} Concerns a loan amounting to CZK 79,750 thousand (the figure in the table is including interest) from ARKADIA, a.s., as described in item 18 above

All major transactions with the related parties took place on an arm's length basis.

Loans received from the related parties are described in items 17.2 and 19 above.

Effective holding

No control agreement is signed between the Company and its sole shareholder PFQ Czech, a.s. The Report on Relations will form an integral part of the Annual Report.

27. INFORMATION ON REMUNERATIONS TO STATUTORY AUDITORS

SAZKA sázková kancelář, a.s., is a part of a higher consolidation unit. The 2011 audit expenses will be disclosed in the notes to the consolidated Financial Statements.

28. LEGAL DISPUTES

28.1. ACTIONS FOR INVALIDITY OF THE COMPANY SALE AGREEMENT

An action for invalidity of the SAZKA sale agreement dated 26 September 2011 was filed to the Municipal Court in Prague on 13 January 2012 by the Czech Sport Association (CSTV) (hereinafter referred to as the “plaintiff”) against JUDr. Josef Cupka (the insolvency administrator of SAZKA, a.s.) and against SAZKA sázková kancelář, a.s. With its action, the plaintiff seeks the invalidity of the agreement, under which the SAZKA enterprise was transferred to SAZKA sázková kancelář, a.s. The two defendants were invited by a court decision to provide their statement on the action by 16 March 2012.

A practically identical action was also filed by the Czech Association Sport for All and by GLADIOLUS, a.s. Also in these cases, the Municipal Court in Prague invited the defendants (JUDr. Josef Cupka and SAZKA sázková kancelář, a.s.) to provide their statement on the action by 16 March 2012.

An action for invalidity of the SAZKA sale agreement was filed to the Municipal Court in Prague by Česká spořitelna, a.s. on 31 October 2011. On 30 December 2011, the action was withdrawn because Česká spořitelna, a.s. was no longer a party to the proceedings (due to the assignment of its claim in the Insolvency Proceedings on SAZKA, a.s. as the debtor to another creditor). On 6 January 2012, the Municipal Court in Prague decided to discontinue the action.

28.2. ACTIONS FOR OWNERSHIP OF THE COMPANY

An action to determine the ownership of the SAZKA enterprise was filed to the District Court for Prague 2 by Česká spořitelna, a.s. on 31 October 2011 against JUDr. Josef Cupka and against SAZKA sázková kancelář, a.s. In this case, the action has not been withdrawn but is very likely to be withdrawn according to the agreement with the plaintiff.

An action to determine the ownership of the SAZKA enterprise was filed to the District Court for Prague 2 by GLADIOLUS a.s. on 6 January 2012 against the defendants JUDr. Josef Cupka and against SAZKA sázková kancelář, a.s. With its action, the plaintiff seeks a determination that SAZKA, a.s., in bankruptcy, is the owner of the SAZKA enterprise.

A similar action was filed to the District Court for Prague 9 by the Czech Sport Association (CSTV) on 13 January 2012, being practically identical in terms of the action claims and their justification to the action filed by GLADIOLUS, a.s.

28.3. STATEMENT BY THE COMPANY MANAGEMENT

The Company management considers all of the aforesaid actions to be ungrounded and expects that, in the point of view of any risks of the final impact on the Company’s financial position, these actions will not have any material effect on the Company’s liquidity or future expenses. Consequently, no reserve was created for these disputes.

29. EVENTS AFTER THE BALANCE-SHEET DATE

29.1. CONTRIBUTION TO OTHER CAPITAL FUNDS

As at 31 December 2011, the negative equity amounted to CZK 168,508 thousand. Based on a decision of PFQ Czech, a.s., as the sole shareholder, the equity was increased by CZK 400,000 thousand on 23 January 2012 outside of the registered capital (increase in other capital funds).

29.2. SALE OF SUBSIDIARIES

Agreements on the sale of the subsidiaries ARKADIA, a.s., and Agro Tera, a.s., were signed on 30 December 2011. The stock transfer agreements were signed with Canero B.V., with a suspensive condition for the effect of these agreements in terms of the provisions of Section 36 (2) of the Civil Code. The suspensive condition stipulates that if the purchase price is not paid properly and in time, these agreements shall be null and void. The suspensive condition was met in January 2012.

On 7 February 2012, a stock transfer agreement in relation to KOLBY a.s. was signed with ROSSO STEEL, a.s., which purchased the share of SAZKA sázková kancelář, a.s., in this subsidiary.

The sale prices for these companies were not lower than their book value as at 31 December 2011.

29.3. PURCHASE OF TANGIBLE ASSETS FROM BUSINESS CENTRE SERVICE a. s.

Based on a purchase agreement dated 23 February 2012, the Company acquired tangible assets from its subsidiary BUSINESS CENTRE SERVICE a.s. in a total amount of CZK 17,013 thousand as determined by the court-appointed expert.

29.4. ENTRY OF BUSINESS CENTRE SERVICE a.s. INTO LIQUIDATION

Based on a decision of the sole shareholder and effective as of 1 March 2012, the subsidiary BUSINESS CENTRE SERVICE a.s. entered into liquidation.

29.5. REFINANCING OF LOAN EXPOSURES

The Company is negotiating with commercial banks on the refinancing possibilities of its liabilities from loans, which were granted to it by the PPF Group and KKCG Group for the purpose of the acquisition of SAZKA, a.s.

The following repayments of the loans referred to in item 17.2 above were made in January and February 2012:

- On 9 January 2012, an amount of CZK 56,551 thousand was repaid, constituting the additional payment of the principal including interest for the two loans at the original principal amount of CZK 250,050 thousand. Consequently, these two loans were fully repaid.
- On 20 January 2012, an amount of CZK 200,000 thousand was repaid, constituting an early repayment of the principal;
- On 24 January 2012, an amount of CZK 400,000 thousand was repaid, constituting an early repayment of the principal;
- On 17 February 2012, an amount of CZK 300,000 thousand was repaid, constituting an early repayment of the principal.

29.6. CHANGES IN THE COMMERCIAL REGISTER

Mr. Ivo Tajšl was appointed a member of the Supervisory Board on 26 January 2012. This fact was registered in the Commercial Register on 15 February 2012. A member of the Supervisory Board, Mr. Karel Komárek, was appointed Chairman of the Supervisory Board on 1 February 2012. A member of the Supervisory Board, Mr. Lubomír Král, was appointed a Vice-Chairman of the Supervisory Board on 1 February 2012. These facts were registered in the Commercial Register on 29 February 2012.

In addition to the aforesaid information, the Company management is not aware of any major subsequent events that would affect the Financial Statements prepared as at 31 December 2011.

In Prague on 27 March 2012



Pavel Horák
Chairman of the Board of Directors



Pavel Šaroch
Vice-Chairman of the Board of Directors

Important Events after the Financial Statements Date

On 10 May 2012, shareholder loans amounting to CZK 2 billion were refinanced. This financing was provided by banks, namely Komerční banka, Česká spořitelna and Československá obchodní banka, with a maturity period of five years.

Contacts

Centre	Address	Phone	Fax	E-mail
Call centre	K Žižkovu 851 190 93 Prague 9	266 12 11 11 266 12 12 12	266 12 89 20 266 31 31 10	callcentrum@sazka.cz info@sazka.cz
Ticketing	K Žižkovu 851 190 93 Prague 9	266 12 11 22	266 12 93 89	info@sazkaticket.cz
Fixed odds betting	K Žižkovu 851 190 93 Prague 9	266 12 80 98	266 12 21 60	kuzsovesazky@sazka.cz

In Prague on 12 June 2012



Pavel Horák
Chairman of the Board of Directors



Pavel Šaroch
Vice-Chairman of the Board of Directors



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Report by an Independent Auditor to the Shareholders of SAZKA sázková kancelář, a.s.

Financial Statements

On 27 March 2012, based on the audit we conducted, we delivered the following report on the Financial Statements, which form a part of this Annual Report:

“We have audited the Financial Statements of SAZKA sázková kancelář, a.s., attached hereto, i.e. the balance sheet as at 31 December 2011 and the profit and loss account for 2011, as well as the notes to these Financial Statements including a description of the relevant accounting principles applied and additional information. The data concerning SAZKA sázková kancelář, a.s., are provided in item 1 of the notes to these Financial Statements.

Responsibility of the Statutory Body of the Accounting Entity for the Financial Statements

The statutory body of SAZKA sázková kancelář, a.s., is responsible for the preparation of the Financial Statements giving a true and fair view of the situation in consistence with the applicable Czech accounting regulations, as well as for such internal control system, which it considers necessary in order to prepare the Financial Statements so that it is free of any material misstatements caused by fraud or mistake.

Auditor's Responsibility

Our responsibility as the auditor is to express an opinion on these Financial Statements based on our audit. We conducted our audit in consistence with the Act on Auditors, International Auditing Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These regulations require that we respect the ethical requirements and that we plan and perform the audit in a manner in order to obtain reasonable assurance as to whether the Financial Statements are free of any material misstatements.

An audit includes the performance of auditing procedures in order to obtain evidence supporting the amounts and disclosures in the Financial Statements. The selection of the auditing procedures is at the auditor's discretion, including an assessment of the risks that the Financial Statements contain material misstatements caused by fraud or mistake. When assessing these risks, the auditor must evaluate the internal control system, which is relevant for the preparation of Financial Statements giving a true and fair view. This assessment is aimed at proposing appropriate auditing principles rather than to give an opinion on the efficiency of the accounting entity's internal control system. An audit also includes assessing the accounting principles applied and the appropriateness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the obtained evidence provide a sufficient and appropriate basis to give our opinion.



Auditor's Opinion

In our opinion, the Financial Statements give a true and fair view of the assets and liabilities of SAZKA sázková kancelář, a.s., as at 31 December 2011 as well as of the expenses, revenues and the results of its operations for 2011 in consistence with the Czech accounting regulations.”

Report on Related Parties

We have reviewed the factual accuracy of the information disclosed in the Report on Related Parties of SAZKA sázková kancelář, a.s., for the year ended 31 December 2011. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report on Related Parties is free of material factual misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the Report on Related Parties and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the Report on Related Parties of SAZKA sázková kancelář, a.s., for the year ended 31 December 2011 contains material factual misstatements.

Annual Report

We have audited the consistency of the Annual Report with the audited Financial Statements. This Annual Report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the Annual Report with the audited Financial Statements based on our audit.

We conducted our audit in accordance with the International Auditing Standards and the relevant application clauses of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the Annual Report describing matters that are also presented in the Financial Statements is, in all material respects, consistent with the audited Financial Statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the Annual Report is, in all material respects, consistent with the audited Financial Statements.

In Prague on 12 June 2012


KPMG Česká republika Audit, s.r.o.
Licence No. 71


Ing. Petr Sikora
Partner
Licence No. 2001