

ANNUAL REPORT
SAZKA sázková kancelář, a.s.

2012



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Business name: SAZKA sázková kancelář, a.s.
Registered office: Prague 9, K Žižkovu 851, postcode 190 93
Registration number: 264 93 993
Legal form: Joint-stock company

Business:

- Manufacturing, trade and services not included in Annexes 1 to 3 to the Trade Licensing Act
- Operation of lotteries and other similar games in compliance with universally binding legislation
- Assembly, repairs, inspections and tests of electrical equipment
- Manufacturing, installation, repairs of electrical machinery and equipment, electronic and telecommunication devices
- Activity of accounting consultants, bookkeeping, single-entry accounting
- Registry office management

Activities:

- Lease of real estate, dwellings and non-residential premises

Registration in the Commercial Register:

SAZKA sázková kancelář, a.s., was registered in the Commercial Register maintained by the Municipal Court in Prague on 28 November 2001, Section B, Insert 7424.

SAZKA sázková kancelář, a.s., is the largest lottery company in the Czech Republic, with a greater than 95% market share.

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

The Company's main products include number lotteries, with its best known game SPORTKA. In addition to number lotteries, its product offer includes scratch tickets, sports betting and fast-draw games.

The portfolio of non-lottery services is primarily based on topping up pay-as-you-go mobile phones, ticket selling and the facilitation of payments for goods and services.

SAZKA sázková kancelář, a.s., provides its products over a unique sales network of 6,500 points of sale located across the Czech Republic.

For most of the year, the Company was owned by the KKCG Group and the PPF Group. Since 18 December 2012, SAZKA sázková kancelář, a.s., has been fully controlled by the transnational financial and investment group KKCG.

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

SAZKA sázková kancelář, a.s., promotes responsible gaming principles and the observance of ethical principles in the betting and lottery industry. SAZKA develops and supports these activities at both national and international levels.

In the future, SAZKA sázková kancelář, a.s., will continue to use all relevant marketing, financial and other instruments in order to continue to pursue stabilisation and further consolidation of its privileged position in the Czech lottery market. SAZKA will, inter alia, focus on qualitative changes to some of its products and on maintaining and enhancing the high convenience for its lottery and betting clients.

SAZKA sázková kancelář, a.s., complies with legislation covering both its business focus and environmental considerations.

SAZKA sázková kancelář, a.s., carries out no research and development activities.

In 2012, the developments in human resources were focused on the completion of the organisational structure, with the aim of achieving an optimum and stable number of staff in the Company, in the context of the rationalisation of its activities and routines, and the cooperation of teams to improve performance while maximising the use of available working time.

In 2012, the number of the Company employees declined slightly; thus the total number stabilised at the final 295 employees at the end of the year. In this context, the contents of all jobs of the Company employees were reviewed and complemented.

Development of the number of employees of SAZKA sázková kancelář, a.s., as at 31 December 2012 vis-à-vis the same date of the previous year:

Number of employees	
31 December 2011	31 December 2012
322	295

Note: The numbers of employees are specified exclusive of those on maternity and parental leaves.

The activity of BUSINESS CENTRE SERVICE a.s. was terminated during 2012, and 19 of its 41 remaining employees were moved to SAZKA sázková kancelář, a.s., while the employment relationships with the other employees were terminated. After the sale of subsidiary KOLBY a.s. its HR and wage business (11 employees) was transferred to the new owner. The number of employees of KPS MEDIA a.s. fell from 17 to 8 employees during 2012.

During 2012, the sales network went through an optimisation process in order to adapt the locations of terminals to customer needs and interests as much as possible. The sales network included more than 6,500 terminals at the end of the year.

Lottery Activities

There was a chance of winning the First Sportka Bonus from the 2nd to the 15th lottery week and the Second Sportka Bonus from the 46th lottery week, both amounting to CZK 100 million. The Second Sportka Bonus was terminated as late as in February 2013.

A second draw of number lottery Euromiliony (Euromillions - not to be confused with transnational lottery EuroMillions) was put in place in the 10th lottery week. Since then, the draws of the game have been held twice a week, always on Tuesdays and Saturdays.

A new number lottery Kasička (Money Box) was launched in the 12th lottery week.

Five new issues of instant lotteries were placed on the market during the year - Drahokamy (Gems), Kouzelná země (Magic Land), Pohádkové jmění (Fabulous Wealth), Milionový dárek (Million-crown Gift) and Zlatá podkova (Golden Horseshoe).

Non-lottery Activities

Cash payment services for the following business partners were gradually restored in the first half of 2012: ČEZ Group companies, Veolia Voda Group companies, Česká pojišťovna, a.s., Česká podnikatelská pojišťovna, a.s. and International Masters Publisher s.r.o.

Afterwards, the cash payment service was also put in place for Generali Pojišťovna a.s., Home Credit a.s. and Reader's Digest VÝBĚR s.r.o.

Since November, SAZKA sázková kancelář, a.s., has also been providing the pay-as-you-go mobile top-up service for virtual operator BLESKmobil and, in late 2012, the pilot operation of a new service "Výběr u Sazky" (Cash Withdrawal with Sazka) for Air Bank clients was launched.

BUSINESS CENTRE SERVICE a.s. v likvidaci

(in liquidation)

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

The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 2443, on 14 February 1994.

Registered office:

Prague 9, K Žižkovu 851, postcode 190 93

Registered capital:

CZK 51,580,000

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

On 1 March 2012, BUSINESS CENTRE SERVICE a.s. entered into liquidation, which was completed on 7 December 2012.

KPS MEDIA a.s.

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

The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 2983, on 26 January 1995.

Registered office:

Prague 9, K Žižkovu 851, postcode 190 93

Registered capital:

CZK 110,000,000

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

GTECH Czech Republic LLC

Registered office:

1209 Orange Street, Wilmington,
Delaware, USA

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

Equity participation by GTECH:

37%

BESTSPORT akciová společnost

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

The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 4485, on 28 June 1991.

Registered office:

Prague 9, Českomoravská 2345/17,
postcode 190 00

Registered capital:

CZK 1,700,000,000

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

Based on a ruling by the Municipal Court in Prague of 30 June 2011, reference number MSPH 89 INS 5393/2011-B-51, which became legally binding on 13 July 2011, a decision allowing the reorganisation of the company was made.

SPORTLEASE a.s.

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

The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 10231, on 8 March 1995.

Registered office:

Prague 9, K Žižkovu 851, postcode 190 93

Registered capital:

CZK 40,100,000

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

SAZKA INTERNATIONAL

The company was registered in the Single National Register of Legal Entities in Russia on 4 April 2006.

National registration number: 1067746448220
Tax ID: 7718580664
Registered office: Russia, Moscow 107023, Malaja Semjonovskaja No 9, building 3
Registered capital: 10,000 roubles
Equity participation by SAZKA sázková kancelář, a.s.: 100%

SAZKA INTERNATIONAL pursues no activity, and its liquidation process has been initiated.

Agro Tera, a.s. Reg. No: 251 38 481, Tax ID: CZ25138481
The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 4796, on 24 June 1997.
Registered office: Prague 9, Novovysočanská 697/44, postcode 190 00
Registered capital: CZK 355,120,000
Equity participation 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 entered into between SAZKA sázková kancelář, a.s., and Canero B.V. The stock transfer became effective on 9 January 2012.

ARKADIA, a.s. Reg. No: 252 87 907, Tax ID: CZ25287907
The company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 17914, on 28 April 1998.
Registered office: Prague 9, Novovysočanská 697/44, postcode 190 00
Registered capital: CZK 431,500,000
Equity participation by SAZKA sázková kancelář, a.s.: 100%

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

KOLBY a.s. Reg. No: 255 12 919, Tax ID: CZ25512919
The company is registered in the Commercial Register maintained by the Regional Court in Brno, Section B, Insert 2535, on 23 December 1997.
Registered office: Pouzdřany, Česká 51, postcode 691 26
Registered capital: CZK 78,950,000
Equity participation 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 entered into between SAZKA sázková kancelář, a.s., and ROSSO STEEL, a.s. The stock transfer became effective on 23 February 2012.

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

2012 Report by the Board of Directors of SAZKA sázková kancelář, a.s. on the Company's Business Activities and Assets

During the 2012 accounting period, SAZKA sázková kancelář, a.s., (hereinafter referred to as the “Company”) was and continues to be a business company primarily engaged in the operation of lotteries and other similar games, in accordance with universally binding legislation, notably Act No 202/1990 Coll., on Lotteries and Other Similar Games, as amended. On 18 December 2012, the Company's ownership structure changed, and the Company is fully controlled by transnational investment group KKCG now.

At its meetings held in the 2012 accounting period, the Company's Board of Directors was primarily concerned with the Company's financial management and the fulfilment of short-term as well as long-term plans in the Company's business activity. The Board of Directors took steps required for the Company's stabilisation after it had become the exclusive owner of the enterprise of SAZKA, a.s., which happened in late 2011.

Several personnel changes were made to the Company's Board of Directors in the wake of the changed ownership structure. On 18 December 2012, the memberships of Pavel Horák, Petr Dohnal and Vladimír Mlynář in the Board of Directors expired, and Martin Bláha became a new Member of the Board of Directors. Pavel Šaroch became Chairman and Josef Novotný became Vice Chairman of the Board of Directors.

Company's Financial Results and Assets

In 2012, the Company's earnings before tax were CZK 417,623 thousand. The Company's total sales were CZK 6,418,320 thousand.

As at 31 December 2012, the Company's assets were as follows:

- Fixed assets of CZK 2,850,272 thousand, of which intangible fixed assets were CZK 1,552,522 thousand, tangible fixed assets were CZK 723,352 thousand and financial fixed assets were CZK 574,398 thousand
- Current assets of CZK 911,780 thousand, of which inventory was CZK 8,904 thousand, receivables were CZK 228,154 thousand and current financial assets were CZK 674,722 thousand

As at 31 December 2012, the Company's equity amounted to CZK 595,806 thousand while liabilities amounted to CZK 3,121,825 thousand.

Company's Lottery Activities

In 2012, the Company was restoring and continuing to develop its sales network of lottery on-line terminals. Thus the existing sales network was composed of a total of more than 6,500 terminals at the end of 2012. In addition, the sales network was optimised to ensure that the lottery terminals are closer to the largest possible number of players.

A new number lottery “Kasička” (Money Box) was launched in the 12th lottery week of 2012. Moreover, five new instant lotteries were placed on the market during 2012. These issues of instant tickets were named “Drahokamy” (Gems), “Kouzelná země” (Magic Land), “Pohádkové jmění” (Fabulous Wealth), “Zlatá podkova” (Golden Horseshoe) and “Milionový dárek” (Million-crown Gift). A second weekly draw of number lottery “Euromiliony”

(Euromillions - not to be confused with transnational lottery EuroMillions) was put in place in the 10th lottery week of 2012.

Company's Non-lottery Activities

In the first half of 2012, the cash payment services, bill payments, insurance payments and postal order payments through the Company's terminals were gradually restored for the following business partners: ČEZ Group companies, Veolia Voda Group companies, Česká pojišťovna, a.s., Česká podnikatelská pojišťovna, a.s., and International Masters Publisher s.r.o. Afterwards, the cash payment service was newly put in place for Generali Pojišťovna a.s., Home Credit a.s. and Reader's Digest VÝBĚR s.r.o. Since November 2012, the Company has been providing the pay-as-you-go mobile top-up service for virtual operator BLESKmobil, and the pilot operation of a new service "Výběr u Sazky" (Cash Withdrawal with Sazka) for Air Bank clients was launched.

Company's Foreign Activities

In 2012, the Company continued to be a member of two major international lottery organisations, World Lottery Association (WLA) and regional organisation European Lotteries (EL). The Company representatives took part in the technical, gaming as well as legal activities of both organisations. The Company is represented in the EL's Sports Betting Working Group and Public Order & Security Working Group.

Company's Development Outlook

In the coming year 2013, the Company plans to continue to consolidate its position in the lottery market, develop its sales network, raise the numbers of active lottery terminals and make them as close as possible to its customers. The Company expects a sales increase of 10-15%. Furthermore, an expansion of its portfolio of cash payment services to include new products is under preparation.

Conclusion

In the 2012 accounting period, the Company's Board of Directors managed the Company's activities and took care of the business management of the Company, including its proper bookkeeping. Throughout the 2012 accounting period, the Board of Directors duly carried out the tasks incumbent upon it under universally binding legislation, under the Company's Articles of Association and under conclusions adopted by decisions of the sole shareholder in the exercise of responsibilities of the Company's General Meeting. In accordance with the provision of Section 66a (9) of the Commercial Code, the Board of Directors prepared a report on related parties.

In Prague, on 22 May 2013

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

Robert Chvátal
Member of the Board of Directors
SAZKA sázková kancelář, a.s.

2012 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., Reg. No: 264 93 993, having its registered office in Prague 9, K Žižkovu 851, postcode 190 93

Controlling entity: PFQ Czech, a.s., Reg. No: 247 80 502, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, as the sole shareholder of SAZKA sázková kancelář, a.s.

SAZKA sázková kancelář, a.s., is, through PFQ Czech, a.s., BQV Czech, a.s., PDH Czech, a.s., PGQ Czech Republic, a.s., and PUU Czech, a.s., indirectly controlled by KKCG SE, because:

PFQ Czech, a.s., is controlled by its sole shareholder, BQV Czech, a.s., Reg. No: 247 81 029, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10.

BQV Czech, a.s., is controlled by its sole shareholder, PDH Czech, a.s., Reg. No: 291 27 629, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10,

PDH Czech, a.s., is controlled by its sole shareholder, PGQ Czech Republic, a.s., Reg. No: 248 52 104, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10.

PGQ Czech Republic, a.s., is controlled by its sole shareholder, PUU Czech, a.s., Reg. No: 242 87 814, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10.

PUU Czech, a.s., is controlled by its sole shareholder, KKCG SE, Reg. No: SE 3, having its registered office at Alasias Street 8, Christodoulides Building, 3095 Limassol, the Republic of Cyprus,

hereinafter collectively referred to as the "controlling entities"

The following agreements were entered into between SAZKA sázková kancelář, a.s., and PFQ Czech, a.s., in 2012 (hereinafter referred to as the "reporting period"):

- Agreement on Additional Contribution to Equity dated 20 January 2012;
- Agreement on Additional Contribution to Equity dated 26 April 2012;
- Agreement to Set Up a Security - Mortgage on Shares dated 10 May 2012;
- Call Option and Guarantee Agreement dated 10 May 2012 (*a third party is one of the parties to this Agreement*);
- Call Option and Guarantee Agreement dated 10 May 2012 (*another party to the Agreement is KKCG SE*);
- Credit Agreement dated 17 December 2012;
- Amendment 1 to the Call Option and Guarantee Agreement dated 18 December 2012 (*other parties to the Agreement include KKCG SE and third parties*);
- Termination Agreement Regarding the Call Option and Guarantee Agreement dated 18 December 2012 (*third parties are also parties to this Agreement*).

No agreements were entered into between SAZKA sázková kancelář, a.s., and BQV Czech, a.s., PDH Czech, a.s., PGQ Czech Republic, a.s., and PUU Czech, a.s., in the reporting period.

The following agreements were entered into between SAZKA sázková kancelář, a.s., and KKCG SE in the reporting period:

- Amendment 1 dated 28 February 2012 to the Credit Agreement (of 16 September 2011);
- Amendment 2 dated 9 May 2012 to the Credit Agreement (of 16 September 2011);
- Amendment 3 dated 21 September 2012 to the Credit Agreement (of 16 September 2011);
- Credit Agreement dated 26 April 2012;
- Subordination Agreement dated 10 May 2012 (*third parties are also parties to this Agreement*);
- Call Option and Guarantee Agreement dated 10 May 2012 (*another party to the Agreement is PFQ Czech, a.s.*);
- Amendment 1 to the Call Option and Guarantee Agreement dated 18 December 2012 (*other parties to the Agreement include PFQ Czech, a.s., and third parties*);
- Set-off Agreement dated 18 December 2012.

All of the listed agreements were entered into under conditions common in business relations and in compliance with applicable law.

No other legal transactions or measures were undertaken and no other performance or counter-performance took place between SAZKA sázková kancelář, a.s., and the controlling entities in the reporting period. SAZKA sázková kancelář, a.s., suffered no harm as a result of its relations with controlling entities in the reporting period.

The Board of Directors declares that this report was prepared with due care, that the report is full and complete and that the disclosure of additional information, particularly as concerns extension of the scope or detail of the information, is subject to trade secret pursuant to Section 17 of the Commercial Code.

In Prague, on 18 March 2013

Pavel Šaroch
Chairman of the Board of Directors

Robert Chvátal
Member of the Board of Directors



SAZKA sázková kancelář, a.s.

**Auditor's Report and Financial Statements
as at 31 December 2012**



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Pobřežní 648/1a
186 00 Prague 8
The Czech Republic

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Fax + 420 222 123 100
Internet www.kpmg.cz

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

We have audited the attached Financial Statements of SAZKA sázková kancelář, a.s., i.e. the balance sheet as at 31 December 2012, the profit and loss account for 2012, as well as the notes to these Financial Statements, including a description of the relevant accounting methods applied and other additional information. The data about 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 compliance with 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 is to express an opinion on these Financial Statements based on our audit. We conducted our audit in compliance 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 meet ethical requirements and that we plan and perform our audit in a manner in order to obtain reasonable assurance that 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 the Financial Statements, giving a true and fair view. This assessment is aimed at proposing appropriate auditing procedures rather than to give an opinion on the efficiency of the accounting entity's internal control system. The audit also includes assessing the appropriateness of the accounting methods applied and the adequacy of the accounting estimates made by the management, as well as assessing the overall presentation of the Financial Statements.

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Commercial Register maintained
by the Municipal Court in Prague,
Section C, Insert 24185

Reg. No: 49619187
Tax ID: CZ699001996



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 2012, as well as of the expenses, revenues and the results of its operations for 2012, in compliance with Czech accounting regulations.

In Prague, on 29 March 2013

KPMG Česká republika Audit, s.r.o.

Licence No 71

Petr Sikora
Partner

Licence No 2001

BALANCE SHEET

full
as at 31 December 2012
(in thousands of CZK)

Business name and registered office

SAZKA sázková kancelář, a.s.

K Žižkovu 851

190 93 Prague 9

The Czech Republic

Registration number

264 93 993

Ident. a	ASSETS b	Line c	Current accounting period			Previous acc. period Net 4
			Gross 1	Correction 2	Net 3	
	TOTAL ASSETS (l. 02+03+31+63)	001	4,342,091	-465,366	3,876,725	4,560,847
A.	Receivables from registered capital subscriptions	002				
B.	Fixed assets (l. 04+13+23)	003	3,315,609	-465,337	2,850,272	3,382,031
B.I.	Intangible fixed assets (l. 05 to 12)	004	1,983,570	-431,048	1,552,522	1,900,185
B.I.1.	Formation expenses	005				
2.	Intangible results of research and development	006				
3.	Software	007	141,670	-65,527	76,143	106,044
4.	Valuable rights	008	1,515,804	-294,867	1,220,937	1,473,480
5.	Goodwill	009	326,096	-70,654	255,442	320,661
6.	Other intangible fixed assets	010				
7.	Intangible fixed assets under construction	011				
8.	Advance payments for intangible fixed assets	012				
B.II.	Tangible fixed assets (l. 14 to 22)	013	757,641	-34,289	723,352	897,648
B.II.1.	Land	014	106,961		106,961	239,919
2.	Constructions	015	534,544	-11,352	523,192	573,296
3.	Machinery, equipment, vehicles, furniture and fixtures	016	83,207	-22,937	60,270	51,644
4.	Perennial crops	017				
5.	Livestock and livestock groups	018				
6.	Other tangible fixed assets	019	32,929		32,929	32,789
7.	Tangible fixed assets under construction	020				
8.	Advance payments for tangible fixed assets	021				
9.	Adjustments to acquired assets	022				
B.III.	Financial fixed assets (l. 24 to 30)	023	574,398		574,398	584,198
B.III.1.	Interests in controlled entities	024	91,923		91,923	529,198
2.	Interests in accounting entities under substantial influence	025				
3.	Other long-term securities and interests	026				
4.	Borrowings and loans - controlled or controlling entities, substantial influence	027	482,475		482,475	
5.	Other financial fixed assets	028				55,000
6.	Financial fixed assets acquired	029				
7.	Advance payments for financial fixed assets	030				

SAZKA sázková kancelář, a.s.

Balance Sheet (unconsolidated)

as at 31 December 2012

Ident. a	ASSETS b	Line c	Current accounting period			Previous acc. period Net 4
			Gross 1	Correction 2	Net 3	
C.	Current assets (l. 32+39+48+58)	031	911,809	-29	911,780	1,168,103
C.I.	Inventory (l. 33 to 38)	032	8,904		8,904	3,619
B.I.1.	Materials	033	194		194	194
2.	Work in progress and semi-products	034				
3.	Finished products	035				
4.	Young and other animals and animal groups	036				
5.	Merchandise	037	8,710		8,710	3,425
6.	Advance payments for inventory	038				
C.II.	Long-term receivables (l. 40 to 47)	039	123,291		123,291	167,814
C.II.1.	Trade receivables	040				
2.	Receivables from controlled or controlling entities	041				
3.	Receivables from entities with substantial influence	042				
4.	Receivables due from partners, cooperative members and association members	043				
5.	Long-term advance payments	044				
6.	Estimated receivables	045				
7.	Other receivables	046	61,000		61,000	147,559
8.	Deferred tax receivable	047	62,291		62,291	20,255
C.III.	Short-term receivables (l. 49 to 57)	048	104,892	-29	104,863	836,304
C.III.1.	Trade receivables	049	102,340	-29	102,311	341,604
2.	Receivables from controlled or controlling entities	050				
3.	Receivables from entities with substantial influence	051				
4.	Receivables from partners, cooperative members and association members	052				
5.	Social security and health insurance	053				
6.	Due from state - tax receivables	054				
7.	Short-term advance payments	055	1,678		1,678	597
8.	Estimated receivables	056	490		490	25
9.	Other receivables	057	384		384	494,078
C.IV.	Short-term financial assets (l. 59 to 62)	058	674,722		674,722	160,366
C.IV.1.	Cash	059	4,162		4,162	5,158
2.	Bank accounts	060	670,560		670,560	155,208
3.	Short-term securities and interests	061				
4.	Short-term financial assets acquired	062				
D.I.	Accruals and deferrals (l. 64+65+66)	063	114,673		114,673	10,713
D.I.1.	Deferred expense	064	96,166		96,166	10,475
2.	Comprehensive deferred expense	065				
3.	Deferred income	066	18,507		18,507	238

SAZKA sázková kancelář, a.s.

Balance Sheet (unconsolidated)

as at 31 December 2012

Ident.	LIABILITIES	Line	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES (l. 68+87+120)	067	3,876,725	4,560,847
A.	Equity (l. 69+73+80+83+86)	068	595,806	-168,508
A.I.	Registered capital (l. 70+71+72)	069	450,000	450,000
A.I.1.	Registered capital	070	450,000	450,000
2.	Company's own shares and interests (-)	071		
3.	Changes in registered capital	072		
A.II.	Capital funds (l. 74 to 79)	073	521,800	51,800
A.II.1.	Share premium	074	1,500	1,500
2.	Other capital funds	075	520,300	50,300
3.	Difference from revaluation of assets and liabilities	076		
4.	Difference from revaluation in transformation	077		
5.	Difference from transformation	078		
6.	Differences from valuation in transformation	079		
A.III.	Reserves, indivisible fund and other retained earnings funds (l. 81+82)	080		
A.III.1.	Legal reserve / Indivisible fund	081		
2.	Statutory and other funds	082		
A.IV.	Profit / loss from previous years (l. 84+85)	083	-670,308	-403,295
A.IV.1.	Retained earnings from previous years	084		
2.	Accumulated losses from previous years	085	-670,308	-403,295
A.V.	Profit / loss of current accounting period (+/-)	086	294,314	-267,013
B.	Liabilities (l. 88+93+104+116)	087	3,121,825	4,219,581
B.I.	Provisions (l. 89 to 92)	088	555,995	224,639
B.I.1.	Provisions under specific legislation	089		
2.	Provisions for pensions and similar payables	090		
3.	Provision for income tax	091	165,345	
4.	Other provisions	092	390,650	224,639
B.II.	Long-term payables (l. 94 to 103)	093	84,235	121,497
B.II.1.	Trade payables	094		
2.	Payables to controlled or controlling entities	095		
3.	Payables to entities with substantial influence	096		
4.	Payables to partners, cooperative members and association members	097		
5.	Long-term advances received	098		
6.	Issued bonds	099		
7.	Long-term bills of exchange payable	100		
8.	Estimated payables	101		
9.	Other payables	102	84,235	121,497
10.	Deferred tax liability	103		

SAZKA sázková kancelář, a.s.

Balance Sheet (unconsolidated)

as at 31 December 2012

Ident.	LIABILITIES	Line	Current period	Previous period
a	b	c	5	6
B.III.	Short-term payables (l. 105 to 115)	104	681,595	3,793,695
B.III.1.	Trade payables	105	334,475	225,167
2.	Payables to controlled and controlling entities	106		3,422,742
3.	Payables to entities with substantial influence	107		
4.	Payables to partners, cooperative members and association members	108		
5.	Payroll payables	109	14,458	8,236
6.	Payables to social security and health insurance	110	6,085	5,237
7.	Due to state - tax payables and subsidies	111	229,115	13,700
8.	Short-term advances received	112	24	8
9.	Issued bonds	113		
10.	Estimated payables	114	97,438	118,559
11.	Other payables	115		46
B.IV.	Bank loans and assistance (l. 117+118+119)	116	1,800,000	79,750
B.IV.1.	Long-term bank loans	117	1,200,000	
2.	Short-term bank loans	118	600,000	
3.	Short-term financial assistance	119		79,750
C.I.	Accruals and deferrals (l. 121+122)	120	159,094	509,774
C.I.1.	Accrued expenses	121	117,976	456,044
2.	Deferred revenues	122	41,118	53,730

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AUDITOR'S IDENTIFICATION

KPMG Česká republika Audit, s.r.o.

Pobřežní 648/1a, 186 00 Prague 8

Reg. No: 49619187, Auditor's Licence No 71

PROFIT AND LOSS ACCOUNT

sorted by category

for the year ended 31 December 2012

(in thousands of CZK)

Business name and registered office

SAZKA sázková kancelář, a.s.

K Žižkovu 851

190 93 Prague 9

The Czech Republic

Registration number

264 93 993

Ident. a	TEXT b	Line No c	Actual figures in	
			current period 1	previous period 2
I.	Revenues from goods sold	01	2,877	
A.	Costs of goods sold	02	2,858	
+	Sales margin (I. 01-02)	03	19	
II.	Production (I. 05+06+07)	04	6,418,320	811,027
II.1.	Revenues from own products and services	05	6,418,320	811,027
II.2.	Change in inventory of own products	06		
II.3.	Capitalisation	07		
B.	Production consumption (I. 09+10)	08	4,260,022	694,242
B.1.	Consumption of material and energy	09	36,500	4,762
B.2.	Services	10	4,223,522	689,480
+	Value added (I. 03+04-08)	11	2,158,317	116,785
C.	Personnel expenses (I. 13 to 16)	12	198,431	48,453
C.1.	Wages and salaries	13	148,409	37,668
C.2.	Remuneration to board and cooperative members	14	360	
C.3.	Social security and health insurance expenses	15	47,079	9,751
C.4.	Social expenses	16	2,583	1,034
D.	Taxes and fees	17	676,941	100,810
E.	Depreciation of intangible and tangible fixed assets	18	404,899	62,214
III.	Revenues from disposals of fixed assets and materials (I. 20+21)	19	90,155	800
III.1.	Revenues from disposals of fixed assets	20	90,152	800
III.2.	Revenues from disposals of materials	21	3	
F.	Net book value of fixed assets and materials disposed of (I. 23+24)	22	305,889	
F.1.	Net book value of fixed assets disposed of	23	305,889	
F.2.	Materials disposed of	24		
G.	Change in operating provisions and adjustments and in comprehensive deferred expense	25	169,416	24,588
IV.	Other operating revenues	26	425,692	68,619
H.	Other operating expenses	27	401,863	175,225
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	Operating profit / loss (I. 11-12-17-18+19-22-25+26-27+28-29)	30	516,725	-225,086

SAZKA sázková kancelář, a.s.

Profit and Loss Account - sorted by category (unconsolidated)
for the year ended 31 December 2012

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	376,261	68,348
J.	Securities and interests sold	32	376,261	69,978
VII.	Revenues from financial fixed assets (l. 34+35+36)	33	116,790	1,080
VII.1.	Revenues from interests in controlled entities and accounting entities under substantial influence	34	116,790	
VII.2.	Revenues from other long-term securities and interests	35		
VII.3.	Revenues from other financial fixed assets	36		1,080
VIII.	Revenues from short-term financial assets	37		145
K.	Expenses on financial assets	38	61,014	
IX.	Revenues from revaluation of securities and derivatives	39		
L.	Cost of revaluation of securities and derivatives	40		
M.	Changes in financial provisions and adjustments	41		
X.	Interest revenues	42	7,156	2,772
N.	Interest expenses	43	135,402	65,157
XI.	Other financial revenues	44	6,494	1,828
O.	Other financial expenses	45	33,126	1,220
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Profit / loss from financial operations (l. 31-32+33+37-38+39-40-41+42-43+44-45+46-47)	48	-99,102	-62,182
Q.	Income tax on ordinary income (l. 50+51)	49	123,309	-20,255
Q.1.	- tax due	50	165,345	
Q.2.	- tax deferred	51	-42,036	-20,255
**	Profit / loss from ordinary activity (l. 30+48-49)	52	294,314	-267,013
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary income (l. 56+57)	55		
S.1.	- tax due	56		
S.2.	- tax deferred	57		
*	Profit / loss from extraordinary activity (l. 53-54-55)	58		
T.	Transfer of profit / loss to partners (+/-)	59		
***	Profit / loss of current accounting period (+/-) (l. 52+58-59)	60	294,314	-267,013
****	Profit / loss before tax (l. 30+48+53-54)	61	417,623	-287,268

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s. ,
for the year ended 31 December 2012
(in thousands of 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 lotteries as well as one of the largest betting companies in the Czech Republic. Its main business consists of operating sports and odds betting, number and instant lotteries.

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

Based on the Company Sale Agreement, as part of the realisation of the underlying assets of SAZKA, a.s., under Section 290 of the Insolvency Act, entered into on 26 September 2011 by and between 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., (Sázková kancelář, a.s., until 10 November 2011) bought the enterprise of SAZKA, a.s., in bankruptcy, effective from 1 November 2011.

1.2. ACTIVITIES

The Company’s main activities include the operation of lotteries and other similar games in compliance with universally binding legislation, i.e. the operation of sports and odds betting, instant and number lotteries and other similar games in accordance with Act No. 300/2011 Coll., on Lotteries and Other Similar Games (hereinafter referred to as the “Lottery Act”), amending the Act No. 202/1990 Coll., on Lotteries and Other Similar Games.

In addition to its lottery and betting activities, SAZKA sázková kancelář, a.s., also pursues non-lottery business through points of sale and terminals (such as the pay-as-you-go mobile top-up service, sales of tickets for various cultural, sporting and social events, held in O₂ Arena in particular, payments of invoices, insurance and postal orders over its terminal network).

1.3. COMPOSITION OF THE STATUTORY BODY AND THE SUPERVISORY BOARD

Composition of the Board of Directors as at 31 December 2012:

Chairman of the Board of Directors:	Pavel Šaroch
Vice Chairman of the Board of Directors:	Josef Novotný
Members of the Board of Directors:	Radek Dyntar Martin Bláha

Composition of the Supervisory Board as at 31 December 2012:

Chairman of the Supervisory Board:	Karel Komárek
Members of the Supervisory Board:	Ivo Tajšl Jakub Sokol

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

1.4. SOLE SHAREHOLDER OF THE COMPANY

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

2. CHANGES IN THE COMMERCIAL REGISTER OVER THE PERIOD:

The following changes were made in 2012:

Chairman of the Board of Directors:	Pavel Horák (until 18 December 2012) Pavel Šaroch (from 18 December 2012)
Vice Chairman of the Board of Directors:	Pavel Šaroch (until 18 December 2012) Josef Novotný (from 18 December 2012)
Members of the Board of Directors:	Petr Dohnal (until 18 December 2012) Josef Novotný (until 18 December 2012) Vladimír Mlynář (until 18 December 2012) Martin Bláha (from 18 December 2012)
Vice Chairman of the Supervisory Board:	Lubomír Král (until 18 December 2012)
Members of the Supervisory Board:	Ivo Tajšl (from 15 February 2012) Jakub Sokol (from 18 December 2012)
Procuration:	Kamil Ziegler (until 30 July 2012)

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

The Financial Statements for the period from 1 January 2012 to 31 December 2012 were prepared in accordance with Act No 563/1991 Coll., on Accounting, as amended, and the follow-up regulations governing the accounting of businesses, in accordance with Decree No 500/2002 Coll., as amended, implementing certain provisions of the Act on Accounting and the Czech Accounting Standards for businesses, provided that the assumption of the accounting entity operating on a going concern basis applies.

The Financial Statements are based on the principle of historical cost, except for those asset and liability items where fair value measurements are required under Act No 563/1991 Coll., on Accounting (Section 27 of the Act).

The Financial Statements were also prepared with the application of estimates and assumptions that have an effect on the use of accounting procedures and the levels of assets, liabilities, revenues and expenses reported in the Financial Statements. Although the estimates are based on the Company management's best possible knowledge of the events occurred, the results achieved may actually differ from the estimates.

Given the purchase of the enterprise of SAZKA, a.s., in bankruptcy, effective from 1 November 2011, the data in the Profit and Loss Accounts for 2011 and 2012 are not fully comparable.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.,
for the year ended 31 December 2012
(in thousands of CZK)

4. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS USED

4.1. GENERAL ACCOUNTING PRINCIPLES AND METHODS

The Company's accounting follows the general accounting principles, particularly the principle of asset valuation at historical cost, the principle of material and accrual accounting, the precautionary principle and the assumption of the accounting entity's ability to continue to pursue 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 the groups corresponding to their liquidity.

Short-term assets cover cash, cash equivalents and other assets that are expected to be realised within twelve months after the balance sheet date. The other assets are classified as long-term assets. Liabilities are reported as short-term liabilities if they are due and payable within twelve months after the balance sheet date. All the other liabilities are classified as long-term liabilities.

4.3. INTANGIBLE AND TANGIBLE FIXED ASSETS

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

Intangible fixed assets are depreciated for accounting purposes on the basis of expected economic life, as follows:

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

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

The expected economic life of tangible fixed assets is defined as follows:

Tangible assets	Method	Depreciation period
Equipment and special technical apparatus	Straight-line	4 - 14 years
Inventory	Straight-line	4 - 14 years
Power and propelling machines and equipment	Straight-line	5 - 20 years
Vehicles	Straight-line	6 years
Other constructions	Straight-line	50 years
Working machinery and equipment	Straight-line	4 - 14 years
Buildings and halls	Straight-line	30 - 60 years
Utility networks	Straight-line	30 - 60 years
Construction modifications of outdoor surfaces	Straight-line	15 - 30 years

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

4.4. FINANCIAL LEASING

The Company accounts for leased assets by including the leasing payments in costs on a material and accrual basis. When the leasing contract expires and the Company exercises its purchase option, the item concerned is added, under an internal guideline, to the fixed assets 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 Provisions;
- The Company determines adjustments to dubious debts on the basis of its own analysis of the financial solvency of its customers and the age structure of the receivables;
- No adjustments are created to receivables due from related parties or from employees.

4.6. LOANS RECEIVED

The portion of long-term loans due and payable within twelve months after the date of the Financial Statements is reported as short-term loans.

4.7. FOREIGN CURRENCY CONVERSIONS

In converting foreign-currency assets and liabilities into the Czech currency, SAZKA sázková kancelář, a.s., uses the current exchange rate (daily exchange rate) of the Czech National Bank (CNB) applicable when the asset is acquired or when the liability occurs. The realised and unrealised exchange rate gains or losses are posted as revenue or expense of the current year. As at the date of preparation of the financial reports, foreign-currency assets and liabilities are converted using the CNB exchange rate applicable on the balance sheet date.

4.8. RECOGNITION OF EXPENSES AND REVENUES

Expenses and revenues are posted within the period to which they relate, on a material and accrual basis.

Expenses and revenues are expressed in the counter-values received or claimed, and constitute the amounts claimed for the goods and services provided under ordinary business activities. Revenues are reduced by the 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 also include forfeited winnings (won but not duly claimed), which are presented as part of other operating revenue.

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 the cost of services. Expenses and revenues from the mobile phone (GSM) top-up service are shown on an accrual basis when the transaction takes place. Based on the terms and conditions of the agreements with the mobile operators, the revenues equal a fixed amount calculated from the GSM selling revenue. The billing period is one week, from Monday to Sunday.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

Revenues from ticket selling are shown on an accrual basis when the transaction takes place.

In accordance with the precautionary principle, the creation of provisions and adjustments to cover all risks, losses and devaluation known as at the date of preparation of the Financial Statements is charged by the Company against expenses.

4.9. INCOME TAX

The 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 by permanently or temporarily non-tax-deductible expenses and tax-free revenues (such as the creation and settlement of other provisions 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 at the time of preparation of the Financial Statements due to the different 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 only posted if it is likely to be claimed in the following accounting periods.

4.10. PROVISIONS

Provisions are recognized in the amounts representing the best possible estimate of the consideration as at the balance sheet date, which will result in the settlement of the existing liability, taking into account all risks and uncertainties related to such liability.

The level of provisions is recorded on an ongoing basis.

A provision for jackpot is created because the jackpot (a winning) accrues cumulatively and is carried over into the next accounting period.

An income tax provision is created by the Company because the time of preparation of the Financial Statements precedes the time of determination of the tax liability. In the next accounting period, the Company releases the provision and brings the determined tax liability to book.

The balance sheet includes the income tax provision reduced by the advance payments of income tax made; the resulting tax receivable, if any, is shown under Due from state - tax receivables.

4.11. STATUTORY RESERVES

The Company shall create a reserve fund from its net profit reported in its regular Financial Statements for the year in which it generates net profit for the first time, in the amount of 20% of its net profit but no more than 10% of its registered capital, and shall annually increase it by 5% of its net profit until 20% of its registered capital is reached. Such a reserve fund can only be used to cover the Company's loss, with the Board of Directors to decide on the use of the reserve fund.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

5. VALUATION METHODS

5.1. INTANGIBLE AND TANGIBLE FIXED ASSETS

Assets are valued at acquisition cost, covering the cost of acquisition (including customs duty), transport costs and other acquisition-related costs. Interest is capitalised during the acquisition of such assets, i.e. until those assets are put into use. Subsequently, they become part of financial expense.

Intangible and tangible fixed assets acquired for free are valued at current replacement cost and posted to the account of other capital funds. The current replacement cost of these assets is determined on the basis of a professional appraisal or expert opinion, as appropriate.

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 the cost of acquisition, as follows:

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

The cost of acquisition of securities and ownership interests includes direct expenses related to the acquisition, such as fees and commissions to brokers, consultants and stock exchanges. The cost of acquisition does not include interest on loans to purchase the securities and ownership interests and expenses related to the holding of the securities and ownership interests.

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

Securities are valued at the cost of acquisition.

5.3. INVENTORY

The valuation method used for any purchased inventory is determined by the cost of acquisition, including the acquisition-related costs (transport, customs duties, commissions). For merchandise (lottery tickets), a fixed cost of acquisition and a variance are determined in advance. If the inventory level decreases, the variance is posted as an expense.

5.4. RECEIVABLES

Receivables and assigned receivables are posted at nominal value or cost of acquisition respectively.

Receivables from borrowings and loans granted are increased by uncollected interest (except for interest on late payment) as at the date of preparation of the financial accounting reports.

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

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

Receivables from lotteries are recognised when the provider accepts the relevant deposit for the number lottery or sells an instant lottery ticket. In that event, the billing 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 that settlement, a gross receivable from lotteries to be paid by the providers is recognised. This gross amount of the receivable is further reduced by the winnings that the providers have directly paid to the winners during the relevant week as well as by the provider commissions.

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

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

5.5. LOANS RECEIVED

Upon receipt, loans are posted at their nominal values. At the time of preparation of the financial reports, the loan balance is increased by the interest outstanding.

5.6. COMPANY ACQUISITION

All assets and liabilities acquired under the acquisition of the SAZKA enterprise as at 1 November 2011 were revalued, in compliance with legislation in force, to the fair value, determined by an 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 of all of 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 will be published in compliance with the provision of Section 62 (3) (c) of the Decree and in compliance with Section 21a of the Act on Accounting.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

7. FIXED ASSETS

7.1. INTANGIBLE FIXED ASSETS

Intangible fixed assets in 2012 consist of software in the total net book value of CZK 76,143 thousand, valuable rights in the total net book value of CZK 1,220,937 thousand and goodwill in the net book value of CZK 255,442 thousand. The aforementioned goodwill was created in 2011, as part of the acquisition and valuation of SAZKA, a.s. The greatest increases of the intangible fixed assets in 2012 primarily include the modifications to the SAP ERP enterprise system and to the BetSYS on-line betting software.

	Software	Valuable rights	Goodwill	Total
Cost of acquisition				
Balance as at 1 January 2012	115,565	1,515,536	326,096	1,957,197
Increases	26,266	322	--	26,588
Decreases	-161	-54	--	-215
Balance as at 31 December 2012	141,670	1,515,804	326,096	1,983,570
Accumulated depreciation				
Balance as at 1 January 2012	9,521	42,056	5,435	57,012
Depreciation	56,043	252,819	65,219	374,081
Elimination upon disposal	-37	-8	--	-45
Balance as at 31 December 2012	65,527	294,867	70,654	431,048
Net book value as at 1 January 2012	106,044	1,473,480	320,661	1,900,185
Net book value as at 31 December 2012	76,143	1,220,937	255,442	1,552,522

	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

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

7.2. TANGIBLE FIXED ASSETS

The greatest increases of tangible fixed assets in 2012 consist of the tangible assets acquired as part of the acquisition of assets from BUSINESS CENTRE SERVICE, a.s., in liquidation.

Land shows an increase of CZK 127,648 thousand, due to the rescission of an agreement to sell land to Občanské sdružení Zelený ostrov.

The greatest decreases of tangible fixed assets are the sales of land in the Libeň and Vysočany cadastral areas, including the aforementioned land, as well as the land and buildings of regional centres.

	Land	Buildings	Vehicles	Office equipment	Works of art	Total
Cost of acquisition						
Balance as at 1 January 2012	239,919	575,063	1,862	53,203	32,789	902,836
Increases	127,648	2,044	333	32,076	140	162,241
Decreases	-260,606	-42,563	-1,687	-2,580	--	-307,436
Balance as at 31 December 2012	106,961	534,544	508	82,699	32,929	757,641
Accumulated depreciation and value adjustments						
Balance as at 1 January 2012	--	1,767	124	3,297	--	5,188
Depreciation	--	10,285	231	20,302	--	30,818
Accumulated depreciation for decreases	--	-700	-249	-768	--	-1,717
Balance as at 31 December 2012	--	11,352	106	22,831	--	34,289
Net book value as at 1 January 2012	239,919	573,296	1,738	49,906	32,789	897,648
Net book value as at 31 December 2012	106,961	523,192	402	59,868	32,929	723,352
Cost of acquisition						
Balance as at 1 January 2011	--	--	--	--	--	--
Company acquisition	239,919	575,063	1,862	53,291	32,789	902,924
Decreases	--	--	--	-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 for decreases	--	--	--	-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 December 2011	239,919	573,296	1,738	49,906	32,789	897,648

As at 31 December 2012, the items encumbered with rights of lien include trademarks, receivables from bank accounts, shares and receivables from an insurance contract under agreements to establish a security.

As at 31 December 2011, no tangible and intangible fixed assets were encumbered with a right of lien.

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As at 31 December 2012 and 31 December 2011, the Company's records show no major tangible and intangible fixed assets that are not reported in its balance sheet.

8. FINANCIAL FIXED ASSETS

8.1. INTERESTS IN CONTROLLED ENTITIES

Equity participations as at 31 December 2012

	Ownership interest	Share value as at 31 December 2012	Total profit (+) / loss (-) for 2012	Equity as at 31 December 2012
KPS MEDIA a.s.	100%	66,928	2,679	87,367
SPORTLEASE a.s.	100%	24,995	355	17,730
BESTSPORT akciová společnost	0.07%	-- ^{*)}	-- ^{**)}	-- ^{**)}
GTECH Czech Republic LLC	63%	-- ^{*)}	-- ^{**)}	-- ^{**)}
SAZKA INTERNATIONAL	100%	-- ^{*)}	-- ^{**)}	-- ^{**)}
Total shares		92,923		

Equity participations as at 31 December 2011

	Ownership interest	Share value as at 31 December 2011	Total profit (+) / 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 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.

SAZKA INTERNATIONAL is in liquidation as at the date of preparation of the Financial Statements.

BUSINESS CENTRE SERVICE a.s. ceased its activity by liquidation as at 7 December 2012, and is currently waiting for its deletion from the Commercial Register. The related revenue of CZK 64,500 thousand and expenditure of CZK 61,014 thousand were posted in the financial result.

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On 30 December 2011, agreements to sell the ARKADIA, a.s., and Agro Tera, a.s., subsidiaries were entered into. The agreements to transfer the shares were entered into with Canero B.V., with a suspensive condition of the effectiveness of those agreements in terms of the provisions of Section 36 (2) of the Civil Code. The suspensive condition was that, unless the purchase price was paid properly and in good time, these agreements would become null and void from the very beginning. The suspensive condition was subsequently met in January 2012.

On 7 February 2012, an agreement to transfer the shares of KOLBY a.s. was entered into with ROSSO STEEL, a.s., which bought the interest held in that subsidiary by SAZKA sázková kancelář, a.s.

The selling prices of those companies were not lower than their respective accounting values as at 31 December 2011.

The equity participation held by SAZKA sázková kancelář, a.s., in GTECH Czech Republic LLC as at 31 December 2012 constitutes a 63% interest. The remaining interest in that company, i.e. 37%, should be bought on 31 December 2022. The future expenditure of CZK 55,122 thousand (US\$3m), related to the commitment to purchase the 37% interest in GTECH Czech Republic LLC and based on the valuation at the date of acquisition of the SAZKA enterprise, is included under accrued expenses. In December 2012, SAZKA sázková kancelář, a.s., obtained a dividend of CZK 52,290 thousand.

QUANTITIES AND NOMINAL VALUES OF SHARES

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

- Collective share no. 01, bearer share with a total nominal value of CZK 16,000 thousand (100 shares, each with a face value of CZK 160 thousand)
- Collective share no. 02, bearer share with a total nominal value of CZK 94,000 thousand (188 shares, each with a face value of CZK 500 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 with a face value of CZK 1,000 thousand)
- 1 share No. 41, registered share with a nominal value of CZK 100 thousand

BESTSPORT akciová společnost, Českomoravská 2345/17, 190 00 Prague 9

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

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

- The Company holds a 63% interest in the registered capital of GTECH Czech Republic LLC.

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

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

8.2. BORROWINGS AND LOANS - CONTROLLED OR CONTROLLING ENTITIES

In December 2012, SAZKA sázková kancelář granted a loan to its sole shareholder, PFQ Czech, a.s. The balance of CZK 482,475 thousand is composed of the principal of CZK 482,385 thousand and accrued interest of CZK 90 thousand. The loan falls due on 31 January 2014.

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8.3. OTHER FINANCIAL FIXED ASSETS

As at 31 December 2012, the Company shows no financial fixed assets, as the gaming security of CZK 55,000 thousand is shown under current bank accounts.

As at 31 December 2011, the Company showed Other financial fixed assets of CZK 55,000 thousand, which were composed of time deposits, representing financial amounts that, according to the licence issued by the Ministry of Finance of the Czech Republic, were intended for use as a gaming security for the settlement of instant lotteries at the expiry of each relevant licence.

9. INVENTORY

SAZKA sázková kancelář, a.s., maintains inventory, primarily composed of the items intended for the Company's loyalty programme and of KOLBY wine. As at 31 December 2012, the net book value of the inventory was CZK 8,904 thousand. As at 31 December 2011, the net book value of the inventory was CZK 3,619 thousand.

There are no wasted, unnecessary or unusable inventory items kept in the Company's warehouse as at 31 December 2012. Consequently, there is no reason to create adjustments.

10. LONG-TERM RECEIVABLES

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

In total, other long-term receivables amount to CZK 61,000 thousand (2011 - CZK 147,559 thousand). The only item reported under other long-term receivables as at 31 December 2012 is the debt owed by Telefónica Czech Republic, a.s., on the basis of a security deposit paid for the transfer of sales from the GSM top-up service.

11. SHORT-TERM RECEIVABLES

Short-term trade receivables amount to CZK 102,340 thousand (2011 - CZK 341,604 thousand), of which CZK 18,933 thousand (2011 - CZK 243,821 thousand) are overdue receivables. As at 31 December 2011, overdue receivables primarily included those due from BESTSPORT akciová společnost, which were assigned to LINDUS SERVICE LIMITED during November 2012.

Other short-term receivables amount to CZK 384 thousand (2011 - CZK 494,078 thousand). The balance as at 31 December 2011 was primarily composed of the advance payment for the transfer of the 2011 proceeds of CZK 382,718 thousand provided to Občanské sdružení Zelený ostrov.

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12. ACCRUALS AND DEFERRALS - ASSETS

12.1. DEFERRED EXPENSE

The largest deferred expense items, totalling CZK 96,166 thousand (2011 - CZK 10,475 thousand), consist of the arrangement fee expenses of CZK 83,460 thousand paid for obtaining a loan and the expense of CZK 5,773 thousand for the acquisition of lottery tickets.

12.2. DEFERRED INCOME

Deferred income totals CZK 18,507 thousand (2011 - CZK 238 thousand). Deferred income primarily includes the revenue from lottery activities of CZK 17,335 thousand, which will be posted in the next lottery week, after the end of the year, and therefore is included under deferred income. In addition, deferred income of CZK 1,172 thousand, arising from ticket sales, is included here.

13. ADJUSTMENTS

Adjustments as at 31 December 2012 represent a temporary decrease in the value of assets, specifically concerning trade receivables. As there was no decrease as at 31 December 2011, the Company did not create any adjustments.

	Adjustment to receivables	Total
Balance as at 1 January 2012	--	--
Creation	29	29
Release/use	--	--
Balance as at 31 December 2012	29	29

	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	--	--

Notes to the Financial Statements (unconsolidated)

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14. EQUITY

Overview of changes in equity

	Registered capital	Share premium	Other capital funds	Accumulated loss from previous years	Profit (+) / loss (-) for current period	Total
Balance as at 1 January 2011	450,000	1,500	50,300	-403,295	-267,013	-168,508
Allocations to funds	--	--	470,000	--	--	470,000
Profit / loss transfer	--	--	--	-267,013	267,013	--
Profit for 2012	--	--	--	--	294,314	294,314
Total as at 31 December 2012	450,000	1,500	520,300	-670,308	294,314	595,806

	Registered capital	Share premium	Other capital funds	Accumulated loss from previous years	Loss for 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
Profit / loss transfer	--	--	--	-40,646	40,646	--
Loss for 2011	--	--	--	--	-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 certificated form, with a face value of CZK 100 thousand. There were no changes in the registered capital of the Company in 2012.

14.2. OTHER CAPITAL FUNDS

On 20 January 2012, an Agreement on Additional Contribution to Equity was entered into between PFQ Czech, a.s., (the Company's sole shareholder) and SAZKA sázková kancelář, a.s., under which the Company's equity was increased by CZK 400,000 thousand in the form of a voluntary additional contribution above and beyond the Company's registered capital.

On 26 April 2012, an Agreement on Additional Contribution to Equity was entered into between PFQ Czech, a.s., (the Company's sole shareholder) and SAZKA sázková kancelář, a.s., under which the Company's equity was increased by CZK 70,000 thousand in the form of a voluntary additional contribution above and beyond the Company's registered capital.

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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.

The Company management expects that the 2012 profit will be transferred to the result for previous years.

15. PROVISIONS

As at 31 December 2012, the Company shows provisions of CZK 555,995 thousand (2011 - CZK 224,639 thousand) in the following structure:

	Provision for real-estate transfer tax	Provision for jackpots	Provision for income tax	Other provisions	Total
Balance as at 1 January 2012	28,111	191,954	--	4,574	224,639
Creation	22,955	206,391	165,345	12,705	407,396
Use	-21,731	-43,355	--	-4,574	-69,660
Cancellation	-6,380	--	--	--	-6,380
Balance as at 31 December 2012	20,955	354,990	165,345	12,705	555,995

	Provision for real-estate transfer tax	Provision for jackpots	Other provisions	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

Notes to the Financial Statements (unconsolidated)

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16. LONG-TERM LIABILITIES

As at 31 December 2012, the Company reports a long-term liability arising from the security deposits received, amounting to CZK 84,235 thousand (2011 - CZK 121,497 thousand).

According to the individual agreements with the providers, these security deposits shall become due and payable upon the termination of activities and the settlement of all debts owed to SAZKA sázková kancelář, a.s. Given that a long-term relationship is expected when entering into 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 longer than five years.

17. SHORT-TERM LIABILITIES

17.1. TRADE PAYABLES

Short-term trade payables amount to CZK 334,475 thousand (2011 - CZK 225,167 thousand), of which CZK 1,349 thousand (2011 - CZK 29,298 thousand) are overdue payables, which were settled by the date of preparation of these Financial Statements.

17.2. PAYABLES TO CONTROLLING ENTITIES

In 2011, the Company borrowed a total of CZK 3,810,000 thousand from KKCG SE and PPF Group N.V. in order to acquire the enterprise of SAZKA, a.s. The borrowings were repaid by the end of 2012.

31 December 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

Outstanding interest of CZK 62,642 thousand was posted to the aforesaid borrowings as at 31 December 2011.

17.3. PAYROLL AND PAYABLES TO SOCIAL SECURITY AND HEALTH INSURANCE

As at 31 December 2012, SAZKA sázková kancelář, a.s., reports payroll payables of CZK 14,458 thousand (2011 - CZK 8,236 thousand). Social security and health insurance payables amount to CZK 6,085 thousand (2011 - CZK 5,237 thousand), of which CZK 4,087 thousand (2011 - CZK 3,742 thousand) are social security payables and CZK 1,998 thousand (2011 - CZK 1,495 thousand) are health insurance payables. None of these payables are overdue.

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17.4. RECEIVABLES DUE FROM THE STATE AND PAYABLES TO THE STATE

As at 31 December 2012, SAZKA sázková kancelář, a.s., reports payables based on employment income tax, value added tax, withholding tax, and administrative and local fees totalling CZK 229,115 thousand (2011 - CZK 13,700 thousand), of which CZK 212,410 thousand is a payable based on the proceeds from lotteries and other similar games pursuant to Act No 202/1990 Coll., on Lotteries and Other Similar Games, as amended. None of these payables are overdue.

The Company already made advance payments of CZK 428,635 thousand in proceeds from lotteries and other similar games during 2012.

The Company paid the portion of the proceeds of CZK 411,852 thousand for the whole of 2011 in respect of the games that had been operated by SAZKA, a.s., in 2011 and whose licences subsequently passed, as part of the acquisition of the enterprise of SAZKA, a.s., to SAZKA sázková kancelář, a.s. This settlement method was discussed with the Ministry of Finance of the Czech Republic in 2011.

18. ESTIMATED ACCRUED EXPENSES

The items reported under the estimated accrued expenses, totalling CZK 97,438 thousand (2011 - CZK 118,559 thousand), primarily include the estimated items for operating expenses falling under 2012.

19. BANK LOANS AND SHORT-TERM FINANCIAL ASSISTANCE

The Company reports the following loan as at 31 December 2012 (thousands of CZK):

Type of loan	Interest rate	2012 cost interest	Due date	Balance as at 31 December 2012	Due within 1 year	Due from 1 to 5 years
Bank loan - KB, ČS, ČSOB	3.45% + 1M PRIBOR	42,380	17 December 2017	1,800,000	600,000	1,200,000
Balance as at 31 December 2012		42,380		1,800,000	600,000	1,200,000

As the final shareholder of SAZKA sázková kancelář, a.s., changed as at 18 December 2012, an amendment governing the rights and obligations under the Loan Agreement was signed. The amount outstanding under the loan to SAZKA sázková kancelář, a.s., remained unchanged. Upon signing the amendment, the Company owed a principal of CZK 1,800 thousand, and this amount remained unchanged. The payment method and the interest rate in respect of the loan changed.

As at 31 December 2011, the Company reported short-term financial assistance amounting to CZK 79,750 thousand received from ARKADIA, a.s., with which a Loan Agreement was entered into on 27 December 2011. On 30 December 2011, a Debt Assumption Agreement was entered into among SAZKA sázková kancelář, a.s., ARKADIA, a.s., and Canero B.V., under which Canero B.V. assumed the liability under the aforesaid loan from SAZKA sázková kancelář, a.s. This Agreement came into force in 2012.

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20. ACCRUALS AND DEFERRALS - LIABILITIES

20.1. ACCRUED EXPENSES

The total accrued expenses amount to CZK 117,976 thousand (2011 - CZK 456,044 thousand). The accrued expense items primarily include the claims of CZK 58,256 thousand by winners where the claims were not duly made by 31 December 2012. It also includes the future expense of CZK 55,122 thousand (US\$3m) to acquire the remaining interest in GTECH Czech Republic LLC.

20.2. DEFERRED REVENUES

The deferred revenue items, totalling CZK 41,118 thousand (2011 - CZK 53,730 thousand), primarily include subscriptions to number lotteries.

21. INCOME TAX

21.1. INCOME TAX DUE

A preliminary calculation of the tax due in the amount of CZK 165,345 thousand, which was posted as a provision for income tax, was carried out as at 31 December 2012.

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.

21.2. INCOME TAX DEFERRED

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

	Receivables		Payables		Difference	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Fixed assets	13,242	4,265	--	--	13,242	4,265
Provisions	46,432	11,841	--	--	46,432	11,841
Tax losses	2,617	4,181	--	--	2,617	4,181
Other temporary differences	--	10	--	-42	--	-32
Deferred tax receivable (+) / payable (-)	62,291	20,297	--	-42	62,291	20,255

By reason of the deferred tax, a tax receivable of CZK 62,291 thousand was posted as at 31 December 2012 (2011 - CZK 20,255 thousand).

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22. OVERVIEW OF LEASING LIABILITIES

22.1. FINANCIAL LEASING

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

31 December 2012	Total leasing payments	Paid as at 31 December 2012	Due within 1 year	Due in more than 1 year
Drawing equipment	5,452	3,407	2,045	--
Total	5,452	3,407	2,045	--

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

22.2. OPERATIONAL LEASING

A central computer system and intermediation terminals are leased by the Company until 2022. The total expenses related to this leasing were CZK 123,057 thousand from January to December 2012 (2011 - CZK 14,582 thousand).

Passenger cars and IT equipment are leased by the Company as operational leasing. The expenses for the car leasing were CZK 14,487 thousand in 2012 (2011 - CZK 3,418 thousand) while the expenses for IT equipment were CZK 15,474 thousand in 2012 (2011 - CZK 2,261 thousand).

23. EMPLOYEES AND MANAGERS

Average number of employees and managers and personnel costs in 2012:

2012	Number	Wage costs	Social security and health insurance expenses	Social expenses
Employees	266	104,814	34,842	2,067
Managers	39	43,595	12,237	516
Total	305	148,409	47,079	2,583

Average number of employees and managers and personnel costs in 2011:

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

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24. OTHER OPERATING REVENUES

Other operating revenues as at 31 December 2012 amount to CZK 425,692 thousand (2011 - CZK 68,619 thousand), and primarily include unpaid winnings of CZK 56,418 thousand (accounted for in accordance with item 4.8.), revenues of CZK 204,999 thousand from assigned receivables as well as certain revenues related to the takeover of the enterprise of SAZKA, a.s., in bankruptcy.

25. OTHER OPERATING EXPENSES

Other operating expenses as at 31 December 2012 amount to CZK 401,979 thousand (2011 - CZK 175,225 thousand). The largest items of them are the unclaimed VAT of CZK 165,645 thousand and the expenses of CZK 203,818 thousand arising from assigned receivables.

26. PROFIT / LOSS AND INFORMATION ON SALES

	2012	2011
Profit / loss before tax	417,623	-287,268
Profit / loss from betting and lottery activities	517,067	-205,946
Profit / loss from non-lottery activities	-99,444	-81,322
Total sales	6,418,320	811,027
Of which: sales from lottery activities	6,203,594	781,859
sales from non-lottery activities	214,726	29,168

All sales in 2012 and 2011 are domestic sales.

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27. TRANSACTIONS WITH RELATED PARTIES

Receivables and payables, including trade receivables and trade payables, and borrowings:

	Receivables		Payables	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
KPS MEDIA a.s.	366	708	2	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.	26	58	--	535
BESTSPORT akciová společnost*)	265	205,396	--	9,772
GTECH Czech Republic LLC	734	--	29	--
SAZKA INTERNATIONAL	--	263	--	--
PFQ Czech, a.s.	482,475	--	--	--
Total	483,866	208,730	31	112,191

Sales and purchases:

	Sales for		Purchases for	
	2012	2011	2012	2011
KPS MEDIA a.s.	3,887	229	22,990	8,284
BUSINESS CENTRE SERVICE a.s.	2,548	2,114	25,857	16,934
KOLBY a.s.**)	--	43	--	--
Agro Tera, a.s.**)	--	--	--	--
ARKADIA, a.s.**)	--	1	--	38
SPORTLEASE a.s.	68	44	--	--
BESTSPORT akciová společnost*)	5,965	--	2,560	--
GTECH Czech Republic LLC	3,434	--	467	--
SAZKA INTERNATIONAL	--	--	--	--
PFQ Czech, a.s.	90	--	--	--
Total	15,992	2,431	51,874	25,256

*) As of 31 December 2012, SAZKA sázková kancelář, a.s., owns a 0.07% interest in BESTSPORT akciová společnost, against which insolvency proceedings were initiated under a decree by the Municipal Court in Prague of 31 March 2011. The initiation of the insolvency proceedings took effect on 31 March 2011. By its ruling of 3 May 2011, the Municipal Court in Prague decided on the debtor's bankruptcy. This decision took effect on 3 May 2011. By its ruling of 30 June 2011, which became legally binding on 13 July 2011, the Municipal Court in Prague allowed a reorganisation of the debtor.

***) As of 31 December 2012, these are no longer related parties.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

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

Under the Purchase Agreement of 23 February 2012, the Company acquired tangible assets of its subsidiary BUSINESS CENTRE SERVICE a.s., with a total value of CZK 17,013 thousand, which was determined by an expert appointed by Court. In addition, wine for a total of CZK 8,844 thousand was bought from that subsidiary.

Effective holding

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

28. INFORMATION ON REMUNERATION TO STATUTORY AUDITORS

The audit expenses in 2012, concerning the audit services relating to 2011 as well as 2012, are CZK 4,600 thousand.

29. LITIGATIONS

29.1. ACTIONS FOR ANNULMENT OF THE COMPANY SALE AGREEMENT

As part of the insolvency proceedings of SAZKA a.s., four actions for annulment of the agreement to sell the enterprise are underway against SAZKA sázková kancelář, a.s. By these actions, the plaintiffs, namely DF Deutsche Forfait s.r.o., T-Mobile Czech Republic, a.s., NLB Factoring a.s. and Jiří Kabourek, seek an annulment of the agreement by which the SAZKA enterprise was transferred to SAZKA sázková kancelář, a.s. The other previously brought actions for annulment of the sale of the enterprise of SAZKA a.s. were withdrawn during 2012.

29.2. ACTIONS TO DETERMINE THE COMPANY OWNERSHIP

The actions to determine the ownership of the SAZKA enterprise, as brought against SAZKA sázková kancelář, a.s., with the Local Courts for Prague 2 and Prague 9 in the past, were withdrawn during 2012. In January 2013, two of the three of those proceedings were definitively discontinued. One dispute, taking place before the Local Court for Prague 2, has not yet been definitively discontinued, due to the evaluation of the Court's competence to decide the case. Nevertheless, the Company management believes that the decision on the discontinuation of the proceedings is just a question of time.

29.3. ACTION AGAINST UNFAIR COMPETITION

On 12 July 2012, CHANCE, a.s., brought an action against SAZKA sázková kancelář, a.s., with the Municipal Court in Prague in an effort to have the Court impose an obligation on the defendant to refrain from unfair competition, which the plaintiff sees in SAZKA sázková kancelář, a.s., operating the Kasička (Money Box) lottery. With its action, CHANCE, a.s., seeks a termination of that lottery and adequate satisfaction of CZK 5,000 thousand.

Notes to the Financial Statements (unconsolidated)

SAZKA sázková kancelář, a.s.
for the year ended 31 December 2012
(in thousands of CZK)

29.4. STATEMENT BY THE COMPANY MANAGEMENT

The Company management considers all of the aforesaid actions to be ungrounded, and expects that, in 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 provisions were created for these disputes.

30. EVENTS AFTER THE BALANCE SHEET DATE

The following changes were made to the Company's statutory bodies in January 2013.

Since 7 January 2013, Robert Chvátal and Kamil Ziegler have been Members of the Board of Directors, having replaced Radek Dyntar and Josef Novotný in those positions.

Since 7 January 2013, Radek Dyntar has been Member of the Supervisory Board, having replaced Jakub Sokol.

Since 30 January 2013, Robert Kolář has been Member of the Supervisory Board.

On 16 January 2013, a change to the registered office of the only shareholder, PFQ Czech, a.s., to Vinohradská 1511/230, Strašnice, Prague 10, was registered.

The Company management is aware that the final shareholder intends to merge BQV Czech, a.s., PFQ Czech, a.s., and PDH Czech, a.s. (companies being acquired) with SAZKA sázková kancelář, a.s. (acquiring company) by integration, with 1 January 2013 as the effective date of the merger.

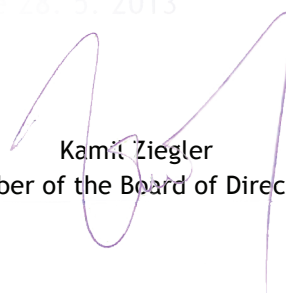
Apart from the aforementioned facts, no subsequent events with a material impact on the Financial Statements as at 31 December 2012 have occurred.

In Prague, on 29 March 2013



Robert Chvátal
Member of the Board of Directors

28. 5. 2013



Kamil Ziegler
Member of the Board of Directors

On 7 January 2013, the memberships of Josef Novotný and Radek Dyntar in the Company's Board of Directors expired, and Robert Chvátal and Kamil Ziegler became new Members of the Board of Directors.

On 7 January 2013, Radek Dyntar became Member of the Supervisory Board, having replaced Jakub Sokol.

Since 30 January 2013, Robert Kolář has been Member of the Supervisory Board.

On 31 January 2013, Kamil Ziegler left his position of Director General, with Robert Chvátal being Director General since 1 February.

In April 2013, Petr Pípal, became new Chief Financial Officer of the Company, having replaced Ladislav Jelínek.

In March 2013, SAZKA sázková kancelář, a.s., presented its new visual identity, started to use the new, modernised look of its corporate logo as well as the logos of its individual products, and launched an advertising campaign, named 'Tilt Your Luck', for Sportka, the best known and most successful number lottery.

Since 1 April 2013, the time of accepting tickets has been extended in the days when the games concerned are drawn; for Sportka on Wednesdays and Sundays, as well as Fridays where applicable, by one hour until 7 p.m., for Euromiliony on Tuesdays and Saturdays until 7 p.m. again, and for Šťastných 10 every day even by two hours up until 8 p.m.

On 1 April 2013, the pilot project of 'Cash Withdrawal with SAZKA' was completed, and the full operation of this service for Air Bank clients was successfully launched.

In April 2013, a transparent cooperation with the Czech Olympic Committee was started. For 2013 to 2016, SAZKA sázková kancelář, a.s., has become an official partner of the Czech Olympic Team and the main partner of the Czech Olympic Foundation.

On 17 April 2013, the Board of Directors of SAZKA sázková kancelář, a.s., approved the project of merging the following companies by integration: SAZKA sázková kancelář, a.s., as the acquiring company, and PDH Czech, a.s., BQV Czech, a.s., PFQ Czech, a.s., as the acquired companies. The notification about filing the project of merger by integration in the collection of documents of the Commercial Register and the related notification to creditors and shareholders of SAZKA sázková kancelář, a.s., of their rights were published in the Commercial Bulletin on 24 April 2013.

<i>Centre</i>	<i>Address</i>	<i>Telephone</i>	<i>Fax</i>	<i>E-mail</i>
<i>Call centre</i>	<i>K Žižkovu 851 190 93 Prague 9</i>	<i>266 12 11 11 266 12 12 12</i>	<i>266 12 89 20 266 31 31 10</i>	<i>callcentrum@sazka.cz info@sazka.cz</i>

2013
In Prague, on 14 June 2013



Kamil Ziegler
Member of the Board of Directors
SAZKA sázková kancelář, a.s.



Robert Chvátal
Member of the Board of Directors
SAZKA sázková kancelář, a.s.



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

Financial Statements

On 29 March 2013, based on the audit we conducted, we delivered the following report on the Financial Statements, which are part of this Annual Report:

We have audited the attached Financial Statements of SAZKA sázková kancelář, a.s., i.e. the balance sheet as at 31 December 2012, the profit and loss account for 2012, as well as the notes to these Financial Statements, including a description of the relevant accounting methods applied and other additional information. The data about 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 compliance with 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 is to express an opinion on these Financial Statements based on our audit. We conducted our audit in compliance 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 meet ethical requirements and that we plan and perform our audit in a manner in order to obtain reasonable assurance that 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 the Financial Statements, giving a true and fair view. This assessment is aimed at proposing appropriate auditing procedures rather than to give an opinion on the efficiency of the accounting entity's internal control system. The audit also includes assessing the appropriateness of the accounting methods applied and the adequacy of the accounting estimates made by the management, as well as assessing the overall presentation of the Financial Statements.

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 24185

Reg. No: 49619187
Tax ID: CZ699001996



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 2012, as well as of the expenses, revenues and the results of its operations for 2012, in compliance with Czech accounting regulations."

Report on Relations

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 2012. 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 that 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 auditor's 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 2012 contains material factual misstatements.

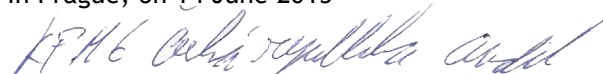
Annual Report

We have audited the consistency of the Annual Report with the aforementioned 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 Financial Statements based on our audit.

We conducted our audit in accordance with the Act on Auditors, 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 our 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 relevant 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 aforementioned Financial Statements.

In Prague, on 14 June 2013


KPMG Česká republika Audit, s.r.o.



Petr Sikora
Partner

Licence No 71

Licence No 2001

