2014 ANNUAL REPORT

Contents

Identification Data

Business name:	SAZKA 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 generally 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
- Performance of communication activities under Act No 127/2005 Coll., on Electronic Communications and Amending Certain Related Acts, where such performance is a business activity in electronic communications
- Provision of small-scale payment services under Act No 284/2009 Coll., on Payments, as amended

Activities:

- Lease of real estate, flats and commercial premises

Registration in the Commercial Register:

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

SAZKA a.s. is a member of transnational investment group KKCG, operating in 11 countries on 4 continents.

It is the largest and oldest lottery company in the Czech Republic, with approximately a 95% share of the market in lotteries and other similar games.

The Company's key lottery products include number lotteries, with its best-known game Sportka.

In addition to number lotteries, the Company's product portfolio includes scratch tickets, sports betting and fast-draw games.

Another pillar consists of non-lottery products, primarily based on the services of mobile operator SAZKAmobil, on topping up pay-as-you-go mobile phones, selling tickets for events, and facilitating payments for services and goods.

SAZKA a.s. provides its products in particular over a unique sales network with more than 7,000 points of sale scattered across the Czech Republic.

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

The Company follows and promotes responsible gaming principles and ethical principles in the betting and lottery industry. It develops and supports these activities at both national and international levels.

SAZKA a.s. carries out no research and development activities.

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

SAZKA a.s. has no branch abroad.

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

SAZKA a.s. is a company with its registered office in the Czech Republic, established under law of the Czech Republic. On 27 June 2014, this new business name of the Company was entered into the Commercial Register, replacing its original name SAZKA sázková kancelář, a.s.

In 2014, the Company continued to enhance its cooperation with the Czech Olympic Committee. SAZKA a.s. was still the main partner of the Czech Olympic Foundation and the official partner of the Czech Olympic Team. In September 2014, SAZKA a.s. and the Czech Olympic Committee launched their joint project Sazka Olympic Combined Events, with the aim of activating girls and boys at primary schools to be physically active and encouraging them to live healthily.

In 2014, SAZKA a.s. made a financial donation of CZK 203,276,410 to the Czech Olympic Committee in accordance with legislative rules, through a reduction of the payment of part of its tax under Act 202/1990 Coll., on Lotteries and Other Similar Games.

Lottery Activities

In 2014, SAZKA a.s. players won 106 prizes greater than CZK 1 million, i.e. 17 more than in the previous year.

Sportka

On 19 May 2014, the price for playing Sportka, the most popular lottery, was changed from the original CZK 16 per play board to a new price of CZK 20. At the same time, the price for playing the Šance (Chance) option was changed from CZK 10 to CZK 20. In addition, a jackpot was added to the second tier of Sportka. Sportka Merchandise Bonuses were launched to promote these changes. Three winners of a Škoda Yeti Outdoor vehicle were drawn in each of 17 Sportka draws. Thus a total of 51 players won the vehicle.

A thousandth millionaire in the Sportka game

The winner of Sunday's Sportka draw of 26 October 2014 became the thousandth winner ever to have won more than CZK 1 million.

Eurojackpot

On 4 October 2014, SAZKA a.s. joined the international lottery Eurojackpot. Eurojackpot is currently operated in 16 European countries.

Eurojackpot also includes two options: Extra 6, a game that is played regularly, and Mega Plus, a game that is played occasionally. Revenue from Eurojackpot and Extra 6 surpassed expectations and reached nearly CZK 320 million.

The Dreamwall.cz project, where customers can find inspiration and share their dreams, was presented as part of the Eurojackpot campaign.

Keno

The Keno game matrix was changed on 27 January 2014. Since that date, the game has allowed picking 2 to 7 numbers of 58, with 12 numbers being drawn. The change in the game involved the introduction of a new play slip, containing two play boards this time.

Online

SAZKA a.s. launched its first online game Mega v ruce (A Million in Hand), where jackpot amounts were presented to the young generation in an attractive way.

In addition, customers can newly check their tickets in a Sazka mobile application. The mobile application has already attracted 200,000 users.

Instant Lotteries

During 2014, we expanded the scratch ticket portfolio for our players with 16 new lotteries at prices ranging from CZK 10 to CZK 300. Last year's most popular tickets included Černá perla (Black Pearl) for CZK 50 and Super Rentiér (Super Annuitant) for CZK 100. Our tickets reached record-breaking sales in the pre-Christmas time, when we prepared an offer of three new lotteries: Přání (Wish), Vánoční překvapení (Christmas Surprise) and 200 milionů (200 Million) at various price points – from CZK 20 to CZK 300. In 2014, we launched a jubilee 100th instant lottery.

SAZKA BET Odds Bets

The revenue increased significantly by 59%, as did the number of new registrations by 22% and the number of active players by 22%, during 2014.

In addition, a new bonus programme named Tým 68 (Team 68) was launched. The number of live events grew by 50,000 on the year on year basis. The provision of live broadcasts in live bets grew by 8,000 compared to the previous year.

Non-lottery Activities

On 17 February 2014, SAZKA a.s. launched the services of its mobile virtual network operator (MVNO) branded SAZKAmobil, which offers pay-as-you-go voice and data services in the Vodafone network, and the Company also presented a new number lottery SAZKAmobil šance (SAZKAmobil Chance). More than 40,000 prizes, including four Jackpots, were drawn in this lottery.

SAZKAmobil cards are distributed in the sales network of business partners and online. The credit can be topped up over the terminal network or online. There were more than 120,000 customers with activated SAZKAmobil cards at the end of 2014.

In 2014, SAZKA a.s. increased the number of its partners in its Hotovostní platby (Cash Payments) service to include MND a.s. and UPC Česká republika, s.r.o. Customers of these companies can use the SAZKA a.s. network to pay their invoices in cash.

The broad non-lottery portfolio was again supplemented in the middle of October 2014 to include a brand-new service named dobíjení BLESK peněženky (Topping Up a BLESK Wallet). Holders of the pre-paid BLESK Wallet payment card can regularly top up their cards through this service in the SAZKA a.s. network.

In 2014, SAZKA a.s. put in place a new financial planning and reporting system based on the IBM Cognos Express and MS SQL platforms. With their advanced workflow operations, the period required to create a plan was shortened and the forecasting option anytime during a year was newly made possible. In addition, a medium-term BI/BP development strategy was created to allow acquiring new business insights.

Through its technology partner GTECH B2B, SAZKA a.s. also implemented an interface for processing lottery as well as non-lottery products in the PENNY and COOP retail chains. This interface is universal and allows for connecting any partner; its further expansion is expected in the future.

SAZKA TICKET – in October 2014, the original reservation system was replaced with that of Ticket Pro Technologies. Sales of tickets for the 2015 Ice Hockey World Championship in Prague and Ostrava began in November 2014.

Sales Network

Sazka a.s. primarily provided its products over a unique sales network with more than 8,000 points of sale. The sales network expanded with 1,463 points of sale through Lottery Inside (lottery at cash-desks), enabling customers to buy their play slips at 2,880 cash-desks. The optimisation of the existing sales network process led to a relocation of 535 on-line terminals, i.e. 7.8%.

Security Certificates

SAZKA a.s. is a holder of two internationally recognised certifications, which certify the adoption and permanent development of an information security management system (ISMS). These include the ISO/IEC 27001 standard and the Security Control Standard (SCS), an internationally recognised gaming industry security standard granted by the World Lottery Association (WLA). Last year, SAZKA a.s. successfully updated its ISMS standard to ISO/IEC 27001:2013, and the subsequent supervision audit only confirmed the Company's compliance with the security principles and requirements that the holders of these certifications are obliged to meet.

SAZKA a.s. Board of Directors

Pavel Šaroch
Chairman of the Board of Directors

Martin Bláha
Member of the Board of Directors

Robert Chvátal
Member of the Board of Directors

Kamil Ziegler
Member of the Board of Directors

Martin Škopek
Member of the Board of Directors
Elected to the position of Member of the Board of Directors on 15 December 2014 by the sole shareholder exercising the responsibilities of the General Meeting

SAZKA a.s. Supervisory Board

Karel Komárek
Chairman of the Supervisory Board

Ivo Tajšl
Member of the Supervisory Board

Radek Dyntar
Member of the Supervisory Board

Robert Kolář
Member of the Supervisory Board

SAZKA a.s. Management

Robert Chvátal
Chief Executive Officer

Petr Pípal
Chief Finance Officer

Ilona Kubecová
Administration Director

Aleš Veselý
Chief Marketing Officer

Ivo Tajšl
Director of Games and Operations

Pavel Vápenka
Sales Network Director

David Kortus
Chief Information Officer

Jan Schmiedhammer
Manager of MVNO Department

Leoš Nováček
HR Director

Václav Friedmann
Head of Corporate Communication

Václav Štěpán
Manager of Strategy and Project Office

The operational model, key processes, notably the links between marketing and products, were revised during 2014. Afterwards, clear responsibilities of the individual roles and the Company's organisational structure were set up. At the same time, the creation of the organisation of the SAZKAmobil division was completed so that it could support the successful launch of the commercial operation of Sazka's mobile virtual network operator (MVNO).

The key development programme of 2014 was the Sales Force Academy, focused on developing the selling skills of the Sales Division Team.

Corporate culture principles were defined as part of the corporate culture revitalisation programme.

With the continuing growth in sales and the finalisation of the organisational structure, the number of Company's employees increased slightly.

Number of employees

- As at 1 January 2014 – 285
- As at 31 December 2014 – 310

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

KPS MEDIA a.s. v likvidaci Reg. No: 61860735
The company is registered in the Commercial Register maintained by the Municipal Court in Prague, under Section B, Insert 2983, on 26 January 1995.

Registered office:	Prague 9, K Žižkovu 851, postcode 190 93
Share capital:	CZK 110,000,000
Equity interest by SAZKA a.s.:	100%

On 1 October 2014, the company went into liquidation in accordance with the decision of 29 September 2014 by the sole shareholder exercising the responsibilities of the General Meeting.

GTECH Czech Republic LLC

Registered office:	1209 Orange Street, Wilmington, Delaware, USA
Equity interest by SAZKA a.s.:	63%

BESTSPORT akciová společnost Reg. No: 19013825
The company is registered in the Commercial Register maintained by the Municipal Court in Prague, under Section B, Insert 4485, on 28 June 1991.

Registered office:	Prague 9, Českomoravská 2345/17, postcode 190 00
Share capital:	CZK 1,700,000,000
Equity interest by SAZKA a.s.:	0.07%

The insolvency proceedings took effect on 31 March 2011. Based on the ruling of 30 June 2011 by the Municipal Court in Prague, reference MSPH 89 INS 5393/2011-B-51, which became legally binding on 13 July 2011, it was decided to allow the reorganisation of the company.
With effect as at 17 December 2014, shares owned by SAZKA a.s. were sold.

SPORTLEASE a.s. Reg. No: 62361546
The company is registered in the Commercial Register maintained by the Municipal Court in Prague, under Section B, Insert 10231, on 8 March 1995.

Registered office:	Prague 9, K Žižkovu 851, postcode 190 93
Share capital:	CZK 40,100,000
Equity interest by SAZKA a.s.:	100%

SALEZA, a.s. Reg. No: 47116307
The company is registered in the Commercial Register at the Municipal Court in Prague, under Section B, Insert 1855, on 15 February 1993.

Registered office:	Prague 9, K Žižkovu 851, postcode 190 93
Share capital:	CZK 1,399,600,000
Equity interest by SAZKA a.s.:	98.1%

Based on the ruling of 27 May 2011 by the Municipal Court in Prague, reference MSPH 60 INS 628/2011-B-244, it was decided to declare bankruptcy in respect of the debtor’s assets. This decision took effect on 30 May 2011.

SAZKA a.s. (the “Company”) is the largest domestic provider of number lotteries and instant lotteries in the Czech Republic. The Company’s main business continues to be the operation of number lotteries and instant lotteries as well as sports betting and odds betting.

On 27 June 2014, a change to the business name of the Company was entered into the Commercial Register, where its original name SAZKA sázková kancelář, a.s. was replaced by its new name SAZKA a.s.

By the sole shareholder’s decision of 30 June 2014, SAZKA a.s. subjected itself to the governance under the Act on Business Corporations.

SAZKA a.s. is a member of transnational investment group KKCG SE, operating in 11 countries on 4 continents.

In the 2014 accounting period, the agenda of the Company’s Board of Directors meetings included in particular the Company’s financial performance and the pursuit of short-term as well as long-term aims in the Company’s business activities.

Throughout 2014, the Board of Directors of SAZKA a.s. was composed of Pavel Šaroch, Martin Bláha, Robert Chvátal and Kamil Ziegler, with Martin Škopek having been elected to the position of Member of the Board of Directors on 15 December 2014 by the sole shareholder exercising the responsibilities of the General Meeting.

Company’s Financial Results and Assets

In 2014, SAZKA a.s. generated CZK 633,038 thousand in earnings before tax. The Company’s total revenue was CZK 9,246,140 thousand.

As at 31 December 2014, the assets of SAZKA a.s. included:

- Non-current assets of CZK 12,571,962 thousand, of which intangible non-current assets were CZK 2,101,919 thousand, tangible non-current assets were CZK 679,826 thousand and goodwill was CZK 9,636,122 thousand.
- Current assets of CZK 1,339,680 thousand, of which receivables were CZK 245,076 thousand and current financial assets, cash and cash equivalents were CZK 1,086,905 thousand.

As at 31 December 2014, the equity of SAZKA a.s. amounted to CZK 3,649,193 thousand, while payables, including liabilities, amounted to CZK 10,262,449 thousand.

Company’s Lottery Activities

On 17 February 2014, SAZKA a.s. launched a new number lottery SAZKAmobil šance (SAZKAmobil Chance). The lottery is played once a month for CZK 20.

On 19 May 2014, SAZKA a.s. changed the prices for playing Sportka, the most popular lottery, and the Šance (Chance) option; in addition, a Jackpot was added to the 2nd tier of Sportka. As a result of the price increase, the number of bets fell slightly while the revenue rose.

The most important event of 2014 took place on 4 October 2014, when SAZKA a.s. started to accept bets on the Eurojackpot number lottery, thus increasing the number of European lottery companies running the jackpot sharing number lottery to 16 countries. Revenue surpassed expectations in the first year of operation and reached almost CZK 320 million, including the Extra 6 option.

SAZKA a.s. provides its products in particular over a unique sales network with more than 8,000 points of sale scattered across the Czech Republic.

Company’s Non-lottery Activities

On 17 February 2014, SAZKA a.s. launched the services of its mobile virtual network operator (MVNO) branded SAZKAmobil, which currently has 150,000 active customers.

In 2014, SAZKA a.s. increased the number of its partners in its Hotovostní platby (Cash Payments) service to include MND a.s. and UPC Česká republika, s.r.o. Customers of these companies can use the SAZKA a.s. network to pay their invoices in cash.

The broad non-lottery portfolio was again supplemented in the middle of October 2014 to include a brand-new service named dobíjení BLESK peněženky (Topping Up a BLESK Wallet).

SAZKA a.s. is a holder of two internationally recognised certifications, which certify the adoption and permanent development of an information security management system (ISMS).

Company's Foreign Activities

In 2014, the Company continued to be a member of two major international lottery associations, World Lottery Association (WLA) and regional organisation European Lotteries (EL). Through educational and communication platforms of both organisations, the Company employees participated in sharing experiences and acquiring information in technical, gaming, marketing as well as legal areas. The Company is represented in the EL's Sports Betting Working Group and Public Order & Security Working Group.

Company's Development Outlook

SAZKA a.s. is a stabilised company, and will continue to strive actively after a further development of its lottery portfolio on the Czech market in order to continue to approach developed Western European countries in low-risk games.

Conclusion

In the 2014 accounting period, the Board of Directors of SAZKA a.s. managed the Company's activities and took care of the business management of SAZKA a.s., including its proper bookkeeping. Throughout the 2014 accounting period, the Board of Directors duly performed the tasks incumbent upon it under generally binding legislation, under Articles of Association of SAZKA a.s. and under conclusions adopted in the decisions by the sole shareholder exercising the responsibilities of the Company's General Meeting.

In Prague, on 19 May 2015

Pavel Šaroch Chairman of the Board of Directors SAZKA a.s.	Robert Chvátal Member of the Board of Directors SAZKA a.s.

Report by the Board of Directors of SAZKA a.s. on Relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and the Entities Controlled by the Same Controlling Entity

In the accounting period from 1 January 2014 to 31 December 2014 (hereinafter the "Accounting Period"), SAZKA a.s., with its registered office in Prague 9, K Žižkovu 851, postcode 190 93, Reg. No: 26493993, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 7424 (hereinafter the "Company"), was a controlled entity as provided in Section 74 et seq. of Act No 90/2012 Coll., on Business Corporations and Cooperatives (hereinafter the "Act on Business Corporations" or the "ABC").

In accordance with the provision of Section 82 of the Act on Business Corporations, the Board of Directors of the Company, as the controlled entity, prepared this Report on Relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and the Entities Controlled by the Same Controlling Entity for the past Accounting Period (hereinafter also the "Report on Relations" and the "Related Parties"). The Report on Relations is prepared in a structure as provided in Section 82 (2) and (4) of the ABC.

1. Structure of Relations between the Company and Other Related Parties

The Company is part of the KKCG group, composed of companies that are all, directly or indirectly, controlled by KKCG SE, Reg. No SE3, with its registered office at Alasias Street 8, Christodoulides Building, 3095 Limassol, Republic of Cyprus (hereinafter "KKCG SE").

The Company is controlled by KKCG SE indirectly, through its parent SAZKA Czech a.s., with its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Reg. No: 24852104, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18644, which is further controlled by SAZKA Group a.s., with its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Reg. No: 24287814, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161 (this company is directly controlled by KKCG SE).

A list of all the other companies of the KKCG group, i.e. those directly or indirectly controlled by KKCG SE, constitutes an annex to this Report on Relations.

2. Company's Role

Being the largest lottery company in the Czech Republic, the Company plays an important role in the KKCG SE group. The Company's main business is the operation of lotteries and other similar games in accordance with generally binding legislation, i.e. the operation of instant and number lotteries, sports betting and odds betting as well as other similar games in accordance with Act No 202/1990 Coll., on Lotteries and Other Similar Games. In addition to lottery and betting activities, SAZKA a.s. is also active in non-lottery business through points of sale and terminals.

3. Method and Means of Control

The Company is controlled through a 100% share in voting rights at the Company's General Meeting.

4. Overview of Major Negotiations

Over the Accounting Period, the Company, on the initiative or in the interest of KKCG SE or of entities controlled by it, held the following negotiations regarding assets in excess of 10% of the Company's equity ascertained pursuant to the last financial statements, on the basis of:

- FACILITY AGREEMENT of 6 December 2012 with KKCG STRUCTURED FINANCE LIMITED (a credit facility repayment on 30 October 2014);
- INVESTMENT AGREEMENT of 8 October 2013 with KKCG STRUCTURED FINANCE LIMITED (depositing of uncommitted funds on an ongoing basis);
- FACILITY AGREEMENT of 19 September 2013 with KKCG SE (a credit facility repayment on 31 October 2014).

5. Overview of Mutual Agreements

The following agreements were entered into over the Accounting Period between the Company and KKCG SE, or between the Company and other entities controlled by KKCG SE:

- Cooperation Agreement with Informační linky s.r.o., of 7 February 2014;
- Agency Agreement with KKCG Real Estate a.s., of 29 October 2014;
- Agreement to Lease Business Premises with DataSpring s.r.o., of 21 February 2014, as amended by Addenda 1 to 4;
- Framework Agreement to Provide Consultancy Services with DataSpring s.r.o., of 30 June 2014;
- Addendum 1 to the Agreement to Provide Services with KKCG a.s., of 28 April 2014;
- ARRANGEMENT AGREEMENT with KKCG a.s., of 1 July 2014;
- Agreement to Supply Software with Springtide Ventures s.r.o., of 8 October 2014;
- Purchase Agreement with KPS MEDIA a.s. v likvidaci, of 29 September 2014;
- Agreement to Assign a Claim with KPS MEDIA a.s. v likvidaci, of 30 September 2014;
- Addendum 3 to the Agreement to Lease Business Premises with KPS MEDIA a.s. v likvidaci, of 5 December 2014;
- Agreement on Pooled Gas Supply Services (retail) with MND a.s., of 27 May 2014;
- Agreement on Pooled Gas Supply Services (wholesale) with MND a.s., of 27 May 2014;
- Addendum 1 to the Agreement Governing the Relationships in Respect of the Group’s VAT with MND a.s. and Cestovní kancelář FISCHER, a.s., of 29 October 2014;
- Agreement on Business Cooperation with Cestovní kancelář FISCHER, a.s., of 18 March 2014;
- Agreement on Business Cooperation with Cestovní kancelář FISCHER, a.s., of 1 August 2014;
- Agreement on Business Cooperation with Cestovní kancelář FISCHER, a.s., of 4 December 2014;
- CALL OPTION AND GUARANTEE AGREEMENT with KKCG SE and other entities, of 23 October 2014;
- GUARANTEE AGREEMENT with KKCG SE and other entities, of 23 October 2014;
- PATRONAGE AGREEMENT with KKCG SE and other entities, of 23 October 2014.

The following agreements between the Company and KKCG SE, or between the Company and other entities controlled by KKCG SE entered into prior to the Accounting Period remained effective over the Accounting Period:

- Agreement to Provide Services with KKCG a.s., of 16 April 2013;
- Cooperation Agreement with MND a.s., of 5 December 2013;
- Agreement Governing the Relationships in Respect of the Group’s VAT with Cestovní kancelář FISCHER, a.s., of 17 December 2013;
- Agreement to Lease Business Premises with GTECH Czech Republic LLC, of 12 September 2013;
- Framework Agreement on Managing and Providing Licences to MICROSOFT Software Products and on Providing Related Services with DataSpring s.r.o., of 21 November 2013;
- Non-disclosure and Confidential Information Protection Agreement with DataSpring s.r.o., of 21 October 2013;
- Non-disclosure and Confidential Information Protection Agreement with Informační linky s.r.o., of 6 August 2013;
- Agreement to Provide Services with Informační linky s.r.o., of 1 July 2013;
- Agreement on Cooperation in Providing Tourism with Cestovní kancelář FISCHER, a.s., of 28 May 2012;
- Cooperation Agreement with Cestovní kancelář FISCHER, a.s., of 17 September 2012;
- Agreement to Lease Business Premises with SPORTLEASE a.s., of 1 March 2012;
- Agreement on Bookkeeping and Related Administration with SPORTLEASE a.s., of 28 April 2003, as amended by Addendum 1;
- Agreement to Lease Business Premises with KPS MEDIA a.s. v likvidaci, of 1 March 2012, as amended by Addenda 1 to 3;
- Sub-licence Agreement with KPS MEDIA a.s. v likvidaci, of 12 August 2014;
- Agreement to Provide Services with KPS MEDIA a.s. v likvidaci, of 9 August 2014, as amended by Addenda 1 and 2;

- Agreement on Bookkeeping and Related Administration with KPS MEDIA a.s. v likvidaci, of 28 April 2003, as amended by Addenda 1 to 4;
- Agreement to Lease Business Premises with GTECH Czech Republic LLC, of 1 March 2012, as amended by Addenda 1 and 2;
- Agreement to Lease Business Premises with GTECH Czech Republic LLC, of 1 March 2012, as amended by Addenda 1 and 2;
- Agreement to Provide Registry Services with GTECH Czech Republic LLC, of 13 April 2012, as amended by Addenda 1 and 2;
- Agreement to Provide Security Services with GTECH Czech Republic LLC, of 1 March 2012;
- Non-disclosure Agreement with GTECH Czech Republic LLC and AutoCont CZ a.s., of 25 September 2012;
- Agreement on Personal Data Processing with GTECH Czech Republic LLC, of 12 October 2012.

6. Assessment of Suffered Harm and its Compensation

All of the above-mentioned legal transactions took place as part of ordinary trade relations and under usual trade conditions, with the Company having received appropriate consideration for all performance it has provided under the above-mentioned agreements; as a result, the Company suffered no harm from relations between Related Parties in the Accounting Period.

7. Assessment of the Benefits and Drawbacks arising from Relations between Related Parties

The membership of the KKCG group, with KKCG SE as the controlling entity, enables the Company to use the benefits primarily consisting of sharing the know-how and information (to the extent allowed by law and contractual arrangements with third parties), as well as the possibility of benefiting from the renown associated with the KKCG trade mark and the possibility of access to the in-house and bank financing of the Company (e.g. an option of providing a security for the Company's financial liabilities by other entities from the group).

The Company has identified no drawbacks arising for it from relations between Related Parties.

Annex: List of Related Parties

In Prague, on 30 March 2015

Pavel Šaroch Chairman of the Board of Directors SAZKA a.s.	Robert Chvátal Member of the Board of Directors SAZKA a.s.

Annex 1: List of Related Parties

LIST OF ENTITIES CONTROLLED BY KKCG SE AS AT 31 DECEMBER 2014

- KKCG SE, with its registered office at Alasias Street 8, Christodoulides Building, 3095 Limassol, Republic of Cyprus, Reg. No SE3;
- KKCG STRUCTURED FINANCE LIMITED, with its registered office at 8 Alasias Street, Christodoulides Building, 3095 Limassol, Republic of Cyprus, Reg. No HE179840;
- RUBIDIUM HOLDINGS LIMITED, with its registered office at 8 Alasias Street, Christodoulides Building, 3095 Limassol, Republic of Cyprus, Reg. No HE287956;
- SKALANE LIMITED, with its registered office at Arch. Makariou III, 195 Neocleous House, 3030 Limassol, Republic of Cyprus, Reg. No HE330624;
- COLLINGTON II LIMITED, with its registered office at Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, Reg. No 506335;
- KKCG UK LIMITED, with its registered office in London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, Reg. No 8869774;
- KKCG DIRECTOR 1 B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 59525819;
- KKCG a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 27107744;
- KKCG Real Estate a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 24291633;
- Kynero Consulting a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 24193461;
- GROSSMANN JET SERVICE spol. s r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 27079171;
- PERULA a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No 28226364;
- KKCG Entertainment & Technology B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 58856765;
- Apus Holding N.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 54152593;
- DataSpring s.r.o., with its registered office in Prague 9, Vysočany, K Žižkovu 851/4, postcode 190 00, Reg. No: 28808681;
- Informační linky s.r.o., with its registered office in Prague 1, Nové Město, Opletalova 1015/55, postcode 110 00, Reg. No: 24728055;
- SAZKA FTS a.s., with its registered office in Prague 9, Vysočany, K Žižkovu 851/4, postcode 190 00, Reg. No: 01993143;
- KPS MEDIA a.s. v likvidaci, with its registered office in Prague 9, K Žižkovu č.p. 851, postcode 190 93, Reg. No: 61860735;
- SPORTLEASE a.s., with its registered office in Prague 9, K Žižkovu 851, postcode 190 93, Reg. No: 62361546;
- GTECH Czech Republic LLC., with its registered office at 1209 Orange Street, Wilmington, Delaware, USA, registration number 0103491802315909;
- KKCG Oil & Gas B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 61025119;
- MND Group N.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 34246576;
- MND Samara Holding B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 52990680;

- OOO MND Samara, with its registered office at ul. Alexeya Tolstogo 92, Samara, Samarska obl., 443099, Russian Federation, Reg. No 1046301405094;
- MND a.s., with its registered office in Hodonín, Úprkova 807/6, postcode 695 01, Reg. No: 28483006;
- MND Drilling & Services a.s., with its registered office in Lužice, Velkomoravská 900/405, postcode 696 18, Reg. No: 25547631;
- MND Gas Storage a.s., with its registered office in Hodonín, Úprkova 807/6, postcode 695 01, Reg. No: 27732894;
- MND Energy Trading a.s., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 29137624;
- MND Gas Storage Germany GmbH, with its registered office at 45136 Essen, Ruhrallee 80, Federal Republic of Germany, Reg. No HRB25715;
- MND Ukraine B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 59394072;
- Geologichchne byreau “Lviv” LLC, with its registered office at L’vivska Oblast, L’viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine;
- “Goryzonty” LLC, with its registered office at L’vivska Oblast, L’viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, Reg. No 31978102;
- Prykarpatska Energetychna Kompania LLC, with its registered office at Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine;
- MND Drilling Germany GmbH, with its registered office at 82031 Grünwald, Bavariafilmplatz 7, Bavaria, Federal Republic of Germany, Reg. No HRB200127;
- LP Drilling S.r.l., with its registered office at 29016 Cortemaggiore Piacenza, Via Salvo D’Acquisto 5, Italy, Reg. No 01294260334;
- PERAZZOLLI DRILLING-RO SRL, with its registered office in Timisoara, 11 Eugeniu de Savoya, Romania, Reg. No RO23246200;
- MND Georgia B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 52308944;
- MND E&P Germany GmbH, with its registered office at 22299 Hamburg, Himmelstrasse 9, Federal Republic of Germany, Reg. No HRB211716;
- MND Russia N.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 57169284;
- OOO Belisar, with its registered office in Saratov, ulitsa Chelyuskintsev 68, 410031, Russian Federation, Reg. No 1116317007674;
- OOO Saratovneftedobycha, with its registered office at 92-ya Sadovaya ul., Office 6, Saratov, Saratov Region, 41000, Russian Federation;
- KKCG Industry B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 27271144;
- INTERMOS Praha s.r.o., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 63076349;
- Moravia Systems a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 26915189;
- INTERMOS Bratislava s.r.o., with its registered office in Bratislava, Slovnaftská ulica 102/A, postcode 821 07, Slovak Republic, Reg. No: 35898411;
- KKCG Investments B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 34251870;
- Cestovní kancelář FISCHER, a.s., with its registered office in Prague 4 – Nusle, Na Strži 65/1702, postcode 140 62, Reg. No: 26141647;

- CKF facility s.r.o., with its registered office in Prague 4 – Nusle, Na Strži 65/1702, postcode 140 62, Reg. No: 28982738;
- BONUS PRAHA Investment a.s., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 28214374;
- ATECRAMA, s.r.o., with its registered office in Prague 3, Žižkov, Koněvova 2660/141, postcode 130 00, Reg. No: 29150574;
- BPI Pohledávková, s.r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 01560433;
- Realitní centrum BONUS, spol. s r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 01678981;
- Medicem Group B.V., with its registered office at 1077XX Amsterdam, Strawinskylaan 1207, Kingdom of the Netherlands, Reg. No 53557972;
- MEDICEM International GmbH, Zug, Baarerstrasse 8, 6300, Swiss Confederation, Reg. No CH-170.4.010-812-2;
- MEDICEM International CR s.r.o., with its registered office in Prague 4, Na Strži 1702/65, Nusle, postcode 140 00, Reg. No: 24197653;
- MEDICEM Technology s.r.o., with its registered office in Kamenné Žehrovice, Karlovarská třída 20, postcode 273 01, Reg. No: 48036374;
- MEDICEM Institute s.r.o., with its registered office in Kamenné Žehrovice, Karlovarská třída 20, Kladno district, postcode 273 01, Reg. No: 26493331;
- MEDICEM OPHTHALMIC (CY) LIMITED, with its registered office at Arch. Makariou III, 195 Neocleous House, 3030 Limassol, Republic of Cyprus, Reg. No HE314823;
- MEDICEM TISSUE (CY) LIMITED, with its registered office at Arch. Makariou III, 195 Neocleous House, 3030 Limassol, Republic of Cyprus, Reg. No HE314849;
- MEDICEM GYNECO (CY) LIMITED, with its registered office at Arch. Makariou III, 195 Neocleous House, 3030 Limassol, Republic of Cyprus, Reg. No HE314834;
- Vinohradská 230 a.s., with its registered office in Prague 10, Vinohradská 1511/230, postcode 100 00, Reg. No: 26203944;
- Springtide Ventures s.r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 01726587;
- TrustYard s.r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 28960823;
- JTU Czech, s.r.o., with its registered office in Prague 1, Nové Město, V celnici 1031/4, postcode 110 00, Reg. No: 02612020;
- BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 27457621;
- Theta Real s.r.o., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 27631842;
- PXY Czech, a.s., with its registered office in Prague 10, Strašnice, Vinohradská 1511/230, postcode 100 00, Reg. No: 01409476.

SAZKA a.s.

Financial Statements

for the year ended 31 December 2014

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

KPMG Česká republika Audit, s.r.o.
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Independent Auditor's Report to Shareholders of SAZKA a.s.

We have audited the accompanying Financial Statements of SAZKA a.s., i.e. the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2014, as well as the Notes to these Financial Statements, including a summary of significant accounting policies and other explanatory information. Data about SAZKA 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 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.

Auditor's Opinion

In our opinion, the Financial Statements give a true and fair view of the assets and liabilities of SAZKA a.s. as at 31 December 2014, and of the expenses, revenues and the results of its operations and cash flows for 2014, in accordance with International Financial Reporting Standards, as amended by the European Union.

In Prague, on 30 March 2015

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

Petr Sikora
Partner
Registration No 2001

(Thousands of CZK)

Statement of Comprehensive Income	Notes item	For 2014	For 2013
Revenue from lottery and betting activities	7	**4,122,973**	**3,638,522**
Revenue from receipts		8,977,970	7,793,610
Prizes		-4,854,997	-4,155,088
Revenue from other activities	7	**268,170**	**216,506**
Net revenue		**4,391,143**	**3,855,028**
Costs of revenue from lottery and betting activities	8	**-1,807,323**	**-1,549,601**
Fees for services		-913,700	-837,320
Lottery tax		-834,475	-687,374
Other costs of revenue from lottery and betting activities		-59,148	-24,907
Costs of revenue from other activities	8	**-161,283**	**-119,321**
Costs of sales		**-1,968,606**	**-1,668,922**
Gross margin		**2,422,537**	**2,186,106**
Other operating income		**15,404**	**6,923**
Operating expenses	9	**-1,195,945**	**-976,917**
Marketing and sales expenses		-637,434	-514,313
Administration expenses		-466,044	-444,295
Other operating expenses		-92,467	-18,309
Operating profit or loss		**1,241,996**	**1,216,112**
Interest receivable	11	**1,903**	**220,491**
Interest payable	11	**-605,698**	**-420,176**
Other finance income (+)/loss (-)	11	**-5,163**	**14,120**
Financial profit or loss		**-608,958**	**-185,565**
Profit or loss before tax		**633,038**	**1,030,547**
Income tax	12	-120,451	-196,440
Profit or loss for accounting period		**512,587**	**834,107**
Revaluation of hedging derivatives		-17,248	--
Deferred tax on revaluation of hedging derivatives		3,277	--
Other full profit or loss for accounting period (after tax)		**-13,971**	**--**
Total full profit or loss for accounting period		**498,616**	**834,107**

Earnings per share			
Basic earnings per share (CZK)	22	113,908	185,357
Diluted earnings per share (CZK)	22	113,908	185,357

Notes to the Financial Statements on pages 25-75 constitute an integral part of these Financial Statements.

Statement of Financial Position

	Notes item	31/12/2014	31/12/2013
ASSETS			
Intangible non-current assets	13	2,101,919	2,080,162
Goodwill	13	9,636,122	9,636,122
Tangible non-current assets (property, plant, and equipment)	14	679,826	668,847
Investments in businesses with significant influence	16	106,607	106,607
Other non-current financial investments	17	42,199	42,199
Non-current trade receivables and other non-current assets	19	5,289	43,994
Total non-current assets		**12,571,962**	**12,577,931**
Inventories		7,699	4,400
Current trade receivables and other current assets	19	179,651	78,628
Income tax asset currently receivable	12	65,425	--
Current receivables from financial instruments	20	100,009	200,065
Cash and cash equivalents	21	986,896	487,257
Assets held for sale	15	--	16,358
Total current assets		1,339,680	**786,708**
Total assets		**13,911,642**	**13,364,639**

Notes to the Financial Statements on pages 25-75 constitute an integral part of these Financial Statements.

Statement of Financial Position (continued)

	Notes item	31/12/2014	31/12/2013 *) changed presentation	31/12/2013 *) original presentation
LIABILITIES				
Equity				
Share capital	22	450,000	450,000	450,000
Capital funds and other funds	22	1,439,868	1,453,839	1,453,839
Profit or loss for previous years and current period	22	1,759,325	1,246,738	1,246,738
Total equity		**3,649,193**	**3,150,577**	**3,150,577**
Payables				
Non-current portion of bank loans and other borrowings	23	5,797,103	3,417,676	8,415,333
Non-current trade payables and other non-current payables		--	--	99,975
Non-current payables from financial instruments	17	48,355	47,509	47,509
Deferred tax liability	18	165,571	126,683	126,683
Total non-current liabilities		**6,011,029**	**3,591,868**	**8,689,500**
Current portion of bank loans and other borrowings	23	2,885,243	5,677,223	679,566
Current trade payables and other current payables	24	1,152,791	762,747	662,772
Income tax liability currently payable	12	--	45,197	45,197
Current payables from financial instruments		17,248	--	--
Current provisions	25	196,138	137,027	137,027
Total current liabilities		**4,251,420**	**6,622,194**	**1,524,562**
Total liabilities		**10,262,449**	**10,214,062**	**10,214,062**
Total equity and liabilities		**13,911,642**	**13,364,639**	**13,364,639**

*) Change in the presentation – see item 5.

Notes to the Financial Statements on pages 25-75 constitute an integral part of these Financial Statements.

Statement of Changes in Equity

	Notes item	Share capital	Other capital funds	Profit or loss for previous years and current period	Total equity
Balance at 1 January 2013		**450,000**	**453,839**	**412,631**	**1,316,470**
Aggregate profit or loss for 2013		--	--	834,107	**834,107**
Investment contributions by and appropriations to owners:					
Increase in other capital funds		--	1,000,000	--	1,000,000
Total investment contributions by and appropriations to owners		**--**	1,000,000	**--**	1,000,000
Balance at 31 December 2013		**450,000**	**1,453,839**	**1,246,738**	**3,150,577**
Balance at 1 January 2014		**450,000**	**1,453,839**	**1,246,738**	**3,150,577**
Profit or loss for 2014		**--**	**--**	**512,587**	**512,587**
Revaluation of hedging derivatives		--	-13,971	--	-13,971
Aggregate profit or loss for 2014		**--**	-13,971	512,587	498,616
Balance at 31 December 2014		**450,000**	**1,439,868**	**1,759,325**	**3,649,193**

Notes to the Financial Statements on pages 25-75 constitute an integral part of these Financial Statements.

Statement of Cash Flows

	Notes item	For 2014	For 2013*) changed presentation	For 2013*) original presentation
OPERATING ACTIVITIES				
Profit (+) for accounting period		512,587	834,107	834,107
Adjusted for:				
Income tax		120,451	196,440	196,440
Depreciation and amortisation of tangible and intangible non-current assets		51,068	53,967	53,967
Loss (+) on sale of tangible and intangible non-current assets		12,907	1,074	1,074
Loss (+) on revaluation of non-current assets, financial instruments and financial investments		--	846	846
Net interest expense (+)		603,796	199,685	199,685
Derecognition of asset impairment (-)		--	-29	-29
Operating profit or loss before change to working capital and provisions		**1,300,809**	**1,286,090**	**1,286,090**
Increase (+) / decrease (-) in provisions		59,111	-204,896	-204,896
Increase (-) / decrease (+) in inventories		-3,299	4,504	4,504
Increase (-) in receivables from financial instruments not revalued to fair value		--	--	-200,065
Increase (-) / decrease (+) in trade receivables and other assets		-62,318	74,228	74,228
Increase (+) / decrease (-) in trade payables and other payables**)		390,044	-1,117,823	-1,117,823
Cash provided by (+) / used in (-) operating activities		**1,684,347**	**42,103**	**-157,962**
Interest paid		-692,387	-178,643	-178,643
Income tax paid		-188,909	-244,482	-244,482
Net cash flow provided by (+) / used in (-) operating activities		**803,051**	**-381,022**	**-581,087**
INVESTING ACTIVITIES				
Acquisition of tangible non-current assets		-28,342	-10,232	-10,232
Acquisition of intangible non-current assets		-42,985	-8,509	-8,509
Lendings		--	--	--
Proceeds from the sale of tangible and intangible non-current assets		6,500	32,122	32,122
Proceeds from the sale of financial investments		--	--	--
Share in proceeds of the liquidation of equity interests		--	--	--
Change in the classification of gaming security		--	--	--
Interest received		1,903	3,430	3,430
Dividends received		--	--	--
Net cash flow provided by (+) / used in (-) investing activities		**-62,924**	**16,811**	**16,811**
FINANCING ACTIVITIES				
Other investment contributions to equity		--	1,000,000	1,000,000
Loans and borrowings received		6,482,187	69,909	69,909
Loans and lendings paid		-6,822,733	-697,600	-697,600
Finance lease liabilities paid		2	-3,470	-3,470
Net cash flow provided by (+) / used in (-) financing activities		**-340,544**	**368,839**	**368,839**
Net increase (+) / decrease (-) in cash and cash equivalents		**399,583**	**4,628**	**4,628**
Balance of cash and cash equivalents at the start of accounting period	**21**	**687,322**	**682,694**	**682,694**
Balance of cash and cash equivalents at the end of accounting period*	**21**	**1,086,905**	**687,322**	**487,257**

*) Change in the presentation – see item 5.

**) The decrease in trade payables and other payables for 2013 includes an offsetting described in item 23.

Notes to the Financial Statements on pages 25-75 constitute an integral part of these Financial Statements.

1. General Information about the Company

1.1 Characteristics

SAZKA 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 (on 27 June 2014, a change into this business name of the Company from its original name SAZKA sázková kancelář, a.s. was entered into the Commercial Register). SAZKA a.s. is the largest domestic operator of number lotteries and instant lotteries. Its main business is based on operating number lotteries and instant lotteries, sports betting and odds betting.

SAZKA a.s. is a joint-stock company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 7424, 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 Business Sale Agreement, as part of the realisation of the underlying assets of SAZKA, a.s., v konkurzu (in bankruptcy), under Section 290 of the Insolvency Act, entered into on 26 September 2011 between Josef Cupka, the receiver of SAZKA, a.s., in bankruptcy, Reg. No: 471 16 307, as the Seller, and SAZKA sázková kancelář, a.s. (now SAZKA a.s.), Reg. No: 264 93 993, as the Buyer, the business of SAZKA, a.s., in bankruptcy, was sold to SAZKA sázková kancelář, a.s., with effect 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 6.

1.2 Activities

The Company's main business includes the operation of lotteries and other similar games in accordance with generally binding legislation, i.e. the operation of instant and number lotteries, sports and odds betting, 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 a.s. also pursues non-lottery business through points of sale and terminals (such as pay-as-you-go mobile top-up service, sales of tickets for various cultural, sporting and social events, invoice and insurance payments, and payments by postal orders, as well as loan repayments over its terminal network). Moreover, SAZKA a.s. operates mobile virtual network operator SAZKAmobil.

1.3 Composition of the Statutory Body and the Supervisory Board

Composition of the Board of Directors as at 31 December 2014:

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

Composition of the Supervisory Board as at 31 December 2014:

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

SAZKA Czech a.s. (on 14 July 2014, a change of the business name of the company from its original name PGQ Czech Republic, a.s. was entered into the Commercial Register)
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, with its registered office in Cyprus.

1.5 Changes in the Commercial Register over the Accounting Period

The following changes were made in 2014:

Board of Directors:
Martin Škopek was elected a Member of the Board of Directors on 15 December 2014. This was entered into the Commercial Register on 22 January 2015.

Supervisory Board:
No changes were made during 2014.

Sole shareholder:
On 12 August 2014, a change of the business name of the sole shareholder into SAZKA Czech a.s. was entered into the Commercial Register.

Method of representing the Company and other facts:
On 16 July 2014, in accordance with newly adopted Articles of Association, a method of representing the Company was entered into the Commercial Register ("The Company shall be represented by at least two Members of the Board of Directors jointly. A Member of the Board of Directors who is Director General is entitled to represent the Company individually in legal transactions with third parties where the Company cannot incur obligations exceeding CZK 5,000,000.00. Signing on behalf of the Company shall take place by the person(s) entitled to represent the Company adding their signature(s) and, where applicable, also the information on their position(s) to the Company name.").

As at the same date, an entry of the information on the subjection of the business corporation to Act No 90/2012 Coll., on Business Corporations and Cooperatives, as a whole, by means of the procedure under Section 777 (5) of this Act was made.

Company name
On 27 June 2014, a change to the business name of the Company was entered into the Commercial Register, where its original name SAZKA sázková kancelář, a.s. was replaced by its new name SAZKA a.s.

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").

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 2014 as well as in the preparation of data for comparable periods, i.e. as at 31 December 2013.

These Financial Statements were prepared on an individual basis, for the purpose of presenting the Company's financial position. Information on investments in businesses with a significant influence is included in item 16 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 2014, 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 30 March 2015.

(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 hedging derivative instrument liability (interest rate swap).

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:

- Items 3 (i) and 13 – reporting of goodwill, assessment of goodwill impairment, assessment of the impairment of intangible assets with indefinite useful lives and assessment of the useful lives of intangible assets;
- Items 3 (h) and 14 – assessment of the useful lives of tangible assets;
- Item 14 – reporting of the operating lease of terminals;
- Item 15 – assessment of the impairment of significant assets held for sale;
- Item 26 – assessment of litigations.

(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 2014 (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).

- **IFRS 11 Joint Arrangements**

  This standard replaces IAS 31 Interests in Joint Ventures, and the interpretation of SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

  Joint control is defined in IFRS 11 as the contractually agreed sharing of control and exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The term "control" is used here as defined in IFRS 10. Unlike IAS 31, which defines three types of joint arrangements, IFRS 11 only distinguishes between the following two categories:

  - Joint operation – a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The party to a joint arrangement, what is known as the joint operator, is obliged to recognise all of its assets, liabilities, revenues and expenses, including its share of assets, liabilities, revenues and expenses under joint control;

  - Joint venture – a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The alternative of accounting for joint ventures (as defined in IFRS 11) using proportionate consolidation, as allowed for by IAS 31, was eliminated.

Unlike IAS 31, the joint arrangement structure is not the only factor taken into account to determine whether the joint arrangement falls into one or the other of the above-mentioned categories, i.e. joint operation or joint venture. In accordance with IFRS 11, the parties to the arrangement are obliged to assess whether a separate vehicle exists, and if it does, also to assess the contractual terms of such a vehicle as well as other facts and circumstances.

The revised standard was approved by the European Union and is effective for annual accounting periods beginning on or after 1 January 2014. This standard does not have a material impact on the Company.

- **IFRS 12 — Disclosure of Interests in Other Entities**

  This standard includes all disclosure requirements that were previously included in the IAS 27 standards (requirements for consolidated financial statements), IAS 28 and IAS 31. These requirements apply to disclosures about an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The most important qualitative and quantitative information that the entity will be obliged to disclose includes: summarised financial information about each subsidiary with a material non-controlling interest, description of significant judgements that the management has used in determining the control, joint control or significant influence, i.e. the type of joint arrangement (joint operations or joint ventures), summarised financial information about each individually significant joint venture or associate, characteristics of the risks arising from the entity's interests in unconsolidated structured entities.

  The standard was approved by the European Union and is effective for annual accounting periods beginning on or after 1 January 2014. This standard does not have a material impact on the Company.

- **IAS 36 — Impairment of Assets (Recoverable Amount Disclosures for Non-Financial Assets)**

  The amendment clarifies the requirements for disclosing information relating to fair value less costs of disposal. With the original IAS 36, as a consequential amendment to IFRS 13, the IASB intended to introduce a requirement to disclose information about recoverable amount of impaired assets where this amount was based on the fair value less costs of disposal. An inadvertent impact of this amendment was that an entity had to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendment removed this requirement.

  Furthermore, the IASB added the following two disclosure requirements to this standard:

  - to disclose additional information about the fair value measurement, where the recoverable amount of an impaired asset was determined using the fair value less costs of disposal;

  - to disclose the discount rates used, where the recoverable amount is based on fair value less costs of disposal determined using a present value technique. The amendment harmonises the requirements for disclosing the value in use and the fair value less costs of disposal.

  This amendment is effective for annual accounting periods beginning on or after 1 January 2014. This amendment does not have a material impact on the Company.

Standards, interpretations and amendments to issued standards that were adopted by 31 December 2014 and are not yet effective.

IFRS 9 Financial Instruments (2014)

Effective for annual accounting periods beginning on or after 1 January 2018; the standard is applied retrospectively with some exceptions. There is no need to restate prior periods and this is only permitted if information without using a retrospective view is available. Earlier application is permitted.

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement, with the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continuing to apply, and with entities still being allowed to choose whether to account for all hedges according to IFRS 9 requirements or whether to continue using the existing requirements included in IAS 39.

The Company does not expect the IFRS 9 (2014) standard to have a material impact on its financial statements. Given the nature of the entity's activities and the types of financial instruments it holds, the classification and measurement of the entity's financial instruments are not expected to change according to IFRS 9.

IFRS 14 Regulatory Deferral Accounts

Effective for annual accounting periods beginning on or after 1 January 2016. Earlier application is permitted.

IFRS 14 is a new standard that permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The entity expects this standard to have no impact on its financial statements, as the entity has no regulatory deferral account balances.

IFRS 15 Revenue from Contracts with Customers

Effective for annual accounting periods beginning on or after 1 January 2017. Earlier application is permitted.

This new standard provides a framework replacing the existing methods of recognising revenues in IFRS. Entities shall put in place a five-step model with the aim of determining the point in time and the price at which to recognise their revenues. The new model provides that the revenue should be recognised when an entity passes control of the goods or services to the customer, in the amount to which the entity expects to be entitled. Subject to meeting certain criteria, the revenue is recognised:

- over time, in a manner that reflects the entity's performance, or
- at a point in time when control of the goods or services passes to the customer.

IFRS 15 also establishes the principles that an entity shall apply to report useful qualitative and quantitative information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The entity does not expect this new standard to have a material impact on its financial statements when initially applied. Given the nature of the entity's activities and the types of revenues it generates, the reporting and measurement of the entity's revenues are not expected to change according to IFRS 15.

Amendments to IAS 1

Effective for annual accounting periods beginning on or after 1 January 2016. Earlier application is permitted.

These amendments to IAS 1 include the following five specific improvements of the requirements for the relevant standards concerning the information disclosed.

Provisions concerning materiality in IAS 1 were modified with the aim of clarifying the following:

- Immaterial information can obscure useful information.
- The criterion of materiality applies to the whole financial statements.
- The criterion of materiality applies to every case where an IFRS standard requires disclosure of specific information.

Provisions concerning the order of presentation of the notes (including accounting policies) were modified with the aim of:

- Removing the formulation from IAS 1 which was interpreted in such a way that it prescribed the default order of notes to the financial statements;

- Clarifying that entities can choose where in their financial statements they will present accounting policies.

The entity does not expect these amendments to have a material impact on preparing and disclosing the entity's financial statements when initially applied.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Effective for annual accounting periods beginning on or after 1 January 2016; the amendments apply prospectively. Earlier application is permitted.

These amendments require that, when accounting for the acquisition of interests in joint operations that constitute a business, the relevant accounting principles for business combinations must be used.

The accounting principles concerning business combinations shall also be used when accounting for the acquisition of subsequent interests in joint operations, where the joint operator keeps joint control. The subsequent interest acquired shall be measured at fair value. Previously held interests in joint operations shall not be revalued.

Assessing the impact of adopting these amendments will not be possible sooner than during the year of their initial application, as it will depend on the acquisition of joint operations over the relevant accounting period. The entity does not plan to adopt these amendments earlier; therefore predicting the impact of adopting these amendments on the entity's financial statements is impossible.

Amendments to IFRS 10 and IAS 28 Sales or Contributions of Assets between an Investor and its Associate/Joint Venture

The amendments are effective for annual accounting periods beginning on or after 1 January 2016, and shall apply prospectively. Earlier application is permitted.

These amendments clarify that, for transactions concerning an associate or joint venture, the amount of gain or loss recognition depends on whether the sold or contributed assets constitute a business, and:

- the full gain or loss shall be recognised if the transaction between an investor and its associate or joint venture applies to the transfer of asset(s) that constitute(s) a business (whether the business is housed in a subsidiary or not), whereas a partial gain or loss shall be recognised if the transaction between an investor and its associate or joint venture applies to assets that do not constitute a business (even if the assets concerned are housed in a subsidiary).

The entity does not expect these amendments to have a material impact on its financial statements when initially applied. However, evaluating the qualitative impact of adopting these amendments will not be possible sooner than during the year of their initial application, as it will depend on the transfer of assets or businesses to an associate or joint venture over the relevant accounting period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for annual accounting periods beginning on or after 1 January 2016; to be applied prospectively. Earlier application is permitted.

Ban on using revenue-based depreciation method for property, plant and equipment.

The amendments explicitly state that revenue-based depreciation methods cannot be used for property, plant and equipment.

A new restrictive test for intangible assets.

The amendments introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. The presumption can only be overcome if the revenue and the consumption of economic benefits of the intangible asset are highly correlated or if the intangible asset is expressed as a measure of revenue.

These amendments are not expected to have a material impact on the entity's financial statements when initially applied, as the entity does not use revenue-based amortisation/depreciation methods.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Effective for annual accounting periods beginning on or after 1 July 2014. The amendments shall be applied retrospectively. Earlier application is permitted.

The amendments only apply to the defined benefit plans that include contributions from employees or third parties and meet certain criteria. Specifically, they must be:

- set out in the formal terms of a plan,
- linked to employee service, and
- independent of the number of years of service.

If these criteria are met, a company may (but is not obliged to) recognise the relevant contributions as a reduction in the service cost in the period in which the related service is rendered.

The entity expects these amendments to have no impact on its financial statements, as the entity has no defined benefit plans that include contributions from employees or third parties.

Amendments to IAS 27: Equity Method in Separate Financial Statements

Effective for annual accounting periods beginning on or after 1 January 2016, and to be used retrospectively. Earlier application is permitted.

Amendments to IAS 27 allow entities to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements.

The entity does not expect these amendments to have a material impact on its financial statements when initially applied, as the entity intends to continue to measure its investments in subsidiaries, associates or joint ventures at cost of acquisition.

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, lendings, 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 setting off recognised amounts and the transaction is to be settled on a net basis, the financial assets and liabilities shall be offset and the final net amount shall be 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) Hedging derivatives and hedge accounting

The company uses hedging derivatives (interest rate swaps) to reduce the risks associated with volatility of future cash flows arising from interest rate changes over the hedging period. Hedging derivatives are recognised in the balance sheet at fair value (see item 4). Positive fair values of derivatives are recognised in assets and included in “Current receivables from financial instruments”. Negative fair values of derivatives are recognised in liabilities and included in “Current payables from financial instruments”.

In accordance with accounting regulations, the Company decided to use hedge accounting in order to recognise the impacts from hedging its exposure to interest rate risks. In this context, a document was prepared to document the hedge relationship between a hedged item and a hedging derivative, and includes:

- Identification of the hedged items
- Identification of the hedging derivatives
- Definition of the risk hedged
- Calculation of the hedging effectiveness

The Company applies the hedge accounting if:

- the hedging complies with the Company’s risk management strategy;
- the hedge relationship is formally documented when the hedging transaction takes place;
- the hedge relationship is expected to be effective as long as it remains in place;
- the hedge relationship effectiveness is objectively measurable;
- the hedge relationship is effective during the accounting period, meaning that changes in the fair values or cash flows of the hedging instruments corresponding to the risk hedged range between 80% and 125% of the changes in the fair values or cash flows of the hedged instruments corresponding to the hedged risk;
- for cash flow hedging, the expected transaction is very likely to occur and poses a risk of cash flow changes that will influence profit or loss.

The Company applies a hedge accounting model to hedge its exposure to the risk of variability of cash flows (for example: the Company uses interest rate swaps to hedge its exposure to interest rate risks arising from acquisition of debt securities). Of the recognised assets or liabilities or expected transactions, the effective portion of hedging (i.e. a change in the fair value of the hedging instrument based on the hedged risk) is recognised in the comprehensive income (part of equity in item “Capital funds and other funds”). The ineffective portion is included in the profit and loss statement.

(e) 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.

(f) 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.

(g) 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 and 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 lendings 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.

(h) 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.

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.

(i) 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 by acquisition 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 — 2-7 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.

(j) 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.

(k) 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).

(l) 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.

(m) Allowances

Allowances for non-current assets are determined on the basis of information primarily ascertained during a physical recalculation and a subsequent reconciliation process. Allowances for receivables are created and eliminated in accordance with internal regulations.

(n) 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.

(o) Recognition of revenues and accounting for winnings

Revenues are presented at fair value obtained or claimed in ordinary business activities.

Costs and revenues are recognised on an accrual basis in the period to which they are temporally and factually related. Revenues are lowered by estimated discounts, value added tax and other sales-related taxes.

The period for lottery and betting games is a week from Monday to Sunday.

Costs and revenues are presented if the following preconditions are met:

Number lotteries

Revenues from receipts pertaining to the relevant lottery period are presented in that period.

Unpaid winnings (forfeited winnings not duly claimed by the winners) are only recognised as revenue after the relevant claim period expires.

Receipts accepted and related to future lottery periods are recognised as deferred income ("Number lottery subscriptions").

Number lotteries, winnings and lottery tax

Prize claims are recognised in individual periods on the basis of lists of winnings for a lottery period and are presented on a fully accrual basis as at the balance sheet date. Unused jackpots/superjackpots are presented on an accrual basis, based on recognised revenues, lowered by winnings currently paid out for the relevant period.

The lottery tax of 20% of receipts after subtracting winnings is presented on the basis of recognised revenues, lowered by winnings in the relevant period.

Prize claims not yet paid out are presented as Current trade payables and other current payables.

Instant lotteries

Revenues from selling lottery tickets are recognised in the period when the transaction is made.

Instant lottery winnings and lottery tax

Instant lottery winnings are presented on an accrual basis, based on the prizes claimed.

The lottery tax of 20% of receipts after subtracting winnings is presented on the basis of recognised revenues, lowered by winnings in the relevant period.

Odds bets

In accordance with Gaming Rules, odds bets are organised through an online system and through Internet betting, connected to a central IT system.

Revenues from bets are recognised when the event on which the bets are placed takes place. For a series of events, they are recognised when the last event on which the bets are placed takes place.

Unpaid winnings (unclaimed prizes credited to the operator after the period for claiming them expires – applicable to the online system only) are only recognised if the period for claiming the prize expires; unpaid winnings do not occur in Internet betting.

Odds bet winnings and lottery tax

Winnings awarded on the basis of prizes claimed and tables of winnings are presented on a fully accrual basis for all events that take place.

The lottery tax of 20% of the revenues from bets, lowered by winnings in the relevant period, is presented on a fully accrual basis as at the date of the Financial Statements.

Mobile virtual network operator (MVNO)

The revenues and costs pertaining to the activities of the mobile virtual network operator are presented on an accrual basis and are always allocated to the period (year) to which they are temporally and factually related.

Revenues are presented on an accrual basis with regard to currently used services. For prepaid cards, the amount corresponding to unused voice and data services is recognised as deferred income. Deferred income is recognised directly in revenues after the prepaid period expires. Free voice and data services are presented on an evenly accrual basis according to the period to which they are related.

Mobile phone top-up service

The costs and revenues pertaining to mobile phone (GSM) top-up service are presented on an accrual basis in the period when the transaction is made. Based on terms and conditions of agreements with mobile operators, the revenues equal a fixed amount calculated from the GSM sales revenues. The billing period is one week (always Monday to Sunday). The Company operates as an agent for mobile operators, with revenues being recognised in net amounts, i.e. only in the amounts of the sales commission.

Ticket selling

Revenues from selling tickets are presented on an accrual basis in the period when the transaction is made. The Company operates as an agent, with revenues being recognised in net amounts, i.e. only in the amounts of the sales commission.

Other activities

The revenues and costs pertaining to other activities are presented on an accrual basis in the period when the transaction is made and are always allocated to the period to which they are temporally and factually related.

For most of the other activities, the Company operates as an agent, with revenues being recognised in net amounts, i.e. only in the amounts of the sales commission.

(p) 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 lendings made).

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.

(q) 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.

(r) 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.

(s) 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.

(t) Related parties

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

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

- has control or joint control over the reporting entity;
- 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.

B) 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 (A).

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

Fair value hierarchy

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

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

The fair values of assets (other than money and cash at banks) and liabilities that are not presented at fair value are determined using the techniques of Level 3 of the fair value hierarchy. The fair value of money and cash at banks is determined using the Level 1 of the fair value hierarchy.

(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 interest rate swaps is determined on the basis of revaluation by the counterparty (bank) as at the date of the Financial Statements (see item 23).

5. Change in Presentation

For the Financial Statements for the year ended 31 December 2014, the presentation of the following items was changed.

Statement of Financial Position

- For accepted (security) deposits from partners in the amount of CZK 99,742 thousand (CZK 100,387 thousand in 2013), the presentation was changed from the position of Non-current trade payables and other non-current payables into the position of Current trade payables and other current payables (see item 24).

  Although refunding these security deposits is not expected soon, the Company Management reconsidered the presentation, as the partners are contractually entitled to an immediate refund of the relevant security deposit after they terminate their activities and settle all of their liabilities to the Company.

- For accepted borrowings from related parties (principal including interest) in the amount of CZK 2,215,676 thousand (CZK 4,997,657 thousand in 2013), the presentation was changed from the position of Non-current portion of bank loans and other borrowings into the position of Current portion of bank loans and other borrowings.

  Borrowings received from related parties are subjected to bank loans described in item 23, with any early repayment requiring prior consent from the bank syndicate. The borrowing comes due in 2019 under the Agreement. Nevertheless, the creditor may apply for an early repayment on request. In this regard and given the refinancing of original loans and borrowings (see item 23), this borrowing is classified as short-term.

Statement of Cash Flows

- For the statement of cash flows, the Current receivables from financial instruments in the amount of CZK 100,009 thousand (CZK 200,065 thousand in 2013) are presented as Cash equivalent (see item 21).

  The Company Management reconsidered the method of using short-term financial instruments with KKCG Structured Finance Limited. These financial instruments are used similarly to deposits with bank institutions, and therefore they are presented as cash equivalents.

6. 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 a.s. (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.

BQV Czech, a.s., PFQ Czech, a.s. and PDH Czech, a.s. were holding companies superior to SAZKA a.s. within the KKCG group structure (PFQ Czech, a.s. was a direct parent of SAZKA a.s.). From the IFRS perspective, the merger by integration was just a legal restructuring, with the Management having treated the transaction as a jointly controlled transaction.

The merger project was intended to define the conditions of merging the companies involved, in accordance with relevant provisions of the Act on Transformations and the Act No 513/1991 Coll., the Commercial Code, as amended (the "Commercial Code"). Based on this merger project, the companies being acquired merged with the acquiring company, and the companies being acquired were dissolved without liquidation, with their assets and liabilities, i.e. all of the assets and liabilities of the companies being acquired, having passed to the acquiring company.

The merger was carried out in order to simplify the structure of the holding which the companies involved were part of, as well as to reduce administrative costs and to streamline the management.

The relevant date of the merger was set at 1 January 2013.

The acquiring company took over the assets and liabilities of the companies being acquired as follows:

- Goodwill of CZK 9,636,122 thousand, which was initially presented as a result of the original acquisition of control by the KKCG SE group
- Previously existing receivables and payables among the merging companies were set off against each other
- Interests held in the merging companies were eliminated
- Equity was modified in accordance with the merger project
- Other relevant items arising from the final financial statements of the companies being acquired, prepared as at 31 December 2012, were carried over to the opening statement of financial position of the acquiring company in the same structure and full amounts.

As part of the merger, the Company Management identified all components of the consideration transferred upon the original acquisition of control by KKCG SE on 18 December 2012. The transactions that were not part of the merger (such as the subsequent settlement of historical relationships between the merged company and other companies of the group) and transactional costs were recognised separately in accordance with the requirements of other IFRS standards.

The Company Management assessed all assets and assumed liabilities that met the definitions of assets and liabilities under IFRS, including intangible assets that met the conditions for being presented separately from goodwill, and contingent liabilities; all items of these assets and liabilities were duly classified or designated (defined) as at that date. The Group Management also presented all assets according to IFRS 3 upon the original acquisition of control.

In addition, the Company Management considered the fair value of all acquired assets and assumed liabilities as at the date of the original acquisition of control by KKCG SE on 18 December 2012, using all available information and in compliance with relevant valuation techniques described in items 3 and 6 as at that date. The amount by which the costs associated with the original acquisition exceeded the fair value of net identifiable assets at the date of the original acquisition was presented as goodwill.

Impact of the merger by integration on the Statement of Financial Position as at 1 January 2013	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	2,102,339	--	--	2,102,339
Goodwill	--	--	9,636,122	9,636,122
Tangible non-current assets (property, plant, and equipment)	682,650	--	--	682,650
Investments in businesses with significant influence	106,607	10,258,801	-10,258,801	106,607
Other non-current financial investments	42,199	--	--	42,199
Long-term lendings made to affiliated businesses	482,475	5,323,589	-482,475	5,323,589
Non-current trade receivables and other non-current receivables	62,006	--	--	62,006
Deferred tax asset	--	--	--	--
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	134,815	--	--	134,815
Current portion of long-term lendings made to affiliated businesses	--	70	-70	--
Cash and cash equivalents	674,722	7,972	--	682,694
Assets held for sale	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**

Statement of Financial Position (continued)	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	450,000	6,000	-6,000	450,000
Share premium	1,500	--	-1,500	--
Capital funds and other funds	974,139	802,306	-1,322,606	453,839
Profit or loss for previous years and current period	-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	1,144,416	5,055,045	-482,475	5,716,986
Non-current trade payables and other non-current payables	84,235	--	--	84,235
Non-current payables from financial instruments	46,663	--	--	46,663
Deferred tax liability	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	575,591	97,670	-70	673,191
Current trade payables and other current payables	785,568	9,645,767	--	10,431,335
Income tax liability currently payable	165,345	--	--	165,345
Current provisions	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**

7. Revenues

	2014	2013
Revenues from lottery and betting activities	**4,122,973**	**3,638,522**
Revenues from receipts	**8,977,970**	**7,793,610**
Revenues from number lotteries	7,171,727	6,629,184
Revenues from instant lotteries	860,146	570,192
Revenues from odds bets	946,097	594,234
Prizes	**-4,854,997**	**-4,155,088**
Prizes from number lotteries	-3,510,658	-3,287,302
Prizes from instant lotteries	-468,435	-313,866
Prizes from odds bets	-875,904	-553,920
Revenue from other activities	**268,170**	**216,506**
Net revenue	**4,391,143**	**3,855,028**

The Company generates all revenues in the Czech Republic.

8. Costs of Sales

	2014	2013
Costs of revenues from lottery and betting activities	**-1,807,323**	**-1,549,601**
Fees for services	**-913,700**	**-837,320**
Fees to partners*	-457,474	-412,037
Fees to system providers	-456,226	-425,283
Lottery tax	**-834,475**	**-687,374**
Other costs of revenues from lottery and betting activities	**-59,148**	**-24,907**
Costs of revenues from other activities	**-161,283**	**-119,321**
Fees for services	**-102,075**	**-113,886**
Fees to partners*	-82,968	-91,121
Fees to system providers	-19,107	-22,765
Other costs of revenues from other activities	**-59,208**	**-5,435**
Costs of sales	**-1,968,606**	**-1,688,922**

*Fees to partners include fees to agents, such as tobacconists, supermarkets, fuel stations and branches of Czech Post, and represent commissions for their services.

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

The increase in Other costs of revenues from other activities in 2014 is related to the launch of the new product SAZKAmobil in February 2014.

Costs of sales do not include direct payroll expenses and direct depreciation, which are presented in the position of Operating expenses (see item 9).

9. 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:

	2014	2013
Operating expenses	**-1,195,945**	**-976,917**
Personnel expenses	-256,413	-222,427
Depreciation of tangible assets	-22,769	-23,281
Amortisation of intangible assets	-28,299	-31,049
Advertising, promotion and other relating expenses	-406,286	-312,986
Unclaimed VAT	-208,094	-192,348
Loss on sale of assets (expenses less revenues)	-12,907	-1,074
Other 1)	-261,177	-193,752

1) 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.

   The increase in Operating expenses is related to the launch of the mobile virtual network operator SAZKAmobil in February 2014.

	2014		2013	
Personnel expenses	**Employees**	**Managers**	**Employees**	**Managers**
Payroll expenses	-135,797	-56,221	-125,699	-47,081
Remuneration of Members of Company Bodies	-455	--	-179	--
Social security and health insurance expenses	-39,506	-16,785	-33,350	-12,775
Other social expenses	-7,649	--	-3,343	--
Total	**-183,407**	**-73,006**	**-162,571**	**-59,856**

Average number of staff	**257**	**43**	**243**	**40**

Members of the Board of Directors and the Supervisory Board as well as other Members of the Company Management received no borrowings or loans in 2014 and 2013. Managers can use company vehicles according to regulations defined by internal rules.

The Company maintains no employee benefits after employment termination or pension plans.

10. Remuneration of Statutory Auditors

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

11. Finance Income and Costs

	2014	2013
Interest receivable	**1,903**	**220,491**
Bank interest	1,903	3,430
Interest on lendings made 1)	--	217,061
Interest payable	**-605,698**	**-420,176**
Interest on bank loans	-231,246	-199,736
Interest on finance lease	--	-146
Other interest	-374,452	-220,294
Other finance income/loss	**-5,163**	**14,120**
Gain (+) / loss (-) on foreign exchange transactions	-5,349	-636
Income from securities held (dividends)	--	--
Other finance income 2)	186	14,756
Financial profit or loss	**-608,958**	**-185,565**

1) Interest on lendings made in 2013 is the interest income from a lending made to KKCG SE (see items 23 and 28).

2) Other 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).

12. Income Tax

	2014	2013
Income tax	**-120,451**	**-196,440**
Income tax currently payable	-78,286	-124,334
Deferred income tax	-42,165	-72,106

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 rate is 19% for the fiscal years 2012, 2013, 2014 as well as 2015.

The income tax currently payable includes a tax estimate of CZK 76,424 thousand for the 2014 taxable period (CZK 124,077 thousand for 2013) and a tax estimate update of CZK 1,862 thousand for the 2013 taxable period (in 2013, a tax estimate update of CZK 257 thousand for the 2012 taxable period).

In 2014, the statement of financial position lowered the estimated income tax of CZK 76,424 thousand (CZK 124,077 thousand in 2013) by the advance payments of income tax made in the amount of CZK 141,849 thousand (CZK 78,880 thousand in 2013) and the final tax asset of CZK 65,425 thousand was presented in the Income tax asset currently receivable (CZK 45,197 thousand presented in the Income tax liability currently payable in 2013).

Reconciliation of effective tax rate

		2014		2013
Profit before tax		**633,038**		**1,030,547**
Income tax at applicable domestic tax rate	19.00%	-120,277	19.00%	-195,804
Other tax-ineffective items	0.03%	-174	0.06%	-636
Income tax presented in statement of comprehensive income	**19.03%**	**-120,451**	**19.06%**	**-196,440**

13. Intangible Assets and Goodwill

2013	Valuable rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost					
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**

2014	Valuable rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost					
Balance at 1 January 2014	**1,966,362**	**144,305**	**57,821**	**9,636,122**	**11,804,610**
Additions	28,499	20,630	1,338	--	50,467
Disposals	--	-6,144	--	--	-6,144
Balance at 31 December 2014	**1,994,861**	**158,791**	**59,159**	**9,636,122**	**11,848,933**
Accumulated amortisation					
Balance at 1 January 2014	**-976**	**-87,350**	**--**	**--**	**-88,326**
Amortisation	-1,333	-21,184	-5,782	--	-28,299
Disposal allowances	--	5,733	--	--	5,733
Balance at 31 December 2014	**-2,309**	**-102,801**	**-5,782**	**--**	**-110,892**
Net book value at 1 January 2014	**1,965,386**	**56,955**	**57,821**	**9,636,122**	**11,716,284**
Net book value at 31 December 2014	**1,992,552**	**55,990**	**53,377**	**9,636,122**	**11,738,041**

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 6).

As at 31 December 2014 and 31 December 2013, a lien on selected trademarks was established. The value of the trademarks subject to the lien as at 31 December 2014 is CZK 1,874,667 thousand (see item 23).

The greatest additions to intangible non-current assets in 2014 included, in particular, valuable rights at CZK 28,499 thousand relating to the new number lottery Eurojackpot, and software at CZK 20,630 thousand, where the largest items were the ticketing for the Ice Hockey World Championship at CZK 3,026 thousand, SAZKAmobil at CZK 1,625 thousand, and the acquisition of COGNOS software at CZK 9,803 thousand.

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 2014, 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 Company used the weighted average cost of capital at 8.92% for impairment testing. 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 2019, which continues with perpetuity from which what is known as the terminal value is calculated.

The following assumptions were used for impairment testing: ordinary market participant, the best possible way of using the assets according to the fair value model defined in IFRS 13 and a 19% rate of corporate income tax. The average EBIT margin of 11% from the financial plan for 2012-2016 was used as the operating margin attainable on average for the impairment testing.

The impairment testing is performed on an annual basis, always as at 31 December. 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 2014. In addition, the Company Management conducted a sensitive analysis of the factors entering into the calculation of value in use, and the foreseeable movements of relevant factors do not indicate a decline in the carrying amounts of goodwill and intangible assets with indefinite useful lives.

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 2019, 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 2014. In addition, the Company Management conducted a sensitive analysis of the factors entering into the calculation of fair value of trademarks, and the foreseeable movements of relevant factors do not indicate a decline in the carrying amounts of trademarks.

14. Tangible Non-current Assets

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**

2014	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 1 January 2014	**101,963**	**514,403**	**62,060**	**6,929**	**33,399**	**1,230**	**719,984**
Additions	--	1,187	21,441	--	--	14,999	37,627
Disposals	--	-219	-7,542	-1,892	--	--	-9,653
Carried over	--	--	1,230	--	--	-1,230	--
Balance at 31 December 2014	**101,963**	**515,371**	**77,189**	**5,037**	**33,399**	**14,999**	**747,958**
Accumulated depreciation							
Balance at 1 January 2014	**--**	**-20,028**	**-24,446**	**-6,663**	**--**	**--**	**-51,137**
Depreciation	--	-9,354	-13,149	-266	--	--	-22,769
Disposal allowances	--	219	3,663	1,892	--	--	5,744
Balance at 31 December 2014	**--**	**-29,163**	**-33,932**	**-5,037**	**--**	**--**	**-68,132**
Net book value at 1 January 2014	**101,963**	**494,375**	**37,614**	**266**	**33,399**	**1,230**	**668,847**
Net book value at 31 December 2014	**101,963**	**486,208**	**43,257**	**--**	**33,399**	**14,999**	**679,826**

The greatest additions to tangible non-current assets in 2014 included the purchase of information technology for CZK 14,927 thousand.

The greatest disposals of tangible non-current assets in 2014 included office and telecommunication equipment for CZK 7,475 thousand.

As at 31 December 2014, a lien (see item 23) on the registered office building of SAZKA a.s., located at K Žižkovu 851, Prague 9, including adjacent land, was established. The net book value of this building, including adjacent land, is CZK 508,390 thousand (CZK 596,338 thousand in 2013) 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.

As at 31 December 2014, the Company keeps no significant tangible and intangible non-current assets not presented in the statement of financial position.

OPERATING LEASE

Operating lease as at 31 December 2013

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

*depending on turnover achieved

Operating lease as at 31 December 2014

Item leased	Type of agreement	Expiry of the agreement	Within 1 year	Future lease payments: 1-5 years	Above 5 years
Terminals (1)	Definite period	31/12/2022	n/a*	n/a*	n/a*
Vehicles (2)	Definite period	31/03/2019	12,916	35,815	--
IT (3)	Definite period	31/07/2015	1,182	--	--
Reprographic equipment	Definite period	30/06/2016	593	296	--

*depending on turnover achieved

(1) The total costs relating to this lease were CZK 170,360 thousand for 2014 (CZK 152,098 thousand for 2013).

(2) The costs of vehicle leases were CZK 12,272 thousand in 2014 (CZK 14,627 thousand in 2013).

(3) IT costs were CZK 3,445 thousand in 2014 (CZK 11,221 thousand in 2013).

15. Assets Held for Sale

	31/12/2014	31/12/2013
Land held for sale according to IFRS 5	**--**	**447**
Rabštejn château and monastery	--	447

	31/12/2014	31/12/2013
Buildings and structures held for sale according to IFRS 5	**--**	**15,911**
Rabštejn château and monastery	--	15,911

As at 31 December 2014, the Company had no assets held for sale.

The Rabštejn château, including land, at the total carrying amount of CZK 16,358 thousand, was sold for CZK 6,500 thousand in March 2014. The loss from the sale is presented in the statement of comprehensive income, under Operating expenses (see item 9). The income from the sale is presented in the statement of cash flows under Investing activities as Proceeds from the sale of tangible and intangible non-current assets.

16. Investments in Businesses with Significant Influence

		Carrying amount at 31/12/2014	Carrying amount at 31/12/2013
Investments in businesses with significant influence	**Equity interest (%)**	**106,607**	**106,607**
KPS MEDIA a.s. v likvidaci 1)	100%	88,007	88,007
SPORTLEASE a.s.	100%	18,600	18,600

KPS MEDIA a.s. entered into liquidation as at 1 October 2014.

Investments in businesses with significant influence	Equity interest (%)	Total profit for 2014	Equity at 31/12/2014	Total profit for 2013	Equity at 31/12/2013
KPS MEDIA a.s. v likvidaci	100%	6,387	89,018	2,476	89,842
SPORTLEASE a.s.	100%	576	18,991	685	18,415

KPS MEDIA a.s. v likvidaci entered into liquidation as at 1 October 2014, and therefore the information above was taken from the extraordinary financial statements prepared as at 30 September 2014.

The data above were taken from financial statements verified by an auditor.

17. Other Non-current Financial Investments

Other non-current financial investments	Equity interest (%)	31/12/2014	31/12/2013
		42,199	42,199
BESTSPORT akciová společnost [2]	0.07%	--	--
GTECH Czech Republic LLC. [1]	63.00%	42,199	42,199
SALEZA, a.s. [3]	98.10%	--	--

1) 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 buying the business (CZK 42,199 thousand in 2013). The current financial information about the company as at 31 December 2014 is unavailable, and therefore the investment is recognised at historical cost, lowered by possible impairment.

   The reason for classifying this equity interest in Other non-current financial investments is that, although SAZKA 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 this entity is delegated to GTECH Corporation.

   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 agreement entered into.

   The commitment to buy the remaining 37% interest in GTECH Czech Republic LLC., which arises from the agreement entered into and which was discounted to the present value of CZK 48,355 thousand (CZK 47,509 thousand in 2013), is presented as Non-current liability from financial instruments. The nominal value of this financial liability is CZK 68,502 thousand (US$3 million). The fair value of this investment cannot be ascertained now, as the required financial information is unavailable as at 31 December 2014.

2) As at 31 December 2014, the Company owned an interest in BESTPORT akciová společnost, against which insolvency proceedings were initiated under an order of 31 March 2011 by the Municipal Court in Prague. The insolvency proceedings took legal effect on 31 March 2011. Based on a ruling of 3 May 2011 by the Municipal Court in Prague, the debtor was declared bankrupt. The ruling took legal effect on 3 May 2011. Based on a ruling of 30 June 2011 by the Municipal Court in Prague, which became legally binding on 13 July 2011, it was decided that the debtor could be reorganised. By its ruling of 13 February 2015, which became legally binding on 13 February 2015, the Municipal Court in Prague acknowledged the compliance with significant components of the debtor's reorganisation plan and decided to terminate the debtor's reorganisation. The decision took effect on 13 February 2015.

   The company's current financial statements are unavailable as at 31 December 2014.

3) As at 31 December 2014, the Company owned a 98.10% interest in SALEZA, a.s., against which insolvency proceedings under an order of 17 January 2011 by the Municipal Court in Prague were initiated. The insolvency proceedings took legal effect on 17 January 2011. Based on a ruling of 29 March 2011 by the Municipal Court in Prague, the debtor was declared bankrupt. This decision took effect on 29 March 2011. Based on a ruling of 3 May 2011 by the Municipal Court in Prague, the debtor's right of controlling its assets was restricted. This decision took effect on 3 May 2011. Based on a ruling of 27 May 2011 by the Municipal Court in Prague, it was decided to declare bankruptcy in respect of the debtor's assets. This decision took effect on 30 May 2011.

   The company's current financial statements are unavailable as at 31 December 2014.

18. Deferred Tax Assets and Liabilities

The following deferred tax assets and liabilities and their year-on-year changes were presented as at 31 December 2014, at 31 December 2013 and at 1 January 2013:

	31/12/2014	31/12/2013	01/01/2013	31/12/2014	31/12/2013	01/01/2013	31/12/2014	31/12/2013	01/01/2013
	Assets			Liabilities			Net		
Deferred tax asset (+) / liability (-)	--	--	--	**-165,571**	**-126,683**	**-54,577**	**-165,571**	**-126,683**	**-54,577**
Non-current assets	--	--	--	**-207,047**	-153,524	-103,626	**-207,047**	-153,524	-103,626
Current provisions	37,266	25,588	46,432	--	--	--	**37,266**	25,588	46,432
Tax losses	--	--	2,617	--	--	--	--	--	2,617
Other temporary differences	5,496	2,752	--	**-1,286**	-1,499	--	**4,210**	1,253	--
Deferred tax assets and liabilities measured	42,762	28,340	49,049	**-208,333**	-155,023	-103,626	**-165,571**	-126,683	-54,577
Offsetting of deferred tax asset and liability	-42,762	-28,340	-49,049	**42,762**	28,340	49,049	--	--	--

	31/12/2014	2014	31/12/2013	2013	01/01/2013
	Deferred tax liability	Recognised in comprehensive income	Deferred tax liability	Recognised in comprehensive income	Deferred tax liability
Deferred tax asset (+) / liability (-)	-165,571	-38,888	**-126,683**	**-72,106**	-54,577
Non-current assets	-207,047	-53,523	-153,524	-49,898	-103,626
Current provisions	37,266	11,678	25,588	-20,844	46,432
Tax losses	--	--	--	-2,617	2,617
Revaluation of hedging derivatives	3,277	3,277	--	--	--
Other temporary differences	933	-320	1,253	1,253	--

19. Trade Receivables and Other Assets

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

	31/12/2014	31/12/2013
Non-current trade receivables and other non-current assets	**5,289**	**43,994**
Non-current advances and security deposits made	5,289	43,600
Non-current deferred expenses	--	394

The amount of non-current advances and security deposits made is CZK 5,289 thousand (CZK 43,600 thousand in 2013). The only item classified here as at 31 December 2013 is the receivable due from Telefónica Czech Republic, a.s., based on a security deposit made for the transfer of proceeds from the GSM top-up service. As at 31 December 2014, this amount includes two receivables, due from Vodafone, based on a security deposit made in respect of the proceeds from the GSM top-up service, and a security deposit made in respect of operating the Eurojackpot game.

	31/12/2014	31/12/2013
Current trade receivables and other current assets	**179,651**	**78,628**
Current trade receivables	93,853	42,718
Current advances and security deposits made	43,951	13,944
Receivables due from employees	302	163
Other current receivables	2,407	--
Current deferred expenses	39,138	21,803

The increase in the Current trade receivables as at 31 December 2014 against 31 December 2013 was due to the realised proceeds for 29-31 December 2014, which will not be received before 2015.

The increase in the Current advances and security deposits made is due to a short-term security deposit of CZK 31,500 thousand for O2 Czech republic, a.s. (previously Telefónica Czech Republic, a.s.) made for the payment of proceeds from the GSM top-up service, which had been presented as non-current until 2013. The security deposit was paid back in February 2015.

20. Current Receivables due from Financial Instruments

Current receivables of CZK 100,009 thousand (CZK 200,065 thousand in 2013) 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 classified as part of cash equivalents for the purposes of cash flow statement.

21. Cash and Cash Equivalents

	31/12/2014	31/12/2013
Cash and cash equivalents	**986,896**	**487,257**
Cash	4,910	5,432
Bank accounts	981,986	481,825

The Company's cash of CZK 65,259 thousand (CZK 10,259 thousand for 2013) is blocked in the accounts managed by ČSOB and Česká spořitelna, a.s. for the prize fund purposes.

As at 31 December 2014, CZK 894,990 thousand is blocked in the Company's bank accounts.

Reconciliation of cash and cash equivalents for the statement of cash flows

	31/12/2014	31/12/2013
Cash and cash equivalents presented in statement of cash flows	**1,086,905**	**687,322**
Cash and cash equivalents	986,896	487,257
Receivables due from KKCG Structured Finance Limited (see item 20)	100,009	200,065

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 2014 and 2013.

The Company's share capital has been paid up in full.

Statutory Reserve Fund

On 30 June 2014, SAZKA a.s. adopted new Articles of Association, whose Article 44 stipulates that the reserve fund is not to be created.

Other Capital Funds

In 2014, based on newly concluded credit agreements and a created collateral, a valuation difference of CZK 17,248 thousand for derivatives, according to a confirmation as at 31 December 2014, and a deferred tax asset of CZK 3,277 thousand were recognised in other capital funds.

In accordance with the transformation project and 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 6).

Under the agreement on additional contribution to other capital funds, entered into on 19 September 2013 between PGQ Czech Republic, a.s., (now SAZKA Czech a.s.) and the Company, the shareholder paid up an additional contribution of CZK 1,000,000 thousand to the Company on 20 September 2013.

Earnings per Share

Profit attributable to holders of ordinary shares (thousands of CZK)		
	2014	**2013**
Net profit attributable to holders of ordinary shares	512,587	834,107
Net profit attributable to holders of ordinary shares	**512,587**	**834,107**

Weighted average number of ordinary shares for 2014				
	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)			**113,908**	**185,357**
Diluted earnings per share for the year (CZK)			**113,908**	**185,357**

23. Loans

	31/12/2014	**31/12/2013**
Non-current portion of bank loans and other borrowings	**5,797,103**	**3,417,676**
Long-term bank loans and borrowings received – principal	5,797,103	3,417,676

	31/12/2014	**31/12/2013**
Current portion of bank loans and other borrowings	**2,885,243**	**5,677,223**
Short-term bank loans and borrowings received – principal	634,418	668,238
Short-term bank loans and borrowings received – interest	35,149	11,331
Short-term loans and borrowings received from affiliated businesses – principal	2,183,709	4,771,312
Short-term loans and borrowings received from affiliated businesses – interest	31,967	226,345
Short-term liability from finance lease	--	-3

Bank Loans and Borrowings

The Company recognised the following loans as at 31 December 2014:

Type of loan	Interest rate	2014 interest payable	Maturity	Balance at 31/12/2014	Due within 1 year	Due in 1-6 years
Bank loan B – KB, ČS, ČSOB, UniCredit - principal	3.25% + 1M PRIBOR	32,279	--	--	--	--
Balance at 31/12/2014 adjusted for transaction costs and interest		--		--	--	--
Bank loan AI - KB, ČS, ČSOB, UniCredit - principal	3.65% + 1M PRIBOR	59,638	--	--	--	--
Balance at 31/12/2014 adjusted for transaction costs and interest		--		--	--	--
Bank loan AII - KB, ČS, ČSOB, UniCredit - principal	3.50% + 1M PRIBOR	31,661	--	--	--	--
Balance at 31/12/2014 adjusted for transaction costs and interest		--		--	--	--
Bank loan Ia - KB, ČS, ČSOB, UniCredit - principal	2.65% + 3M PRIBOR	19,963	22/10/2019	3,250,000	650,000	2,600,000
Balance at 31/12/2014 adjusted for transaction costs and interest		19,963		3,227,914	651,424	2,576,490
Bank loan IIa - KB, ČS, ČSOB, UniCredit - principal	2.85% + 3M PRIBOR	21,219	22/10/2020	3,250,000	--	3,250,000
Balance at 31/12/2014 adjusted for transaction costs and interest		21,219		3,238,756	18,143	3,220,613

On 22 October 2014, SAZKA a.s. entered into a SYNDICATED LOAN AGREEMENT for CZK 7,500,000,000 with Komerční banka, a.s., Česká spořitelna, a.s., Československá obchodní banka, a.s., and UniCredit Bank Czech Republic and Slovakia, a.s. Under this Agreement, the Company drew down the credit tranches Ia in the amount of CZK 3,250,000 thousand and IIa in the amount of CZK 3,250,000 thousand on 30 October 2014.

A lien on trademarks (see item 13), on the Company's building with adjacent land (see item 14), on the Company's shares and on insurance indemnity receivables is tied to these loans.

As at 30 October 2014, the Company made early repayments of the above-mentioned credit tranches AI, AII and B, drawn under the Loan Agreement in the amounts of CZK 2,000,000 thousand dated 10 May 2012 and under the Syndicated Loan Agreement in the amount of CZK 3,050,000 thousand dated 6 December 2012. As at 30 October 2014, the principals of the tranches repaid early were as follows: tranche AI – CZK 1,659,600 thousand, tranche AII – CZK 1,000,000 thousand, tranche B – CZK 975,000 thousand.

Under the terms and conditions of the above-mentioned loan agreements, the Company has to comply with defined financial indicators, which include debt coverage ratio, debt service coverage ratio, and debt-to-equity ratio. The Company complied with these financial indicators as at 31 December 2014.

Hedging

As stated above, SAZKA a.s. entered into a loan agreement on 22 October 2014, allowing it to use a loan of up to CZK 7,500,000 thousand. The credit documentation indicates an obligation of securing a portion of this loan by entering into interest rate swap(s) for at least CZK 2,812,000 thousand ("IRS"). Hence the Company's Board of Directors approved a limit of CZK 3,000,000 thousand on this type of transaction. Thus SAZKA a.s. subsequently entered into interest rate swaps with selected banks in the amount of this limit. The factors taken into account while entering into these IRS included not only the credit documentation but also the fact that interest rates stood at all-time lows when the transactions were entered into.

To calculate interest on the loan, a variable interest rate was set, specifically 3M PRIBOR. Thus cash flows in CZK arising from interest payments are the hedged item. The IRS are the hedging derivatives, the purpose of which is to exchange a variable interest rate (paid by the banks) for a fixed interest rate (paid by SAZKA a.s.). The fixed rates differ slightly depending on counterparty; nevertheless, all rates correspond to the current market offer. All IRS were entered into for the same period for which the loan agreement was concluded, with the settlement dates corresponding to the loan repayments.

As at the balance sheet date, the Company had open positions in the following hedging derivatives to hedge the cash flows in CZK arising from interest payments:

IRS	Bank	Due date	Nominal value (thousands of CZK)	Fair value (thousands of CZK)
IRS_14961	Česká spořitelna, a.s.	22/10/2020	500,000	-897
IRS_14832	Česká spořitelna, a.s.	22/10/2020	550,000	-4,158
65088434	Československá obchodní banka, a.s.	22/10/2020	550,000	-2,370
6444120	UniCredit Bank Czech Republic and Slovakia, a.s.	22/10/2020	700,000	-4,925
IRS/CIRS	Komerční banka, a.s.	22/10/2020	700,000	-4,898
Total				**-17,248**

In compliance with the accounting principles specified in item 3d), the fair value of these hedging derivatives, which hedge the exposure to the risk of cash flow variability, is recognised in comprehensive income (part of equity in item "Capital funds and other funds").

The Company recognised 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 in 1-5 years
Bank loan B – 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 interest		**55,892**		**1,178,846**	**290,370**	**888,476**
Bank loan AI – 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 interest		**86,525**		**1,919,922**	**377,868**	**1,542,054**
Bank loan AII – 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 interest		**38,693**		**987,146**	**--**	**987,146**

Liabilities based on outstanding interest of CZK 11,331 thousand were recognised in respect of the above-mentioned 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 long-term portion and CZK 97,600 thousand was the short-term portion).

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

Under the terms and conditions of the above-mentioned loan agreements, the Company had to comply with defined financial indicators, which included debt coverage ratio, debt service coverage ratio, and debt-to-equity ratio. The Company complied with these financial indicators as at 31 December 2013.

Borrowings Received from Related Parties

The Company recognised the following borrowings from related parties as at 31 December 2014:

31/12/2014	Maturity	Interest rate	Principal balance at 31/12/2014	Principal due within 1 year	Principal due in 1-5 years	Principal due in more than 5 years
KKCG SE	19/10/2019	8.5%	2,183,709	--	2,183,709	--
Total			**2,183,709**	**--**	**2,183,709**	**--**

Liabilities based on outstanding interest of CZK 31,967 thousand were recognised in respect of the above-mentioned borrowing as at 31 December 2014.

Borrowings received from related parties are subjected to bank loans described above, with any early repayment requiring prior consent from the bank syndicate. The borrowing comes due in 2019 under the Agreement. Nevertheless, the creditor may apply for an early repayment on request. In this regard, the borrowing is classified as current in the statement of financial position.

The Company recognised the following borrowings 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 in 1-5 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 recognised in respect of the above-mentioned borrowings as at 31 December 2013.

As a result of the merger by integration as at 1 January 2013, the Company recognised a lending 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, the Company earned interest income on that lending made to KKCG SE in the amount of CZK 217,061 thousand (see item 28). The average interest rate on this lending was 5.66% and the original maturity was agreed for 14 January 2019.

In the second half of 2013, the total lending 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 the Company and KKCG SE, set off against KKCG SE’s receivable of CZK 9,635,000 thousand due from the Company based on the payment of the purchase price for 100% of the shares of the merged company BQV Czech, a.s. The Company’s liability arising from the KKCG SE’s receivable of CZK 9,635,000 thousand was not subject to any interest until the offsetting date.

The remaining amount of 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). Then the amount of CZK 3,094,350 thousand was converted into a short-term lending made by KKCG SE (see above).

24. Trade and Other Payables

	31/12/2014	31/12/2013
Current trade payables and other current payables	**1,152,791**	**762,747**
Current trade payables 1)	298,207	255,392
Current advances and security deposits received 2)	99,742	100,387
Payables based on unpaid prizes	385,078	148,109
VAT liabilities	8,649	5,910
Personal income tax liabilities	8,313	3,805
Lottery tax liabilities	178,977	94,632
Social security and health insurance liabilities	5,793	4,854
Payables to employees	14,904	13,334
Estimated liabilities	101,310	81,339
Number lottery subscriptions	51,818	54,985

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

2) As at 31 December 2014, the Company presented a liability of CZK 99,742 thousand (CZK 100,387 thousand in 2013) based on security deposits received. Under the agreements concluded with partners, they are entitled to an immediate refund of the relevant security deposit after they terminate their activities and settle all of their liabilities to the Company. This is why these security deposits are presented as current (see item 5).

Trade and other payables were not secured as at 31 December 2014 and 31 December 2013.

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.

25. Provisions

Current provisions	Current provision for real-estate transfer tax	Current provision for jackpots	Other current provisions	Total
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**
Balance at 01/01/2014	**--**	**104,610**	**32,417**	**137,027**
Creation	--	154,011	42,127	196,138
Use	--	-104,610	-32,417	-137,027
Release	--	--	--	--
Balance at 31/12/2014	**--**	**154,011**	**42,127**	**196,138**

26. Contingent Liabilities

The following litigations of a material nature are being conducted against the Company:

Actions for annulment of the company sale agreement

In 2012, four legal actions for annulment of the agreement to sell the business were brought against SAZKA, a.s., and against the receiver of SAZKA a.s., v konkurzu (now SALEZA a.s.). By these actions, the claimants, namely DF Deutsche Forfait s.r.o., T-Mobile Czech Republic, a.s., Nova Ljubljanska banka d.d. (previously NLB Factoring a.s.) (combined into joint proceedings) and Jiří Kabourek sought an annulment of the agreement by which the SAZKA business was transferred to SAZKA a.s. The three former actions mentioned above were rejected by the Municipal Court in Prague. On 18 June 2014, the High Court in Prague, as the appellate court, upheld the rejecting decision of the Municipal Court in Prague. Thus the decisions became enforceable. Extraordinary appeals against this decision were submitted by Nova Ljubljanska banka d.d. Ljubljana on 18 September 2014 and by T-Mobile Czech Republic a.s. on 23 September 2014.

Action for annulment of the sale of the SAZKA business brought by Mr Jiří Kabourek as part of the insolvency proceedings: The claimant in the proceedings gradually applied for exemption from the court fee and for appointing his lawyer by the court. The Municipal Court in Prague upheld none of these applications. The claimant appealed these decisions in a separate appeal. On 4 March 2013, the High Court in Prague upheld the decision of the Municipal Court in Prague. The claimant filed an extraordinary appeal against this, requesting an appointment of his representative in this extraordinary appeal again. In his extraordinary appeal, he also raised an objection of bias against the Municipal Court in Prague as a whole.

Nonetheless, it is still difficult to foresee any final result with certainty. The Company Management sees no reason why the agreements to sell the business should be annulled. The potential impact cannot be financially expressed but it would be significant if the claimants achieved the annulment of the agreement to sell the business.

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 claimant sees in SAZKA 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 2015.

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, except for the possible impacts of the action for annulment specified above. Hence no provision was created for these disputes.

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.

One of the main instruments to mitigate credit risk in the ordinary course of business includes security deposits received from partners (agents) – see item 24 (2). Receivables due from partners are monitored by the Company Management on a regular basis.

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 2014	Businesses (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current trade receivables and other non-current receivables	5,289	--	--	--	5,289
Current trade receivables and other current receivables	179,349	--	--	302	179,651
Current receivables from financial instruments (cash equivalents)	100,009	--	--	--	100,009
Tax asset currently receivable	--	65,425	--	--	65,425
Cash and cash equivalents	4,910	--	981,986	--	986,896
Total	**289,557**	**65,425**	**981,986**	**302**	**1,337,270**

As at 31 December 2013	Businesses (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
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 (cash equivalents)	200,065	--	--	--	200,065
Cash and cash equivalents	5,432	--	481,825	--	487,257
Total	**327,956**	**--**	**481,825**	**163**	**809,944**

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 At 31 December 2014	Before maturity	Past due <90 days	Past due 91-180 days	Past due 181-365 days	Past due >365 days	Allowance created	Total
Assets							
Other non-current financial investments	42,199	--	--	--	--	--	42,199
Non-current trade receivables and other non-current receivables	5,289	--	--	--	--	--	5,289
Current trade receivables and other current receivables	175,717	2,555	59	184	1,136	--	179,651
Current receivables from financial instruments (cash equivalents)	100,009	--	--	--	--	--	100,009
Cash and cash equivalents	**986,896**	**--**	**--**	**--**	**--**	**--**	**986,896**
Total	**1,310,110**	**2,555**	**59**	**184**	**1,136**	**--**	**1,314,044**

Age structure 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 created	Total
Assets							
Other non-current investments	42,199	--	--	--	--	--	42,199
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 (cash equivalents)	200,065	--	--	--	--	--	200,065
Cash and cash equivalents	487,257	--	--	--	--	--	487,257
Total	**846,536**	**2,011**	**79**	**277**	**3,240**	**0**	**852,143**

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

Liquidity risk exposure analysis (by maturity)

At 31 December 2014	Carrying amount	Contractual cash flows (1)	Within 1 year	1-5 years	Above 5 years	Undefined maturity
Assets						
Other non-current financial investments	42,199	42,199	--	--	--	42,199
Non-current trade receivables and other non-current receivables	5,289	5,289	--	--	--	5,289
Current trade receivables and other current receivables	179,651	179,651	179,651	--	--	--
Income tax asset currently receivable	65,425	65,425	65,425	--	--	--
Current receivables from financial instruments (cash equivalents)	100,009	100,009	100,009	--	--	--
Total	**392,573**	**392,573**	**345,085**	**--**	**--**	**47,488**
Liabilities						
Non-current portion of bank loans and other borrowings	5,797,103	5,797,103	--	2,554,038	3,243,065	--
Non-current payables from financial instruments	48,355	48,355	--	--	48,355	--
Current portion of bank loans and other borrowings	2,885,243	2,885,243	2,885,243	--	--	--
Current trade payables and other current payables	1,152,791	1,152,791	1,152,791	--	--	--
Current payables from financial instruments	17,248	17,248	--	--	17,248	--
Income tax liability currently payable	--	--	--	--	--	--
Total	**9,900,740**	**9,900,740**	**4,038,034**	**2,554,038**	**3,308,668**	**--**
Net liquidity risk exposure	**-9,508,167**	**-9,508,167**	**-3,692,949**	**-2,554,038**	**-3,308,668**	**47,488**

1) Contractual cash flows not taking account of the discounting to net present value but including interest outstanding.

At 31 December 2013	Carrying amount	Contractual cash flows [1]	Within 1 year	1-5 years	Above 5 years	Undefined maturity
Assets						
Other non-current financial investments	42,199	42,199	--	--	--	42,199
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 (cash equivalents)	200,065	200,065	200,065	--	--	--
Total	364,886	364,886	278,693	--	--	86,193
Liabilities						
Non-current portion of bank loans and borrowings	3,417,676	3,417,676	--	3,417,676	--	--
Non-current payables from financial instruments	47,509	47,509	--	--	47,509	--
Current portion of bank loans and borrowings	5,677,223	5,677,223	5,677,223	--	--	--
Trade payables and other current payables	762,747	762,747	762,747	--	--	--
Income tax liability currently payable	45,197	45,197	45,197	--	--	--
Total	9,950,352	9,950,352	6,485,167	3,417,676	47,509	--
Net liquidity risk exposure	-9,585,466	-9,585,466	-6,206,474	-3,417,676	-47,509	86,193

1) Contractual cash flows not taking account of the discounting to net present value but including interest outstanding.

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 2014:

Interest rate risk exposure analyses (by maturity)

At 31 December 2014	Within 1 year	1-5 years	Above 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Other non-current financial investments	--	--	--	42,199	42,199
Non-current trade receivables and other non-current receivables	--	--	--	5,289	5,289
Current trade receivables and other current receivables	179,651	--	--	--	179,651
Current receivables from financial instruments (cash equivalents)	100,009	--	--	--	100,009
Income tax asset currently receivable	65,425	--	--	--	65,425
Cash and cash equivalents	--	--	--	986,896	986,896
Total	**345,085**	**--**	**--**	**1,034,384**	**1,379,469**

At 31 December 2014	Within 1 year	1-5 years	Above 5 years	Undefined maturity (or non-interest bearing)	Total
Liabilities					
Non-current portion of bank loans and other borrowings	--	2,554,038	3,243,065	--	5,797,103
Non-current payables from financial instruments	--	--	48,355	--	48,355
Current portion of bank loans and other borrowings	2,885,243	--	--	--	2,885,243
Current trade payables and other current payables	1,152,791	--	--	--	1,152,791
Current payables from financial instruments	--	--	17,248	--	17,248
Total	**4,038,034**	**2,554,038**	**3,308,668**	**--**	**9,900,740**

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)

At 31 December 2013	Within 1 year	1-5 years	Above 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Other non-current financial investments	--	--	--	42,199	42,199
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 (cash equivalents)	200,065	--	--	--	200,065
Cash and cash equivalents	--	--	--	487,257	487,257
Total	**278,693**	**--**	**--**	**573,450**	**852,143**

Liabilities					
Non-current portion of bank loans and borrowings	--	3,417,676	--	--	3,417,676
Non-current payables from financial instruments	--	--	47,509	--	47,509
Current portion of bank loans and borrowings	5,677,223	--	--	--	5,677,223
Trade payables and other current payables	762,747	--	--	--	762,747
Income tax liability currently payable	45,197	--	--	--	45,197
Total	**6,485,167**	**3,417,676**	**47,509**	**--**	**9,950,352**

Sensitivity Analysis

The effective interest rate applicable to borrowings and loans is 3.79% (4.38% in 2013). 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 +/- 0.38% (+/-0.44% in 2013). The testing is applied consistently to all loans and borrowings, either at a fixed or at a variable interest rate.

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.

	31/12/2014	31/12/2013
Interest rate increase by 10%	-16,476	-19,974
Interest rate decrease by 10%	+16,476	+19,974

(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) 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 dividends to shareholders through the optimisation of debt-to-equity ratio (up to the ratio of 3).

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

	31/12/2014	31/12/2013
Total liabilities	10,262,449	10,214,062
Less: cash and cash equivalents (including a receivable due from KKCG Structure Limited – see item 20)	1,086,905	687,322
Net debt	**9,175,544**	**9,526,740**
Total equity	**3,649,193**	**3,150,577**
Debt-to-equity ratio	**2,514**	**3,024**

(f) Financial instruments and fair values

Categories of financial instruments

The Company's financial assets include long-term and short-term loans and lendings made, trade and other receivables, 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, derivatives (payables from financial instruments), and current tax liabilities.

The carrying amounts of financial assets and liabilities are much the same as their fair values. The fair value of non-current borrowings from related parties bearing a fixed interest rate of 8.5% (see item 23) exceeds their carrying amount because of a decline in market interest rates.

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**	
	31/12/2014	**31/12/2013**	**31/12/2014**	**31/12/2013**
Assets				
Other non-current financial investments	42,199	42,199	42,199	42,199
Non-current trade receivables and other non-current receivables	5,289	43,994	5,289	43,994
Current trade receivables and other current receivables	179,651	78,628	179,651	78,628
Current receivables from financial instruments (cash equivalents)	100,009	200,065	100,009	200,065
Tax asset currently receivable	65,425	--	65,425	--
Cash and cash equivalents	986,896	487,257	986,896	487,257
Total	**1,379,469**	**852,143**	**1,379,469**	**852,143**
Liabilities				
Non-current portion of bank loans and other borrowings	5,797,103	3,417,676	5,797,103	3,417,676
Non-current payables from financial instruments	48,355	47,509	48,355	47,509
Current portion of bank loans and other borrowings	2,885,243	5,677,223	3,015,689	5,836,665
Current trade payables and other current payables	1,152,791	762,747	1,152,791	762,747
Current payables from financial instruments	17,248	--	17,248	--
Income tax liability currently payable	--	45,197	--	45,197
Total	**9,900,740**	**9,950,352**	**10,031,186**	**10,109,794**

Fair Value Hierarchy

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

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

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 parties presented below are related to the Company through their relationships within the KKCG SE group. Some of them are also related through key management members.

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 2014 and 31 December 2013:

	Receivables		Payables	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
KPS MEDIA a.s. v likvidaci***)	160	511	2,286	679
SPORTLEASE a.s.	17	38	--	27
BESTSPORT akciová společnost*)	91	91	--	--
GTECH Czech Republic LLC.	906	722	22	31
KKCG a.s.	23	--	13,848	1,308
KKCG SE **)	--	--	2,215,676	3,170,334
KKCG Structured Finance Limited **)	100,009	200,065	--	1,827,323
KKCG Real Estate	--	--	944	--
MND a.s.	--	64	680	638
Bestsport Arena, a.s. ****)	--	76	--	5,191
DataSpring s.r.o. (Centrum ICT služeb)	437	149	887	--
CK Fischer	--	--	370	--
Geewa a.s.	--	--	240	--
SAZKA FTS	1,047	--	--	--
Springtide Ventures	--	--	211	--
Informační linky s.r.o.	--	--	1,319	798
Total	**102,690**	**201,716**	**2,236,483**	**5,006,329**

*)
As at 31 December 2012, SAZKA a.s. owned 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.

On 17 December 2014, a share transfer agreement, representing approximately a 0.07% share of voting rights in the Company, was signed between SAZKA a.s. and LINDUS SERVICES LIMITED.

**)
As at 31 December 2014 and 31 December 2013, payables of KKCG SE and KKCG Structured Finance Limited comprise received borrowings from related parties detailed in item 23.

As at 31 December 2014 and 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 classified as part of cash equivalents for the purposes of cash flow statement (see item 20).

***)
The data specified for KPS Media a.s. v likvidaci apply to 30 September 2014, as the company entered into liquidation as at 1 October 2014.

****)
Receivables due from and payables due to Bestsport Arena, a.s. only apply to 31 December 2013, when this company was part of the KKCG SE group as an associate.

(b) Overview of related party transactions for the periods ended 31 December 2014 and 31 December 2013:

	Revenues for the period		Costs for the period	
	2014	2013	2014	2013
KPS MEDIA a.s. v likvidaci*)	953	1,264	2,553	7,264
SPORTLEASE a.s.	168	81	--	30
BESTSPORT akciová společnost **)	900	975	--	--
GTECH Czech Republic LLC.	4,767	4,307	325	434
KKCG a.s.	19	--	18,098	4,102
KKCG SE ***)	--	217,061	253,342	75,983
KKCG Structured Finance Limited ***)	186	123	119,973	143,191
KKCG Real Estate	--	--	1,770	--
MND a.s.	--	14	3,381	3,797
MND Gas Storage a.s.	--	--	--	19
MND Drilling & Services a.s.	--	19	--	--
Informační linky s.r.o.	--	--	7,522	872
Bestsport Arena, a.s. ****)	--	3,719	--	746
DataSpring s.r.o. (Centrum ICT služeb)	1,573	--	734	263
Geewa a.s.	--	--	693	--
SAZKA FTS	874	--	--	--
Cestovní kancelář FISCHER, a.s.	50	--	557	888
Total	9,490	227,563	408,948	237,589

*)
The data specified for KPS Media a.s. v likvidaci apply to the period from 1 January 2014 to 30 September 2014, as the company entered into liquidation as at 1 October 2014.

**)
As at 31 December 2012, SAZKA a.s. owned 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. On 17 December 2014, a share transfer agreement, representing approximately a 0.07% share of voting rights in the Company, was signed between SAZKA a.s. and LINDUS SERVICES LIMITED.

***)
In 2013, SAZKA a.s. earned interest income from KKCG SE. This interest income arose from a lending made to KKCG SE, which was presented by the Company as a result of the merger by integration as at 1 January 2013. This lending is detailed in item 23 of the Notes to the Financial Statements. In 2014, SAZKA a.s. earned no interest income from this.

The 2014 and 2013 costs from KKCG SE and KKCG Structured Finance Limited comprise the interest payable on borrowings 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) Overview of transactions with Members of the Company Bodies for the period ended 31 December 2014:

In 2014, the Company paid CZK 455 thousand (CZK 179 thousand in 2013) in remuneration to Members of the Company Bodies. No lendings or loans were made to Members of the Company Bodies in 2014 and 2013.

29. Subsequent Events

Description of the subsequent events after 31 December 2014:

The following fact was entered into the Commercial Register on 22 January 2015: "Transferability of shares is subject to consent from the Company's General Meeting; an agreement to transfer these shares shall not take effect before the consent is given. Unless the consent is given within 6 months from the date of entering into the transfer agreement, the effects shall be the same as in the event of withdrawal from the agreement unless the transfer agreement provides otherwise.".

No subsequent events, apart from those mentioned above, with a material impact on the Financial Statements as at 31 December 2014 occurred.

Date:	Signature by the statutory body	
30 March 2015	Martin Bláha Member of the Board of Directors	Robert Chvátal Member of the Board of Directors

In April 2015, mobile virtual network operator SAZKAmobil extended its sales network to include Globus stores and, from May, also to include branches of Czech Post.

A pay-monthly plan with unlimited calls and data was launched in May.

Apart from events specified in the Financial Statements as at 31 December 2014, no event with a fundamental impact on the Company's financial position happened from the balance sheet date to the date of approving this Annual Report.

SAZKA a.s.

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In Prague, on 10 June 2015

Pavel Šaroch Chairman of the Board of Directors SAZKA a.s.	Robert Chvátal Member of the Board of Directors SAZKA a.s.

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Independent Auditor's Report to Shareholders of SAZKA a.s.

Financial Statements

On 30 March 2015, 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 a.s., i.e. the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2014, as well as the Notes to these Financial Statements, including a summary of significant accounting policies and other explanatory information. Data about SAZKA 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 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.

Auditor’s Opinion

In our opinion, the Financial Statements give a true and fair view of the assets and liabilities of SAZKA a.s. as at 31 December 2014, and of the expenses, revenues and the results of its operations and cash flows for 2014, in accordance with International Financial Reporting Standards, as amended by the European Union.”

Report on Relations

We have reviewed the factual accuracy of the information disclosed in the Report on Relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and the Entities Controlled by the Same Controlling Entity of SAZKA a.s. for the year ended 31 December 2014, prepared in accordance with the relevant provisions of Act No 90/2012 Coll., on Business Corporations and Cooperatives. 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 Relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and the Entities Controlled by the Same Controlling Entity of SAZKA a.s. for the year ended 31 December 2014 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 10 June 2015

KPMG Česká republika Audit

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

Petr Sikora
Partner
Registration No 2001