2013 ANNUAL REPORT

SAZKA sázková kancelář, a.s.

Contents

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, audits and tests of electrical equipment
- Manufacturing, installation, repairs of electrical machinery and apparatus, electronic and telecommunication equipment
- Business of accounting consultants, double-entry accounting, single-entry accounting
- Keeping a registry office

Activities:

- Lease of real estate, flats and commercial premises

Registration in the Commercial Register:

- SAZKA sázková kancelář, a.s. is registered in the Commercial Register maintained by the Municipal Court in Prague, under file reference B 7424.

SAZKA sázková kancelář, a.s. is the largest lottery company in the Czech Republic. Its long-term share of the domestic market in number lotteries has been greater than 95%.

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 key products include number lotteries, with its best known game Sportka. In addition to number lotteries, its product offer includes instant lotteries (scratch tickets), odds betting and fast-draw games.

Along with its lottery and betting activities, SAZKA sázková kancelář, a.s. is also active in non-lottery business, primarily based on topping up pay-as-you-go mobile phones, selling tickets for sporting, cultural and social events, facilitation of payments for services, cash withdrawals, etc.

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

Since 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. follows and 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.

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.

SAZKA sázková kancelář, a.s. has not branch abroad.

SAZKA sázková kancelář, a.s. is a stabilised company and will continue to strive actively after further consolidation of its privileged position in the Czech lottery market.

After the completion of the change of the ownership structure in late 2012, the organisation continued to develop in the following areas in 2013 – filling up the positions in the Company's Top Management, including a change of the Director General; changing the selected processes in the Company's operations, notably in marketing and linking it to the operational and sales sections of the Company; and creating the organisational support to provide mobile virtual network operator (MVNO) services.

The performance management process was revised during 2013, as was the remuneration and employee benefit system, and a long-term corporate culture revitalisation programme was launched.

In addition, the number of Company's employees continued to decline slightly during 2013.

Number of employees

As at 1 January 2013 – 295

As at 31 December 2013 – 285

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

As a result of the merger by integration, with 1 January 2013 as the relevant date of the merger, the assets and liabilities (i.e. an aggregation of all business assets and liabilities) of PFQ Czech, a.s., PDH Czech, a.s., and BQV Czech, a.s., as the companies being acquired, passed to SAZKA sázková kancelář, a.s., as the acquiring company. PGQ Czech Republic, a.s. became the only shareholder of the Company.

As at 7 January 2013, the membership of the Company's Board of Directors by Josef Novotný and Radek Dyntar 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.

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

A transparent cooperation with the Czech Olympic Committee was launched in April 2013. For 2013-2016, SAZKA sázková kancelář, a.s. became the main partner of the Czech Olympic Foundation and the official partner of the Czech Olympic Team.

In August, both parties signed a memorandum, where SAZKA sázková kancelář, a.s. undertook that, from 2014, under new legislative rules, it would remit a statutorily prescribed reduction of sub-contributions paid from its lotteries and odds bets as donation to the Czech Olympic Committee for the development of sporting activities of children and the young.

Lottery Activities

Extension of the time of accepting tickets

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 (Euromillions – not to be confused with transnational lottery EuroMillions) on Tuesdays and Saturdays until 7 p.m. again, and for Šťastných 10 (Lucky 10) every day even by two hours until 8 p.m.

Offer of winnings in the Second Chance of Euromillions and introduction of new lottery Euro-chance

The Euromiliony (Euromillions) lottery was innovated in June 2013. A substantial change came with the introduction of new prizes in the game Druhá šance Euromiliónů (Second Chance of Euromillions). A unique five-digit code is generated for each play slip receipt. Five winning codes are drawn in every draw. A play slip receipt with one of these Second Chance codes drawn is a winner. The amount of the prize depends on the number of play boards completed by the player, with CZK 20,000 paid out per play board, i.e. a maximum of CZK 180,000. No additional payment is required for participating in the Second Chance game. Moreover, for CZK 30, players can play the Eurošance (Euro-chance) lottery tied to Euromiliony (Euromillions), where they try to match the last five digits of the serial number of the play slip. Eurošance (Euro-chance) offers a fixed amount of CZK 500,000 as the main prize.

A jubilee thousandth Sportka jackpot

A jubilee thousandth jackpot was hit in the Sportka lottery on Sunday, 14 October 2013. The player who won CZK 11,156,421 in the second draw of the game was a jubilee thousandth winner of the Sportka jackpot since the introduction of this prize category in 1993.

The highest prize in Euromillions

The Euromiliony (Euromillions) lottery generously rewarded a player for the first time in a longer while; the play slip with numbers chosen by quick pick on the draw date, i.e. Tuesday, 15 October 2013, hit the jackpot and won CZK 126,197,012, a record-breaking amount to date.

The highest prize of all time

In early November, on Sunday, 3 November 2013, the history of the highest ever winnings in the Czech Republic was rewritten for the second time. On that day, a Sportka Superjackpot winner lucked out, having won a record-breaking amount of CZK 399,904,705. The winner won the prize in the first draw, with a fully completed play slip, i.e. 10 play boards and an additional Šance (Chance) game, and matched all of the 6 numbers drawn in Sportka's first draw as well as the last number of Šance.

In 2013, the Company paid out 89 prizes greater than CZK 1 million, i.e. 14 prizes more than in the previous year.

Instant lotteries

Twelve new instant lotteries, at price points from CZK 10 to CZK 200, were prepared for scratch ticket fans during 2013. The greatest success with players was the CZK 100 lottery Pohádkové jmění (Fabulous Wealth), followed by the CZK 20 lottery Šťastná čísla (Lucky Numbers). In the pre-Christmas time, customers primarily appreciated the Adventní kalendář (Advent Calendar) and 140 milionů (140 million) tickets. September 2013 marked the 25th anniversary of issuing the first scratch ticket in the Czech Republic.

Odds bets

In January 2013, a mobile version of the sazkabet.cz websites was launched and the operation of live bets was extended to 24 hours a day. The Sazkabet logo changed in July, the PayU service was activated in August, and the new web Live Bets NEW was launched in October. Sales increased significantly and the number of registered customers rose during 2013.

Non-lottery Activities

Brand-new service Výběry Air Bank (Air Bank Withdrawals), enabling Air Bank clients to withdraw up to CZK 3,000 from their accounts at most points of sale of SAZKA sázková kancelář, a.s., was set up in April.

In late October 2013, the wide portfolio of non-lottery products was complemented with the pay-outs of micro-loans provided by Click Credit. Its clients can not only withdraw the loan amount of up to CZK 4,999 but also repay the loan at points of sale of SAZKA sázková kancelář, a.s.

Sales network

The POS rebranding process took place in 2013. SAZKA sázková kancelář, a.s. has rebranded all points of sale since March, when it presented its new visual identity.

The number of terminals rose by 314 units, i.e. 5.26%, in 2013 vis-à-vis the end of 2012, with 6,858 points of sale being available to customers at the end of 2013.

Marketing and communication

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 ‚Bring Luck to You', for Sportka, the best known and most successful number lottery.

Another new advertising campaign for the Šťastných 10 (Lucky 10) game, entitled 'Ten Crowns for Luck', was launched on 16 May 2013; this campaign was very successful, triggered a rise in sales and appealed to new players.

A new version of the www.sazka.cz websites was placed in service in April 2013, as was a new version of intranet, entitled 'All Aboard', in November. In addition, plenty of online and digital marketing activities were launched during the year to help appeal to new customers – the launch of the Sazka mobile application, the redesign of the Sazka Facebook account and the launch of the modified SazkaBET website, personally adjustable by the customer.

Security certificates

SAZKA sázková kancelář, a.s. passed challenging domestic as well as international checks and, as the only lottery company in the Czech Republic, became the holder of two major certificates.

ISO/IEC 27001:2005, the first one, certifies the adoption and permanent development of an information security management system (ISMS) according to the international standard. Obtaining this certificate was required for granting another certificate, WLA-SCS (World Lottery Association – Security Control Standard), by which the World Lottery Association (WLA) certified Sazka's full compliance with the principles and security requirements of the lottery industry.

1) Equity interests as at 31 December 2013

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, under file reference B 2983.
Registered office: Prague 9, K Žižkovu 851, postcode 190 93
Share capital: CZK 110,000,000
Equity interest by SAZKA sázková kancelář, a.s.: 100%

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, under file reference B 10231.
Registered office: Prague 9, K Žižkovu 851, postcode 190 93
Share capital: CZK 40,100,000
Equity interest by SAZKA sázková kancelář, a.s.: 100%

GTECH Czech Republic LLC
Registered office: 1209 Orange Street, Wilmington, Delaware, USA
Equity interest by SAZKA sázková kancelář, a.s.: 63%

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, under file reference B 4485.
Registered office: Prague 9, Českomoravská 2345/17, postcode 190 00
Share capital: CZK 1,700,000,000
Equity interest by SAZKA sázková kancelář, a.s.: 0.07%
The insolvency proceedings took effect on 31 March 2011 at 10:03 a.m. 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.

2) Equity interests in companies that went into liquidation during 2012 and 2013

BUSINESS CENTRE SERVICE a.s. v likvidaci
(in liquidation) Reg. No: 601 94 227, Tax ID: CZ60194227
Registered office: Prague 9, K Žižkovu 851, postcode 190 93
Share capital: CZK 51,580,000
Equity interest by SAZKA sázková kancelář, a.s.: 100%
The company went into liquidation with effect from 1 March 2012. By ruling of 9 April 2013 by the Municipal Court in Prague, which became legally binding on 26 April 2013, the company was deleted from the Commercial Register.

SAZKA INTERNATIONAL
National registration number: 1067746448220
Tax ID: 7718580664
Registered office: Russia, Moscow 107023, Malaja Semjonovskaja No 9, Building 3
Share capital: 10,000 roubles
Equity interest by SAZKA sázková kancelář, a.s.: 100%
The company went into liquidation in 2013, which was completed on 26 December 2013.

During the 2013 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. The Company is part of transnational investment group KKCG.

At its meetings held in the 2013 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.

Almost throughout 2013, the Company's Board of Directors was composed of Martin Bláha, Pavel Šaroch, Robert Chvátal and Kamil Ziegler, with Kamil Ziegler and Robert Chvátal becoming Members of the Board of Directors on 7 January 2013, replacing Radek Dyntar and Josef Novotný.

As a result of the merger by integration, with 1 January 2013 as the relevant date of the merger, the assets and liabilities (i.e. an aggregation of all business assets and liabilities) of PFQ Czech, a.s., PDH Czech, a.s., and BQV Czech, a.s., as the companies being acquired, passed to SAZKA sázková kancelář, a.s., as the acquiring company.

Company's Financial Results and Assets

In 2013, the Company's earnings before tax were CZK 1,030,547 thousand. The Company's total sales were CZK 8,010,116 thousand.

As at 31 December 2013, the Company's assets included:

- Non-current assets of CZK 12,577,931 thousand, of which intangible non-current assets were CZK 2,080,162 thousand, tangible non-current assets were CZK 668,847 thousand and goodwill was CZK 9,636,122 thousand.
- Current assets of CZK 786 708 thousand, of which receivables were CZK 78,628 thousand and current financial assets, cash and cash equivalents were CZK 687,322 thousand.

As at 31 December 2013, the Company's equity amounted to CZK 3,150,577 thousand while payables, including liabilities, amounted to CZK 10,214,062 thousand.

Company's Lottery Activities

In 2013, 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 6,850 terminals at the end of 2013. 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 entitled Eurošance (Euro-chance), as an addition to the innovated Euromiliony (Euromillions) lottery, was launched in the 25th lottery week of 2013. Moreover, eleven new instant lotteries were placed on the market during 2013. The names of the instant ticket issues were Rubíny (Rubies), Vyhraj ranec! (Win a Bundle!), Pohádkové jmění (Fabulous Wealth), two issues of Šťastná čísla (Lucky Numbers), 140 milionů (140 Million), Adventní kalendář (Advent Calendar), Horoskopy (Horoscopes), Štěstí (Luck), Ryzí zlato (Pure Gold) and Sloník štěstí (Little Elephant of Luck).

Company's Non-lottery Activities

The cash payment service for the MAFRA and Click Credit companies was set up during 2013. Since January 2013, the company has been providing the Výběr u Sazky (Cash Withdrawal with Sazka) service for Air Bank clients and, since October 2013, it has been also providing loans to Click Credit clients.

Company's Foreign Activities

In 2013, 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 2014, 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 non-lottery services to include new products is under preparation.

Conclusion

In the 2013 accounting period, the Company’s Board of Directors managed the activities and took care of the business management of the Company, including its proper bookkeeping. Throughout the 2013 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 the Report on Related Parties.

In Prague, on 19 June 2014

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

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

2013 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:	PGQ Czech Republic, a.s., Reg. No: 248 52 104, having its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, as the sole shareholder of SAZKA sázková kancelář, a.s. (from 1 July 2013) 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. (until 1 July 2013)

During 2013 (hereinafter referred to as the "reporting period"), SAZKA sázková kancelář, a.s. was, 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. was 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. was 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. was 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.

PFQ Czech, a.s., BQV Czech, a.s., PDH Czech, a.s. ceased to exist (as the companies being acquired) as a result of the merger by integration, with 1 January 2013 as the relevant date of merger, with SAZKA sázková kancelář, a.s., as the acquiring company, with effect of the merger as at 1 July 2013.

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 PGQ Czech Republic, a.s., in the reporting period:

- Accession to the Agreement to Set Up a Security – Lien on Shares, of 18 July 2013 (third parties are also parties to this Agreement).
- Agreement on Additional Contribution to Other Capital Funds, of 19 September 2013.

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

- Transfer Agreement, of 21 January 2013 (third parties are also parties to this Agreement).

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

All of the listed agreements were entered into under usual trade conditions and in compliance with applicable law.

No other legal transactions or measures were undertaken and no other performance or consideration was conducted 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 hereby states that this report was prepared with due care, that the report is full and complete, and that the disclosure of additional information, particularly by expanding the scope or detail of the information, is subject to trade secret pursuant to Section 17 of the Commercial Code.

In Prague, on 20 March 2014

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

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

SAZKA sázková kancelář, a.s.

Financial Statements
for the year ended 31 December 2013

prepared in accordance with International Financial Reporting Standards
as amended by the European Union

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
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Independent Auditor's Report to Shareholders of SAZKA sázková kancelář, a.s.

We have audited the accompanying Financial Statements of SAZKA sázková kancelář, a.s., i.e. the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2013, as well as the Notes to these Financial Statements, including a summary of significant accounting policies and other explanatory information. Data about SAZKA sázková kancelář, a.s. is provided in item 1 of the Notes to these Financial Statements.

Responsibility of the Entity's Statutory Body 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, in accordance with International Financial Reporting Standards, as amended by the European Union, and for such internal controls as it considers necessary for the preparation of the Financial Statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance 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 to obtain reasonable assurance that the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation of the Financial Statements, giving a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2013, and of the expenses, revenues and the results of its operations and cash flows for 2013, in accordance with International Financial Reporting Standards, as amended by the European Union.

In Prague, on 20 March 2014

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

Petr Sikora
Partner

Licence No 2001

SAZKA sázková kancelář, a.s.
Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Comprehensive Income	**Notes item**	**For 2013**	**For 2012**
Revenue from lottery and betting activities	6	**3,638,522**	**3,046,691**
Revenue from receipts		7,793,610	6,203,595
Prizes		-4,155,088	-3,156,904
Revenue from other activities	6	**216,506**	**217,539**
Net revenue		**3,855,028**	**3,264,230**
Costs of revenue from lottery and betting activities	7	**-1,549,601**	**-1,342,353**
Fees for services		-837,320	-685,031
Lottery tax		-687,374	-641,045
Other costs of revenue from lottery and betting activities		-24,907	-16,277
Costs of revenue from other activities	7	**-119,321**	**-112,249**
Costs of sales		**-1,668,922**	**-1,454,602**
Gross margin		**2,186,106**	**1,809,628**
Other operating income		**6,923**	**148,362**
Operating expenses	8	**-976,917**	**-1,145,274**
Marketing and sales expenses		-514,313	-467,864
Administration expenses		-444,295	-464,266
Other operating expenses		-18,309	-213,144
Operating profit or loss		**1,216,112**	**812,716**
Interest receivable	10	**220,491**	**7,156**
Interest payable	10	**-420,176**	**-137,277**
Other finance income	10	**14,120**	**55,794**
Financial profit or loss		**-185,565**	**-74,327**
Profit or loss before tax		**1,030,547**	**738,389**
Income tax	11	-196,440	-184,323
Profit or loss for accounting period		**834,107**	**554,066**
Other full profit or loss for accounting period (after tax)		**--**	**--**
Total full profit or loss for accounting period		**834,107**	**554,066**

Earnings per share			
Basic earnings per share (CZK)	22	185,357	123,126
Diluted earnings per share (CZK)	22	185,357	123,126

Notes to the Financial Statements on pages 11-58 constitute an integral part of these Financial Statements.

SAZKA sázková kancelá, a.s.
Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position	Notes item	31/12/2013	01/01/2013*	31/12/2012	01/01/2012
ASSETS					
Intangible non-current assets	12	2,080,162	2,102,339	2,102,339	2,132,744
Goodwill	12	9,636,122	9,636,122	--	--
Tangible non-current assets (property, plant, and equipment)	13	668,847	682,650	682,650	850,863
Investments in businesses with significant influence	15	106,607	106,607	106,607	543,882
Other non-current financial investments	16	42,199	42,199	42,199	97,199
Long-term loans made to affiliated businesses	18	--	5,323,589	482,475	--
Non-current trade receivables and other non-current receivables	19	43,994	62,006	62,006	66,944
Deferred tax asset	17	--	--	--	--
Total non-current assets		**12,577,931**	**17,955,512**	**3,478,276**	**3,691,632**
Inventories		4,400	8,904	8,904	3,619
Current trade receivables and other current receivables	19	78,628	134,815	134,815	927,371
Current receivables from financial instruments	20	200,065	--	--	--
Cash and cash equivalents	21	487,257	682,694	674,722	160,366
Assets held for sale	14	16,358	48,800	48,800	55,300
Total current assets		**786,708**	**875,213**	**867,241**	**1,146,656**
Total assets		**13,364,639**	**18,830,725**	**4,345,517**	**4,838,288**

*) The effect of the merger by integration as at 1 January 2013 is described in item 5.

Notes to the Financial Statements on pages 11-58 constitute an integral part of these Financial Statements.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position (continued)	Notes item	31/12/2013	01/01/2013*	31/12/2012	01/01/2012
LIABILITIES					
Equity					
Share capital	22	450,000	450,000	450,000	450,000
Share premium		--	--	1,500	1,500
Capital funds and other funds	22	1,453,839	453,839	974,139	504,139
Profit or loss for previous years and current period	22	1,246,738	412,631	-278,440	-832,506
Total equity		**3,150,577**	**1,316,470**	**1,147,199**	**123,133**
Payables					
Non-current portion of bank loans and other borrowings	23	8,415,333	5,716,986	1,144,416	3,482
Non-current trade payables and other non-current payables	24	99,975	84,235	84,235	121,496
Non-current payables from financial instruments	16	47,509	46,663	46,663	46,663
Deferred tax liability	17	126,683	54,577	54,577	35,599
Total non-current liabilities		**8,689,500**	**5,902,461**	**1,329,891**	**207,240**
Current portion of bank loans and other borrowings	23	679,566	673,191	575,591	3,506,398
Current trade payables and other current payables	24	662,772	10,431,335	785,568	825,605
Liability arising from income tax due	11	45,197	165,345	165,345	--
Current provisions	25	137,027	341,923	341,923	175,912
Total current liabilities		**1,524,562**	**11,611,794**	**1,868,427**	**4,507,915**
Total liabilities		**10,214,062**	**17,514,255**	**3,198,318**	**4,715,155**
Total equity and liabilities		**13,364,639**	**18,830,725**	**4,345,517**	**4,838,288**

*) The effect of the merger by integration as at 1 January 2013 is described in item 5.

Notes to the Financial Statements on pages 11-58 constitute an integral part of these Financial Statements.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Changes in Equity

	Notes item	Share capital	Share premium	Other capital funds	Profit or loss for previous years and current period	Total equity
Balance at 1 January 2012		**450,000**	**1,500**	**504,139**	**-832,506**	**123,133**
Aggregate profit or loss for 2012		--	--	--	554,066	**554,066**
Shareholder's investment contributions:						
Increase in other capital funds	22	--	--	470,000	--	470,000
Total investment contributions		**--**	**--**	**470,000**	**--**	**470,000**
Balance at 31 December 2012		**450,000**	**1,500**	**974,139**	**-278,440**	**1,147,199**
Effect of merger by integration at 1 January 2013*)	5, 22	**--**	**-1,500**	**-520,300**	**691,071**	**169,271**
Balance at 1 January 2013		**450,000**	**--**	**453,839**	**412,631**	**1,316,470**
Aggregate profit or loss for 2013		**--**	**--**	**--**	**834,107**	**834,107**
Shareholder's investment contributions:						
Increase in other capital funds		--	--	1,000,000	--	1,000,000
Total investment contributions		**--**	**--**	**1,000,000**	**--**	**1,000,000**
Balance at 31 December 2013		**450,000**	**--**	**1,453,839**	**1,246,738**	**3,150,577**

*) The effect of the merger by integration as at 1 January 2013 is described in item 5.

Notes to the Financial Statements on pages 11-58 constitute an integral part of these Financial Statements.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Cash Flows	**Notes item**	**For 2013**	**For 2012**
OPERATING ACTIVITIES			
Profit (+) for accounting period			
Adjusted for:			
Income tax		196,440	184,323
Depreciation and amortisation of tangible and intangible non-current assets		53,967	93,135
Loss (+) on sale of tangible and intangible non-current assets		1,074	215,355
Loss (+) on revaluation of non-current assets, financial instruments and financial investments		846	--
Net interest expense (+)		199,685	130,121
Derecognition of asset impairment (-)		-29	--
Other finance income (-)		--	-55,776
Operating profit or loss before change to working capital and provisions		**1,286,090**	**1,121,224**
Increase (+) / decrease (-) in provisions		-204,896	166,011
Increase (-) / decrease (+) in inventories		4,504	-5,285
Increase (-) in receivables from financial instruments not revalued to fair value		-200,065	--
Decrease (+) in trade receivables and other assets		74,228	797,494
Decrease (-) in trade and other payables		-1,117,823	-77,298
Cash provided by (+) / used in (-) operating activities		**-157,962**	**2,002,146**
Interest paid		-178,643	-198,504
Income tax paid		-244,482	--
Net cash flow provided by (+) / used in (-) operating activities		**-581,087**	**1,803,642**
INVESTING ACTIVITIES			
Acquisition of tangible non-current assets		-10,232	-162,242
Acquisition of intangible non-current assets		-8,509	-26,266
Loans receivable		--	-482,385
Proceeds from the sale of tangible and intangible non-current assets		32,122	85,136
Proceeds from the sale of financial investments		--	376,261
Share in proceeds of the liquidation of equity interests		--	64,500
Change in the classification of gaming security		--	55,000
Interests received		3,430	7,066
Dividends received		--	52,290
Net cash flow provided by (+) / used in (-) investing activities		**16,811**	**-30,640**
FINANCING ACTIVITIES			
Other investment contributions to equity		1,000,000	470,000
Loans and borrowings received		69,909	1,715,125
Loans and borrowings paid		-697,600	-3,439,850
Finance lease liabilities paid		-3,470	-3,921
Net cash flow provided by (+) / used in (-) financing activities		**368,839**	**-1,258,646**
Net increase (+) / decrease (-) in cash and cash equivalents		***-195,437***	***514,356***
Balance of cash and cash equivalents at the start of accounting period	21	**682,694***	**160,366**
Balance of cash and cash equivalents at the end of accounting period	21	**487,257**	**674,722**

*) The effect of the merger by integration as at 1 January 2013 is described in item 5.

Notes to the Financial Statements on pages 11-58 constitute an integral part of these Financial Statements.

Notes to the Financial Statements – Contents

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Notes to the Financial Statements

1. General Information about the Company

1.1 Characteristics

SAZKA sázková kancelář, a.s. (hereinafter also referred to as the "Company") is a company with its registered office in the Czech Republic, established under law of the Czech Republic. SAZKA sázková kancelář, a.s. is the largest domestic operator of number and instant lotteries as well as one of the largest betting firms in the Czech Republic. Its main business is based on operating number and instant lotteries, sports and odds bets.

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 receiver 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 business SAZKA, a.s., in bankruptcy, effective from 1 November 2011.

During 2013, the final shareholder's intention of a merger by integration, i.e. a merger of BQV Czech, a.s., PFQ Czech, a.s., and PDH Czech, a.s. (the companies being acquired) into SAZKA sázková kancelář, a.s. (the acquiring company), with 1 January 2013 as the relevant date of merger, was carried out. The effect of this merger by integration is described in item 5.

1.2 Activities

The Company's main activities include the operation of lotteries and other similar games in accordance with universally binding legislation, i.e. the operation of instant and number lotteries, sports and odds bets, and other similar games in accordance with Act No. 202/1990 Coll., on Lotteries and Other Similar Games, as amended (hereinafter referred to as the "Lottery Act").

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 O_2 arena in particular, payments of invoices, insurance and postal orders, and repayment of loans 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 2013:

Chairman of the Board of Directors:	Pavel Šaroch
Members of the Board of Directors:	Martin Bláha
	Robert Chvátal
	Kamil Ziegler

Composition of the Supervisory Board as at 31 December 2013:

Chairman of the Supervisory Board:	Karel Komárek
Members of the Supervisory Board:	Ivo Tajšl
	Radek Dyntar
	Robert Kolář

1.4 Sole Shareholder of the Company

PGQ Czech Republic, a.s.
Vinohradská 1511/230, Strašnice, 100 00 Prague 10
Reg. No: 248 52 104

The Company is part of the consolidated group KKCG. The final owner of the Company within the KKCG group is KKCG SE, having its registered office in Cyprus.

1.5 Changes in the Commercial Register during the Accounting Period

The following changes were made in 2013:

Board of Directors

Vice Chairman of the Board of Directors Josef Novotný and Member of the Board of Directors Radek Dyntar were dismissed on 7 January 2013. Robert Chvátal and Kamil Ziegler were elected new Member of the Board of Directors. These changes were entered into the Commercial Register on 16 January 2013.

Supervisory Board

On 7 January 2013, Supervisory Board Member Jakub Sokol was dismissed and Radek Dyntar was elected Member of the Supervisory Board. This change was entered into the Commercial Register on 16 January 2013.

In addition, Robert Kolář was elected new Member of the Supervisory Board on 30 January 2013. This change was entered into the Commercial Register on 8 February 2013.

As a result of the merger, which is also mentioned in the other facts that are subject to entry into the Commercial Register, the change of the sole shareholder of the Company was registered on 1 July 2013. PGQ Czech Republic, a.s. is the new 100% shareholder of the Company (PFQ Czech, a.s. in 2012).

2. Background for the Preparation of the Financial Statements

(a) Declaration of Conformity

The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as amended by the European Union ("IFRS").

These are the first Financial Statements of the Company prepared in accordance with IFRS. The information about adjustments carried out to convert the Financial Statements prepared according to Czech legislation into the Financial Statements according to IFRS is included in item 30.

The accounting policies specified in item 3 of these Notes were used in the preparation of the Financial Statements for the year ended 31 December 2013 as well as in the preparation of data for comparable periods, i.e. as at 1 January 2012 (date of transition to IFRS) and as at 31 December 2012.

These Financial Statements were prepared on an individual basis, for the purpose of presenting the Company's financial position without the influence of entities controlled by the Company. Information on an investment in a business with a significant influence is included in item 15 of these Notes. The Company used an exemption from the obligation to prepare consolidated Financial Statements because it is part of the consolidated group KKCG SE. The final owner of the Company within the KKCG SE group is KKCG SE, having its registered office in Cyprus. The consolidated Financial Statements of KKCG SE for 2013, prepared in accordance with IFRS, will be published in the Collection of Documents of the Commercial Register. Companies of the KKCG SE group do not have publicly traded financial instruments, and do not even plan to issue them.

These Financial Statements were approved by the Company's Board of Directors on 20 March 2014.

(b) Valuation method

The Financial Statements were prepared on a going concern basis, using historical cost. The Company presents no items in its statement of financial position that are recognised at fair value, except a derivative instrument liability (option).

The Company strictly applies the accounting policies described hereinafter in the text.

(c) Functional and presentation currencies

The Financial Statements are presented in Czech koruna ("CZK"), which is the Company's functional currency. Any financial information shown in CZK was rounded to whole thousands ("thousands of CZK"), unless stated otherwise.

(d) Use of estimates and assumptions

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates, which influence the recognised items of assets, liabilities, income and expenses. It also requires that the entity's management uses assumptions based on its own judgement in the application of accounting policies. The final accounting estimates – just because they are estimates – rarely equal the relevant actual values.

Estimates and assumptions are revised on an ongoing basis. Accounting estimate revisions are reflected in the period in which the relevant estimate is revised (applicable to the estimate revision for only that period) or in the revision period and future periods (applicable to the revisions of current period as well as future periods).

The information about the application of accounting policies and assumptions with the greatest impact on the amounts presented in the Financial Statements is included in the following items of the Notes:

- Item 12 – reporting of goodwill, assessment of goodwill impairment, assessment of the impairment of intangible assets with indefinite useful lives;
- Item 15 – assessment of the impairment of significant financial investments;
- Item 25 – assessment of the amount of reported provisions, such as provisions for jackpot.

(e) Recently issued accounting standards

In the preparation of these Financial Statements, the Company used new or changed standards and interpretations the application of which is mandatory for the accounting periods beginning on 1 January 2013 (the new or changed standards and interpretations that apply to non-profit companies and organisations operating in the public sector are not included below, as these standards and interpretations do not apply to the Company).

- **IAS 12 Income Taxes – Recovery of Underlying Assets**

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It also introduces a requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16, must always be measured on a sale basis.

  The amendment is effective for annual periods beginning on or after 1 January 2012, but has no material impact on the Company's Financial Statements.

- **IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

  The amendment enhances the requirements for disclosures about financial assets that had been transferred but were not derecognised, with the purpose of helping users of financial statements understand the relationship between the assets that are not derecognised and the associated liabilities. The amendment also requires entities to provide disclosures about the entity's continuing involvement in derecognised assets to enable users of financial statements to evaluate the nature of continuing exposure and the risks involved. The amendment is effective for annual periods beginning on or after 1 July 2011. As the Company owns no such assets, the amendment has no impact on these Financial Statements.

- **IFRS 13 Fair Value Measurement**

  IFRS 13 replaces the guidance for fair value measurement included in the individual IFRSs with a single source of guidance on how to measure fair value. The standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 provides guidance on how fair value should be measured when required or permitted under other IFRSs.

  The IFRS 13 standard is applicable to annual periods beginning on 1 January 2013, but has no material impact on the Financial Statements, except for extensive disclosures in the Notes to the Financial Statements.

A few new standards, amendments to standards and interpretations effective for the period beginning after 1 January 2013 were not used in the preparation of these Financial Statements. None of these changes is expected to have a material impact on the Company's Financial Statements except for possible impacts of IFRS 9.

- **IFRS 9 Financial Instruments**

  The new standard replaces the guidance on IAS 39 Financial Instruments: Recognition and Measurement, concerning the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories: held-to-maturity, available-for-sale, and loans and receivables.

  When initially recognised, financial assets will be classified in one of the two categories: financial assets measured at amortised cost, or financial assets measured at fair value.

  The 2010 amendment to IFRS 9 primarily replaces the guidance for IAS 39 Financial Instruments: Recognition and Measurement in relation to liabilities "designated as at fair value through profit or loss" for fair value changes that are attributable to changes in the credit risk of the liability. The standard requires that fair value changes be presented in other comprehensive income (OCI). The values presented in OCI are not subsequently reclassified to profit or loss, but they can be transferred within equity.

  The new standard eliminates the requirement to separate embedded derivatives from the host contract. It requires that a hybrid (combined) contract be measured at amortised cost or at fair value.

  The amendment also changes the requirements for disclosures and adjustments in relation to the initial application of IFRS 9 Financial Instruments.

  The Company does not expect this standard to have an impact on the measurement of financial assets when initially adopted. The classification of financial instruments into relevant categories will change in accordance with the standard.

  The Company does not plan to use this standard earlier. The Company Management has not assessed the impact of this standard so far.

3. Significant Accounting Policies

The accounting policies described were applied consistently across all accounting periods presented in these Financial Statements.

(a) Non-derivative financial assets

The Company has the following financial assets that are not derivatives (“non-derivative financial assets”): trade and other receivables, loans receivable, held-to-maturity financial assets.

i. Classification

Trade and other receivables are non-derivative financial assets with fixed or determinable payments. These assets are not quoted in an active market and not classified as available-for-sale or held-to-maturity, or as assets carried at fair value through profit or loss.

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

ii. Recognition

Regular way purchases and sales of financial assets, including held-to-maturity assets, are initially recognised on the trade date.

Receivables are recognised on the date when they are originated.

iii. Measurement

Held-to-maturity receivables and financial assets are measured at amortised acquisition cost less any impairment.

For measurement at amortised acquisition cost, any differences between the acquisition cost and amount at maturity are recognised in the statement of comprehensive income for the duration of the relevant asset or liability, using the effective interest method.

iv. Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all of the risks and rewards of ownership of the asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Held-to-maturity instruments, loans and receivables are derecognised on the date when the Company sells them.

v. Offsetting of financial assets and liabilities

If the Company has a legally enforceable right of set-off and the transaction is to be settled on a net basis, financial asset and a financial liability shall be offset and the final net amount presented in the statement of financial position.

(b) Non-derivative financial liabilities

The Company has the following financial liabilities that are not derivatives (“non-derivative financial liabilities”): trade and other payables, interest-bearing loans and borrowings, finance lease payables. These financial liabilities are initially recognised at fair value at settlement date, increased by any directly attributable transaction costs, except for financial liabilities carried at fair value through profit or loss. Subsequent to initial recognition, financial liabilities are measured at amortised acquisition cost using the effective interest method, except for financial liabilities carried at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of the financial liability.

The Company classifies those long-term loans and borrowings where the maturity period is shorter than one year in relation to the date of statement of financial position as current.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(c) Derivative financial instruments

Separable embedded derivatives

Financial and non-financial contracts (which are not, as such, measured at fair value through profit or loss) are assessed in order to determine whether they contain embedded derivatives.

Embedded derivatives are separated from the host contract and recognised separately if the economic characteristics and risks of the host contract are not closely related to the characteristics and risks of the embedded derivatives; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and a combined instrument is not measured at fair value through profit or loss.

Changes in fair value of separable embedded derivatives are immediately recognised in profit or loss.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Any incremental costs directly attributable to the issue of new shares and share options are recognised as a deduction from equity net of tax effects.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, short-term highly marketable investments, including time deposits with original maturities of three months or less from the date of acquisition, which are subject to an insignificant risk of changes in fair value and which the Company uses in managing its current liabilities. Bank accounts and deposits repayable on demand that form an integral part of an Company's cash management are, for the purposes of cash flow statement, presented as a component of cash and cash equivalents.

(f) Impairment

i. Non-financial assets and investments in subsidiaries, jointly controlled entities and associates

At each date of preparation of Financial Statements, the Company reviews the carrying amounts of its investments in subsidiaries, jointly controlled entities and associates and non-financial assets, other than deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amounts of goodwill and intangible assets with indefinite useful lives and those not yet available for use are estimated at least annually as at the same date.

The recoverable amount of an asset or of a cash-generating unit is the higher of the fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit" or "CGU"). For impairment testing of goodwill, goodwill is allocated to CGUs at the lowest level at which goodwill is monitored for internal purposes. Goodwill arising from a merger by integration is allocated to groups of CGUs that are expected to benefit from the synergies of the merger by integration.

An impairment loss is always recognised if the carrying amount of an asset or of its CGU exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

An impairment loss in respect of goodwill is not reversed. For other assets, the impairment loss recognised in previous periods is reviewed at each balance sheet date to determine whether there is any indication of a decrease or reversal of that loss. If there are changes in the estimates used to determine the recoverable amount, the Company reverses the impairment loss. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

ii. Financial assets (including trade and other receivables)

At each date of preparation of Financial Statements, the Company reviews the financial assets not recognised at fair value through the statement of comprehensive income to determine whether there is any objective evidence that those assets have suffered an impairment loss. A financial asset is considered to be impaired when there is objective evidence that, as a result of an event that occurred after the initial recognition of the asset, the estimated future cash flows of the asset have been affected (to the extent that can be estimated reliably).

Objective evidence of impairment may include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Current receivables are not discounted. In the determination of the recoverable amount of loans and receivables, the debtor's credibility and economic performance as well as the value of all liens and guarantees from third parties are taken into account.

An impairment loss in respect of a receivable recognised in amortised acquisition cost is reversed if the recoverable amount subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognised.

(g) Tangible non-current assets

i. Owned assets

Items of tangible non-current assets are recognised at acquisition cost less accumulated depreciation (see below) and any impairment losses.

The acquisition cost includes expenses directly attributable to the asset's acquisition.

If an item of tangible non-current assets is composed of components with different useful lives, they are accounted for as separate items (major components) of tangible non-current assets.

ii. Leased assets

Leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases, where the leased assets are recognised initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments less accumulated depreciation (see below) and impairment losses.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period throughout the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

In the identification of lease arrangements, the Company also assesses other criteria defined in the IFRIC 4 interpretation – Determining whether an arrangement contains a lease: The Company identifies whether an arrangement that conveys a right to use an asset meets the definition of lease.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits attributable to the specific tangible non-current asset will flow to the Company and that the expenditure can be reliably measured. All other expenditure, including expenditure on day-to-day maintenance of the tangible non-current assets, is recognised directly in the statement of comprehensive income.

iv. Depreciation

Depreciation is recognised in the statement of comprehensive income, using the straight-line method over the estimated useful life of the relevant item of tangible non-current assets. Leased assets are depreciated over the shorter of the lease term and their useful lives (unless it is reasonably certain that the Company will obtain ownership by the end of the lease term). Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

• Apparatus and special technical equipment	4-14 years
• Fixtures and fittings	4-14 years
• Energy and propelling machinery and equipment	5-20 years
• Means of transport	6 years
• Other building structures	50 years
• Working machinery and equipment	4-14 years
• Buildings and halls	30-60 years
• Utility lines	30-60 years
• Construction modifications of outdoor surfaces	15-30 years

Depreciation methods, useful lives and residual values are reviewed at the end of each accounting period and adjusted if appropriate.

(h) Intangible assets

i. Goodwill and intangible assets acquired in a merger by integration

Goodwill is the amount by which the cost of an acquisition exceeds the fair value of the Company's interest in the net identifiable assets of the business acquired at the date of acquisition. Goodwill is recognised as intangible assets.

When initially recognised, goodwill is measured at acquisition cost less cumulative impairment losses and is annually tested for impairment.

On sale of a business, the carrying amount of goodwill attributable to the business is included in the profit or loss on sale.

Intangible assets acquired in a business combination are recognised at fair value as at the date of acquisition if the asset is separable or arises as a result of contractual or other legal rights. Intangible assets with indefinite useful lives are not amortised and are recognised at acquisition cost less impairment losses.

Intangible assets with definite useful lives are amortised over the useful life and recognised at acquisition cost less accumulated amortisation (see below) and impairment losses.

ii. Software and other intangible assets

Software and other intangible assets acquired by the Company and having finite (definite) useful lives are recognised at acquisition cost less accumulated amortisation (see below) and impairment losses.

Intangible assets with indefinite useful lives is not amortised and is annually tested for impairment instead. Their useful lives are reviewed at the end of each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

iii. Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as incurred.

iv. Amortisation

Amortisation of intangible assets, except goodwill, trademarks and lottery operator's licence, is recognised in the statement of comprehensive income, using the straight-line method over the estimated useful life, starting from the date when the asset was brought into use. The estimated useful lives for current and comparative periods are as follows:

• Software	5-7 years
• Valuable rights – others	6 years
• Distribution network (Agreements with providers)	20 years
• Trademarks	indefinite
• Lottery operator's licence	indefinite

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(i) Assets held for sale

Assets of a significant residual value that are very likely to be sold within one year from the date of Financial Statements, are not included in non-current assets and are recognised in a separate item of current assets at the lower of their fair value less costs to sell and carrying amount. These assets are not depreciated or amortised.

(j) Investments in subsidiaries, jointly controlled entities and associates

Subsidiaries are entities where the Company has control of their financial and operating procedures. It is assumed that the control exists if the Company holds more than 50% of voting rights in another entity.

Jointly controlled entities (joint ventures) are entities whose operations are jointly controlled by the Company, based on a contractual arrangement and requiring unanimous consent to strategic decisions in finance and operations.

Associates are entities over which the Company has significant influence, but not control over their financial and operating procedures. It is assumed that the significant influence exists if the Company holds between 20% and 50% of voting rights in the other entity.

Investments in subsidiaries, jointly controlled entities and associates are recognised at acquisition cost less impairment losses, as specified in accounting policy 3 (f).

(k) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The purchase cost of inventories includes acquisition cost, import duties and other taxes (except those that the business subsequently recovers from tax authorities), transport, handling costs and other costs directly attributable to the acquisition of finished products, material and services. The cost of purchase is net of trade discounts, price reductions and other similar items.

(l) Provisions

Provisions are recognised in the statement of financial position, when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation. Non-current obligations are recognised as the present value of the expenditure estimated to settle the obligation and (where discounting is material) the discount rate used is a pre-tax rate that reflects present market assessments of the time value of money and the risks specific to the liability. Amounts of accruals and effects of interest rate changes are recognised in the statement of comprehensive income in finance income and costs.

The estimated amounts of provisions may change primarily as a result of divergence from the initially estimated expenditure or as a result of the changed settlement date or changed amount of the liability. Changes to estimates are generally recognised in the statement of comprehensive income as at the date of change of the relevant estimate. The amount of provisions is reviewed on an ongoing basis.

A provision for jackpot is created because the jackpot (prize) accrues on a cumulative basis and rolls over to the next accounting period.

(m) Costs and revenue relating to services rendered and goods sold

Costs and revenue are recognised in the period to which they are temporally and factually related. Costs and revenue are expressed as consideration received or receivable and represent amounts receivable for goods and services provided in the ordinary course of business. Revenue is reduced by estimated discounts, value added tax and other sales taxes.

These costs and revenue are recognised if the following preconditions are met:

Revenues from number lotteries, instant lotteries and betting games are recognised as revenue on an accrual basis. The period for these lotteries and betting games is 1 week (always Monday to Sunday). Revenues also include forfeited winnings (won but not duly claimed by the winners), which are presented in Prizes as part of Revenue from lottery and betting activities.

- Costs of revenues from lottery and betting activities include fees for services, lottery tax and other costs directly attributable to number lotteries and betting games.
- Prizes are presented in Prizes as a reduction of Revenue from lottery and betting activities.
- Costs and revenues relating to mobile phone (GSM) top-up service are recognised on an accrual basis when the transaction is made. Based on the terms and conditions of the agreements with mobile operators, the revenues equal a fixed amount calculated from the GSM selling revenue. The billing period is one week (always Monday to Sunday).
- Revenue from ticket selling is recognised on an accrual basis when the transaction is made.

In accordance with the precautionary principle and with IAS 10, the creation of provisions and allowances to cover all risks, losses and impairment known as at the date of preparation of the Financial Statements is recognised by the Company against costs.

(n) Finance income and costs

Finance income includes interest income from cash invested (bank interest, interest on loans receivable), dividend income, gains on disposal of available-for-sale financial assets, foreign exchange gains, gains from derivative instruments recognised in profit or loss. Finance costs include interest on loans and borrowings, on finance lease, bank fees, losses on disposal of available-for-sale financial assets, foreign exchange losses, losses from derivative instruments recognised in profit or loss.

i. Interest receivable

Interest receivable is initially recognised in profit or loss using the effective interest method and includes interest receivable on cash invested (from banks or loans receivable).

ii. Interest payable

Interest payable is initially recognised in profit or loss using the effective interest method and includes interest payable on bank loans and other borrowings and on finance lease.

iii. Finance gains and losses

Finance gains and losses primarily include foreign exchange gains and losses, income from securities held and bank fees.

(o) Income tax

Income tax includes tax currently payable and deferred tax. Income tax is recognised in the statement of comprehensive income. The tax currently payable includes a tax estimate (tax liability or tax asset) based on taxable profit or loss for the current period using the tax rates applicable to the balance sheet date, as well as any adjustments to the tax currently payable relating to previous years.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their values for tax purposes. Deferred tax is not calculated from temporary differences in assets and liabilities the initial recognition of which affects neither the accounting profit nor the taxable profit. Deferred tax is not recognised from the initial recognition of goodwill.

The amount of deferred tax is based on the expected realisation or settlement of temporary differences using the tax rates applicable or substantively enacted as at the balance sheet date.

Deferred tax assets and liabilities are mutually offset if there is a legally enforceable right of set-off (offsetting) of the currently payable tax assets and liabilities and they are related to income taxes imposed by the same tax authority on the same entity while there is an intention to settle the currently payable tax assets and liabilities on a net basis; tax assets and liabilities can also be mutually offset if they are realised simultaneously.

Deferred tax assets are only recognised if it is probable that future taxable profits will be available against which those unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent to which it is not probable that the relating tax relief will be utilised.

(p) Foreign currency transactions

Foreign currency transactions are converted into Czech korunas (the functional currency) at the exchange rate applicable to the date of transaction.

Assets and liabilities denominated in foreign currencies are converted into the functional currency at the date of the Financial Statements at the exchange rate applicable to the relevant date.

Exchange differences arising from foreign currency conversions are recognised as gain or loss in the statement of comprehensive income.

(q) Earnings per share

The Company presents the basic indicator of earnings per share for its ordinary shares. The basic indicator of earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Related parties

Related party is a person or entity that is related to the entity preparing the Financial Statements ("reporting entity").

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

- has control or joint control over the reporting entity;

- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to the reporting entity if any of the following conditions applies:

(I) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(II) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

(V) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

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

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

4. Fair Value Measurement

Numerous accounting policies and disclosures of the Company require the fair value measurements of its financial and non-financial assets and liabilities. Fair values were determined for measurement or disclosure purposes using the policies below. More information about the assumptions used in fair value measurements is included, where appropriate, in the items of the Notes applicable to the specific asset or liability.

(a) Intangible assets

The fair value of intangible assets recognised as the result of a merger by integration is based on the discounted cash flows that are expected to flow from the use and, where applicable, sale of those assets.

(b) Non-derivative financial assets

The fair value of non-current trade and other receivables is measured as the present value of future cash flows discounted at market interest rate as at the balance sheet date.

(c) Non-derivative financial liabilities

The fair value determined in order to present non-current trade payables is calculated according to the present value of future cash flows from principals and interests discounted at market interest rate as at the balance sheet date. The market interest rate for finance lease is determined according to similar lease arrangements.

(d) Derivative financial liabilities

The fair value of the option to buy the remaining ownership interest in GTECH Czech Republic LLC. was determined on the basis of an expert valuation as at the date of purchase of the SAZKA business as a non-current liability from financial instruments (see item 16).

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5. Merger by Integration as at 1 January 2013

A merger by integration, of BQV Czech, a.s., PFQ Czech, a.s., and PDH Czech, a.s. (the companies being acquired), into SAZKA sázková kancelář, a.s. (the acquiring company), with 1 January 2013 as the relevant date of merger, was entered into the Commercial Register on 1 July 2013.

Impact of the merger by integration on the Statement of Financial Position as at 1 January 2013	Notes item	SAZKA sázková kancelář, a.s. as at 31/12/2012	Companies being acquired as at 31/12/2012	Merger by integration	SAZKA sázková kancelář, a.s. as at 01/01/2013
ASSETS					
Intangible non-current assets	12	2,102,339	--	--	2,102,339
Goodwill	12	--	--	9,636,122	9,636,122
Tangible non-current assets (property, plant, and equipment)	13	682,650	--	--	682,650
Investments in businesses with significant influence	15	106,607	10,258,801	-10,258,801	106,607
Other non-current financial investments	16	42,199	--	--	42,199
Long-term loans made to affiliated businesses	18	482,475	5,323,589	-482,475	5,323,589
Non-current trade receivables and other non-current receivables	19	62,006	--	--	62,006
Deferred tax asset	17	--	--	--	--
Total non-current assets		**3,478,276**	**15,582,390**	**-1,105,154**	**17,955,512**
Inventories		8,904	--	--	8,904
Current trade receivables and other current receivables	19	134,815	--	--	134,815
Current portion of long-term loans made to affiliated businesses		--	70	-70	--
Cash and cash equivalents	21	674,722	7,972	--	682,694
Assets held for sale	14	48,800	--	--	48,800
Total current assets		**867,241**	**8,042**	**-70**	**875,213**
Total assets		**4,345,517**	**15,590,432**	**-1,105,224**	**18,830,725**

SAZKA sázková kancelá, a.s.
Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position (continued)	**Notes item**	**SAZKA sázková kancelář, a.s. as at 31/12/2012**	**Companies being acquired as at 31/12/2012**	**Merger by integration**	**SAZKA sázková kancelář, a.s. as at 01/01/2013**
LIABILITIES					
Equity					
Share capital	22	450,000	6,000	-6,000	450,000
Share premium		1,500	--	-1,500	--
Capital funds and other funds	22	974,139	802,306	-1,322,606	453,839
Profit or loss for previous years and current period	22	-278,440	-16,356	707,427	412,631
Total equity		**1,147,199**	**791,950**	**-622,679**	**1,316,470**
Payables					
Non-current portion of bank loans and other borrowings	23	1,144,416	5,055,045	-482,475	5,716,986
Non-current trade payables and other non-current payables	24	84,235	--	--	84,235
Non-current payables from financial instruments	16	46,663	--	--	46,663
Deferred tax liability	17	54,577	--	--	54,577
Total non-current liabilities		**1,329,891**	**5,055,045**	**-482,475**	**5,902,461**
Current portion of bank loans and other borrowings	23	575,591	97,670	-70	673,191
Current trade payables and other current payables	24	785,568	9,645,767	--	10,431,335
Liability arising from income tax due	11	165,345	--	--	165,345
Current provisions	25	341,923	--	--	341,923
Total current liabilities		**1,868,427**	**9,743,437**	**-70**	**11,611,794**
Total liabilities		**3,198,318**	**14,798,482**	**-482,545**	**17,514,255**
Total equity and liabilities		**4,345,517**	**15,590,432**	**-1,105,224**	**18,830,725**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

6. Revenues

	2013	2012
Revenue from lottery and betting activities	**3,638,522**	**3,046,691**
Revenue from receipts	**7,793,610**	**6,203,595**
Revenue from lotteries	7,199,376	5,885,843
Revenue from odds bets	594,234	317,752
Prizes	**-4,155,088**	**-3,156,904**
Prizes from lotteries	-3,601,168	-2,865,680
Prizes from odds bets	-553,920	-291,224
Revenue from other activities	**216,506**	**217,539**
Net revenue	**3,855,028**	**3,264,230**

The Company generates all revenues in the Czech Republic.

7. Costs of Sales

	2013	2012
Costs of revenue from lottery and betting activities	**-1,549,601**	**-1,342,353**
Fees for services	**-837,320**	**-685,031**
Fees to partners	-412,037	-334,016
Fees to system providers	-425,283	-351,015
Lottery tax	**-687,374**	**-641,045**
Other costs of revenue from lottery and betting activities	**-24,907**	**-16,277**
Costs of revenue from other activities	**-119,321**	**-112,249**
Fees for services	**-113,886**	**-106,799**
Fees to partners	-91,121	-85,264
Fees to system providers	-22,765	-21,235
Other costs of revenue from other activities	**-5,435**	**-5,450**
Costs of sales	**-1,688,922**	**-1,454,602**

The largest portion of the costs is directly attributable to revenue from lottery and betting activities.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

8. Operating expenses

In its statement of comprehensive income, the Company presents a classification of operating expenses by function. A classification of operating expenses by nature is specified below:

	2013	2012
Operating expenses	**-976,917**	**-1,145,274**
Personnel expenses	**-222,427**	**-198,432**
Depreciation and amortisation	-54,330	-93,135
Advertising, promotion and other relating expenses	-312,986	-297,559
Unclaimed VAT	-192,348	-167,259
Loss on sale of assets (expenses less revenues) 1)	-1,074	-215,355
Other 2)	-193,752	-173,534

1) The loss on sale of assets in 2012 predominantly includes the loss on the plots of land sold for CZK 213,808 thousand in the cadastral sections of Libeň and Vysočany (see item 13).

2) Other operating expenses primarily include expenses on consultancy and legal services, real estate transfer tax, electricity and gas consumption, employee training and servicing of information technology and software.

	2013		2012	
Personnel expenses	**Employees**	**Managers**	**Employees**	**Managers**
Payroll expenses	-125,699	-47,081	-104,815	-43,595
Remuneration of Members of Company Bodies	-179	--	-360	--
Social security and health insurance expenses	-33,350	-12,775	-34,842	-12,237
Other social expenses	-3,343	--	-2,067	-516
Total	**-162,571**	**-59,856**	**-142,084**	**-56,348**
Average number of staff	**243**	**40**	**266**	**39**

Members of the Board of Directors and the Supervisory Board as well as other Members of the Company Management received no loans or borrowings from the Company in 2012 and 2013. Managers can use company vehicles according to regulations defined by internal rules.

9. Remuneration of Statutory Auditors

This information is included in the Notes to the Consolidated Financial Statements prepared at a consolidated level, where the Company is included.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

10. Finance Income and Costs

	2013	2012
Interest receivable	**220,491**	**7,156**
Bank interest	3,430	2,806
Interest on loans receivable	217,061	4,350
Interest payable	**-420,176**	**-137,277**
Interest on bank loans	-199,736	-43,795
Interest on finance lease	-146	-461
Other interest	-220,294	-93,021
Other finance income	**14,120**	**55,794**
Profit (+) / loss (-) on foreign exchange transactions	-636	14
Income from securities held (dividends) 1)	--	52,290
Other finance income 2)	14,756	3,490
Financial profit or loss	**-185,565**	**-74,327**

1) In December 2012, SAZKA sázková kancelář, a.s. received CZK 52,290 thousand in dividends from GTECH Czech Republic LLC.

2) Other finance income for 2013 primarily includes income from current receivables due from financial instruments based on debt securities – held-to-maturity bills of exchange under an investment agreement entered into with KKCG Structured Finance Limited (see item 20).
Other finance income for 2012 primarily includes the profit of CZK 3,486 thousand arising from the cessation of operations by subsidiary BUSINESS CENTRE SERVICE a.s., by liquidation as at 7 December 2012.

11 Income Tax

	2013	2012
Income tax	**-196,440**	**-184,323**
Income tax currently payable	-124,334	-165,345
Deferred income tax	-72,106	-18,978

Deferred tax is calculated using applicable tax rates that are also expected to apply in the period when the asset is realised or the liability settled. Under Czech legislation, the corporate income tax is 19% for the fiscal years 2012, 2013 and 2014.

The income tax currently payable includes a tax estimate of CZK 124,077 thousand for the 2013 taxable period (CZK 165,345 thousand for 2012) and a tax estimate update of CZK 257 thousand for the 2012 taxable period.

The 2013 statement of financial position lowered the estimated income tax of CZK 124,077 thousand (CZK 165,345 thousand in 2012) by the advance payments of income tax made in the amount of CZK 78,880 thousand (CZK 0 thousand in 2012) and the final liability was presented in the Income tax liability currently payable.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Reconciliation of effective tax rate

Reconciliation of effective tax rate

		2013		2012
Profit before tax		**1,030,547**		**738,389**
Income tax using the applicable domestic tax rate	19.00%	-195,804	19.00%	-140,294
Loss on sale of land	--	--	5.50%	-40,623
Non-tax interest expense	--	--	0.37%	-2,742
Other tax-ineffective items	0.06%	-636	0.09%	-664
Income tax recognised in statement of comprehensive income	**19.06%**	**-196,440**	**24.96%**	**-184,323**

12. Intangible Assets (Including Goodwill)

2012	Valuable rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost					
Balance at 1 January 2012	**1,966,195**	**102,946**	**63,603**	**--**	**2,132,744**
Additions	--	33,178	--	--	33,178
Disposals	--	-161	-5,782	--	-5,943
Balance at 31 December 2012	**1,966,195**	**135,963**	**57,821**	**--**	**2,159,979**
Accumulated amortisation					
Balance at 1 January 2012	**--**	**--**	**--**	**--**	**--**
Amortisation	--	-57,640	--	--	-57,640
Disposal allowances	--	--	--	--	--
Balance at 31 December 2012	**--**	**-57,640**	**--**	**--**	**-57,640**
Net book value at 1 January 2012	**1,966,195**	**102,946**	**63,603**	**--**	**2,132,744**
Net book value at 31 December 2012	**1,966,195**	**78,323**	**57,821**	**--**	**2,102,339**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

2013	Valuable rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost					
Balance at 31 December 2012	**1,966,195**	**135,963**	**57,821**	**--**	**2,159,979**
Effect of merger by integration	--	--	--	9,636,122	**9,636,122**
Balance at 1 January 2013	**1,966,195**	**135,963**	**57,821**	**9,636,122**	**11,796,101**
Additions	167	8,342	--	--	**8,509**
Disposals	--	--	--	--	--
Balance at 31 December 2013	**1,966,362**	**144,305**	**57,821**	**9,636,122**	**11,804,610**
Accumulated amortisation					
Balance at 1 January 2013	**--**	**-57,640**	**--**	**--**	**-57,640**
Amortisation	-976	-29,710	--	--	-30,686
Disposal allowances	--	--	--	--	--
Balance at 31 December 2013	**-976**	**-87,350**	**--**	**--**	**-88,326**
Net book value at 1 January 2013	**1,966,195**	**78,323**	**57,821**	**9,636,122**	**11,738,461**
Net book value at 31 December 2013	**1,965,386**	**56,955**	**57,821**	**9,636,122**	**11,716,284**

Intangible non-current assets are predominantly composed of valuable rights, software and goodwill. Goodwill of CZK 9,636,122 thousand arose from merger by integration on 1 January 2013 (see item 5).

As at 31 December 2013 and 31 December 2012, trademarks were encumbered with a lien. Trademarks of the total value of CZK 1,874,619 thousand are presented in the group Valuable rights.

The greatest additions to intangible non-current assets in 2012 included, in particular, modifications to the corporate ERP of the SAP system as well as modifications to the BetSYS online betting software.

The amortisation of intangible assets is presented in operating expenses in the statement of comprehensive income.

Intangible non-current assets with indefinite useful lives, goodwill and impairment testing

During 2013, in accordance with IAS 36, the Company tested goodwill and intangible non-current assets with indefinite useful lives, i.e. trademarks and lottery operator's licence, for impairment. The impairment is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill and other non-amortisable assets belong, based on their value in use, reflecting the estimated future discounted cash flows. The value in use is derived from the estimated future cash flows (these estimates are prepared and updated by the Management). The discount rates applied to the expected cash flows are calculated as the weighted average cost of capital (WACC) of each cash-generating unit. The cash flow outlook was prepared according to the specific expected operating results and according to a 5-year business plan applicable until the end of 2018, which continues with perpetuity from which what is known as the terminal value is calculated.

The final realisable value, calculated on the basis of the value in use, exceeded the carrying amount of total assets less current operating liabilities, and this led to the conclusion that the recognition of impairment of the relevant tested assets was unnecessary as at 31 December 2013. In addition, the Company Management conducted a sensitive analysis of the factors entering into the calculation of value in use and, given the foreseeable movements of the relevant factors, the carrying amounts of goodwill and intangible assets with indefinite useful lives should not decrease either.

Licence analogy was used as a supporting method of the impairment testing of trademarks, with the calculated savings in licence fee compared to marketing costs and to the costs of maintaining the brand's position. The outlook was again prepared according to a 5-year business plan applicable until the end of 2018, continuing with perpetuity in order to calculate what is known as the terminal value. The net licence fees after tax were again discounted at the weighted average cost of capital (WACC).

The final discounted value exceeded the carrying amount of trademarks and this supported the conclusion that the recognition of impairment of the trademarks was unnecessary as at 31 December 2013. In addition, the Company Management conducted a sensitive analysis of the factors entering into the calculation of fair value of trademarks and, given the foreseeable movements of relevant factors, the carrying amounts of trademarks should not decrease.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

13. Tangible Non-current Assets

2012	Land – owned	Buildings and structures – owned	Machinery, apparatus and equipment – owned	Machinery, apparatus and equipment – leased	Other tangible assets	Total
Acquisition cost						
Balance at 1 January 2012	**233,470**	**547,466**	**30,062**	**7,076**	**32,789**	**850,863**
Additions	127,648	2,044	32,410	607	140	162,849
Disposals	-259,155	-35,107	-2,680	--	--	-269,942
Balance at 31 December 2012	**101,963**	**514,403**	**59,792**	**7,683**	**32,929**	**716,770**
Accumulated depreciation						
Balance at 1 January 2012	**--**	**--**	**--**	**--**	**--**	**--**
Depreciation	--	-9,883	-20,163	-4,074	--	-34,120
Disposal allowances	--	--	--	--	--	--
Balance at 31 December 2012	**--**	**-9,883**	**-20,163**	**-4,074**	**--**	**-34,120**
Net book value at 1 January 2012	**233,470**	**547,466**	**30,062**	**7,076**	**32,789**	**850,863**
Net book value at 31 December 2012	**101,963**	**504,520**	**39,629**	**3,609**	**32,929**	**682,650**

2013	Land – owned	Buildings and structures – owned	Machinery, apparatus and equipment – owned	Machinery, apparatus and equipment – leased	Other tangible assets	Tangible assets being acquired	Total
Acquisition cost							
Balance at 31 December 2012	**101,963**	**514,403**	**59,792**	**7,683**	**32,929**	**--**	**716,770**
Effect of merger by integration	--	--	--	--	--	--	--
Balance at 1 January 2013	**101,963**	**514,403**	**59,792**	**7,683**	**32,929**	**--**	**716,770**
Additions	--	--	8,532	--	470	1,230	10,232
Disposals	--	--	-6,264	-754	--	--	-7,018
Balance at 31 December 2013	**101,963**	**514,403**	**62,060**	**6,929**	**33,399**	**1,230**	**719,984**
Accumulated depreciation							
Balance at 1 January 2013	**--**	**-9,883**	**-20,163**	**-4,074**	**--**	**--**	**-34,120**
Depreciation	--	-10,145	-10,547	-2,589	--	--	-23,281
Disposal allowances	--	--	6,264	--	--	--	6,264
Balance at 31 December 2013	**--**	**-20,028**	**-24,446**	**-6,663**	**--**	**--**	**-51,137**
Net book value at 1 January 2013	**101,963**	**504,520**	**39,629**	**3,609**	**32,929**	**--**	**682,650**
Net book value at 31 December 2013	**101,963**	**494,375**	**37,614**	**266**	**33,399**	**1,230**	**668,847**

The greatest additions to tangible non-current assets in 2013 included the equipment of the drawing studio for CZK 5,605 thousand.

The greatest additions to tangible non-current assets in 2012 included tangible assets acquired as part of the assets purchased from BUSINESS CENTRE SERVICE a.s., v likvidaci (in liquidation).

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Land additions of CZK 127,648 thousand, due to the termination of an agreement to sell land to Občanské sdružení Zelený ostrov and the return of the land to the Company, were recognised in 2012.

The greatest disposals of tangible non-current assets in 2013 included the original equipment of the drawing studio and information technology. The greatest disposals of tangible non-current assets in 2012 included the sales of land in the Libeň and Vysočany cadastral sections, including the aforementioned returned land, as well as the land and buildings of regional centres.

As at 31 December 2013 and 31 December 2012, the Company reports no significant tangible and intangible non-current assets not presented in its balance sheet.

As at 31 December 2013 and 31 December 2012, the registered office building of SAZKA sázková kancelář, a.s., located at K Žižkovu 851, Prague 9, including adjacent land, was encumbered with a lien. The net book value of that building, including adjacent land, is CZK 596,338 thousand and corresponds to the net book value in the groups Land – owned and Buildings and structures – owned.

Leased machinery, apparatus and equipment include, in particular, drawing machines, which the Company acquires through finance lease.

OPERATING LEASE

Operating lease as at 31 December 2013

Item leased	Type of arrangement	Expiry of the arrangement	Within 1 year	Future lease payments: 1-5 years	More than 5 years
Terminals (1)	Indefinite period	31/12/2022	n/a*	n/a*	n/a*
Vehicles (2)	Indefinite period	31/10/2014	7,526	--	--
IT (3)	Indefinite period	31/05/2015	4,371	1,182	--
Reprographic equipment	Indefinite period	30/06/2014	357	--	--

*depending on turnover achieved

Operating lease as at 31 December 2012

Item leased	Type of arrangement	Expiry of the arrangement	Within 1 year	Future lease payments: 1-5 years	More than 5 years
Terminals (1)	Indefinite period	31/12/2022	n/a*	n/a*	n/a*
Vehicles (2)	Indefinite period	31/10/2014	12,330	412	--
IT (3)	Indefinite period	31/05/2015	11,469	5,482	--
Reprographic equipment	Indefinite period	30/06/2014	785	357	--

*depending on turnover achieved

(1) The total costs relating to this lease were CZK 152,098 thousand for 2013 (CZK 123,057 thousand for 2012).
(2) The costs of vehicle leases were CZK 14,627 thousand in 2013 (CZK 14,487 thousand in 2012).
(3) IT costs were CZK 11,221 thousand in 2013 (CZK 15,474 thousand in 2012).

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14. Assets Held for Sale

	31/12/2013	31/12/2012	01/01/2012
Land held for sale according to IFRS 5	**447**	**1,761**	**2,495**
Regional Centre of České Budějovice	--	284	284
Regional Centre of Hradec Králové	--	--	734
Regional Centre of Jablonec and Nisou	--	78	78
Regional Centre of Ostrava – Stará Bělá	--	609	609
Rabštejn château and monastery	447	790	790

	31/12/2013	31/12/2012	01/01/2012
Buildings and structures held for sale according to IFRS 5	**15,911**	**47,039**	**52,805**
Regional Centre of České Budějovice	--	6,216	6,216
Regional Centre of Hradec Králové	--	--	5,766
Regional Centre of Jablonec and Nisou	--	2,422	2,422
Regional Centre of Ostrava – Stará Bělá	--	4,191	4,191
Rabštejn château and monastery	15,911	34,210	34,210

As at 31 December 2013, the Company reported real estate held for sale (land, buildings and structures) for a total of CZK 16,358 thousand (CZK 48,800 thousand as at 31 December 2012; CZK 55,300 thousand as at 1 January 2012).

Land and buildings of the Regional Centre of Hradec Králové for a total of CZK 6,500 thousand were sold in December 2012.

Buildings of Regional Centres, including relevant land, in České Budějovice, Jablonec nad Nisou, Ostrava – Stará Bělá as well as the château in Rabštejn were sold during 2013.

15. Investments in Businesses with Significant Influence

		31/12/2013	01/01/2013	31/12/2012	01/01/2012
Investments in businesses with significant influence	**Equity interest (%)**	**106,607**	**106,607**	**106,607**	**543,882**
KPS MEDIA a.s.	100%	88,007	88,007	88,007	88,007
SPORTLEASE a.s.	100%	18,600	18,600	18,600	18,600
SAZKA INTERNATIONAL* 4)	100%	--	--	--	--
BUSINESS CENTRE SERVICE a.s. 1)	100%	--	--	--	61,014
KOLBY a.s. 3)	99.94%	--	--	--	46,261
Agro Tera, a.s. 2)	100%	--	--	--	176,500
ARKADIA, a.s. 2)	100%	--	--	--	153,500

* The equity interest of the aforementioned company is valued at zero.

1) BUSINESS CENTRE SERVICE a.s. ceased operations with liquidation as at 7 December 2012 and was deleted from the Commercial Register on 26 April 2013. The relating profit of CZK 3,486 thousand was recognised in the financial result.

2) 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. 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 purchase price was subsequently paid in January 2012.

   The selling prices of those financial investments corresponded to their respective carrying values as at 1 January 2012, i.e. the Company made neither profit nor loss on selling those investments.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

3) 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 by SAZKA sázková kancelář, a.s. in that subsidiary.

   The selling price of that financial investment corresponded to its carrying value as at 1 January 2012, i.e. the Company made neither profit nor loss on selling that investment.

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

Investments in businesses with significant influence	Equity interest (%)	Total profit for 2013	Equity as at 31/12/2013	Total profit for 2012	Equity as at 31/12/2012	Equity as at 01/01/2012
KPS MEDIA a.s.	100%	2,476	89,842	2,679	87,366	84,687
SPORTLEASE a.s.	100%	685	18,415	355	17,730	17,375
SAZKA INTERNATIONAL*	100%	--*)	--*)	--*)	--*)	--*)
BUSINESS CENTRE SERVICE a.s.	100%	--	--	--	--	58,648
KOLBY a.s.	99.94%	--	--	--	--	40,872
Agro Tera, a.s.	100%	--	--	--	--	325,016
ARKADIA, a.s.	100%	--	--	--	--	475,697

*) Data not available as at the date of preparation of the Financial Statements.

The above data was taken from the Financial Statements reviewed by an auditor and prepared in accordance with Czech Accounting Regulations.

16. Other Non-current Financial Investments

The Company holds an equity interest in GTECH Czech Republic LLC., comprising a 63% share. The equity interest in GTECH Czech Republic LLC. is classified as Other non-current financial investment, and was measured at CZK 42,199 thousand as at the date of purchase of the business (CZK 42,199 thousand in 2012). The reason for classifying this equity interest in Other non-current financial investments is that, although SAZKA sázková kancelář, a.s. is a majority owner of GTECH Czech Republic LLC., the Agreement of Association provides that the Company, as a majority owner, does not control possible dividend payments, and the transferability of its ownership interest is also restricted. In addition, the management control of that entity is delegated to GTECH Corporation.

In December 2012, SAZKA sázková kancelář, a.s. received CZK 52,290 thousand in dividends from GTECH Czech Republic LLC.

In the context of the equity interest in GTECH Czech Republic LLC., the remaining interest in that company, i.e. 37%, should be bought on 31 December 2022 according to an option granted.

The liability arising from this derivative at the fair value of CZK 47,509 thousand (CZK 46,663 thousand in 2012) relating to the commitment to buy a 37% interest in GTECH Czech Republic LLC., based on the valuation as at the date of purchase of the SAZKA business, is presented as Non-current liability from financial instruments. The nominal value of the option is CZK 55,122 thousand (US$3 million).

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17. Deferred Tax Assets and Liabilities

The following deferred tax assets and liabilities and their year-on-year changes were recognised as at 31 December 2013, at 31 December 2012 and at 1 January 2012:

	31/12/2013	31/12/2012	01/01/2012	31/12/2013	31/12/2012	01/01/2012	31/12/2013	31/12/2012	01/01/2012
	Assets			Liabilities			Net		
Deferred tax liability (-)	**--**	**--**	**--**	**-126,683**	**-54,577**	**-35,599**	**-126,683**	**-54,577**	**-35,599**
Non-current assets	--	--	--	-153,524	-103,626	-51,589	-153,524	-103,626	-51,589
Current provisions	25,588	46,432	11,841	--	--	--	25,588	46,432	11,841
Tax losses	--	2,617	4,181	--	--	--	--	2,617	4,181
Other temporary differences	2,752	--	10	-1,499	--	-42	1,253	--	-32
Deferred tax assets and liabilities measured	28,340	49,049	16,032	-155,023	-103,626	-51,631	-126,683	-54,577	-35,599
Offsetting of deferred tax asset and liability	-28,340	-49,049	-16,032	28,340	49,049	16,032	--	--	--

	01/01/2012	2012	31/12/2012	2013	31/12/2013
	Deferred tax liability	Recognised in profit or loss	Deferred tax liability	Recognised in profit or loss	Deferred tax liability
Deferred tax asset (+) / liability (-)	**-35,599**	**-18,978**	**-54,577**	**-72,106**	**-126,683**
Non-current assets	-51,589	-52,037	-103,626	-49,898	-153,524
Current provisions	11,841	34,591	46,432	-20,844	25,588
Tax losses	4,181	-1,564	2,617	-2,617	--
Other temporary differences	-32	32	--	1,253	1,253

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18. Long-term Loans Made to Affiliated Businesses

As a result of the merger by integration as at 1 January 2013, the Company reported a loan made to KKCG SE. The balance of CZK 5,323,589 thousand was composed of the principal of CZK 5,310,000 thousand and accrued interest of CZK 13,589 thousand. In 2013, SAZKA sázková kancelář, a.s. earned interest income on that loan made to KKCG SE in the amount of CZK 217,061 thousand (see item 29).

The total loan of CZK 5,540,650 thousand made to KKCG SE, including the principal and interest accrued until the set-off period, was, under the Agreement to Set Off Receivables between SAZKA sázková kancelář, a.s., and KKCG SE, set off against KKCG SE's receivable of CZK 9,635,000 thousand due from SAZKA sázková kancelář, a.s., based on the payment of the purchase price for 100% of the shares of the merged company BQV Czech, a.s.

The remaining CZK 4,094,350 thousand was paid to KKCG SE in the amount of CZK 1,000,000 thousand from the cash acquired by an increase in other capital funds (see item 22). CZK 3,094,350 thousand was converted into a long-term loan made by KKCG SE (see item 23).

In December 2012, SAZKA sázková kancelář, a.s. made a loan to its sole shareholder, PFQ Czech, a.s. The balance of CZK 482,475 thousand as at 31 December 2012 was composed of the principal of CZK 482,385 thousand and accrued interest of CZK 90 thousand. This loan was excluded as part of the merger by integration as at 1 January 2013.

19. Trade and Other Receivables

Non-current receivables include advances and security deposits made and due longer than in the subsequent twelve months from the balance sheet date.

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Non-current trade receivables and other non-current receivables	**43,994**	**62,006**	**62,006**	**66,944**
Non-current advances and security deposits made	43,600	61,000	61,000	65,500
Non-current deferred expenses	394	1,006	1,006	1,444

The amount of non-current advances and security deposits made is CZK 43,600 thousand (CZK 61,000 thousand in 2012) and the only item classified here as at 31 December 2013 as well as 31 December 2012 is the receivable due from Telefónica Czech Republic, a.s., based on a security deposit paid for the transfer of receipts for the GSM top-up service.

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Current trade receivables and other current receivables	**78,628**	**134,815**	**134,815**	**927,371**
Current trade receivables 1)	42,718	121,337	121,337	438,115
Current trade receivables – impairment (allowance)	--	-29	-29	--
Current advances and security deposits made	13,944	1,678	1,678	597
Receivables due from employees	163	385	385	993
Other current receivables 2)	--	--	--	478,896
Current deferred expenses	21,803	11,444	11,444	8,770

1) An important part of trade receivables as at 1 January 2012 was the receivables of CZK 203,818 thousand due from BESTSPORT akciová společnost, which were assigned to LINDUS SERVICE LIMITED during November 2012.

2) The balance of the other receivables as at 1 January 2012 was primarily composed of the advance payment of the 2011 proceeds of CZK 382,718 thousand made to Občanské sdružení Zelený ostrov.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

20. Current Receivables due from Financial Instruments

Current receivables of CZK 200,065 thousand from financial instruments comprise a receivable due from KKCG Structured Finance Limited based on debt securities – held-to-maturity bills of exchange under an investment agreement entered into with KKCG Structured Finance Limited, Cyprus.

These receivables are not classified as part of cash equivalents for the purposes of cash flow statement.

21. Cash and Cash Equivalents

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Cash and cash equivalents	**487,257**	**682,694**	**674,722**	**160,366**
Cash	5,432	4,179	4,162	5,158
Bank accounts	481,825	678,515	670,560	155,208

The Company's cash of CZK 10,259 thousand is blocked in the account managed by Česká spořitelna, a.s. for the prize fund purposes.

22. Equity

Share Capital and Share Premium

The Company's share capital is composed of 4,500 ordinary registered shares in certificated form with a face value of CZK 100 thousand. No changes to the Company's share capital were made in 2012 and 2013.

Statutory Reserves

Under Czech legislation applicable until 31 December 2013, a joint-stock company was obliged to transfer 20% of its profit after tax (but no more than 10% of its share capital) to statutory reserves for the first year in which it generated net profit. In subsequent years, these reserves were annually replenished by at least 5% of the net profit determined according to Czech Accounting Standards until the reserves reached 20% of the share capital. Statutory reserves could only be used for the settlement of outstanding losses brought forward from previous years.

On 24 June 2013, the sole shareholder of the Company decided to allocate CZK 45,000 thousand to reserves. However, in accordance with the project of merger by integration, this amount was recognised in the profit or loss for previous years.

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 by a voluntary additional contribution above and beyond the Company's share 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 by a voluntary additional contribution above and beyond the Company's share capital.

In accordance with the conversion project, as part of the merger by integration as at 1 January 2013, the other capital funds were used for covering outstanding losses brought forward (see item 5).

Under the "Agreement on Additional Contribution to Other Capital Funds" entered into on 19 September 2013 between PGQ Czech Republic, a.s., and SAZKA sázková kancelář, a.s., the shareholder paid up the additional contribution of CZK 1,000,000 thousand on 20 September 2013.

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Earnings per Share

Profit attributable to holders of ordinary shares (thousands of CZK)

	2013	2012
Net profit attributable to holders of ordinary shares	834,107	554,066
Net profit attributable to holders of ordinary shares	**834,107**	**554,066**

Weighted average number of ordinary shares for 2013

	Number of shares	Weight	Weighted average	Weighted average
Ordinary shares issued as at 1 January	4,500	1	4,500	4,500
Newly issued shares	--			
Ordinary shares issued as at 31 December	4,500	1	4,500	4,500
Weighted average number of ordinary shares as at 31 December	4,500	1	4,500	4,500
Basic earnings per share for the year (CZK)			**185,357**	**123,126**
Diluted earnings per share for the year (CZK)			**185,357**	**123,126**

23. Loans

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Non-current portion of bank loans and other borrowings	**8,415,333**	**5,719,986**	**1,144,416**	**3,482**
Long-term bank loans and borrowings received – principal	3,417,676	4,096,760	1,144,360	--
Long-term loans and borrowings received from affiliated businesses – principal	4,771,312	1,613,000	--	--
Long-term loans and borrowings received from affiliated businesses – interests	226,345	7,170	--	--
Long-term liability from finance lease	--	56	56	3,482

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Current portion of bank loans and other borrowings	**679,566**	**673,191**	**575,591**	**3,506,398**
Short-term bank loans and borrowings received – principal	668,238	669,780	572,180	--
Short-term bank loans and borrowings received – interests	11,331	--	--	--
Short-term loans and borrowings received from affiliated businesses – principal	--	--	--	3,502,492
Short-term liability from finance lease	-3	3,411	3,411	3,906

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Bank Loans and Borrowings

The Company reported the following loans as at 31 December 2013:

Type of loan	Interest rate	2013 interest payable	Maturity	Balance at 31/12/2013	Due within 1 year	Due between 1 and 5 years
Bank loan A – KB, ČS, ČSOB, UniCredit – principal	3.25% + 1M PRIBOR	55,892	18/12/2017	1,200,000	300,000	900,000
Balance at 31/12/2013 adjusted for transaction costs and interests		**55,892**		**1,178,846**	**290,370**	**888,476**
Bank loan B – KB, ČS, ČSOB, UniCredit – principal	3.65% + 1M PRIBOR	86,525	06/12/2018	1,952,400	390,400	1,562,000
Balance at 31/12/2013 adjusted for transaction costs and interests		**86,525**		**1,919,922**	**377,868**	**1,542,054**
Bank loan B – KB, ČS, ČSOB, UniCredit – principal	3.50% + 1M PRIBOR	38,693	06/12/2018	1,000,000	--	1,000,000
Balance at 31/12/2013 adjusted for transaction costs and interests		**38,693**		**987,146**	**--**	**987,146**

Liabilities based on outstanding interest of CZK 11,331 thousand were recognised in respect of the aforementioned bank loans as at 31 December 2013.

As part of the merger by integration as at 1 January 2013, the Company recognised a syndicated loan from ČS, ČSOB and KB (bank loan B) totalling CZK 3,050,000 thousand (of which CZK 2,952,400 thousand was the non-current portion and CZK 97,600 thousand was the current portion).

On 21 January 2013, the syndicate expanded to include UniCredit, with no impact on the amount of the loans.

A lien on trademarks (see item 12), on Company's building and adjacent land (see item 13), on Company's shares and on insurance indemnity receivables is tied to those loans.

The Company reported the following loan as at 31 December 2012:

Type of loan	Interest rate	2012 interest payable	Maturity	Balance at 31/12/2012	Due within 1 year	Due between 1 and 5 years
Bank loan A – KB, ČS, ČSOB – principal	3.45% + 1M PRIBOR	43,795	18/12/2017	1,800,000	600,000	1,200,000
Balance at 31/12/2012 adjusted for transaction costs and interests		**43,795**		**1,716,540**	**572,180**	**1,144,360**

As the final shareholder of SAZKA sázková kancelář, a.s. changed as at 18 December 2012, an amendment governing the rights and obligations in 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 CZK 1,800 thousand in principal, and this amount remained unchanged. The changes applied to the payment method and interest rate on the loan.

Under the terms and conditions of the aforementioned loan agreements, the Company has to meet specified financial indicators, which include debt coverage ratio, debt service coverage ratio, and debt-to-equity ratio. The Company met these financial indicators as at 31 December 2013 as well as 31 December 2012.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Loans Received from Related Parties

The Company reported the following loans from related parties as at 31 December 2013:

31/12/2013	Maturity	Interest rate	Principal balance at 31/12/2013	Principal due within 1 year	Principal due between 1 and 5 years	Principal due in more than 5 years
KKCG SE	19/10/2019	8.5%	3,094,350	--	--	3,094,350
KKCG Structured Finance Limited	04/01/2019	8.5%	1,676,962	--	--	1,676,962
Total			**4,771,312**	**--**	**--**	**4,771,312**

Liabilities based on outstanding interest of CZK 226,345 thousand were reported in respect of the aforementioned loans as at 31 December 2013.

A loan from KKCG Structured Finance Limited, totalling CZK 1,613,000 thousand, passed to the Company as part of the merger by integration as at 1 January 2013.

01/01/2013	Maturity	Interest rate	Principal balance at 01/01/2013	Principal due within 1 year	Principal due between 1 and 5 years	Principal due in more than 5 years
KKCG Structured Finance Limited	14/01/2019	8.5%	1,613,000	--	1,613,000	--
Total			**1,613,000**	**--**	**1,613,000**	**--**

Liabilities based on outstanding interest of CZK 7,170 thousand were reported in respect of the aforementioned loan as at 1 January 2013.

The Company drew down a total of CZK 3,810,000 thousand in loans from KKCG SE and PPF Group N.V. to buy the business of SAZKA, a.s. in 2011. The loans were paid up by the end of 2012.

01/01/2012	Maturity	Interest rate	Principal balance at 01/01/2012	Principal due within 1 year
PPF Group N.V.	16/01/2012	4%	25,050	25,050
KKCG SE	16/01/2012	4%	25,050	25,050
PPF Group N.V.	30/09/2012	6%	1,655,000	1,655,000
KKCG SE	30/09/2012	6%	1,655,000	1,655,000
Total			**3,360,100**	**3,360,100**

Liabilities based on outstanding interest of CZK 62,642 thousand were recognised in respect of the aforementioned loans as at 1 January 2012.

As at 1 January 2012, the Company also reported a received short-term loan of CZK 79,750 thousand from ARKADIA, a.s., with which the Company entered into a Loan Agreement 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 based on the aforesaid loan from SAZKA sázková kancelář, a.s. This Agreement came into force in 2012.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

24. Trade and Other Payables

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Non-current trade payables and other non-current payables	**99,975**	**84,235**	**84,235**	**121,496**
Non-current advances and security deposits received	99,975	84,235	84,235	121,496

As at 31 December 2013, the Company reports a non-current liability of CZK 99,975 thousand based on security deposits received (CZK 84,235 thousand as at 31 December 2012, CZK 121,496 thousand as at 1 January 2012).

According to the individual agreements with the providers, these security deposits shall come due after the cessation of operations and the settlement of all liabilities to SAZKA sázková kancelář, a.s. Given that long-term relationships are expected when entering into agreements with providers, these liabilities are recognised as non-current liabilities.

	31/12/2013	01/01/2013	31/12/2012	01/01/2012
Current trade payables and other current payables	**662,772**	**10,431,335**	**785,568**	**825,605**
Current trade payables 1)	255,392	233,850	232,148	543,974
Current advances and security deposits received	412	24	24	8
Payables based on unpaid prizes	148,109	171,503	171,503	82,114
VAT liabilities	5,910	9,662	9,662	8,777
Personal income tax liabilities	3,805	6,142	6,142	2,778
Lottery tax liabilities	94,632	212,410	212,410	--
Other tax liabilities (except corporate income tax, personal income tax, value added tax and lottery tax)	--	903	901	2,145
Social security and health insurance liabilities	4,854	6,088	6,085	5,237
Payables to employees	13,334	14,482	14,458	8,236
Estimated liabilities	81,339	97,438	97,438	118,559
Other current payables 2)	--	9,644,037	1	47
Number lottery subscriptions	54,985	34,796	34,796	53,730

1) Trade payables are items arising from the Company's ordinary course of business, and coming due under payment terms.

2) As a result of the merger by integration as at 1 January 2013, the Company recognised a payable based on the purchase of business interests for CZK 9,635,000 thousand excluded as part of the merger by integration (liability offsetting – see item 18).

Trade and other payables were not secured as at 31 December 2013, 31 December 2012 and 1 January 2012.

The currency risk and liquidity risk to which the Company is exposed in relation to its trade and other payables are described in item 27 of the Notes – Risk Management Policies and Disclosures.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

25. Provisions

Current provisions	Current provision for real-estate transfer tax	Current provision for jackpots	Other current provisions	Total
Balance at 01/01/2012	**28,111**	**143,227**	**4,574**	**175,912**
Creation	22,955	206,391	12,705	241,051
Use	-21,731	-43,355	-4,574	-69,660
Release	-6,380	--	--	-6,380
Balance at 31/12/2012	**22,995**	**306,263**	**12,705**	**341,923**
Balance at 01/01/2013	**22,995**	**306,263**	**12,705**	**341,923**
Creation	--	104,610	32,417	137,027
Use	22,995	-306,263	-12,705	-341,923
Release	--	--	--	--
Balance at 31/12/2013	**--**	**104,610**	**32,417**	**137,027**

26. Contingent Liabilities

The following litigations are being conducted against the Company:

ACTIONS FOR ANNULMENT OF THE COMPANY SALE AGREEMENT

As part of the insolvency proceedings in respect of SAZKA, a.s., four legal actions for annulment of the agreement to sell the business 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., Nova Ljubljanska banka d.d. (previously NLB Factoring a.s.) and Jiří Kabourek, seek an annulment of the agreement by which the SAZKA business was transferred to SAZKA sázková kancelář, a.s. The actions by the three former plaintiffs were rejected. The plaintiffs subsequently appealed. The action by plaintiff Jiří Kabourek is halted until the accusation of the judge's bias is resolved.

ACTION AGAINST UNFAIR COMPETITION

On 12 July 2012, CHANCE, a.s. brought a legal 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. Having changed its prayer for relief, CHANCE subsequently raised the amount of the sought adequate satisfaction to CZK 20,000 thousand. A first instance judgement is expected during the first half of 2014.

COMPANY MANAGEMENT'S POSITION

The Company Management considers all of the aforesaid actions to be ungrounded, and expects that, in view of 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. Hence no provision was created for these disputes.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

27. Risk Management Policies and Disclosures

This section provides a detailed description of the financial and operational risks faced by the Company and how the Company manages them. The most important financial risks to the Company include credit risk and liquidity risk. With the Company being encumbered by loans, credit risk can also be seen as material.

(a) Credit risk

i. Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally as a result of its operations (notably as concerns trade receivables) and as a result its financial activities, including deposits at banks and financial institutions, loans made to third parties, and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure (i.e. if counterparties fail to meet all of their contractual obligations and concurrently it becomes clear that that their guarantees or collaterals are worthless). As concerns cash and cash equivalents, the Company's accounts are managed by prestigious banks, where the Company expects minimum risk.

As at the balance sheet date, the maximum exposure to credit risk by type of counterparty and geographic region is specified in the following tables.

Credit risk by type of counterparty

As at 31 December 2013	**Businesses (non-financial institutions)**	**State, government**	**Financial institutions**	**Individuals**	**Total**
Assets					
Other non-current financial investments	42,199	--	--	--	42,199
Long-term loans made to affiliated businesses	--	--	--	--	--
Trade receivables and other non-current receivables	43,994	--	--	--	43,994
Trade receivables and other current receivables	78,465	--	--	163	78,628
Current receivables from financial instruments	200,065	--	--	--	200,065
Cash and cash equivalents	5,432	--	481,825	--	487,257
Total	**370,155**	**--**	**481,825**	**163**	**852,143**
Liabilities					
Non-current portion of bank loans and other borrowings	4,997,657	--	3,417,676	--	8,415,333
Trade payables and other non-current payables	99,975	--	--	--	99,975
Non-current payables from financial instruments	47,509	--	--	--	47,509
Current portion of bank loans and other borrowings	--	--	679,566	--	679,566
Trade payables and other current payables	337,143	109,201	--	216,428	662,772
Liability arising from income tax due	--	45,197	--	--	45,197
Total	**5,482,284**	**154,398**	**4,097,242**	**216,428**	**9,950,352**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Credit risk by type of counterparty

As at 31 December 2012	Businesses (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Other non-current financial investments	42,199	--	--	--	42,199
Long-term loans made to affiliated businesses	482,475	--	--	--	482,475
Non-current trade receivables and other non-current receivables	62,006	--	--	--	62,006
Current trade receivables and other current receivables	134,430	--	--	385	134,815
Cash and cash equivalents	4,162	--	670,560	--	674,722
Total	**725,272**	**--**	**670,560**	**385**	**1,396,217**
Liabilities					
Non-current portion of bank loans and other borrowings	--	--	1,144,416	--	1,144,416
Non-current trade payables and other non-current payables	84,235	--	--	--	84,235
Non-current payables from financial instruments	46,663	--	--	--	46,663
Current portion of bank loans and other borrowings	--	--	575,591	--	575,591
Current trade payables and other current payables	329,611	235,200	--	220,757	785,568
Liability arising from income tax due	--	165,345	--	--	165,345
Total	**460,509**	**400,545**	**1,720,007**	**220,757**	**2,801,818**

Credit risk by territory

The credit risk to assets and liabilities is located in the Czech Republic and the Republic of Cyprus.

ii. Impairment losses

Age structure of financial assets:

Age structure

As at 31 December 2013	Before maturity	Past due <90 days	Past due 91-180 days	Past due 181-365 days	Past due >365 days	Allowance established	Total
Assets							
Other non-current investments	42,199	--	--	--	--	--	42,199
Long-term loans made to affiliated businesses	--	--	--	--	--	--	--
Trade receivables and other non-current receivables	43,994	--	--	--	--	--	43,994
Trade receivables and other current receivables	73,021	2,011	79	277	3,240	--	78,628
Current receivables from financial instruments	200,065	--	--	--	--	--	200,065
Cash and cash equivalents	487,257	--	--	--	--	--	487,257
Total	**846,536**	**2,011**	**79**	**277**	**3,240**	**0**	**852,143**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Age structure

As at 31 December 2012	Before maturity	Past due <90 days	Past due 91-180 days	Past due 181-365 days	Past due >365 days	Allowance established	Total
Assets							
Other non-current financial investments	42,199	--	--	--	--	--	42,199
Long-term loans made to affiliated businesses	482,475	--	--	--	--	--	482,475
Non-current trade receivables and other non-current receivables	62,006	--	--	--	--	--	62,006
Current trade receivables and other current receivables	96,141	32,169	910	575	5,049	-29	134,815
Current receivables from financial instruments	--	--	--	--	--	--	--
Cash and cash equivalents	674,722	--	--	--	--	--	674,722
Total	**1,357,543**	**32,169**	**910**	**575**	**5,049**	**-29**	**1,396,217**

The Company Management believes that the amounts which are not affected by impairment and are past due are still recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company Management minimises liquidity risk (i.e. the risk of the lack of cash to cover its liabilities) by continuously managing and planning its future cash flows. The main cash flow planning instrument is the creation of a medium-term plan, which is prepared annually, always for the next 3 years. Then the cash flows for the forthcoming years are precisely allocated to individual months, and updated on an ongoing basis.

The liquidity risk management strategy also includes the fact that the Company holds some of its assets in highly marketable financial instruments.

The table below includes an analysis of the Company’s financial assets and liabilities, sorted by maturity, specifically by the time remaining from the balance sheet date to the contractual due date. If there is a possibility of an earlier payment, the Company opts for the most prudent assessment approach, anticipating the settlement of payables as soon as possible and the settlement of receivables as late as possible. Assets and liabilities without contractually fixed due dates are grouped in the category with “undefined maturity”.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Liquidity risk exposure analysis (by maturity)

As at 31 December 2013	Carrying amount	Contractual cash flows (2)	Within 1 year	1-5 years	More than 5 years	Undefined maturity
Assets						
Other non-current financial investments	42,199	42,199	--	--	42,199	--
Long-term loans made to affiliated businesses (1)	--	--	--	--	--	--
Trade receivables and other non-current receivables	43,994	43,994	--	--	--	43,994
Trade receivables and other current receivables	78,628	78,628	78,628	--	--	--
Current receivables from financial instruments	200,065	200,065	200,065	--	--	--
Cash and cash equivalents	487,257	487,257	--	--	--	487,257
Total	**852,143**	**852,143**	**278,693**	**--**	**42,199**	**531,251**
Liabilities						
Non-current portion of bank loans and borrowings	8,415,333	8,415,333	--	8,415,333	--	--
Trade payables and other non-current payables	99,975	99,975	--	--	--	99,975
Non-current payables from financial instruments	47,509	47,509	--	--	47,509	--
Current portion of bank loans and borrowings	679,566	679,566	679,566	--	--	--
Trade payables and other current payables	662,772	662,772	662,772	--	--	--
Liability arising from income tax due	45,197	45,197	45,197	--	--	--
Total	**9,950,352**	**9,950,352**	**1,387,535**	**8,415,333**	**47,509**	**99,975**
Net liquidity risk exposure	**-9,098,209**	**-9,098,209**	**-1,108,842**	**-8,415,333**	**-5,310**	**431,276**

(1) The loan was eliminated as part of the merger by integration as at 1 January 2013.
(2) Contractual cash flows not taking account of the discounting to net present value and including any interest.

As at 31 December 2012	Carrying amount	Contractual cash flows (2)	Within 1 year	1-5 years	More than 5 years	Undefined maturity
Assets						
Other non-current financial investments	42,199	42,199	--	--	42,199	--
Long-term loans made to affiliated businesses (1)	482,475	482,475	--	482,475	--	--
Non-current trade receivables and other non-current receivables	62,006	62,006	--	--	--	62,006
Current trade receivables and other current receivables	134,815	134,815	134,815	--	--	--
Cash and cash equivalents	674,722	674,722	--	--	--	674,722
Total	**1,396,217**	**1,396,217**	**134,815**	**482,475**	**42,199**	**736,728**

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Liabilities						
Non-current portion of bank loans and other borrowings	1,144,416	1,144,416	--	1,144,416	--	--
Non-current trade payables and other non-current payables	84,235	84,235	--	--	--	84,235
Non-current payables from financial instruments	46,663	46,663	--	--	46,663	--
Current portion of bank loans and other borrowings	575,591	575,591	575,591	--	--	--
Current trade payables and other current payables	785,568	785,568	785,568	--	--	--
Liability arising from income tax due	165,345	165,345	165,345	--	--	--
Total	**2,801,818**	**2,801,818**	**1,526,504**	**1,144,416**	**46,663**	**84,235**
Net liquidity risk exposure	**-1,405,601**	**-1,405,601**	**-1,391,689**	**-661,941**	**-4,464**	**652,493**

(1) The loan was eliminated as part of the merger by integration as at 1 January 2013.

(2) Contractual cash flows not taking account of the discounting to net present value and including any interest.

The Company Management does not expect the cash flows included in the maturity analysis to materialise much earlier or in much larger amounts.

(c) Interest rate risk

The Company's activities expose it to the risk of interest rate fluctuations, as interest-bearing assets and liabilities come due at different maturities, are revalued differently, or come due or are revalued at different amounts. Hence the period of time for which a financial instrument's interest rate is fixed indicates the extent to which the financial instrument is exposed to interest rate risk. The risk of changes in market interest rates primarily applies to the Company's non-current liabilities at variable interest rates (held-to-maturity financial assets as well as finance lease liabilities are subject to fixed interest rates).

The table below shows data on the extent of the Company's interest rate risk, sorted by the contractual maturities of the Company's financial instruments. The Company does not report financial instruments that are revalued to the market interest rate before maturity – according to the date of the next interest rate change. Assets and liabilities without contractually fixed maturities or those not bearing interest are grouped in the category with "undefined maturity".

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual due dates as at 31 December 2013:

Interest rate risk exposure analyses (by maturity)

As at 31 December 2013	**Within 1 year**	**1-5 years**	**More than 5 years**	**Undefined maturity (or non-interest bearing)**	**Total**
Assets					
Other non-current financial investments	--	--	42,199	--	42,199
Long-term loans made to affiliated businesses (1)	--	--	--	--	--
Trade receivables and other non-current receivables	--	--	--	43,994	43,994
Trade receivables and other current receivables	78,628	--	--	--	78,628
Current receivables from financial instruments	200,065	--	--	--	200,065
Cash and cash equivalents	--	--	--	487,258	487,257
Total	**278,693**	**--**	**42,199**	**531,252**	**852,143**

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Liabilities					
Non-current portion of bank loans and borrowings	--	8,415,333	--	--	8,415,333
Trade payables and other non-current payables	--	--	--	99,975	99,975
Non-current payables from financial instruments	--	--	47,509	--	47,509
Current portion of bank loans and borrowings	679,566	--	--	--	679,566
Trade payables and other current payables	662,772	--	--	--	662,772
Liability arising from income tax due	45,197	--	--	--	45,197
Total	**1,387,535**	**8,415,333**	**47,509**	**99,975**	**9,950,352**

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual due dates as at 31 December 2012:

Interest rate risk exposure analyses (by maturity)

As at 31 December 2012	**Within 1 year**	**1-5 years**	**More than 5 years**	**Undefined maturity (or non-interest bearing)**	**Total**
Assets					
Other non-current financial investments	--	--	42,199	--	42,199
Long-term loans made to affiliated businesses (1)	--	482,475	--	--	482,475
Non-current trade receivables and other non-current receivables	--	--	--	62,006	62,006
Current trade receivables and other current receivables	134,815	--	--	--	134,815
Cash and cash equivalents	--	--	--	674,722	674,722
Total	**134,815**	**482,475**	**42,199**	**736,728**	**1,396,217**

As at 31 December 2012	**Within 1 year**	**1-5 years**	**More than 5 years**	**Undefined maturity (or non-interest bearing)**	**Total**
Liabilities					
Non-current portion of bank loans and other borrowings	--	1,144,416	--	--	1,144,416
Non-current trade payables and other non-current payables	--	--	--	84,235	84,235
Non-current payables from financial instruments	--	--	46,663	--	46,663
Current portion of bank loans and other borrowings	575,591	--	--	--	575,591
Current trade payables and other current payables	785,568	--	--	--	785,568
Liability arising from income tax due	165,345	--	--	--	165,345
Total	**1,526,504**	**1,144,416**	**46,663**	**84,235**	**2,801,818**

(1) The loan was eliminated as part of the merger by integration as at 1 January 2013.

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Sensitivity Analysis

The effective interest rate applicable to loans and borrowings is 4.3%. The Company performs a stress test scenario of the standardised interest rate shock, by exposing the interest rate positions in its portfolio to a sudden interest rate decrease/increase of 10%.

As at the balance sheet date, a 10% change in interest rates would have increased or decreased the profit by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

	31/12/2013	31/12/2012
Interest rate increase by 10%	-40,028	-4,242
Interest rate decrease by 10%	+40,028	+4,242

(d) Currency risk

Currency risk is the risk that the fair value of future cash flows from financial instruments will change as a result of exchange rate changes. The currency risk to the Company is low, as most of its transactions are carried out in the Czech currency.

(e) Operational risk

Operational risk is the risk of losses from embezzlement, unauthorised activity, error, negligence, inefficiency or system failure. The risk of this type arises during all activities of the Company, with all business entities being exposed to it. Operational risk also includes legal risk.

The Company's objective is to manage operational risk to maintain balance between preventing the occurrence of financial losses and affecting the Company's reputation on the one hand and maintaining the overall cost efficiency on the other. Moreover, risk management procedures should not hamper initiative and creativeness.

The primary responsibility for the application of controls to manage operational risks rests with the Company Management. General standards of operational risk management should facilitate this. These cover the following areas:

- Requirements for transaction approval and monitoring;
- Identification of operational risks across the Company's control system (definition of conditions to reduce and mitigate operational risks and their impacts and consequences; recommendation of appropriate solutions to address this);
- By obtaining an overview of operational risks, the Company creates preconditions to define and direct procedures and actions that will mitigate operational risks and initiate decisions on:
  - recognition of the individual existing risks;
  - commencement of processes to mitigate possible impacts; or
  - reduction of room for risky activities or their complete elimination.

(f) Capital management

The Company's policy is to maintain a strong capital base so as to keep investor, creditor and market confidence and to sustain future development of its business.

The Company manages its capital to ensure that it is able to continue as going concern while maximising the return to shareholders through the optimisation of debt-to-equity ratio.

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At the end of the reporting period, the Company had the following debt-to-equity ratio:

	31/12/2013	31/12/2012
Total liabilities	10,214,062	3,198,318
Less: cash and cash equivalents	487,257	674,722
Net debt	**9,726,805**	**2,523,596**
Total equity	**3,150,577**	**1,147,199**
Debt-to-equity ratio	**3,087**	**2,200**

(g) Financial instruments and fair values

Categories of financial instruments

The Company's financial assets include long-term and short-term loans and lending receivable, trade and other receivables, current receivables from financial instruments, cash and cash equivalents, which are all classified as loans and receivables.

Financial liabilities include interest-bearing loans and borrowings, bank loans, trade and other payables, and current tax liabilities.

The carrying amounts of these financial assets and liabilities are much the same as their fair values.

Fair values and carrying amounts of financial assets and liabilities are included in the statement of financial position as follows:

Fair values and carrying amounts of financial assets and liabilities	Carrying amount		Fair value	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets				
Other non-current financial investments	42,199	42,199	42,199	42,199
Long-term loans made to affiliated businesses	--	482,475	--	482,475
Non-current trade receivables and other non-current receivables	43,994	62,006	43,994	62,006
Current trade receivables and other current receivables	78,628	134,815	78,628	134,815
Current receivables from financial instruments	200,065	--	200,065	--
Cash and cash equivalents	487,257	674,722	487,257	674,722
Total	**852,143**	**1,396,217**	**852,143**	**1,396,217**
Liabilities				
Non-current portion of bank loans and other borrowings	8,415,333	1,144,416	8,415,333	1,144,416
Non-current trade payables and other non-current payables	99,975	84,235	99,975	84,235
Non-current payables from financial instruments	47,509	46,663	47,509	46,663
Current portion of bank loans and other borrowings	679,566	575,591	679,566	575,591
Current trade payables and other current payables	662,772	785,568	662,772	785,568
Liability arising from income tax due	45,197	165,345	45,197	165,345
Total	**9,950,352**	**2,801,818**	**9,950,352**	**2,801,818**

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Fair Value Hierarchy

The Company uses the following hierarchy to determine and recognise fair values of financial instruments according to valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that have a significant impact on recognised fair value and are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that have a significant impact on recognised fair value and are not based on observable market data

As at 31 December 2013 and 31 December 2012, the Company only reported the following financial instrument presented at fair value in the statement of financial position: liability based on derivative instrument (option) at the fair value of CZK 47,509 thousand (CZK 46,663 thousand as at 31 December 2012) relating to the commitment to buy a 37% interest in GTECH Czech Republic LLC. (see also item 16).

28. Related Parties

The Company's relationships with related parties include relationships with shareholders and other parties, as specified in the table below. These include:

(1) – Shareholders and companies controlled by them
(2) – Key management members of the relevant entity or of its parent

All significant transactions with related parties were conducted on an arm's length basis.

(a) Overview of open balances with related parties as at 31 December 2012 and 31 December 2013:

	Receivables		**Payables**	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
KPS MEDIA a.s.	511	366	679	2
SPORTLEASE a.s.	38	26	27	--
BESTSPORT akciová společnost *)	91	265	--	--
GTECH Czech Republic LLC.	722	734	31	29
PFQ Czech, a.s.	--	482,475	--	--
KKCG a.s.	--	--	1,308	--
KKCG SE**)	--	--	3,170,338	--
KKCG Structured Finance Limited **)	200,065	--	1,827,323	--
MND a.s.	64	--	638	--
Bestsport Arena, a.s.	76	--	5,191	--
Centrum ICT služeb spol. s.r.o.	149	--	--	--
Informační linky s.r.o.	--	--	798	--
Total	**201,716**	**483,866**	**5,006,329**	**31**

*) As at 31 December 2012, SAZKA sázková kancelář, a.s. owns a 0.07% interest in BESTSPORT akciová společnost, against which insolvency proceedings were initiated under decree of 31 March 2011 by the Municipal Court in Prague. 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.

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**)
As at 31 December 2013, payables of KKCG SE and KKCG Structured Finance Limited comprise received loans from related parties detailed in item 23.
As at 31 December 2013, receivables due from KKCG Structured Finance Limited comprise current receivables from financial instruments based on debt securities – held-to-maturity bills of exchange under an investment agreement entered into with KKCG Structured Finance Limited, Cyprus.
These receivables are not classified as part of cash equivalents for the purposes of cash flow statement (see item 21).

(b) Overview related party transactions for the periods ended 31 December 2012 and 31 December 2013:

	Revenues for the period		Costs for the period	
	2013	2012	2013	2012
KPS MEDIA a.s.	1,264	3,887	7,264	22,990
BUSINESS CENTRE SERVICE a.s. *)	--	2,548	--	25,857
SPORTLEASE a.s.	81	68	30	--
BESTSPORT akciová společnost **)	975	5,965	--	2,560
GTECH Czech Republic LLC.	4,307	3,434	434	467
PFQ Czech, a.s.	--	90	--	--
KKCG a.s.	--	--	4,102	--
KKCG SE ***)	217,061	--	75,983	--
KKCG Structured Finance Limited ***)	123	--	143,191	--
MND a.s.	14	--	3,797	--
MND Gas Storage a.s.	--	--	19	--
MND Drilling & Services a.s.	19	--	--	--
Informační linky s.r.o.	--	--	872	--
Bestsport Arena, a.s. ****)	3,719	--	746	--
Centrum ICT služeb spol. s.r.o.	--	--	263	--
Cestovní kancelář FISCHER, a.s.	--	--	888	--
Total	**227,563**	**15,992**	**237,589**	**51,874**

*) Under the Purchase Agreement of 23 February 2012, the Company acquired tangible assets of its subsidiary BUSINESS CENTRE SERVICE a.s., of the 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.

**) As at 31 December 2012, SAZKA sázková kancelář, a.s. owns a 0.07% interest in BESTSPORT akciová společnost, against which insolvency proceedings were initiated under decree of 31 March 2011 by the Municipal Court in Prague. 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.

***) In 2013, SAZKA sázková kancelář, a.s. earned interest income from KKCG SE. This interest income was based on a loan made to KKCG SE, which was reported by the Company as a result of the merger by integration as at 1 January 2013. This loan is detailed in item 18 of the Notes to the Financial Statements. The costs from KKCG SE and KKCG Structured Finance Limited for the period comprise the interest payable on loans received from related parties, as detailed in item 23.

****) The revenues and costs from Bestsport Arena, a.s. only apply to the period from 3 May 2013 to 31 December 2013, when this company was part of the KKCG SE group as an associate.

(c) Effective holding

No control agreement between the Company and its sole shareholder, PGQ Czech Republic, a.s., was in place in 2013. No control agreement between the Company and its sole shareholder, PFQ Czech Republic, a.s., was in place in 2012.

The Report on Related Parties will be part of the Annual Report.

(d) Overview of transactions with Members of the Company Bodies for the period ended 31 December 2013:

In 2013, the Company paid CZK 179 thousand (CZK 360 thousand in 2012) in remuneration to Members of the Company Bodies. No loans or lending was made to Members of the Company Bodies in 2012 and 2013.

29. Subsequent Events

Description of the subsequent events after 31 December 2013:

On 17 February 2014, the Company entered the electronic communication market under the SAZKAmobil brand and also presented a new number lottery SAZKAmobil Šance (SAZKA Mobile Chance).

No other subsequent events, apart from those mentioned above, with a material impact on the Financial Statements as at 31 December 2013 occurred.

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

30. Reconciliation between Czech and IFRS Reports

Having used the IFRS for the first time (see item 2a), the Company specifies below the adjustments to convert its Financial Statements prepared according to Czech legislation into those prepared according to IFRS.

Statement of Comprehensive Income	Notes item	For 2012		
		CAS	IFRS adjustments	IFRS
Revenue from lottery and betting activities	6	**3,046,691**	**--**	**3,046,691**
Revenue from receipts		6,203,595	--	6,203,595
Prizes		-3,156,904	--	-3,156,904
Revenue from other activities	6	**217,539**	**--**	**217,539**
Net revenue		**3,264,230**	**--**	**3,264,230**
Costs of revenue from lottery and betting activities	7	**-1,342,353**	**--**	**-1,342,353**
Fees for services		-685,031	--	-685,031
Lottery tax		-641,045	--	-641,045
Other costs of revenue from lottery and betting activities		-16,277	--	-16,277
Costs of revenue from other activities	7	**-116,631**	**4,382**	**-112,249**
Costs of sales		**-1,458,984**	**4,382**	**-1,454,602**
Gross margin		**1,805,246**	**4,382**	**1,809,628**
Other operating income		**148,362**	**--**	**148,362**
Operating expenses	8	**-1,462,121**	**316,847**	**-1,145,274**
Marketing and sales expenses		-483,464	15,600	-467,864
Administration expenses		-765,513	301,247	-464,266
Other operating expenses		-213,144	--	-213,144
Operating profit or loss		**491,487**	**321,229**	**812,716**
Interest receivable	10	**7,156**	**--**	**7,156**
Interest payable	10	**-135,400**	**-1,877**	**-137,277**
Finance gains (losses)	10	**54,380**	**1,414**	**55,794**
Financial profit or loss		**-73,864**	**-463**	**-74,327**
Profit or loss before tax		**417,623**	**320,766**	**738,389**
Income tax	11	-123,309	-61,014	-184,323
Profit or loss for accounting period		**294,314**	**259,753**	**554,066**
Other full profit or loss for accounting period (after tax)		**--**	**--**	**--**
Total full profit or loss for accounting period		**294,314**	**259,753**	**554,066**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position	**Notes item**		**31/12/2012**	
ASSETS		**CAS**	**IFRS adjustments**	**IFRS**
Intangible non-current assets	12	1,297,080	805,259	2,102,339
Goodwill	12	255,442	-255,442	--
Tangible non-current assets (property, plant, and equipment)	13	723,352	-40,702	682,650
Investments in businesses with significant influence	15	91,923	14,684	106,607
Other non-current financial investments	16	--	42,199	42,199
Long-term loans made to affiliated businesses	18	482,475	--	482,475
Non-current trade receivables and other non-current receivables	19	62,006	--	62,006
Deferred tax asset	17	62,291	-62,291	--
Total non-current assets		**2,974,569**	**503,707**	**3,478,276**
Inventories		8,904	--	8,904
Current trade receivables and other current receivables	19	140,304	-5,489	134,815
Cash and cash equivalents	21	674,722	--	674,722
Assets held for sale	14	--	48,800	48,800
Total current assets		**823,930**	**43,311**	**867,241**
Total assets		**3,798,499**	**547,018**	**4,345,517**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position (continued)	Notes item	31/12/2012		
		CAS	IFRS adjustments	IFRS
LIABILITIES				
Equity				
Share capital	22	450,000	--	450,000
Share premium		1,500	--	1,500
Capital funds and other funds	22	520,300	453,839	974,139
Profit or loss for previous years and current period	22	-375,994	97,554	-278,440
Total equity		**595,806**	**551,393**	**1,147,199**
Payables				
Non-current portion of bank loans and other borrowings	23	1,200,000	-55,584	1,144,416
Non-current trade payables and other non-current payables	24	84,235	--	84,235
Non-current payables from financial instruments	16	--	46,663	46,663
Deferred tax liability	17	--	54,577	54,577
Total non-current liabilities		**1,284,235**	**45,656**	**1,329,891**
Current portion of bank loans and other borrowings	23	600,000	-24,409	575,591
Current trade payables and other current payables	24	762,463	23,105	785,568
Liability arising from income tax due	11	165,345	--	165,345
Current provisions	25	390,650	-48,727	341,923
Total current liabilities		**1,918,458**	**-50,031**	**1,868,427**
Total liabilities		**3,202,693**	**-4,375**	**3,198,318**
Total equity and liabilities		**3,798,499**	**547,018**	**4,345,517**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position	**Notes item**		**01/01/2012**	
ASSETS		**CAS**	**IFRS adjustments**	**IFRS**
Intangible non-current assets	12	1,579,524	553,220	2,132,744
Goodwill	12	320,661	-320,661	--
Tangible non-current assets (property, plant, and equipment)	13	897,648	-46,785	850,863
Investments in businesses with significant influence	15	529,198	14,684	543,882
Other non-current financial investments	16	55,000	42,199	97,199
Long-term loans made to affiliated businesses	18	--	--	--
Non-current trade receivables and other non-current receivables	19	67,171	-227	66,944
Deferred tax asset	17	20,255	-20,255	--
Total non-current assets		**3,469,457**	**222,175**	**3,691,632**
Inventories		3,619	--	3,619
Current trade receivables and other current receivables	19	927,168	203	927,371
Cash and cash equivalents	21	160,366	--	160,366
Assets held for sale	14	--	55,300	55,300
Total current assets		**1,091,153**	**55,503**	**1,146,656**
Total assets		**4,560,610**	**277,678**	**4,838,288**

Financial Statements for the year ended 31 December 2013 (in thousands of CZK)

Statement of Financial Position (continued)	**Notes item**		**01/01/2012**	
		CAS	**IFRS adjustments**	**IFRS**
LIABILITIES				
Equity				
Share capital	22	450,000	--	450,000
Share premium		1,500	--	1,500
Capital funds and other funds	22	50,300	453,839	504,139
Profit or loss for previous years and current period	22	-670,308	-162,198	-832,506
Total equity		**-168,508**	**291,641**	**123,133**
Payables				
Non-current portion of bank loans and other borrowings	23	--	3,482	3,482
Non-current trade payables and other non-current payables	24	121,496	--	121,496
Non-current payables from financial instruments	16	--	46,663	46,663
Deferred tax liability	17	--	35,599	35,599
Total non-current liabilities		**121,496**	**85,744**	**207,240**
Current portion of bank loans and other borrowings	23	3,502,492	3,906	3,506,398
Current trade payables and other current payables	24	880,491	-54,886	825,605
Liability arising from income tax due	11	--	--	--
Current provisions	25	224,639	-48,727	175,912
Total current liabilities		**4,607,622**	**-99,707**	**4,507,915**
Total liabilities		**4,729,118**	**-13,963**	**4,715,155**
Total equity and liabilities		**4,560,610**	**277,678**	**4,838,288**

Date: 20 March 2014	Signature by the statutory body	
	Pavel Šaroch Chairman of the Board of Directors	Robert Chvátal Member of the Board of Directors

On 17 February 2014, SAZKA sázková kancelář, a.s. launched the mobile virtual network operator (MVNO) services by SAZKAmobil, which offers pay-as-you-go voice and data services in the Vodafone network. The Company also presented new number lottery SAZKAmobil šance (SAZKA Mobile Chance).

On 22 April 2014, SAZKA sázková kancelář, a.s. donated CZK 50,567,699 to the Czech Olympic Committee, in accordance with Section 41 da of Act No 202/1990 Coll., on Lotteries and Other Similar Games, as amended.

On 21 May 2014, qualitative changes to the Sportka game were made. Given the introduction of jackpot in the second tier of both draws, Sportka will generate more million-crown winnings and, in the wake of the changed price of playing the game, the prize values in all tiers have increased.

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In Prague, on 19 June 2014

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

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

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Independent Auditor's Report to Shareholders of SAZKA sázková kancelář, a.s.

Financial Statements

On 20 March 2014, based on our audit, we issued the following Report on the Financial Statements, which are part of this Annual Report:

"We have audited the accompanying Financial Statements of SAZKA sázková kancelář, a.s., i.e. the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2013, as well as the Notes to these Financial Statements, including a summary of significant accounting policies and other explanatory information. Data about SAZKA sázková kancelář, a.s. is provided in item 1 of the Notes to these Financial Statements.

Responsibility of the Entity's Statutory Body 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, in accordance with International Financial Reporting Standards, as amended by the European Union, and for such internal controls as it considers necessary for the preparation of the Financial Statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance 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 to obtain reasonable assurance that the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation of the Financial Statements, giving a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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

KPMG

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 2013, and of the expenses, revenues and the results of its operations and cash flows for 2013, in accordance with International Financial Reporting Standards, as amended by the European Union."

Report on Related Parties

We have reviewed the factual accuracy of the information disclosed in the Report on Related Parties of SAZKA sázková kancelář, a.s. for the year ended 31 December 2013, prepared in accordance with the relevant provisions of Act No 513/1991 Coll., the Commercial Code. The responsibility for the preparation and factual accuracy of this Report on Related Parties rests with the Company's statutory body. Our responsibility is to express our view on the Report on Related Parties 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 from 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. Hence this review 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 2013 contains material factual misstatements.

Annual Report

We have reviewed the consistency of the Annual Report with the aforementioned Financial Statements. The accuracy of the 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 review.

We conducted our review 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 review 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 our review provides a reasonable basis for our opinion.

We believe that the information disclosed in the Annual Report is, in all material respects, consistent with the aforementioned Financial Statements.

In Prague, on 19 June 2014

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Licence No 71

Petr Sikora
Partner
Licence No 2001