ANNUAL REPORT 2020

Translation note

This version of the annual report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of annual report takes precedence over this translation.

Content

Identification data

SAZKA a.s.
Registered office: Prague 9, K Žižkovu 851, postal code 190 93
Identification number: 26493993
Tax identification number: CZ699003312
Incorporated in the Commercial Register by the Municipal Court in Prague, File no. B 7424
Website: www.sazka.cz
Tel. no.: 266 12 12 12

Business activities:

- production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act,
- operation of games of chance in accordance with generally binding legislation,
- manufacture, installation, repair of electrical machinery and apparatus, electronic and telecommunications equipment,
- work of accounting consultants, bookkeeping, maintaining tax records,
- installation, repair, inspection and testing of electrical equipment,
- registry management,
- performing communication activities pursuant to Act No. 127/2005 Coll., on electronic communications and on the amendment of some related acts, which is a business in electronic communications,
- provision of small-scale payment services pursuant to Act No. 370/2017 Coll., on payment systems, as amended.

Subject of activity:
- rental of property, residential and non-residential premises.

Company profile

SAZKA a.s. (hereinafter also the “Company”) is a part of the KKCG Group consisting of companies that are all, directly or indirectly, controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne, Swiss Confederation, registration. no. CHE-326.367.231.

The Company is the oldest lottery company in the Czech Republic.
The Company's main products are numerical lotteries with the most famous game Sportka.
In addition to numerical lotteries, in the area of games of chance, the product offering includes scratch card games, odds betting, totalizator games, technical games and live games. The second pillar includes non-game of chance products, which include primarily SAZKAmobil mobile operator, mobile phone top-up service and tickets sale.

The Company provides its products mainly through a unique distribution network with almost 8,000 points of sale located throughout the Czech Republic.

The Company is a member of the largest and most important international lottery organizations - European Lotteries (EL) and World Lottery Association (WLA).

The Company adheres to and enforces the principles of responsible gaming and ethical principles in the betting and lottery industry. These activities are developed and supported on national and international level.

The Company does not carry out any activities in the area of research and development.

The Company did not do a buyback of its shares during 2020.

In its activities, the Company complies with the principles of environmental protection and labour law regulations. The Company is a stable company and will be actively seeking to strengthen its position on the Czech market of games of chance.

Significant events that occurred after the balance sheet date are described in the notes to the financial statements.

The Company has no additional disclosure information required by special legislation.

Composition of bodies as at 31 December 2020:

Board of Directors:
Pavel Šaroch, chairman of the Board of Directors
Robert Chvátal, member of the Board of Directors and CEO
Kamil Ziegler, member of the Board of Directors

Supervisory Board:

Tomáš Porupka, chairman of the Supervisory Board
Robert Kolář, member of the Supervisory Board

Entries in the Commercial Register:

On 27 February 2020, the sole shareholder, exercising the powers of the General Meeting, recalled Petr Stöhr, a member of the Supervisory Board, effective 29 February 2020. Termination note in the Commercial Register was made on 12 March 2020.

Following the decision of the sole shareholder exercising the powers of the General Meeting of 26 January 2021 approving the amendment to the Articles of Association, and the Board of Directors' decision of 26 January 2021 on revoking, inter alia the authorization of a member of the Board of Directors and CEO, Robert Chvátal, to conduct legal proceedings against employees, the following changes were made in the Commercial Register on 26 January 2021:

- Removal of the current manner of acting on behalf of the Company, including the authorization of a member of the Board of Directors and CEO Robert Chvátal to conduct legal proceedings against employees;
- Registration of a new course of acting on behalf of the Company: the Company is always represented jointly by two members of the Board of Directors.

At the same time, based on the decision of the Board of Directors as of 26 January 2021, Pavel Šaroch was dismissed from the position of Chairman of the Board of Directors and Robert Chvátal was dismissed from the position of CEO effective from 1 February 2021. Robert Chvátal was elected the new Chairman of the Board of Directors. The relevant removals and entries were made in the Commercial Register on 1 February 2021.

Significant events in 2020

In 2020, the Company was authorized to operate 9 numerical lotteries with simultaneous operation at points of sale and on the Internet (of which 1 internationally shared, 5 extra lotteries, 1 numerical lottery exclusively at points of sale and 1 numerical lottery exclusively on the Internet), 81 instant lotteries (scratch cards) at points of sale and 57 instant lotteries on the Internet. Furthermore, 1 totalizator game was operated at points of sale, and odds betting and technical games were operated on the Internet. The Company had an authorization to operate up to 259 technical games. Moreover, the Company obtained a new basic licence to operate live games, with 2 live games permitted. There was also a sports fantasy game on the Internet, which was free for customers (without bets).

The Company generated 155 new millionaires in 2020.

In 2020, a change in the Company's image was launched with the aim of rejuvenating the brand's perception.

The Company continuously complies with the strict international rules on responsible gaming set by the European Lotteries and World Lottery Association. The Company further develops a comprehensive strategy of responsible gaming, which protects its customers. The Company has launched the "Hraj s rozumem" project, which will strengthen the perception of the Company as a responsible company.

Human resources

Year-on-year 2019–2020, the number of full-time employees increased.

Number of employees:
As at 31 December 2019: 409
As at 31 December 2020: 447

Equity investments

The Company does not have a branch or part of a commercial establishment abroad.

IGT Czech Republic LLC

Legal form:	limited liability company
Registered office:	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA
Equity investment of SAZKA a.s.:	63%

SALEZA, a.s. Identification number: 47116307

The company is incorporated in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 1855, on 15 February 1993

Registered office:	Prague 9, K Žižkovu 851, postal code 190 93
Share capital:	CZK 1,399,600,000
Equity investment of SAZKA a.s.:	98.1%

Based on the decision of the Municipal Court in Prague File no. MSPH 60 INS 628/2011-B-244 of 27 May 2011, it was decided to declare bankruptcy on the debtor's property. This decision became effective on 30 May 2011 at 11:52 a.m.

Evaluation of the SAZKA a.s. activities for the year 2020

SAZKA a.s. deals mainly with the operation of games of chance. Its core business consists of the operation of numerical lotteries, odds betting and technical games.

In 2020, the Company also continued to strengthen its activities in other areas, especially through its virtual mobile operator SAZKAmobil.

In 2020, the Company reached a profit before tax of CZK 1,525 mil. The total amount of bets at the Company was CZK 19,796 mil.

The state of the Company's assets as at 31 December 2020 was as follows:

- Non-current assets in the amount of CZK 13,308 mil., of which intangible non-current assets amounted to CZK 2,726 mil., tangible non-current assets amounted to CZK 742 mil., and goodwill amounted to CZK 9,636 mil,;
- Current assets in the amount of CZK 1,800 mil., of which short-term trade receivables and other current assets in the amount of CZK 303 mil., and cash and cash equivalents in the amount of CZK 1,488 mil.

Equity as at 31 December 2020 amounted to CZK 5,907 mil. and liabilities including external sources of capital amounted to CZK 9,201 mil.

Risk management

Company's risk management includes identification, quantification, control and subsequent monitoring of those facts, which could lead to a financial impact or the loss of the Company's market position.

The method of risk management in the Company complies with the standards ISO 27001, ISO 31000and WLA-SCS.

The basic tool for risk management is the risk catalogue, which contains all identified risks of the Company and their severity. For each risk, the impact of the risk and the probability of its occurrence are assessed. Each risk in the risk catalogue has its owner, who proposes measures to mitigate the risk and is responsible for its implementation and regular updating.

The entire risk management process is regularly evaluated through a risk analysis report, which is submitted and approved by the Company's management at least once a year.

Financial instruments

The Company had entered into interest rate swaps (IRS), which were connected with interest payments on a loan. These derivatives were held as hedging instruments and served to cover the risk, which was a cash flow volatility conditional on the payment of interest on the loan.

Following the repayment of the bank loan, these swaps were terminated prematurely in December, so at the end of the year the Company no longer had any such instruments.

Forwards were occasionally used to secure foreign exchange funds to settle foreign currency liabilities.

EVALUATION OF THE COMPANY'S MAIN ACTIVITIES IN 2020

Numerical lotteries

Last year, the Company had to close retail points several times and change its communication strategy. The Company focused on strengthening the online channel. Despite the coronavirus measures, the numerical lotteries exceeded plan by 2%.

Thanks to special lotteries, extra games and tactical campaigns, such as Friday the 13th or Czech Fridays, Sportka and Eurojackpot are able to attract casual players and increase the share of full tickets.

Instant lotteries - scratch cards

Despite the complications with the restriction of retail, scratch cards sold at points of sale were successful last year (an increase of 4% compared to 2019), mainly due to campaigns at the beginning and end of the year. The Company launched 19 new ticket issues. For example, the news such as Mates, "Zlatá karta", "VIP Mazlíčci", "Čokoládový sen" or "Velký hráč" have been added. The strongest family of lottery tickets has traditionally been the "Černá perla" lottery.

The Company also operates and, in some cases, develops its own scratch e-cards sold via the Internet, which are designed by an internal team. Selected lottery e-cards ("Černá perla", "Rentiér", "Zlatá rybka", "Velký hráč" and others) are an alternative to a printed template of tickets sold at points of sale.

Technical and live games

Under the SAZKA Hry brand, the Company launched 112 new web technical games and started operating live web games. A completely new SAZKA Games application was created, the complete design and testing of which were developed internally.

Odds betting

Sazkabet was significantly affected by COVID-19 restrictions and a ban on most sporting events. However, it quickly caught up with the losses from the first half of the year and overcame the plan by 3% at the end of the year, which is a historic success.

Online gambling in general

Thanks to the successful acquisitions of new players into the online vertical, the Company managed to reduce sales shortfalls in a closed stone network. Online accounts formed 31% of the Company's total gross revenues. There has been a significant improvement in the Sazka.cz website in all parameters and content. In addition to many product innovations, the possibility of personalizing the website and dozens of other innovations and improvements were implemented.

CRM

The program for registered customers in the SAZKA Klub retail network reached more than 240,000 of active and fully registered members in the last year. Exclusively for Sazka Klub customers, the Company has launched a new game "Kolo štěstí", thanks to which the number of customers, who actively use the card is also increasing.

Technology

The new project organization streamlined the management of the Company's implementation projects.

The Company has launched a program of activities aimed at increasing the robustness of system operation, managing the handling of growing customer requirements and the Company's business.

Thanks to extensive reporting, the Company is now able to monitor player behaviour on a daily basis and respond to it in real time, for example, in advanced customer work or fraud detection.

The Company has entered into a new agreement with IGT GLOBAL SERVICES LIMITED and has fully launched the Futurum program, on which the Company's success in the next almost ten years will depend, including a new terminal network. This involves the replacement of the central lottery system, including the replacement of all terminals of the Company. With its scope, Futurum is the Company's largest project in recent years, which will last until 2022.

Other activities

The Company has entered the eSports segment and became the general partner of the largest Czech-Slovak league SAZKA eLEAGUE and the eSports team BRUTE.

SAZKAmobil's overall profit and number of customers grew year-on-year, despite aggressive competition and difficult Covid times.

The "Dobíjení PaySafeCard" service is the Company's fastest growing non-lottery service. The number of transactions increased by more than 70% year-on-year.

The Company, together with the Czech Post, has launched more than 1,300 Balíkovna outlets.

Outlook for the future development of the Company's activities and management

The year 2020 was extraordinary for the Company due to the coronavirus epidemic. Despite the initial reduction of the retail network in the spring and the resulting negative impact on sales, especially of lottery tickets, the situation was stabilized by an emphasis on the online form of sales. The Company believes that by more significant involvement of the online channel, it will be able to eliminate the potential impacts resulting from the limitations of the branch network as much as possible in the future.

In Prague, on 13 April 2021

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

Report of the Board of Directors of SAZKA Group a.s. on the relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity

The company SAZKA a.s., with its registered seat at K Žižkovu 851, 190 93 Prague 9, Identification No. 26493993, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 7424 (hereinafter the "**Company**") in the accounting period from 1 January 2020 to 31 December 2020 (hereinafter the "**Accounting Period**") was a controlled entity within the meaning of Section 74 et seq. of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter the "**Business Corporations Act**" or "**BCA**").

The Board of Directors of the Company, as a controlled entity, in accordance with Section 82 of Business Corporations Act has drafted for the lapsed Accounting Period this Report on the relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity (hereinafter also the "**Report on Relations**" and "**Related Entities**"). The Report on Relations is structured in accordance with Section 82 (2) and (4) of BCA.

1. The structure of relations between the Company and other related entities

Throughout the accounting period, the Company was member of the KKCG group consisting of companies which are all, directly or indirectly, controlled by KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, Swiss Confederation, Reg. No. CHE-326.367.231 (hereinafter "**KKCG AG**").

The Company is controlled by ***KKCG AG*** indirectly, through the parent company ***SAZKA Czech a.s.***, with its registered seat at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Identification 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 seat at Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Identification 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 AG)*.

A list of all companies in the KKCG Group, which are directly or indirectly controlled by KKCG AG, including the Company, constitutes an Annex 1 to this Report on Relations. Information on companies in the KKCG group are disclosed as of 31 December 2020.

2. The role of the Company

The Company has an important role within the KKCG group, it is the largest lottery operator in the Czech Republic. The main business activity is the operation of games of chance in accordance with generally binding legal regulations, in particular in accordance with Act No. 186/2016 Coll. on Gambling. In addition to games of chance, the Company also operates other business activities through points of sale and terminals.

3. The method and means of control

The control is exercised against the Company through a 100% share in the voting rights at the Company's general meeting.

4. A summary of significant actions

In the Accounting Period, at the initiative or in the interest of KKCG AG or Related Entities the Company took the following actions concerning assets that exceed 10% of own capital of the Company as determined from the last financial statements preceding the issue of this report:

- Ongoing placement of free funds based on the CASH POOLING AGREEMENT with KKCG Structured Finance AG dated 31 May 2016 (as stated in Section 5.2);
- The sole shareholder of the Company decided to pay a dividend in the total amount of CZK 1,000,000,000 on 22 September 2020;
- Drawing a loan in the amount of CZK 5,670,000,000 from SAZKA Group a.s. based on FACILITY AGREEMENT concluded on 21 December 2020 (as stated in Section 5.1.);
- Liabilities pledge of SAZKA Group a.s. companies based on INTERCREDITOR AGREEMENT with SAZKA Group a.s. and other entities concluded on 16 December 2020, on the basis of Accession Deed concluded on 23 December 2020 and PARALLEL DEBT AND LOCAL SECURITY AGENCY AGREEMENT with SAZKA Group a.s., LUCID TRUSTEE SERVICES LIMITED, Komerční banka, a.s., and other entities concluded on 23 December 2020 (as stated in Section 5.1.).

5. An overview of mutual contracts

5.1. In the Accounting Period, the following contracts were concluded between the Company and KKCG AG, or between the Company and the Related Entities controlled by KKCG AG:

- Framework Agreement on the provision of services in the field of security services and technologies with AEC a.s. dated 4 June 2020;
- Hardware supply agreement with AEC a.s. dated 12 October 2020;
- Agreement for the provision of services in the form of Software as a Service with AEC a.s. dated 2 November 2020
- Hardware supply agreement with AEC a.s. dated 16 November 2020;
- Future lease agreement concerning Bořislavka Centre with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 13 October 2020;
- Amendment No. 1 to the Future lease agreement concerning Bořislavka Centre with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. (concluded 19 December 2018) dated 13 October 2020;
- Amendment no. 8 to the Agreement on the lease of premises used for business with DataSpring s.r.o. dated 22 May 2020;
- Amendment no. 9 to the Agreement on the lease of premises used for business with DataSpring s.r.o. dated 22 May 2020;
- Agreement on termination of the Contract for work and provision of services (*i.e. Agreement on supply and hardware implementation and provision of services of the unified communication and service assurance) and termination of the relevant part of the Processing Contract (i.e. Agreement on personal data processing*) with DataSpring s.r.o. dated 30 April 2020;
- Agreement for the provision of data centre, cloud and other services with DataSpring s.r.o. dated 4 June 2020;
- Amendment no. 2 to the Agreement on supply and implementation of HW and SW for backup, incl. Maintenance with DataSpring s.r.o. dated 1 January 2020;
- Amendment no. 3 to the Agreement on the transfer of activities and services and the agreement on the provision of asset management and maintenance services with FM&S Czech a.s. dated 7 February 2020;
- Agreement on receivables assignment with KKCG AG dated 23 April.2020;
- Amendment no. 1 to the Framework Agreement on the provision of consulting services with KKCG a.s. dated 15 May 2020;
- Amendment no. 5 to the Agreement on combined gas supply services with MND a.s. dated 12 May 2020;
- Agreement on combined electricity supply services with MND a.s. dated 8 July 2020;

- Donation agreement with MND a.s. dated 4 December 2020;
- Amendment no. 1 to the contract for the provision of services with SAZKA FTS a.s. dated 1 March 2020;
- Amendment no. 3 to the business representation with SAZKA FTS a.s. dated 30 April 2020;
- FRAMEWORK AGREEMENT ON PROVISION OF ADVISORY SERVICES with SAZKA Group a.s. dated 16 June 2020;
- FACILITY AGREEMENT with SAZKA Group a.s. dated 21 December 2020;
- Accession of SAZKA a.s. to SENIOR FACILITIES AGREEMENT with SAZKA Group a.s., SAZKA Group Financing (Czech Republic) a.s. and other entities dated 16 December 2020, and INTERCREDITOR AGREEMENT with SAZKA Group a.s. and other entities dated 16 December 2020, based on Accession Deed dated 23 December 2020 and PARALLEL DEBT AND LOCAL SECURITY AGENCY AGREEMENT with SAZKA Group a.s., LUCID TRUSTEE SERVICES LIMITED, Komerční banka, a.s., and other entities dated 23 December 2020;
- Agreement on mutual performance with SAZKA Services s.r.o. dated 3 January 2020;
- Subcontract to SAZKA Services s.r.o. dated 2 March 2020;
- Amendment no. 1 to the cooperation agreement with SAZKA Services s.r.o. dated 26 June 2020;
- Subcontract to SAZKA Services s.r.o. dated 20 July 2020;
- Agreement on the termination of the license agreement for trademarks and copyright works with SAZKA Services s.r.o. dated 27 October 2020;
- Agreement on cooperation on the Balíkovna Project with SAZKA Services s.r.o. dated 17 December 2020.

5.2. The following contracts concluded between the Company and KKCG AG, or between the Company and the other entities controlled by KKCG AG prior to the commencement of the Accounting Period were still in force during the Accounting Period:

- Framework agreement on the performance of penetration tests with AEC a.s. dated 30.5.2016, as amended by Appendix No. 1;
- Confidentiality and information protection agreement with AEC a.s. dated 16.5.2018 as amended by Appendix No. 1;
- Agreement on the processing of personal data with AEC a.s. dated 16 April 2019;
- Agreement on confidentiality and information protection with AEC a.s. dated 1 July 2019;
- Agreement on the provision of Cyber Defence Centre services with AEC a.s. dated 1 October 2019;
- Contract for work with AEC a.s. dated 14 October 2019;
- VMS Tenable service support agreement with AEC a.s. dated 29 November 2019;
- Agreement on future lease agreement Bořislavka centrum with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 19 December 2018, as amended by Appendix No. 1;
- Agreement on confidentiality and information protection with Cleverlance Enterprise Solutions s.r.o. dated 25 June 2019;
- Agreement on technical maintenance and development of the Parcel Point system with Cleverlance Enterprise Solutions s.r.o. dated 1 August 2019;
- Agreement on the lease of premises used for business with DataSpring s.r.o. dated 21 February 2014, as amended by Appendices no. 1-9;
- Framework agreement on the provision of consulting services with DataSpring s.r.o. dated 30 June 2014;
- Contract on supply and hardware implementation and provision of services of the unified communication and service provision with DataSpring s.r.o. dated 29 May 2015 (valid till 30 April 2020)
- Agreement on supply and implementation of HW and SW for backup, incl. Maintenance with DataSpring s.r.o. dated 20 October 2015, as amended by Appendix No. 2;
- Agreement on confidentiality and protection of confidential information with DataSpring s.r.o. dated 23 January 2018;
- Agreement on the processing of personal data with DataSpring s.r.o. dated 30 September 2019;
- License agreement with DataSpring s.r.o. dated 5 December 2019;

- Agreement on the transfer of activities and services and Agreement on the provision of asset management and maintenance services with FM&S Czech a.s. dated 1.2.2016, as amended by Appendices no. 1 and 3;
- Agreement on the processing of personal data with FM&S Czech a.s. dated 4 April 2019;
- Cooperation agreement with JTU Czech s.r.o. dated 7 June 2018;
- Framework agreement on the provision of consulting services with KKCG a.s. effective 1 January 2016, as amended by Appendix no. 1;
- Agreement on personal data processing with KKCG a.s. dated 18 June 2018;
- Framework agreement on the provision of advertising space on the Internet with KKCG a.s. dated 1 April 2014 (*SAZKA a.s. acceded to this agreement by Amendment no. 2 between SAZKA a.s., KKCG a.s. and Adexpres.com, s.r.o. dated 10 January 2019*);
- CASH POOLING AGREEMENT with KKCG Structured Finance AG dated 31 May 2016;
- Agreement on the provision of security services with Kynero Consulting a.s. dated 1 August 2015;
- Agreement on the adjustment of relations within the VAT of the Group with Cestovní kancelář FISCHER, a.s. dated 17 December 2013, as amended by Appendix no. 1 with MND a.s. and Cestovní kancelář FISCHER, a.s. and Appendix no. 2 with MND a.s., Cestovní kancelář FISCHER, a.s. and SAZKA FTS a.s.;
- Agreement on combined gas supply services with MND a.s. dated 8 December 2015, as amended by Appendices no. 1 to 5;
- Confidentiality agreement with MND a.s. dated 13 October 2017;
- Agreement on business cooperation with MND a.s. dated 19 October 2017;
- Agreement on combined electricity supply services with MND a.s. dated 20 December 2017, as amended by Appendix no. 1 and 2;
- Agreement on business cooperation with MND a.s. dated 8 August 2018;
- Agreement on the processing of accounting evidence, financial statements and tax returns with SAZKA FTS a.s. dated 17 December 2015;
- Service agreement with SAZKA FTS a.s. dated 17 December 2015, as amended by Appendix no. 1;
- Agreement on business representation with SAZKA FTS a.s. dated 15 December 2015, as amended by Appendices no. 1 to 3;
- Agreement on the lease of business premises with SAZKA FTS a.s. dated 1 August 2016, as amended by Appendix no. 1;
- FRAMEWORK DEPOSIT AGREEMENT with SAZKA Group a.s. dated 17 September 2018, as amended by Appendix no. 1;
- Agreement on the lease of business premises with SAZKA Services s.r.o. dated 1 August 2016, as amended by Appendix no. 1;
- Agreement on the procurement of services with SAZKA Services s.r.o. dated 15 February 2017;
- License agreement for trademarks and copyright works with SAZKA Services s.r.o. dated 31 August 2018 (valid till 31 October 2020);
- Agreement on cooperation with SAZKA Services s.r.o. dated 14 November 2019, as amended by Appendix no. 1;
- Agreement on bookkeeping and related agenda with SPORTLEASE a.s. dated 28 April 2003, as amended by Appendix no. 1;
- Agreement on the lease of business premises with SPORTLEASE a.s. dated 1 March 2012, as amended by Appendices no. 1 and 2.

Note:
FISCHER, a.s. travel agency is no longer part of the KKCG group; therefore it is not listed in Appendix No. 1 – List of related parties. During the Accounting Period, this company was indirectly controlled by KKCG AG and directly controlled by KKCG Investments AG.

6. The assessment of damage suffered and its settlement

The Company did not suffer any damage as a result of agreements entered into between the Company and other parties from the KKCG Group or other negotiations performed by the Company in the interest of or at the instigation of these parties during the Accounting Period.

7. The evaluation of advantages and disadvantages resulting from the relations between the Related Entities

Membership in the KKCG Group, with the Controlling Entity KKCG AG, enables the Company to benefit especially from the sharing of know-how and information (to the extent permitted by law and contractual arrangements with third parties), from the ability to take advantage from the good reputation associated with the KKCG brand and to access intra-group and bank financing of the Company (for example, in the form of the possibility to have collateral for financial liabilities of the Company provided by other persons in the group).

The Company has not identified any disadvantages arising to it from the relationships between the Related Entities.

Annex No. 1: List of Related Parties

In Prague, on 23 March 2021

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

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2020

COMPANY	Registered office, Identification number/Registration number
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. No. 36828617
AEC a.s. (formerly AEC Group a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04772148
AEC s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 31384072
AleaX AG	Fabrikstrasse 4, 9496 Balzers, Lechtenstein, registration no. FL-0002.629.106-8
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, post code 702 00, identification no. 28345801;
Aricoma Group a.s.	Prague 4, Chodov, Líbalova 2348/1, post code 149 00, identification no. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 120 35, Sweden reg. no. 559239-3473
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04047788
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, identification no. 043 08 697
AUTOCONT s.r.o.	Krasovského 14, Bratislava – mestská časť Petržalka, post code 851 01, Slovak Republic, identification no. 36 396 222
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27457621
BOSM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773877
Cachi Valle Aventuras S.A	Av. Francisco de Urlondo 330, 4400 Salta, Argentina. Registration no. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-027729
CAI Ontario Inc.	200 BAY STREET, ROYAL BANK PLAZA, MSJ 2Z4 Ontario, Canada, registration no. 1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-159 .186.971
CAIO DK ApS	c/o Nordic Gambling ApS, Flasketorvet 68, 2, 1711 København V, Denmark, registration no. 40909990
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. 038898d

Casino Odense K/ S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registration no. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-009273
Casino St. Moritz AG	Kempinski Grand Hotel des Bains, Via Mezdi 29, 7500 St Moritz, Switzerland, registration no. CHE-107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 3016 1 Hannover·, Germany, registration no. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registration no. FL-0002.543.564-S
Casinos Austria (Swiss) AG	c/o Reuss Treuhand AG, Furrengasse 1 1, 6004 Luzern, Switzerland, registration no. CHE-100.189. 949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing	Rennweg 44 , 1038 Vienna, Austria, registration no. FN114288x GmbH
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration no. 0502. 785.246
Casinos Austria International GmbH	Rennweg 44 , 1038 Vienna, Austria, registration no. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN37681p
Casinos Austria International Ltd.	Mercure Hotel Level 1, 85-97 North Quay, Brisbane City QLD 4000, Australia, registration no. ACN: 065998807,ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN38657z
Casinos Austria Maritime Corp.	3440 Hollywood Blvd. Ste 415, 33021 Hollywood, USA, registration no. 59-2715677
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN94404f
Casinos Austria VL T AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-279.843.175
Casinos Event Immobilien GmbH	Lister Melle 2, 30161 Hannover , Germany1 registration no. HRB 201793
Casionos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registration no. FN99639d
CES EA s.r.o.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration no. 32267
Cleverlance Enterprise Solutions s.r.o. (formerly Cleverlance Enterprise Solutions a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 27408787

Cleverlance Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04771915
Cleverlance H2B a.s.	Brno, Slatina, Tuřanka 1519/115a, post code 627 00, identification no. 28223756
Cleverlance Slovakia s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 35942487
Cloud4com SK, s.r.o.	Bratislava, Staré Grunty 36, post code 841 04, Slovak Republic, identification no. 50569694
Cloud4com, a.s.	Prague 7, Holešovice, U Uranie 954/18, post code 170 00, identification no. 24660329
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, registration no. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, registration no. 506335
Complejo Monumento Güemes S.A.	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registration no. FOLIO 187/88 ASIENTO 2288 LIBRO 9
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, FN67046y
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN54015i
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 28808681
DEADALUS TECHNOLOGIES FZC	Silicon Oasis Headquarters, DSOA Street , DSOA, 341568 Dubai, United Arab Emirates, tax reg. no. 100227112800003
Deutsche Sportwetten GmbH	Karmarschstr. 37+ 39, D-30159 Hannover, Germany, registration no. 2 19939
Eleganta, a .s.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 27627985
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A.	Del Milagro 142, 4400 Salta, Argentina, registration no. IGTJ de Salta Folio 65/ 6 asiento 2462 L 10
FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04283112
Fortuna 1 ApS	c/o Casino Odense K/ S, Claus Bergs Gade 7, 5000 Odensee C, Denmark, registration no. 14909087
Geologichne byreau “Lviv” LLC	L’vivska Oblast, L’viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, registration no. 31978102
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 10000, identification no. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN241637z
Great Blue Heron Gaming Corn.	200 BAY STREET, ROYAL BANK PLAZA, M5J 2Z4 Ontario, Canada, registration no . 960662070

HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, registration no. 25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, registration no. 32846101000
IGNIS HOLDING Financing a.s. (formerly MND Oil&Gas a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07435304
INDUSTRIAL CENTER 28/23SP. Z O.O.	ul.Twarda 18, 00-105 Warszawa, Poland, registration no. 1132912313
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registration no. 14996/ 10019
INTERMOS Praha s.r.o.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Moskovská 13, post code 811 08, Slovak Republic, identification no. 35898411
Internet Projekt, s.r.o.	Prague 2, Nové Město, Vyšehradská 1376/43, post code 128 00, identification no. 08526541
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04828526
Italian GNTN Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07911319
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 02612020
Kaizen Gaming International Limited (only activities in Greece and Cyprus)	Fiat 68, The Atrium West Street Msida, MS Dl 731 Malta, registration no. C43209
KAIZEN Gaming Limited (only activities in Greece and Cyprus)	Office 1/ 1007, Level G, Quantum House 75, Abate Rigord Street, Ta'Xbiex XBX 1120 Malta , registration no. C58362
KKCG a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 27107744
KKCG Development a .s.	Prague 10 , Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 08295484
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-271.643.388
KKCG Methanol Holdings LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, United States of America, registration no. 36-4831670

KKCG Real Estate Group a.s.	Prague 10, Vinohradská 1511/230, post code 100 00,identification no. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-292.174.442
KKCG Technologies s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, identification no. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, registration no. 84-2817214
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, registration no. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24193461
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 30-0988055
LI E2 AG	Fabrikstrasse 4, 9496 Balzers, Liechtenstein, registration no. FL-0002.606 .855 -3
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D'Acquisto 5, Italy, registration no. 01294260334
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. FN84439a
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, registration no. 117154k
MEDICEM Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, registration no. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564534000
MND a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, post code 696 18, identification no. 25547631

MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, registration no. HRB206722
MND Energie a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 09002359
MND Energy Trading a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, registration no. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52308944
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, registration no. HRB207844
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52990680
MND Ukraine a.s.	Hodonín, Úprkova 807/6, post code 695 0 1, identification no. 08957517
MNG Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26915189
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration no. 84923002000
Nazvrevi Oil Company Limited	P.O.Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GYl 4LY, registration no. 1-32991
Ninotsminda Oil Company Limited	195 Arch. Makarios Ill Ave. , Neocleous House, 3030 Limassol, Cyprus, registration no. C74623
NOVECON a.s.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 08270783
OAKDALE a .s.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 27380912
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN268558p
Ontrax Goteborg AG	Scheelevagen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556615-0032
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, registration no. 1046301405094
OPAP CYPRUS LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE140568

OPAP INTERNATIONAL LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE145913
OPAP INVESTMENT LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greece, registration no. 3823201000
OPAP SPORTS LTD	128–130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE133603
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN468412t
Österreichische Lotterien GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN54472g
Österreichische Sportwetten GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN196645i
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no. 5252630921
POM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, registration no. 36042045
Rabcat Computer Graphics GmbH	Rennweg 40- 50/ 1/ 6 (1.OG), 1030 Vienna , Austria, registration no . FN276027y
Relax Rezidence Cihlářka , s.r .o.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564470000
RUBIDIUM HOLDING LIMITED	8 Alasias Street, Christodoulides Building, 3095 Limassol, Republic of Cyprus, registration no. HE287956
SALEZA, a.s. (in bankruptcy, insolvency proceedings initiated)	Prague 9, K Žižkovu 851, post code 19093, identification no. 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05266289
Sazka Asia Vietnam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, registration no. 0314057663
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24852104
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314350

COMPANY LTD)	
SAZKA DELTA HELLENIC HOLDINGS LIMITED (formerly EMMA DELTA HELLENIC HOLDINGS LIMITED)	Arch. Makariou III, 19 5, Neocleous House, 3030, Limassol, Republic of Cyprus, registration no. HE 320752
SAZKA DELTA MANAGEMENT LTD (formerly EMMA DELTA MANAGEMENT LTD)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314151
Sazka Distribution Viet Nam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, registration no. 0313898374
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 01993143
SAZKA Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24287814
SAZKA Group CZ a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24287814
SAZKA Group Financing (Czech Republic) a.s. (formerly SAZKA Group Holding a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07877838
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava – mestská časť Karlova Ves, post code 841 04, Slovak Republic, identification no. 51142317
SAZKA Group UK Limited (formerly KKCG UK Limited)	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, registration no. 08869774
SAZKA Services s.r.o. (formerly Kavárna štěstí s.r.o.)	Prague 9, K Žižkovu 851/ 4, post code 190 00, identification no. 05111901
SAZKAmobil SG a .s. (formerly Italian GNTN Holding a .s.)	Prague 10 , Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 07911319
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 5323983
Seavus AB	Scheelevagen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556588-5935
Seavus CISC	Area 18, 18, Baghramyan avenue, Arabkir, Yerevan city, 0019, Armenia, Code of the legal entity: 50129257
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosna I Hercegovina, Republika Srpska, reg. no . 57-01-0252-17
Seavus DOO (RS)	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg. no. 20177861
Seavus Educational and Development Center DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg.no. 29508429
Seavus Educational and Development Center DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 6643140

Seavus Enterprise Foundation	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 7026714
Seavus FLLC	FLLC SEAVUS,25A Internatsional naya st. , office 420, Minsk, 220 030, Belarus, reg. no. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Gr0ningen, Switzerland, ID. No. CH - 020.4.049. 285-2
Seavus Group Holding BV	Hoogoorddreef 15, ll0lBA Amsterdam, Netherland, reg. No. 34316211
Seavus S.R.L.	MD-2071, str. Alba- lulia, 79/ 1, mun. Chisinau, Meldova, reg. No. 1020600026584
Seavus SHPK	Njesia Bashkiake nr. 5, Rruga Abdy l Frasher i, Ndertesa 8, Hyrja 7, Ap. 25, 1019 Tirane, ID no. L62225007B
Seavus Stockholm AB	Scheelevagen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556594-4799
Seavus USA Inc.	2352 Main Street, Suite 200, Concord, MA 01742, ID. No. 000873055
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no. 5272464443
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, post code 710 00, identification no. 25830953
Spielbanken Niedersachsen GmbH	KarmarschstraBe 37- 39, 30159 Hannover, Germany, registration no. HRB 50373
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 01726587
Stoiximan Limited	Fiat B8, The Atrium West Street Msida, MS Dl 731 Malta, registration no. C95597
STR Czech s. r.o.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 07728344
SUPERMARINE, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062773
Tatte Property, a .s.	Prague 10, Strašnice, Vinohradská 1511/ 230, post code 100 00, identification no. 24841935
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27631842
TOK Poland Sp. Z o.o.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no. 5252689699
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no. 5641201000

TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 81-1952040
VESTINLOG, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05629276
Viage Production S.A.	Rue Grétry 16- 20, 1000 Bruxelles, Belgium, registration no. 0474.725.225
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26203944
Vitalpeak Limited	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 228204
VSU Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN371257t
WINWIN International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN366572d
WOODSLOCK a.s.	Prague 4, Líbalova 2348/1, post code 149 00, identification no. 27379434

FINANCIAL STATEMENTS AND NOTES

Financial statements for the year ended 31 December 2020 (in CZK million)

Statement of profit or loss and other comprehensive income	**Note**	**For the year 2020**	**For the year 2019**
Amounts staked*		**19,796**	**17,736**
Statement of profit or loss and other comprehensive income is as follows:			
Gross gaming revenue (GGR)	**4**	**8 335**	**7 349**
Lottery tax		(3,022)	(1,714)
Net margin from lottery and betting activities**		5 313	5 635
Revenue from sale of goods and services	4	433	424
Other operating income		81	19
Partner fees	5	(816)	(829)
Materials and consumables	6	(1,298)	(1,388)
Marketing expenses	7	(616)	(617)
Personnel expenses	8	(542)	(511)
Other operating expenses	9	(350)	(310)
Profit from operating activities before interest, tax, depreciation and amortisation (EBITDA)		**2,205**	**2 423**
Depreciation and amortisation	13, 14, 15	(165)	(119)
Profit from operating activities		**2,040**	**2,304**
Interest income	11	--	4
Interest expense	11	(282)	(275)
Other profit (+)/loss (-) from financial operations	11	(233)	(12)
Loss from financial operations		**(515)**	**(283)**
Profit before tax		**1,525**	**2,021**
Income tax expense	12	(283)	(399)
Profit for the accounting period		**1,242**	**1,622**
Items that are or may be reclassified to profit or loss:			
Transfer of hedging derivatives to profit or loss		(32)	--
Deferred tax on the transfer of hedging derivatives to profit or loss	17	6	--
Remeasurement of hedging derivatives		--	65
Deferred tax from remeasurement of hedging derivatives	17	--	(12)
Other comprehensive income for the accounting period (after tax)		**(26)**	**53**
Total comprehensive income for the accounting period		**1,216**	**1,675**

* The amounts staked represent the total value of bets before deduction of winnings, except for technical games, for which the value of the amounts staked is reported as the difference between the amount of in-game stakes and the amount of prizes paid out to players during the game period running from the moment the financial amount is entered into the game and the final withdrawal of the financial amount from the game.
** Usually stated as Net gaming revenue (NGR)

The notes to the financial statements on pages 7 to 62 form an integral part of these financial statements.

Financial statements for the year ended 31 December 2020 (in CZK million)

Statement of financial position	**Note**	**31/12/2020**	**31/12/2019**
ASSETS			
Intangible assets	13	2,726	2,259
Goodwill	13	9,636	9,636
Property, plant and equipment	14	742	718
Right-of-use assets	15	57	51
Other non-current investments	16	20	20
Restricted cash on bank accounts	20	57	55
Non-current receivables from derivatives	19	--	29
Non-current trade receivables and other non-current assets	18	70	46
Total non-current assets		**13,308**	**12,814**
Inventories		9	12
Current trade receivables and other current assets	18	303	200
Current receivables from derivatives	19, 22	--	9
Cash and cash equivalents	20	1,488	1,512
Total current assets		**1,800**	**1,733**
Total assets		**15,108**	**14,547**

The notes to the financial statements on pages 7 to 62 form an integral part of these financial statements.

Financial statements for the year ended 31 December 2020 (in CZK million)

Statement of financial position (continued)	**Note**	**31.12.2020**	**31.12.2019**
LIABILITIES AND EQUITY			
Equity			
Share capital	21	450	450
Capital and other reserves	21	1,454	1,480
Retained earnings and profit/loss for the current period		4,003	3,761
Total equity		**5,907**	**5,691**
Liabilities			
Bank loans and other borrowings - non-current portion	22	5,046	5,914
Non-current trade and other liabilities		488	53
Non-current liabilities from derivatives	22	--	6
Non-current lease liabilities	15	33	33
Deferred tax liability	17	297	330
Total non-current liabilities		**5,864**	**6,336**
Bank loans and other borrowings - current portion	22	632	627
Current trade and other payables	23	2,281	1,539
Current lease liabilities	15	26	19
Current income tax liability	12	123	128
Current provisions	24	275	207
Total current liabilities		**3,337**	**2,520**
Total liabilities		**9,201**	**8,856**
Total equity and liabilities		**15,108**	**14,547**

The notes to the financial statements on pages 7 to 62 form an integral part of these financial statements.

Financial statements for the year ended 31 December 2020 (in CZK million)

Statement of changes in equity

	Share capital	Capital and other reserves	Retained earnings and profit/loss for the current period	Total equity
Balance as at 1 January 2020	**450**	**1,480**	**3,761**	**5,691**
Payment of dividends	**--**	**--**	**(1,000)**	**(1,000)**
Profit/loss for 2020	**--**	**--**	**1,242**	**1,242**
Transfer of hedging derivatives to profit or loss	**--**	**(26)**	**--**	**(26)**
Total comprehensive income for 2020	**--**	**(26)**	**1,242**	**1,216**
Balance as at 31 December 2020	**450**	**1,454**	**4,003**	**5,907**

	Share capital	Capital and other reserves	Retained earnings and profit/loss for the current period	Total equity
Balance as at 1 January 2019	**450**	**1,427**	**2,619**	**4,496**
Payment of dividends	**--**	**--**	**(480)**	**(480)**
Profit/loss for 2019	**--**	**--**	**1,622**	**1,622**
Remeasurement of hedging derivatives	**--**	**53**	**--**	**53**
Total comprehensive income for 2019	**--**	**53**	**1,622**	**1,675**
Balance as at 31 December 2019	**450**	**1,480**	**3,761**	**5,691**

The notes to the financial statements on pages 7 to 62 form an integral part of these financial statements.

Financial statements for the year ended 31 December 2020 (in CZK million)

Statement of cash flows	**Note**	**For the year 2020**	**For the year 2019**
<u>OPERATING ACTIVITIES</u>			
Profit (+) for the accounting period		1,242	1,622
Adjustments for:			
Income tax expense	12	283	399
Depreciation of property, plant and equipment and amortisation of intangible assets	13, 14, 15	165	119
Gain (-) / loss (+) on sale of property, plant and equipment and intangible assets		--	4
Gain (-) / loss (+) on remeasurement of non-current assets, financial instruments and investments		--	--
Net interest expense (+)	11	282	271
Derecognition of impairment of assets (-) / impairment of assets (+)		2	4
Net foreign exchange gain (-) / loss (+)		4	3
Other financial gains (-) / losses (+)		--	--
Other non-monetary movements		(68)	(3)
Operating profit / loss prior to the change in working capital and provisions		**1,910**	**2,419**
Increase (+) / decrease (-) in provisions	24	68	(206)
Increase (+) / decrease (-) in inventories		3	(5)
Decrease (+) / increase (-) in trade receivables and other assets	18	(133)	134
Decrease (-) / increase (+) in trade and other payables	23	801	75
Cash generated from operating activities		**2,649**	**2,417**
Interest paid		(252)	(268)
Income tax paid		(315)	(355)
Net cash flow from operating activities		**2,081**	**1,794**
<u>INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	14	(47)	(40)
Acquisition of intangible assets	13	(89)	(92)
Proceeds from sale of property, plant and equipment and intangible assets		--	3
Interest received	11	1	4
Net cash flow used in investing activities		**(136)**	**(125)**
<u>FINANCING ACTIVITIES</u>			
Loans received	22	5,670	--
Loans paid	22	(6,563)	(625)
Finance lease liabilities paid		(37)	(18)
License liabilities paid		(40)	--
Dividends paid	21	(1,000)	(480)
Net cash flow used (-) in financing activities		**(1,970)**	**(1,123)**
Net decrease (-) / increase (+) in cash and cash equivalents		***(24)***	***546***
Balance of cash and cash equivalents at the beginning of the accounting period	20	**1,512**	**966**
Balance of cash and cash equivalents at the end of the accounting period	20	**1,488**	**1,512**

The notes to the financial statements on pages 7 to 62 form an integral part of these financial statements.

Contents of the notes to the financial statements

Notes to the financial statements

1. General information on the Company

1.1. Description

SAZKA a.s. (“the Company”) is a company with its registered office in the Czech Republic, established under the laws of the Czech Republic (a change in the business name of the Company, originally called SAZKA sázková kancelář, a.s., was recorded in the Commercial Register on 27 June 2014). SAZKA a.s. is the largest domestic operator of numerical and instant lotteries. The Company’s core business activities consist of the operation of numerical and instant lotteries, and sports and odds betting.

SAZKA a.s. is a joint-stock company recorded in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 7424, Czech Republic, on 19 August 2011. The Company’s registered office is at K Žižkovu 851, Prague 9, post code 190 93, identification number 264 93 993.

The ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION.

1.2. Business activities

The principal business activities consist of the operation of lotteries and other similar games in accordance with the generally binding legislation, i.e. the operation of instant and numerical lotteries, and sports and odds betting and other similar games in accordance with Act No. 186/2016 Coll., on Gambling (“the Lottery Act”).

In addition to lottery and betting activities, SAZKA a.s. also pursues non-lottery business activities through points of sales and terminals (such as topping up prepaid cards for mobile phones; arranging sales of tickets for diverse cultural, sporting, and social events; payment of money orders and repayment of loans through a network of terminals). SAZKA a.s. also operates SAZKAmobil, a virtual mobile network operator.

1.3. Statutory body and supervisory board

Members of the Board of Directors as at 31 December 2020:

Pavel Šaroch, chairman of the Board of Directors
Robert Chvátal, member of the Board of Directors
Kamil Ziegler, member of the Board of Directors

Members of the Supervisory Board as at 31 December 2020:

Tomáš Porupka, chairman of the Supervisory Board
Robert Kolář, member of the Supervisory Board

On 27 February 2020, the sole shareholder exercising the powers of the General Meeting recalled Petr Stöhr from the position of member of the Supervisory Board, effective 29 February 2020. The entry in the Commercial Register was made on 12 March 2020.

1.4. Sole shareholder of the Company

SAZKA Czech a.s.
Vinohradská 1511/230, Strašnice, 100 00 Prague 10
Identification number: 248 52 104

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne, Swiss Confederation.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by SAZKA Group a.s., with its registered office at Vinohradská 1511/230, Strašnice, 100 00 Prague 1, Czech Republic.

1.5. Changes in the Commercial Register in the accounting period

There were no significant changes in 2020, apart from changes in the composition of the Company's bodies (see Note 1.3.). At the beginning of 2021, there was a change in the position of the Chairman of the Board of Directors (see Note 29).

2. Basis for preparation of the financial statements

(a) Statement of compliance

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

The accounting policies specified in Note 3 were applied in the preparation of the financial statements for the year ended 31 December 2020 and also in the preparation of comparative information, i.e. as at 31 December 2019.

These financial statements were approved by the Company's Board of Directors on 13 April 2021.

(b) Valuation method

The financial statements were prepared on a going concern basis using the historic cost method, except for the cases in accounting policies specified below.

The Company applies accounting policies described below in a consistent manner.

(c) Functional and presentation currency

The financial statements are presented in Czech crowns ("CZK"), which constitute the Company's functional currency. All financial information stated in CZK was rounded the nearest million ("CZK million"), unless stipulated otherwise.

(d) Use of estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires the application of certain critical accounting estimates that affect the recognised items of assets, liabilities, revenues and expenses. It also requires the accounting entity's management to use assumptions based on its own judgement during the application of accounting policies. The resulting accounting estimates, because they are the estimates, rarely correspond with the respective actual values.

The estimates and assumptions are reviewed on an ongoing basis. The reviews of accounting estimates are taken into account in the accounting period in which the respective estimate is reviewed (if the review of the estimate relates only to this period), or in the period of review and subsequent periods (if the review relates to the current and subsequent periods).

The information on the application of accounting policies and assumptions with a more significant impact on the amounts reported in the financial statements, are specified in the following notes:

- Note 3(j) and Note 13 – assessment of impairment of goodwill, assessment of impairment of intangible assets with indefinite useful life and assessment of useful life of intangible assets.

(e) Determination of fair value

A number of the Company's accounting policies and a wide range of its disclosed information require determination of the fair value of financial and non-financial assets and liabilities. Fair values were determined for the purposes of valuation or disclosure by applying the methods indicated below. Further information on the prerequisites applied in determining the fair value is indicated in the notes that are specifically concerned with the given asset or liability, where appropriate.

Fair value hierarchy

The Company applies the following hierarchy to determine and report the fair value of financial instruments according to valuation procedures:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other procedures based on input data that have a significant impact on the reported fair value and which are observable, directly or indirectly
- Level 3: procedures based on input data that have a significant impact on the reported fair value and the input data are not based on observable market data.

Fair values of assets (other than money and cash in banks) and liabilities that are not reported at fair value are determined through procedures under Level 3 of the hierarchy for determining the fair value. Fair value of money and cash in banks is determined through Level 1 of the hierarchy for determining the fair value.

(f) New standards and interpretations effective for the period beginning on 1 January 2020

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendment has no significant impact on the Company's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

The amendments are prospective.

The amendment has no significant impact on the Company's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity

The amendment has no significant impact on the Company's financial statements.

Interest rate benchmark reform – phase 1 amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (‘IBORs’). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ‘highly probable’. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

The amendment has no significant impact on the Company's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

The amendment has no significant impact on the Company's financial statements.

Standards and interpretations used before the effective date:

The Group did not apply any standard or interpretation before their effective date.

Standards and interpretations that are issued but have not yet been applied:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. EU approval is postponed because the IASB has moved the effective date indefinitely.

The Company does not expect the above amendment to have a material impact on the Company's financial statements.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

The Company does not expect the above amendment to have a material impact on the Company's financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The EU has not yet approved these amendments.

The Company does not expect the above amendment to have a material impact on the Company's financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The EU has not yet approved these amendments.

The Company is currently assessing the impact of the changes on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The EU has not yet approved these amendments.

The Company is currently assessing the impact of the changes on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

The EU has not yet approved these amendments.

The Company is currently assessing the impact of the changes on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The EU has not yet approved these amendments.

The Company does not expect the above amendment to have a material impact on the Company's financial statements.

3. Significant accounting policies

The accounting policies described were applied consistently in all accounting periods reported in these financial statements, unless stipulated otherwise.

(a) Financial instruments

Financial assets and financial liabilities are reported as soon as the Company becomes party to contractual provisions of a financial instrument.

Effective interest method

The effective interest method is a method of calculating the residual value of a financial liability and the allocation of interest expense for the given period. The effective interest rate is the interest rate that exactly discounts the estimated future cash payments over the expected term of a financial liability or, if applicable, over a shorter period, using the residual value of a financial liability.

(b) Non-derivative financial assets *(Note 16 and 18)*

Financial assets measured at amortised cost

Loans and receivables (including bank balances) are financial assets held within a business model whose objective is to obtain contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Therefore, the Company measures these assets at amortised cost using the effective interest method less any impairment losses. These assets arise when the Company provides cash, goods or services directly to a debtor and has no intention to trade the receivable.

In 2020, the Company recorded loans and receivables at amortised cost using the effective interest method less any impairment losses.

i. Reporting

Upon initial recognition, financial assets acquired and sold in a usual way, including held-to-maturity assets, are reported as at the transaction date.

Receivables are reported as at the date they arise.

ii. Valuation

Receivables and held-to-maturity financial assets are measured at amortised acquisition cost less appropriate impairment losses

Upon valuation at amortised acquisition cost, all differences between the acquisition cost and the value upon repayment are reported in the statement of profit or loss and other comprehensive income as long as the relevant asset or liability exists, using the effective interest rate.

iii. Derecognition

A financial asset is derecognised when the contractual right to cash flows from the relevant asset expires or when the right to receive contractual cash flows is transferred within a transaction where, as a rule, all the risks and benefits associated with the ownership of the relevant asset are transferred. Any interest in the transferred financial assets acquired or retained by the Company is reported as a separate asset or liability.

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

iv. Mutual offset of financial assets and liabilities

If the Company has a legally enforceable right to offset the reported amounts and the transaction is to be settled on a net basis, financial assets and liabilities are mutually offset and the resulting net amount is reported in the statement of financial position.

(c) Non-derivative financial liabilities *(Note 23)*

Financial liabilities measured at amortised cost

The Company has the following financial liabilities that do not constitute derivatives ("non-derivative financial liabilities"): trade and other payables, interest-bearing loans and borrowings, liabilities arising from finance lease. Upon initial recognition, these financial liabilities are reported as at the settlement date at fair value increased by all respective directly associated transaction costs, except for financial liabilities at fair value reported in profit or loss. The financial liabilities are subsequently measured at amortised acquisition cost using the effective interest rate.

The Company classifies as current any part of non-current loans and borrowings that is due within one year of the date of the statement of financial position.

The Company derecognises a financial liability as soon as the contractual obligations are fulfilled, cancelled or when they expire.

(d) Financial assets measured at fair value through profit or loss ("FVTPL")

An instrument is classified as measured at FVTPL if it is held for trading or within a business model whose objective is to manage a financial asset on the basis of fair value, i.e. it will be realised through sale, in contrast to the objective of holding this asset to obtain contractual cash flows. This category presents the "initial" or "residual" category, unless the requirements for classifying a financial asset as a financial asset at amortised cost or a financial asset at FVOCI are met. At initial recognition, the related transaction costs are reported in profit or loss at the moment they are incurred. Financial instruments at FVTPL are measured at fair value and their changes are reported in the profit or loss from financial operations.

(e) Financial assets measured at fair value through other comprehensive income ("FVOCI")

FVOCI is the classification of financial instruments for which dual business model applies, i.e. they are held for the purposes of both collecting contractual cash flows and selling financial assets. Contractual cash flows of instruments in this category are solely payments of principal and interest.
At initial recognition, an entity may classify an equity instrument as measured at FVOCI based on an irrevocable decision. This option may be applied only in respect of instruments that are not held for trading.

Changes in the fair value of debt instruments measured at FVOCI are reported in other comprehensive income. Interest income, foreign exchange gains/losses and impairment losses are immediately reported in profit or loss. Changes in the fair value previously reported in other comprehensive income are reclassified to profit or loss at the moment the debt instrument is sold.

Gains or losses recognised in other comprehensive income for capital instruments are never reclassified from equity to profit or loss.

(f) Financial derivatives and hedging instruments

The Company uses hedging derivatives (interest rate swaps) to mitigate the risks associated with volatility of future cash flows arising from interest rate changes during the hedged period. Hedging derivatives are reported in the balance sheet at fair value (see note 2(e)). Positive fair values of derivatives are reported in assets in "Current receivables from derivatives" or "Non-current receivables from derivatives". Negative fair values of derivatives are reported in liabilities in "Current payables from derivatives" or "Non-current payables from derivatives".

Determination of fair value for derivatives

The fair value of interest rate swaps is determined by the present value of the estimated future cash flows based on yield curves.

If a financial derivative effectively hedges cash flows relating to the recognised liabilities, a portion of profit or loss from the remeasurement of the derivative is recognised directly in the profit or loss in other comprehensive income for the accounting period and cumulated in other capital reserves.

If a financial derivative hedges cash flows arising from a recognised liability or a highly probable transaction, a portion of profit or loss determined as an effective hedge is recognised in other comprehensive income for the accounting period and cumulated in other capital reserves. In case a non-financial item is recognised as a result of a hedged liability of the Company or a highly probable transaction, a portion of accumulated profit or loss is removed from equity and included in the acquisition cost of the given asset or liability. Otherwise, a portion of accumulated profit or loss in other comprehensive income for the accounting period is reclassified and reported in the income statement together with the hedged transaction.

If a hedging instrument or hedge relationship is terminated and at the same time it is still very probable that the hedged transaction will occur, the cumulated profit or loss will remain in equity until the hedged transaction takes place. If the hedged transaction is not probable anymore, the cumulated result (unrealised gain or loss) in equity is immediately transferred to the income statement.

In compliance with IFRS, the Company decided to apply hedge accounting to report effects from the hedge of interest rate risks according to IAS 39. In this context, a document was drawn up constituting the documentation of the hedge relationship between the hedged item and the hedging derivative in accordance with IAS 39. This documentation includes:

- Identification of the hedged items,
- Identification of the hedging derivatives,
- Identification of the hedged risk,
- Calculation of hedge effectiveness.

The Company applies hedge accounting if:

- the hedge complies with the Company's risk management strategy,
- the hedge relationship is formally documented at the time of the transaction,
- the hedge relationship is expected to be effective throughout its term,
- the effectiveness of the hedge relationship is objectively measurable,
- the hedge relationship is effective throughout the accounting period, i.e. any changes in fair values or cash flows of the hedging instruments corresponding with the hedged risk are within the range of 80% to 125% of the changes in the fair values or cash flows of the hedged instruments corresponding with the hedged risk,
- in case of cash flow hedging, the expected transaction is highly probable and constitutes a risk that changes impacting profit or loss will occur in cash flows.

The Company applies the model of hedge accounting to hedge against the risk of cash flow variability. The Company uses interest rate swaps to hedge interest rate risks arising from debt securities acquired. From the recognised assets or liabilities or the expected transactions, the effective part of a hedge (i.e. the change in the fair value of a hedging instrument relating to the hedged risk) is accounted for in the other comprehensive income (part of equity in "Capital and other reserves"). The ineffective part is included in the income statement.

Financial derivatives

Gaming contracts

Gaming contracts are considered financial derivatives under IFRS 9 if the operator of lotteries concludes a position against its customer in the transaction. The value of individual positions depends on the result of a specific event and the operator is not guaranteed a specific fee or revenue. Gaming contracts are financial derivatives, not insurance contracts, even though the variable component of the contract is specific for each contract separately. The definition of insurance requires the exposure to an existing risk that had existed before the contract was concluded. This requirement is not fulfilled in case of gaming contracts.

Separable embedded derivatives

Financial and non-financial contracts (which, per se, are not measured at fair value through profit or loss) are assessed to identify whether the contracts contain any embedded derivatives.

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

Any changes in the fair value of separable embedded derivatives are immediately recorded in profit/loss.

(g) Share capital *(Note 21)*

Ordinary shares

Ordinary shares are classified as equity. Any additional costs directly attributable to the issuance of new shares and share options are accounted for as a decrease in equity after taking into account the tax effect.

(h) Cash and cash equivalents *(Note 20)*

Cash and cash equivalents include cash, cash at the banks and short-term highly liquid investments, including fixed-term deposits with the original maturity not exceeding three months from the acquisition date, that are exposed to an insignificant risk of changes in fair value and used by the Company to manage its current liabilities. Bank accounts and deposits that are payable on demand and form an integral part of the Company’s cash management are reported as part of cash and cash equivalents for the purposes of the cash flow statement.

(i) Restricted cash

Balances of restricted cash are not immediately available to meet the needs of the Company. Restricted cash represent cash pool provided in favour of the Ministry of Finance as a guarantee for the issued gaming license pursuant to the above Act No. 202/1990 Coll., on Lotteries and Other Similar Games.

(j) Impairment of financial assets

Except for assets at fair value reported in profit or loss, financial assets are always assessed in terms of the expected credit loss at the moment the asset is recognised.

Current receivables - a simplified model

For the purposes of determining the expected credit losses, the Company applies a simplified approach under IFRS 9 which uses the assessment of lifetime expected credit losses for all current trade receivables.

The simplified model is applied to current trade receivables that do not contain a significant financing component. Based on a generated impairment matrix, which includes historical inputs and forward-looking inputs, the Company calculates allowance for receivables assessed in terms of portfolio.

The impairment loss of a receivable reported at amortised acquisition cost is cancelled if it is followed by an increase in the recoverable amount that can be objectively associated with an event that occurred after the impairment loss was reported.

Other financial assets – Expected Credit Loss model (ECL model)

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

Contractual assets and other financial assets subject to the Standard ECL model are presented in the statement of financial position net of allowances for expected credit losses. For loan commitments and financial guarantees, a separate allowance for expected credit losses is recognised as a liability in the statement of financial position.

The Standard ECL model developed by the Company applies a three-stage approach for impairment, based on changes in credit quality since initial recognition as required by IFRS 9. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit losses measured at an amount equal to expected credit losses within the next 12 months (“12 Months Expected Credit Losses”). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit losses are measured based on expected credit losses for the entire life of the financial asset (“Lifetime Expected Credit Losses”). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit losses are measured as expected credit losses for the entire life of the financial asset. The Company’s definition of credit impaired assets and definition of default is explained below. For financial assets that are purchased as credit-impaired, the expected credit losses are always measured as a Lifetime Expected Credit Losses.

Current accounts and term deposits which are placed in strong and stable credit institutions meeting all capital and liquidity requirements as set out by Basel III are considered to bear a “low credit risk”. In these cases, the Company applies a “low credit risk” exemption from the Standard ECL model and consequently does not assess the significant increase in credit risk for these financial assets.

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

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

The Company considers the situation as a default when:

- the borrower is unlikely to pay its credit obligations to the Company in full without the Company taking action against the borrower (e.g. realization of collateral or guarantees); or
- the financial asset is more than 365 days past due.

For purposes of disclosure, the Company has fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The input parameters into the ECL model calculations are based on two approaches:

1. External rating-based approach;
2. Internal rating-based approach.

The external rating-based approach is used for loans to and deposits with counterparties with an external credit rating from one of the Big Three rating agencies. The internal rating approach is used for loans to and deposits with counterparties without such external credit rating; the credit spread for the individual ratings is calibrated on regular basis.

The forward-looking information considered by the Company in the Standard ECL model has been derived from correlation analysis. The information considered is publicly available information about the expected year-to-year changes of GDP in the Czech Republic.

The following was considered objective evidence of impairment of a financial asset: default or delay on the side of a debtor; restructuring of the Company's receivables under conditions that would not be considered by the Company in standard circumstances; signals indicating that insolvency against the debtor or issuer is imminent; or the fact that an active market no longer exists for a security.

Current receivables were not discounted. In determining the recoverable amount of loans and receivables, the debtor's creditworthiness and economic performance as well as the value of all pledges and third-party guarantees were also taken into account.

(k) Property, plant and equipment *(Note 14)*

i. Assets owned

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and any impairment loss.

The cost includes expenses that can be directly attributed to the acquisition of the relevant asset.

If an item of property, plant and equipment consists of parts with different economic useful lives, the individual parts are accounted for as separate items (main components) of property, plant and equipment.

ii. Subsequent expenses

Subsequent expenses are capitalised only if it is probable that the Company will receive future economic benefits from a specific item of property, plant and equipment and that the relevant expenses can be reliably measured. All other expenses, including expenses incurred on daily servicing of property, plant and equipment, are reported directly in the statement of profit or loss and other comprehensive income.

iii. Depreciation

Depreciation is reported in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of the given item of property, plant and equipment. Property is not depreciated

The estimated useful lives of individual asset categories are as follows:

• Buildings and constructions – own	30 - 60 years
• Machinery and equipment – own	2 - 14 years
• Machinery and equipment – leased	3 - 5 years
• Other property, plant and equipment	4 - 20 years

Depreciation methods, useful lives and net book values are reassessed at the end of each accounting period and adjusted, if necessary.

(l) Intangible assets *(Note 13)*

i. Goodwill and intangible assets

Goodwill represents an amount by which the acquisition cost of the acquired enterprise exceeds the fair value of the Company's share in net identifiable assets of the acquired enterprise as at the acquisition date. Goodwill is reported in intangible assets.

Upon initial recognition, goodwill is measured at cost less cumulative impairment losses and is tested for impairment every year (see "Impairment of financial assets" chapter).

Gains and losses from the sale of an enterprise also include the book value of goodwill pertaining to the enterprise sold.

Intangible assets acquired through acquisition are accounted for at fair value as at the acquisition date if the asset is separable or was created as a result of contractual or other statutory rights. Intangible assets with indefinite useful life are not amortised and are reported at cost less any impairment losses.

Intangible assets with definite useful life are amortised over their useful life and are reported at cost less accumulated amortisation (see below) and any impairment losses.

ii. Software other intangible assets

Software and other intangible assets with a final (definite) useful life acquired by the Company are reported at cost less accumulated amortisation (see below) and any impairment losses.

Intangible assets with indefinite useful life are not amortised and instead are tested for impairment every year. At the end of each accounting period, their useful life is reassessed to identify whether the events and circumstances that occurred continue to support the indefinite useful life.

iii. Subsequent expenditures

Subsequent expenditures on intangible assets are capitalised only if they increase future economic benefits arising from a specific asset to which they relate. All other expenditures are accounted for in the statement of profit or loss and other comprehensive income in the period in which they were incurred.

iv. Amortisation

Amortisation of intangible assets, except for goodwill, trademarks and licences of lottery operators, are accounted for in the statement of profit or loss and other comprehensive income on a straight-line basis over their estimated useful life, beginning on the date when the given asset is put into use. The estimated useful lives for the current and comparative periods are as follows:

• Software	2 - 7 years
• Intellectual property rights - other	6 - 10 years
• Distribution network (contracts with providers)	20 years
• Trademarks	indefinite
• Licence of a lottery operator	indefinite

Amortisation methods, useful lives and net book values are reassessed at the end of each accounting period and adjusted, if necessary.

(m) Other non-current investments *(Note 16)*

Other non-current investments are comprised of investments in associates.

Investments in associates are reported at cost less any impairment losses.

(n) Inventories

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

The cost of inventories includes the purchase price, duties on import and other taxes (except for those that are subsequently reimbursed to the enterprise by tax authorities), transportation, handling costs and other costs directly attributable to the acquisition of finished goods, material and services. The cost is reduced by trade deductions, discounts and other similar items.

Net realisable value is the value of an asset that can be realised during the sale of the asset, less the estimated costs of completion or potential sale of the given asset.

(o) Allowances

Allowances to non-current assets and inventories are determined based on information primarily ascertained during a physical stock-take and subsequent approval process.

(p) Provisions *(Note 24)*

Provisions are reported in the statement of financial position if the Company has a current legal or non-contractual obligation arising from an event that occurred in the past and if the settlement of such an obligation is likely to require outflow of economic benefits and the relevant amount can be reliably estimated.

Provisions are reported at the expected amount of the settlement. Non-current liabilities are reported as liabilities at the current value of the expected amount of their settlement; if discounting has a significant effect, the rate before tax reflecting the existing market assessment of the time value of money and the obligation-specific risks is applied as the discount rate. Amounts of additions and the effects of changes in interest rates are reported in the statement of profit or loss and other comprehensive income in financial income and expenses.

Changes in estimated provisions can primarily arise as a result of deviations from the originally estimated expenses or as a result of a changed settlement date or changed extent of the given obligation. Generally, any changes in estimates are reported in the statement of profit or loss and other comprehensive income as at the date the given estimate changes. The amount of provisions is reviewed on an ongoing basis.

(i) Creation and release of provisions

The increase in a provision is recognised in the relevant expense account that corresponds with the substance of the provision. Adjustment of the provision to present value is recognised as interest expense in financial expenses. The release of a provision is recognised as a decrease in the relevant expense account.

(ii) Provision for jackpots

Jackpot games are games in which the winnings that are not won are transferred as a bonus to the next draw. In the following draw, winnings from deposits for this draw are increased by the bonus transferred from the previous draw. The liability for the transfer of positions that have not been won arises from the gaming plan of SAZKA lotteries that is part of the licence granted by the Ministry of Finance of the Czech Republic. When the licence is terminated, the jackpot is paid out to the winners of the last draw, unless it has already been paid out and the licence has been renewed. The same mechanism would apply if the game was cancelled due to other reasons.

(iii) Provision for scratch cards

In this type of games, the return to players of individual scratch card issues is determined in advance (regardless of the fact whether winning scratch cards have been sold or not). The difference between the actual and percentage return to players set in the issues is recognised in revenues in favour of the Company. As there is no liability to pay out a percentage of winnings, the Company uses its historical experience to calculate the expected payments from scratch cards sold to recognise a provision for winnings from scratch cards already sold.

(q) Recognition of revenues and accounting for winnings *(Note 4)*

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

Expenses and revenues are reported if they fulfil the following requirements:

Numerical lotteries

Revenues are recognised on a net basis, less winnings as Gross gaming revenue (GGR).

Unpaid winnings (expired winnings not claimed properly by their winners) are recognised as revenue only after the respective claiming period expires.

Received deposits relating to future lottery periods are accounted for as liabilities ("Prepaid numerical lotteries") and measured at fair value.

Numerical lotteries, winnings and lottery tax

Claims for winnings are recognised in individual periods based on winning rolls for lottery periods and are fully accrued/deferred as at the balance sheet date. A provision is created for unused jackpots/superjackpots.

Lottery tax representing 35% (23% in 2019) of deposits less winnings is reported based on recognised revenues reduced by winnings in the given period.

Unpaid claims for winnings are reported as current trade and other payables over the duration of the claim for the payment of winnings, based on the legislative framework.

Instant lotteries

Revenues from the sale of scratch cards are recognised in the period of the transaction.

Winnings in instant lotteries and lottery tax

Winnings in instant lotteries are reported on an accrual basis. Winnings include winnings paid and a provision created based on historical experience.

The lottery tax of 35% (23% in 2019) of deposits less winnings is reported based on recognised revenues reduced by winnings in the given period.

Odds betting

In accordance with the gaming plan, odds betting is organised through an online system and online betting linked to a central IT system.

Revenues from betting are accounted for at the time a betting event occurs on a net basis, less relevant winnings. In case of a series of events, revenues are accounted for at the time the last betting event occurs.

Winnings from odds betting and lottery tax

Winnings awarded based on claimed winnings and tables of winnings are fully accrued/deferred in all the events that occurred.

Lottery tax, which is 23% (23% in 2019) of the revenues from betting reduced by winnings in the given period, is fully accrued/deferred as at the date of the financial statements.

Technical games

The revenue (GGR) is recognised as the difference between the sum of deposits in games and the sum of winnings paid out to the players during playing time, running from the moment the sum of money is put in the game until the final amount is collected from the game.

Lottery tax is 35% (35% in 2019).

Revenue from sale of goods and services

The Company recognises revenue when the obligation to perform by transferring the promised goods or services to the customer, which acquires control of the asset, is fulfilled, which means after delivery of the services and goods and their acceptance by the customer. Revenue from the provision of services is reported net of value added tax and after deducting discounts. Revenue is measured at the transaction price that is allocated to the performance obligation.

- **Mobile virtual network operator (MVNO)**

  Revenues consist mainly of revenues from the provision of telecommunications network services to end customers.

  Revenues from voice services represent the main part of total revenues and consist mainly of domestic and foreign (roaming) call of customers. Another significant part of revenues is represented by revenues from non-voice services such as SMS, data transmission and MMS.

  In the case of contracts with more than one element, the transaction price is allocated between the performances arising from the contract in proportion to their separate selling prices. The Company considers the effect of variable performance and the financing component to be insignificant.

  If discounts on service charges are provided unequally over the life of the contract, while the monthly service is provided to the customer evenly, total service revenue is recognised on a straight-line basis.

- **Topping-up of mobile phones**

  Expenses and revenues connected with the topping-up of prepaid cards in mobile phones (GSM) are reported on an accrual basis in the period of the transaction.

  Under the terms and conditions of contracts concluded with mobile network operators, revenues equal to a fixed amount calculated from the GSM sales. Invoice period corresponds to a week (always from Monday to Sunday). The Company acts as an agent for mobile network operators; revenues are reported only in the amount equalling the commission on sale.

- **Sale of tickets**

  Revenues from the sale of tickets are reported on an accrual basis in the period of the transaction. The Company acts as an agent; revenues are reported only in the amount equalling the commission on sale.

- **Other activities**

  Revenues and expenses related to other activities are reported on an accrual basis in the period of the transaction and always attributed to the period to which they relate in terms of substance and time.

  In most other activities, the Company acts as an agent; revenues are reported on a net basis, i.e. only in the amount equalling the commission on sale.

(r) Financial income and expenses *(Note 11)*

Financial income includes interest income from invested funds (bank interest, interest on loans provided), proceeds from dividends, gains from the sale of available-for-sale financial assets, foreign exchange gains and gains from derivative instruments accounted for in the profit or loss.

Financial expenses include interest expense for loans and borrowings, finance lease, bank fees, losses from the sale of available-for-sale financial assets, foreign exchange losses and losses from derivative instruments accounted for in the profit or loss.

i. Interest income

Interest income is accounted for in the profit or loss upon its occurrence by applying the effective interest method and includes interest income from invested funds (bank loans or loans provided).

ii. Interest expense

Interest expense is accounted for in the profit or loss upon its occurrence by applying the effective interest method and includes interest expense from bank loans and other borrowings and from finance lease.

iii. Other profit and loss from financial activity

Other profit and loss from financial activity primarily include foreign exchange gains and losses, revenue from the holding of securities, bank fees and losses from early realized derivative instruments.

(s) Income tax expense *(Note 12)*

Income tax expense is comprised of current tax and deferred tax. Income tax expense is reported in the statement of profit or loss and other comprehensive income.

Current tax includes tax estimate (tax liability or tax asset) calculated from the taxable income or loss for the current period using tax rates applicable as at the balance sheet date, as well as any adjustments to the current tax relating to prior years.

Deferred tax is calculated using the balance sheet liability method, which is based on temporary differences between the book values of assets and liabilities in the balance sheet and their values for tax purposes. Deferred tax is not calculated based on temporary differences in respect of those assets and liabilities whose initial recognition does not have impact on the accounting or taxable profit. Deferred tax is not reported upon initial recognition of goodwill.

The amount of deferred tax is based on the anticipated method of realisation or settlement of temporary differences by applying tax rates valid or basically enacted as at the balance sheet date.

Tax assets and liabilities from deferred tax are mutually offset if there is a legally enforceable right to mutual compensation (offset) of current tax assets and liabilities and if they relate to income taxes imposed by the same tax authority on the same tax entity, with the aim of settling current tax assets and liabilities on a net basis; tax assets and liabilities can also be mutually offset if realised simultaneously.

Tax asset from deferred tax is reported only if future taxable profits are likely to be available, against which any unclaimed tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to an extent in which the realisation of any related tax relief is not probable.

(t) Transactions in foreign currencies

Transactions in foreign currencies are translated to Czech crowns (functional currency) using the Czech National Bank official exchange rate valid as at the transaction date.

As at the date of the financial statements, assets and liabilities denominated in a foreign currency are translated to the functional currency using the Czech National Bank official exchange rate valid on the given day.

Foreign exchange differences arising on the translation of foreign currencies are reported as profit or loss the statement of profit or loss and other comprehensive income.

(u) Related parties *(Note 28)*

A related party is a person or entity that is related to an entity preparing its financial statements (the “reporting entity”)

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

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

B. An entity is related to the reporting entity if any of the following conditions apply:

(I) The entity and the reporting entity are members of the same group (which means that all parents, subsidiaries and affiliate companies are mutually related).

(II) One entity is an associated company or a joint venture of another entity (or an associated company or a 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 associated company of the third entity.

(V) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the financially contributing 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 B. (I) above has a significant influence over the entity or is a member of the key management personnel of the entity (or its parent company).

(v) Leases

The Company leases various premises, cars and IT equipment. Lease contracts are usually concluded for fixed periods, but may also have extension options, as described below.

Contracts may contain both lease and non-lease components. The Company allocates the contract consideration to lease and non-lease components based on their relative stand-alone prices. However, in the case of leases of real estate for which the Company is the lessee, the Company has decided not to separate the lease components from the non-lease components and instead to account for them as a single lease component.

Lease conditions are negotiated individually and contain a wide range of different contractual conditions. Leases do not impose any covenants other than collateral on leased assets held by the lessor. Leased assets may not be used as collateral for lending purposes.

Until 2018, leases of property, plant and equipment were classified as finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date when the leased asset is available for use by the Company.

Lease liabilities are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments) less any lease incentives receivable,
- variable lease payments depending on an index or a rate that were initially measured at the index or rate at the commencement date,
- amounts expected to be payable by the Company under the residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for termination of the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Options to extend or terminate a lease are included in several of the Company's property and equipment leases. These conditions are used to maximize operational flexibility in terms of managing the assets used in the Company's activities. Most extension and termination options held can only be exercised by the Company and not by the relevant lessor. Extension options (or the period after termination options) are included in the lease term only if it is reasonably certain that the lease will be extended (or not terminated).

Lease payments to be made based on reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted using the lease's implicit interest rate. If this rate cannot be readily determined, the Company's incremental borrowing rate is used, which is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar rules, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- if possible, will use as a starting point recent third-party funding adjusted to reflect changes in conditions from the date of receipt of such third-party funding,
- will apply an approach that begins with a risk-free interest rate adjusted for credit risk, and
- will make adjustments specific to the lease, such as period, country, currency and collateral.

The Company is exposed to a potential future increase in index- or rate-dependent variable lease payments that are not included in the lease liability until they become effective. When index- or rate-dependent adjustments to lease payments take effect, the lease liability is reassessed and adjusted based on the right-of-use asset.

Lease payments are divided into principal and finance costs. Finance costs are recognised in profit or loss over the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of a right-of-use asset includes:

- the amount of the initial measurement of the lease liability,
- any lease payments made on or before the commencement date after deducting any lease incentives received,
- any initial direct costs incurred by the Company, and
- the estimated costs to be incurred by the Company in dismantling and removing the underlying asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term. If the Company is reasonably certain that it will exercise the purchase option, the right-of-use asset is depreciated over underlying asset's useful life.

Payments related to current leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense to profit or loss. Current lease is a lease with a lease term of 12 months or less. Low-value assets include IT equipment and small items of office furniture with a value of up to approximately CZK 110 thousand, or lower.

Leases of terminals contain variable payment terms, which vary depending on the amount of gross revenue achieved. For individual terminals, 100% of leasing payments are based on variable payment terms with percentages ranging from 5% to 20% of gross revenue. Variable payment terms are used for a variety of reasons, including minimizing fixed costs. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that gives rise to those payments occurs.

In order to optimize lease costs during the contract period, in some cases the Company provides guarantees of residual values in connection with the leasing of equipment. The Company initially estimates and reports the amounts expected to be due under the residual value guarantees as part of the lease liability. The expected residual value at the inception of the lease is usually equal to or higher than the guaranteed amount, so the Company does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed and, if necessary, adjusted to reflect the actual residual values achieved for comparable assets and expectations about future prices.

Financial statements for the year ended 31 December 2020 (in CZK million)

4. Revenues

All the Company's revenues were generated in the Czech Republic.

In 2020, revenues were generated by numerical and instant lotteries (both classic printed and electronic), odds betting and Sazka games. This year was significantly affected by the COVID-19 pandemic, and therefore a significant part of sales was transferred from brick-and-mortar shops to the Internet ("DEH" - "Digital Entertainment Hub"). „Sportka“ was the most successful in numerical lotteries; in online betting, the growth is due to lotteries and Sazka games. Revenues from non-lottery services were similar to 2019, there was a decrease in revenues from GSM top up and financial services, and we managed to include a significant partner in the "parcel service" - the Czech Post. Furthermore, other revenues in 2020 reflected the release of the liabilities in order to purchase a part of IGT Czech Republic LLC.

Distribution of revenue according to the timing of revenue recognition:

2020	At a point in time	Over time	Total
Mobile virtual network operator	278	--	**278**
Service of topping-up credit in mobile phones (“GSM’)	84	--	**84**
Sale of tickets	2	--	**2**
Other	150	--	**150**
Total revenue from contracts with customers	**514**	**--**	**514**
Lottery and betting activities			**8,335**
Total revenue			**8,849**

2019	At a point in time	Over time	Total
Mobile virtual network operator	266	--	**266**
Service of topping-up credit in mobile phones	91	--	**91**
Sale of tickets	5	--	**5**
Other	81	--	**81**
Total revenue from contracts with customers	**443**	**--**	**443**
Lottery and betting activities			**7,349**
Total revenue			**7,792**

5. Partner fees

	2020	2019
Partner fees	**816**	**829**
Fees for agents	816	829

Partner fees include fees for agents, such as kiosks, supermarkets, petrol stations and post offices of the Czech Post and represent commission for their services. These fees are linked to revenues and their decrease is a result of the decrease in sales in brick-and-mortar stores due to a pandemic.

Financial statements for the year ended 31 December 2020 (in CZK million)

6. Material and consumables

	2020	2019
Materials and consumables	**1 298**	**1 388**
Materials and energy	123	131
Advisory and other professional services	70	56
Fees for system providers	593	734
Telecommunication services	160	140
Other services*	352	327

* The most significant items include: transportation costs, telephone fees, services for computer technology, purchase of broadcasting rights for Sazka Bet, DEH and notarial fees

The largest items are payments to system suppliers. Thanks to a new contract with the largest system provider, there have been significant savings, while the cost of online betting is rising significantly.

7. Marketing expenses

	2020	2019
Marketing expenses	**616**	**617**
Advertising, promotion and other related costs	558	594
Sponsorship and donations	58	23

Due to the COVID-19 pandemic, marketing campaigns slowed down, especially in the spring of 2020; therefore advertising costs were lower than in the previous year.

8. Personnel expenses

	2 020	2 019
Personnel expenses	**542**	**511**
Wages and salaries	408	384
Social and health insurance	119	112
Other social expenses	15	15

The Company's liabilities under pension insurance are limited by the amount of the contribution to the supplementary pension insurance. The Company does not provide any post-employment benefits.

9. Other operating expenses

	2 020	2 019
Other operating expenses	**350**	**310**
Unclaimed VAT	338	308
Other operating expenses	12	2

10. Fees payable to statutory auditors

The information is disclosed in the notes to the consolidated financial statements prepared for the SAZKA Group a.s. consolidated group, in which the Company is included.

Financial statements for the year ended 31 December 2020 (in CZK million)

11. Financial income and expenses

	2020	2019
Interest income	**--**	**4**
Bank interest	--	4
Interest expense	**(282)**	**(275)**
Interest on bank loans	(251)	(271)
Other interest	(31)	(4)
Other profit (+)/loss (-) relating to financial activity	**(233)**	**(12)**
Profit (+)/loss (-) from foreign exchange operations	(4)	(3)
Other financial expenses	(234)	(15)
Other financial income	5	6
Profit/loss from financial operations	**(515)**	**(283)**

Other financial expenses increased, due to early settlement of interest rate swaps in 2020, originally intended to hedge interest on bank loans.

12. Income tax expense

	2020	2019
Income tax expense	**283**	**399**
Current income tax	310	367
Deferred income tax	(27)	32

Deferred tax is calculated using the applicable tax rates expected to be valid at the time the asset is realised, or the liability is settled. According to the Czech legislation, the corporate income tax rate is 19 % for the 2020 and 2019 financial years.

In 2020, in the statement of financial position, tax estimate was CZK 310 million (2019 – CZK 367 million) reduced by paid advances for income tax in the amount of CZK 187 million (2019 – CZK 239 million) and the resulting liability in the amount of CZK 123 million was reported in the item Current income tax liability (2019 – CZK 128 million).

Reconciliation of effective tax rate

		2020		2019
Profit before tax		**1,525**		**2,021**
Income tax based on the applicable domestic tax rate	19.00%	(290)	19.00%	(384)
Other tax/tax-exempt items	(0.47)%	7	0.76%	(15)
Income tax expense reported in the statement of profit or loss and other comprehensive income	**18.53%**	**(283)**	**19.76%**	**(399)**

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13. Intangible assets and goodwill

2020	Trademarks	Intellectual property rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance as at 1/1/2020	1,872	179	422	24	9,636	12,133
Additions	15	476	55	35	--	581
Disposals	--	(1)	(5)	--	--	(6)
Transfers	--	--	19	(24)	--	(5)
Balance as at 31/12/2020	1,887	654	491	35	9,636	12,703
Accumulated depreciation						
Balance as at 1/1/2020	--	(33)	(205)	--	--	(238)
Amortisation expense	--	(42)	(64)	(3)	--	(109)
Disposals	--	1	5	--	--	6
Balance as at 31/12/2020	--	(74)	(264)	(3)	--	(341)
Net book value 1/1/2020	1,872	146	217	24	9,636	11,895
Net book value 31/12/2020	1,887	580	227	32	9,636	12,362

2019	Trademarks	Intellectual property rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance as at 1/1/2019	1,872	179	389	8	9,636	12,084
Additions	--	--	68	24	--	92
Disposals	--	--	(43)	--	--	(43)
Transfers	--	--	8	(8)	--	-
Balance as at 31/12/2019	1,872	179	422	24	9,636	12,133
Accumulated depreciation						
Balance as at 1/1/2019	--	(29)	(191)	--	--	(220)
Amortisation expense	--	(4)	(57)	--	--	(61)
Disposals	--	-	43	--	--	43
Balance as at 31/12/2019	--	(33)	(205)	--	--	(238)
Net book value 1/1/2019	1,872	150	198	8	9,636	11,864
Net book value 31/12/2019	1,872	146	217	24	9,636	11,895

Intangible assets include mostly intellectual property rights, software and goodwill. The goodwill of CZK 9,636 million arose as a result of a merger by acquisition as at 1 January 2013.

In 2020, the major additions to intangible fixed assets were the reporting of a combined license for software for lotteries and extended services in the total amount of CZK 476 million, investments in the development of the Digital Entertainment Hub software platform of CZK 20 million, expansion and upgrade of existing SQL server licenses in the amount of CZK 8 million and investments in the purchase of the MATES trademark of CZK 15 million.

The combined software license for lotteries and extended services, together with the related liability, was recognised based on the determination of the present value of future instalments using the Company's incremental borrowing rate.

A significant intangible investment in the acquisition phase is the ongoing development of a new customer sales system in the amount of CZK 13 million and the digitization of the HR system in the amount of CZK 4 million.

Intangible assets with indefinite useful life, goodwill and impairment testing

In compliance with IAS 36, the Company tested the impairment of goodwill and intangible assets with indefinite useful life (trademarks) in 2020.

Impairment testing is performed annually as at 31 December. The recoverable amount is estimated using the higher of the following values:

1. Value in use (VIU) - VIU is based on the forecasts of future cash flows. The forecasts are prepared and updated by the Company's management. The weighted average cost of capital before tax (WACC) is used as an appropriate discount rate to estimate the net present value of future cash flows allocated to each cash-generating unit (CGU). A cash flow forecast is always prepared based on specific expected operating results and a business plan covering at least three years. For business continuity over the explicit forecast, the model of terminal value (the Gordon growth model) is used.

2. Fair value less costs of disposal (FVLCD) – i.e. the amount recoverable from the sale of an asset or a CGU in an independent transaction between knowledgeable and willing parties, less costs of disposal. The estimate of FVLCD is based on market multiple method – i.e. comparing the tested company with similar publicly traded companies (FV hierarchy: category 2). The Company relied on the peer-based EV/EBITDA valuation multiple to estimate the relevant FVLCD. Costs of disposal are considered insignificant. For the purpose of impairment testing, the following assumptions were applied: common market player, market multiple 11.71 EV / EBITDA.

The resulting recoverable amount calculated based on FVLCD exceeded the relevant book value which led to a conclusion that no impairment of tested assets should have been accounted for as at 31 December 2020. Moreover, the Company’s management performed a sensitivity analysis of factors impacting the calculation of the recoverable amount. The expected movements of these factors do not indicate any impairment of goodwill.

Trademarks

Testing of trademark impairment was performed using the relief from royalty method. As in the paragraphs above, an explicit cash flow forecast was prepared based on a business plan covering at least three years. The budgets have been approved by management and are valid at the time the impairment test is performed. These budgets are based on past experience as well as future expectations and market trends. For trademark continuity even over the explicit forecast, the model of terminal value (the Gordon growth model) is used. A terminal growth rate of 2 % (2019: 2 %) is used. Net fees after tax (using the 5 % royalty rate) were discounted using the weighted average cost of capital (WACC) before tax with the increase of 1 %. The resulting WACC reaches 9.7 %. Savings from the tax shield were also included in the calculation.

The resulting recoverable amount exceeded the book value of trademarks, which supported the conclusion that no impairment of trademarks should have been accounted for as at 31 December 2020. Moreover, the Company’s management performed a sensitivity analysis of factors impacting the calculation of recoverable amounts. The expected movements of these factors do not indicate any impairment of trademarks.

Financial statements for the year ended 31 December 2020 (in CZK million)

14. Property, plant and equipment

2020	Land	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment in the acquisition stage	Total
Acquisition cost						
Balance as at 1/1/2020	**65**	**593**	**195**	**33**	**6**	**892**
Additions	--	--	17	8	30	55
Disposals	--	--	(3)	--	--	(3)
Transfers	--	--	8	--	(5)	3
Balance as at 31/12/2020	**65**	**593**	**217**	**41**	**31**	**947**
Accumulated depreciation						
Balance as at 1/1/2020	**--**	**(76)**	**(98)**	**--**	**--**	**(174)**
Depreciation expense	--	(11)	(23)	--	--	(34)
Disposals	--	--	3	--	--	3
Balance as at 31/12/2020	**--**	**(87)**	**(118)**	**--**	**--**	**(205)**
Net book value 1/1/2020	**65**	**517**	**97**	**33**	**6**	**718**
Net book value 31/12/2020	**65**	**506**	**99**	**41**	**31**	**742**

2019	Land	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment in the acquisition stage	Total
Acquisition cost						
Balance as at 1/1/2019	**65**	**572**	**251**	**33**	**25**	**946**
Additions	--	5	31	--	5	41
Disposals	--	--	(95)	--	--	(95)
Transfers	--	16	8	--	(24)	--
Balance as at 31/12/2019	**65**	**593**	**195**	**33**	**6**	**891**
Accumulated depreciation						
Balance as at 1/1/2019	**--**	**(65)**	**(158)**	**--**	**--**	**(223)**
Depreciation expense	--	(11)	(28)	--	--	(39)
Disposals	--	--	88	--	--	88
Balance as at 31/12/2019	**--**	**(76)**	**(98)**	**--**	**--**	**(174)**
Net book value 1/1/2019	**65**	**507**	**93**	**33**	**25**	**723**
Net book value 31/12/2019	**65**	**517**	**97**	**33**	**6**	**718**

Financial statements for the year ended 31 December 2020 (in CZK million)

In 2020, the major additions to tangible fixed assets are investments in hardware for employees in the amount of CZK 9 million, expansion of the server farm in the amount of CZK 4 million and expansion of equipment of points of sale in the amount of CZK 2 million. A significant tangible investment in the acquisition phase is the ongoing implementation of an automated packaging line in the amount of CZK 26 million as at 31 December 2020.

15. Leases

	31/12/2020	31/12/2019
Right-of-use assets		
Leased premises	23	11
Cars	34	40
Total	**57**	**51**
Lease liabilities		
Current lease liabilities	26	19
Non-current lease liabilities	33	33
Total	**59**	**52**

Additions of right-of-use assets during 2020 amounted to CZK 28 million (2019 - CZK 12 million).

	2020	2019
Depreciation expense of right-of-use assets		
Leased premises	7	4
Cars	16	15
Total	**23**	**19**
Interest expense	2	2
Costs of short-term lease and low-value assets lease	9	46

In 2020, the total outflow of cash for lease was CZK 37 million (2019 - CZK 18 million).

Based on the Agreement on the future lease agreement of Bořislavka Centrum, the Company has undertaken to enter into a future lease agreement, on the basis of which right-of-use in the amount of CZK 604 million and a lease liability in the amount of CZK 543 million will arise.

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16. Other non-current investments

Other non-current investments	Equity investment (%)	31/12/2020	31/12/2019
		20	20
IGT Czech Republic LLC[1)]	63.00 %	20	20
SALEZA, a.s. [2)]	98.10 %	--	--

1) The Company has an equity investment in IGT Czech Republic LLC, representing a 63 % share. The equity investment in IGT Czech Republic LLC is classified as Other non-current investment. The company’s current financial information as at 31 December 2020 is unavailable, therefore, the investment is recorded at historic cost less any impairment, which was represented by a release of an investment fund and the return of funds.

   The reason for classifying this equity investment under Other non-current investments is the fact that SAZKA a.s., despite being the majority owner of IGT Czech Republic LLC does not control the possibility to pay dividends from its position of a majority owner in accordance with the Memorandum of Association and, at the same time, the transferability of its ownership interest is limited. In addition, the management control of this entity is delegated to the company IGT Global Solutions Corporation.

   In relation to the equity investment in IGT Czech Republic LLC, the remaining share in this company, i.e. 37 %, should be acquired on 31 December 2022 based on original agreement concluded.

   This commitment, which was discounted to its present value of CZK 53 million as at 31 December 2019, was cancelled with the consent of both companies in the framework of the signing of a new cooperation agreement until 2031.

2) As at 31 December 2020, the Company owned a 98.10 % share in SALEZA, a.s., against which insolvency proceedings were commenced based on a notice issued by the Municipal Court in Prague dated 17 January 2011. Legal effects of the insolvency proceedings arose on 17 January 2011. Based on a decision of the Municipal Court in Prague dated 29 March 2011, the debtor was declared insolvent. The effects of the decision arose on 29 March 2011. Based on a decision of the Municipal Court in Prague dated 3 May 2011, the debtor’s right to handle the property was restricted. The effects of the decision arose on 3 May 2011. Based on a decision of the Municipal Court in Prague dated 27 May 2011, it was decided to declare bankruptcy on the debtor's property. The effects of the decision arose on 30 May 2011.

   As at 31 December 2020, the company’s current financial statements are unavailable to the Company.

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17. Deferred tax assets and liabilities

The following deferred tax assets and liabilities and their year-on-year changes were reported as at 31 December 2020, 31 December 2019 and 31 December 2018:

	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	Assets		Liabilities		Net	
Deferred tax asset (+)/ liability (-) attributable to:	**--**	**--**	**(297)**	**(330)**	**(297)**	**(330)**
Non-current assets (difference between net book value and the value for tax purposes)	--	--	(378)	(393)	(378)	(393)
Current and non-current provisions	52	39	--	--	52	39
Remeasurement of hedging derivatives or transfer of hedging derivatives to profit or loss	--	--	--	(6)	--	(6)
Other temporary differences	29	30	--	--	29	30
Calculated deferred tax assets and liabilities	81	69	(378)	(399)	(297)	(330)
Offset of deferred tax assets and liabilities	(81)	(69)	81	69	--	--

	31/12/2020	2020	31/12/2019	2019	31/12/2018
	Deferred tax liability	Recognised in statement of profit or loss and other comprehensive income	Deferred tax liability	Recognised in statement of profit or loss and other comprehensive income	Deferred tax liability
Deferred tax asset (+)/ liability (-) attributable to:	**(297)**	**33**	**(330)**	**(44)**	**(286)**
Non-current assets (difference between net book value and the value for tax purposes)	(378)	14	(392)	(20)	(372)
Current and non-current provisions	52	13	39	(39)	78
Remeasurement of hedging derivatives or transfer of hedging derivatives to profit or loss	--	6	(6)	(13)	7
Other temporary differences*	29	--	29	28	1

* Deferred tax from other temporary differences consists mainly of the bonus program for employees and management of the Company.

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18. Trade receivables and other assets

Non-current receivables include provided advances and deposits that are due in more than twelve months from the balance sheet date.

	31/12/2020	31/12/2019
Non-current trade receivables and other non-current assets	**70**	**46**
Non-current advances and deposits provided	70	46

Non-current advances and deposits provided mainly represent an advance in the amount of CZK 57 million (2019 - CZK 35 million) related to the future lease in the Bořislavka Centre, the deposit paid to Vodafone (due to the transfer of revenues for GSM recharging) and the deposit for the operation of the Eurojackpot game.

	31/12/2020 Third parties	31/12/2020 Related parties	31/12/2019 Third parties	31/12/2019 Related parties
Current trade receivables and other current assets	**294**	**9**	**197**	**3**
Current trade receivables	178	4	46	3
Current advances and deposits provided	--	5	51	--
VAT receivable	5	--	7	--
Current prepaid expenses	111	--	93	--

Prepaid expenses represent in particular expenses connected with the acquisition of scratch cards that will enter the sales process in 2021 in the amount of CZK 76 million (2019 - CZK 68 million) and also invoices received that in terms of substance relate to the 2021 supplies in the amount of CZK 22 million (2019 - CZK 22 million).

The Company tested its receivables based on the expected credit loss model (ECL model). The expected credit losses are insignificant due to the following reasons. The Company has trade receivables from partners that operate as POS (point of sale) for the Company as part of its activities. The partners have an obligation to lodge a deposit at the Company's account before the business relation commences (the deposit amount is specified in Note 23). The deposit is subsequently adjusted twice a year based on sales that are generated at terminals located at the partners. In case a partner does not pay the liability, the Company can satisfy its receivable from the deposit lodged by the partner in the Company.

By combining the above methods of credit risk hedging (short turnover period of receivables, access to the deposit lodged at the Company's bank account) and a high credit quality of the business partner portfolio, the Company assessed the potential adjustment according to the ECL model as insignificant.

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19. Non-current and current receivables from derivatives

As at 31 December 2019, non-current receivable in the amount of CZK 29 million and a current receivable in the amount of CZK 9 million from hedging derivatives was recognised. As at 31 December 2020, the receivable was nil, as there has been a change in the financing of SAZKA a.s. and a new loan agreement was concluded on 21 December 2020. This led to the termination of the hedging derivatives; therefore their valuation as at 31 December 2020 was zero.

20. Cash and cash equivalents

	31/12/2020	31/12/2019
Cash and cash equivalents	**1,488**	**1,512**
Cash	4	4
Bank accounts	1,484	1,508

In addition to Cash and cash equivalents, the Company has restricted cash of CZK 57 million (2019 - CZK 55 million) due to gaming deposits. This amount is recognised in the statement of financial position on the line Restricted cash.

21. Equity

Share capital and share premium

The Company's share capital consists of 4,500 pieces of ordinary certificated registered shares in nominal value of CZK 100 thousand. No changes were made in the Company's share capital in 2020 or 2019.

Each share in nominal value of CZK 100 thousand is connected with one voting right at the general meeting. Except for ordinary shares, the Company did not issue any shares of different types. Potential limited transferability of the ownership right, share of profit or loss or conditions under which the pay-out is made, can be connected only with generally applicable laws, the Company's statutes and contractual arrangement. Each shareholder has a right for the pay-out of the profit share approved by the general meeting that corresponds with the shareholder's share in the share capital. At the same time, if the Company is declared insolvent, each shareholder has the rights for the share in the liquidation balance. Unless the Company's statutes or the shareholders' agreement stipulate otherwise, the liquidation balance is first divided among the shareholders up to the amount of their share in the share capital.

The Company's share capital has been fully paid up.

Other capital reserves

Based on the change in the financing of SAZKA a.s. and the conclusion of a new loan agreement on 21 December 2020, hedging derivatives were terminated, therefore, their valuation at 31 December 2020 was zero. Other capital funds in the amount of CZK 1,454 million (as at 31 December 2019: CZK 1,480 million) mainly represent voluntary contributions from the Company's shareholders in previous years.

Retained earnings and profit/loss for the current period

In 2020, the Company made a dividend payment in the amount of CZK 1,000 million. In 2019, the sole shareholder of the Company decided to pay a dividend in the total amount of CZK 1,700 million, of which CZK 1,220 million was offset against the dividend advance paid in 2018.

Financial statements for the year ended 31 December 2020 (in CZK million)

22. Loans

	31/12/2020	31/12/2019
Bank loans and other borrowings - non-current portion	**5,046**	**5,914**
Non-current bank loans and borrowings received – principal	--	5,914
Non-current loans from related parties – principal	5,046	--

	31/12/2020	31/12/2019
Bank loans and other borrowings - current portion	**632**	**627**
Current bank loans and borrowings received – principal	--	618
Current bank loans and borrowings received – interest	--	9
Current loans from related parties – principal	624	--
Current loans from related parties – interest	8	--

Reconciliation of movements in current and non-current loans and borrowings in the cash flow:	**2020**	**2019**
Balance at the beginning of the period	**6,541**	**7,160**
Cash flows		
Loans received	5,670	--
Loans paid	(6,563)	(625)
Payment of interest accumulated from previous years*	(9)	(10)
Non-cash changes		
Outstanding interest	8	9
Impact of deferred/accrued arrangement fee	31	7
Balance at the end of the period	**5,678**	**6,541**

* The payment of interest accumulated from previous years represents a portion of interest paid in the "Interest paid" item in the Statement of cash flows

On 25 July 2018, SAZKA a.s. entered into a FACILITIES AGREEMENT for CZK 7,500,000,000 with Komerční banka, a.s., Česká spořitelna, a.s., Československá obchodní banka, a.s., UniCredit Bank Czech Republic and Slovakia, a.s. a Sberbank CZ, a.s.

Based on this agreement, the Company drew on loan tranches A in the amount of CZK 3,750 million and B in the amount of CZK 3,750 million on 30 July 2018.

On 21 December 2020, the Company early repaid all liabilities arising from the loan agreement concluded on 25 July 2018 by drawing on an intragroup loan from SAZKA Group a.s.

As at 31 December 2020, the Company did not report any bank loans.

Security (hedging)

Following the loan agreement dated 25 July 2018, the Company entered into several interest rate swaps. Thus, the contractual obligation to hedge a portion of this loan by concluding interest rate swaps of at least 50% of the unpaid portion of the loan ("IRS"), which was included in the loan documentation, was fulfilled.

In connection with the early repayment of the bank loan, these related swaps were also terminated, with a settlement date of 21 December 2020. No new derivatives have been concluded.

Financial statements for the year ended 31 December 2020 (in CZK million)

As at 31 December 2019, the Company reported the following loans:

Type of loan	Interest rate	Interest expense 2019	Due date	Balance at 31/12/2019	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Bank loan A - KB, ČS, ČSOB, UCB, Sberbank – principal	2.05 % + 3M PRIBOR	127	17/6/2024	2,817	629	**2,188**	--
Balance at 31 December 2019 adjusted by transaction costs and interest		**120**		**2,801**	**622**	**2,179**	--
Bank loan B - KB, ČS, ČSOB, UCB, Sberbank – principal	2.3 % + 3M PRIBOR	159	25/7/2025	3,755	5	**--**	**3,750**
Balance at 31 December 2019 adjusted by transaction costs and interest		**150**		**3,740**	**5**	**--**	**3,735**

As at 31 December 2019, the Company held the following hedging derivatives to hedge cash flows in CZK arising from interest payments:

Hedging derivatives	Due date	Average rate	Variable interest rate	Nominal value	Fair value at 31/12/2019
Liabilities from swap transactions – non-current	2024	2.22	3M PRIBOR	582	(1)
Liabilities from swap transactions – non-current	2025	2.52	3M PRIBOR	150	(5)
Receivables from swap transactions – current	2020	0.31	3M PRIBOR	450	8
Receivables from swap transactions – non-current	2024	1.73	3M PRIBOR	2,325	22
Receivables from swap transactions – non-current	2025	1.89	3M PRIBOR	3,100	8
Total hedging financial derivatives					**31,941**

Impact of the change in the value of hedging derivatives on the Statement of profit or loss and other comprehensive income	31/12/2018	Remeasurement of hedging derivatives in other comprehensive income	Reclassification of cash flow hedges in profit or loss (+) profit / (-) loss	31/12/2019
Cash flow hedges	(33)	88	(23)	32

Loans received from related parties

As at 31 December 2020, the Company reported the following loans received from related parties:

31/12/2020	Maturity	Interest rate	Principal balance k 31/12.2020	Principal due within 1 year	Principal due from 1 year to 5 years	Principal due over 5 years
SAZKA Group a.s.	15/3/2030	4.5%+3M PRIBOR	5,670	624	2,496	2,550

On 21 December 2020, SAZKA a.s. entered into a FACILITY AGREEMENT with SAZKA Group a.s. for CZK 5,670,000,000.

On 21 December 2020, the Company drew a loan in the amount of CZK 5,670,000,000 based on this agreement and repaid early all liabilities arising from the loan agreement concluded on 25 July 2018 with

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Komerční banka, a.s., Česká spořitelna, a.s., Československá obchodní banka, a.s., UniCredit Bank Czech Republic and Slovakia, a.s. and Sberbank CZ, a.s.

As at 31 December 2020, liabilities due to unpaid interest for the above loan in the total amount of CZK 8 million were recognised.

SAZKA a.s. accepted pledge for liabilities arising from the Senior Facilities Agreement concluded by SAZKA Group Financing (Czech Republic) a.s. and SAZKA Group a.s. on 16 December 2020 for EUR 640,000,000 and for liabilities arising from issued bonds of SAZKA Group a.s. and SAZKA Group Financing a.s. The liabilities of SAZKA a.s. from pledge are limited to a certain amount arising from the Intercreditor Agreement, the calculation of which is based on the net book value of SAZKA a.s.'s assets and the share of secured creditors in SAZKA a.s.'s total liabilities.

23. Trade and other payables

As at 31 December 2020, the Company reported a non-current payable due to the reported combined license for software for lotteries and extended services in the amount of CZK 411 million (as at 31 December 2019: CZK 0 million), see Note 13.

	31/12/2020 third parties	31/12/2020 related parties	31/12/2019 third parties	31/12/2019 related parties
Current trade and other payables	**2,266**	**15**	**1,495**	**44**
Current trade payables	310	15	236	44
Current deposits received 1)	128		124	
Payables from unpaid winnings	260		117	
Personal income tax payables	35		17	
Lottery tax payables	986		515	
Social and health insurance liabilities	43		40	
Payables to employees	108		140	
Estimated payables 2)	225		185	
Prepayments	166		118	
Other payables	5		3	

1) As at 31 December 2020, the Company recognised a payable of CZK 128 million (31 December 2019 – CZK 124 million) relating to received deposits. Agreements concluded with partners contain an entitlement for an immediate refund of the given deposit after their activities are terminated and all their liabilities to the Company are settled.
2) As at 31 December 2020, estimated payables were mainly comprised of estimated payables relating to supplier invoices of CZK 225 million (31 December 2019 – CZK 185 million).

Trade and other payables were not secured as at 31 December 2020 and 31 December 2019.

The currency and liquidity risks to which the Company is exposed in relation to the trade and other payables are described in Note 27 – Risk management policies and information disclosure.

Financial statements for the year ended 31 December 2020 (in CZK million)

24. Provisions

Current provisions	Current provision for jackpots and scratch cards	Other current provisions	Total
Balance at 1/1/2019	**225**	**100**	**325**
Additions	207	--	207
Utilisation	(225)	(79)	(304)
Release	-	(21)	(21)
Balance at 31/12/2019	**207**	**--**	**207**
Additions	275	--	275
Utilisation	(207)	--	(207)
Balance at 31/12/2020	**275**	**--**	**275**

Non-current provisions	Other non-current provisions	Total
Balance at 1/1/2019	**88**	**88**
Utilisation	(85)	(85)
Release	(3)	(3)
Balance at 31/12/2019	--	--
Balance at 31/12/2020	--	--

The provision for jackpot is created cumulatively until the jackpot is won, as described in Note 3(p).

25. Profit/loss from operating activities before interest, tax, depreciation and amortisation (EBITDA)

The Company's Board of Directors has disclosed the EBITDA indicator in compliance with the internal methodology for preparing and disclosing the indicator. The EBITDA indicator is not defined as a performance indicator under IFRS.

The EBITDA indicator is calculated as the profit/loss before tax, other financial expenses/income, interest expense/income, depreciation and amortisation.

26. Contingent liabilities

The following material legal disputes are pending against the Company:

Actions to determine the invalidity of an agreement on the sale of an enterprise

Action to determine the invalidity of an agreement on the sale of SAZKA, a.s., filed on 24 November 2011 by Mr Jiří Kabourek at Municipal Court in Prague against JUDr. Josef Cupek, the insolvency administrator of the SAZKA, a.s. debtor (now SALEZA, a.s.), reference number MSPH 60 ICm 3145/2011:
The proceedings are currently ongoing, our Company is not being sued, and it entered the proceedings as a secondary participant on 19 November 2013. Since 30 July 2013, no new developments have occurred in the proceedings. Before this date, primarily procedural issues were discussed (a judicial bias claim, the plaintiff requested the exemption from court fees and a court-appointed lawyer due to the plaintiff's financial circumstances, etc.). The substance of the case has still not been decided. In July 2018, Mr J. Kabourek made a confirmation of personal and financial circumstances. The court stayed the proceedings by order of 8 July 2020 for non-payment of the court fee. On 4 August 2020, Mr J. Kabourek filed an appeal.

Statement of the Company's management

The Company's management does not find any justification for annulling the agreements on the sale of an enterprise. The Company's management considers the action of Mr Kabourek to be entirely unfounded and anticipates that, in terms of the risk of the final impact on the Company's financial situation, the above action will not significantly impair the Company's liquidity or expenses in the future periods. Consequently, no provision was established in respect of this dispute.

27. Risk management policies and information disclosure

This section describes in detail the financial and operating risks to which the Company is exposed and the methods of managing these risks. The most important financial risks for the Company are the credit risk and the liquidity risk. Given that the Company is encumbered with loans, the interest rate risk can also be considered significant.

(a) Credit risk

i. Threat of credit risk

Credit risk is a risk of financial loss the Company faces if its customer or counterparty in a transaction with a financial instrument fails to perform its contractual obligations. The Company is exposed to credit risk especially as a result of its operating activity (especially with respect to trade receivables) and as a result of its financial activity, including deposits with banks and financial institutions, loans provided to third parties and other financial instruments.

For financial assets, the maximum credit risk (if the counterparties fail to meet all their contractual obligations and, at the same time, it is determined that the provided guarantees or collateral are worthless) is represented by their carrying amount. As for the cash and cash equivalents, the Company has accounts with renowned banks, where minimum risk is expected. Furthermore, the Company trades primarily with verified partners in respect of which it follows the principle that all customers that want to use credit facilities undergo procedures for individual credit risk assessment. The Group continuously monitors the balance of receivables on an individual and aggregate level.
One of the main instruments to mitigate the credit risk within ordinary business activities are deposits received from partners (agents) – see Note 23(1). Receivables from partners are monitored by the Company's management on a regular basis.

As at the balance sheet date, the maximum credit risks, broken down based on the type of counterparties and according to geographical areas, are given in the following tables.

Financial statements for the year ended 31 December 2020 (in CZK million)

Credit risk based on a counterparty

at 31 December 2020	**Enterprises (non-financial institutions)**	**Financial institutions**	**Total**
Assets			
Non-current trade and other receivables	13	--	13
Non-current restricted cash	--	57	57
Current trade and other receivables	182	--	182
Cash and cash equivalents	4	1,484	1,488
Total	**199**	**1,541**	**1,740**

at 31 December 2019	**Enterprises (non-financial institutions)**	**Financial institutions**	**Total**
Assets			
Non-current receivables from derivatives	--	29	29
Non-current trade and other receivables	11	--	11
Non-current restricted cash	--	55	55
Current trade and other receivables	47	--	47
Current receivables from derivatives	--	9	9
Cash and cash equivalents	4	1,508	1,512
Total	**62**	**1,601**	**1,663**

Credit risk based on a territory

Credit risk on both the assets and liabilities side is located in the Czech Republic, the Swiss Confederation and Republic of Cyprus.

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ii. Impairment losses

Ageing structure of financial assets:

at 31 December 2020	**Within due date**	**Overdue < 90 days**	**Overdue 91-180 days**	**Overdue 181-365 days**	**Overdue >365 days**	**Allowance**	**Total**
Non-current trade and other receivables	***13***	***--***	***--***	***--***	***--***	***--***	***13***
- Other receivables	13	--	--	--	--	--	13
Current trade and other receivables	***182***	***2***	***--***	***--***	***8***	***(10)***	***182***
- Trade receivables	182	2	--	--	8	(10)	182
Non-current restricted cash	**57**	--	--	--	--	--	**57**
- Restricted cash	57	--	--	--	--	--	57
Cash and cash equivalents	***1,488***	***--***	***--***	***--***	***--***	***--***	**1,488**
- Cash in hand	4	--	--	--	--	--	4
- Bank accounts	1,484	--	--	--	--	--	1,484
Total	**1,740**	**2**	**--**	**--**	**8**	**(10)**	**1,740**

Financial statements for the year ended 31 December 2020 (in CZK million)

at 31 December 2019	**Within due date**	**Overdue < 90 days**	**Overdue 91-180 days**	**Overdue 181-365 days**	**Overdue >365 days**	**Allowance**	**Total**
Non-current receivables from derivatives	***29***	**--**	**--**	**--**	**--**	**--**	***29***
- Receivables from derivatives	*29*	--	--	--	--	--	*29*
Non-current trade and other receivables	***11***	**--**	**--**	**--**	**--**	**--**	***11***
- Other receivables	11	--	--	--	--	--	11
Current trade and other receivables	***42***	***8***	**--**	**--**	***5***	***(8)***	***47***
- Trade receivables	42	8	--	--	5	(8)	47
Current receivables from derivatives	**9**	**--**	**--**	**--**	**--**	**--**	**9**
- Receivables from derivatives	9	--	--	--	--	--	9
Non-current restricted cash	**55**	**--**	**--**	**--**	**--**	**--**	**55**
- Restricted cash	55	--	--	--	--	--	55
Cash and cash equivalents	***1,512***	**--**	**--**	**--**	**--**	**--**	**1,512**
- Cash in hand	4	--	--	--	--	--	4
- Bank accounts	1,508	--	--	--	--	--	1,508
Total	**1,658**	**8**	**--**	**--**	**5**	**(8)**	**1,663**

The Company's management is convinced that overdue amounts that are not impaired can still be recovered in their full amount, considering the historical experience of payment of receivables based on the analysis of credit risk and customer rating, if it is available.

iii. Credit quality of financial assets at amortized cost

The Company classifies financial assets into credit quality classes. Class 1 consists of high-quality financial assets that do not have any indicators of impairment and fulfils the definition for "low credit risk" exemption. Class 2 consists of all other financial assets.

Financial statements for the year ended 31 December 2020 (in CZK million)

At 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment matrix**	**Expected credit losses**	**Net carrying amount**
Class 1						
Cash and cash equivalents	**1,488**	**--**	**--**	**--**	**--**	**1,488**
- Bank accounts	1,484	--	--	--	--	1,484
- Cash in hand	4	--	--	--	--	4
Non-current restricted cash	**57**	**--**	**--**	**--**	**--**	**57**
- Restricted cash	57	--	--	--	--	57
Class 2						
Current trade and other receivables	**--**	**--**	**--**	**192**	**(10)**	**182**
- Trade receivables	--	--	--	192	(10)	182
Non-current receivables	**13**	**--**	**--**	**--**	**--**	**13**
- Other receivables	13	--	--	--	--	13
Total	**1,558**	**--**	**--**	**192**	**(10)**	**1,740**

At 31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment matrix**	**Expected credit losses**	**Net carrying amount**
Class 1						
Cash and cash equivalents	**1,512**	**--**	**--**	**--**	**--**	**1,512**
- Bank accounts	1,508	--	--	--	--	1,508
- Cash in hand	4	--	--	--	--	4
Non-current restricted cash	**55**	**--**	**--**	**--**	**--**	**55**
- Restricted cash	55	--	--	--	--	55
Class 2						
Current receivables from derivatives	**9**	**--**	**--**	**--**	**--**	**9**
- Receivables from derivatives	9	--	--	--	--	9
Current trade and other receivables	**--**	**--**	**--**	**55**	**(8)**	**47**
- Trade receivables	--	--	--	55	(8)	47
Non-current receivables from derivatives	**29**	**--**	**--**	**--**	**--**	**29**
- Receivables from derivatives	29	--	--	--	--	29
Non-current receivables	**11**	**--**	**--**	**--**	**--**	**11**
- Other receivables	11	--	--	--	--	11
Total	**1,616**	**--**	**--**	**55**	**(8)**	**1,663**

Financial statements for the year ended 31 December 2020 (in CZK million)

Movements of allowances were as follows:

	Stage 1	Stage 2	Stage 3	Impairment matrix	Total
Balance at 1 January 2019	**--**	**--**	**--**	**4**	**4**
Additions – increase in allowance recognised in profit or loss during the year	--	--	--	4	4
Balance at 31 December 2019	**--**	**--**	**--**	**8**	**8**
Additions – increase in allowance recognised in profit or loss during the year	--	--	--	2	2
Balance at 31 December 2020	**--**	**--**	**--**	**10**	**10**

Impairment matrix for current receivables as of 31 December 2020:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Before due date	**181**	**3.00%**	**(1)**	**180**
- Trade receivables	13	3.00%	(1)	12
- Receivables from agents	168	0.00%	--	168
Past due < 90 days	**3**	**26.00%**	**(1)**	**2**
- Trade receivables	3	26.00%	(1)	2
Past due 91 – 180 days	**--**	**0.00%**	**--**	**--**
- Trade receivables	--	0.00%	--	--
Past due 181 – 365 days	**--**	**0.00%**	**--**	**--**
- Trade receivables	--	0.00%	--	--
Past due > 365 days	**8**	**100.00%**	**(8)**	**--**
- Trade receivables	8	100.00%	(8)	--
Total	**192**	**5.21%**	**(10)**	**182**

Financial statements for the year ended 31 December 2020 (in CZK million)

Impairment matrix for current receivables as of 31 December 2019:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Before due date	**43**	**3.00 %**	**(1)**	**42**
- Trade receivables	31	4.20 %	(1)	30
- Receivables from agents	12	0.00 %	--	12
Past due < 90 days	**8**	**29.67 %**	**(3)**	**5**
- Trade receivables	8	29.67 %	(3)	5
Past due 91 – 180 days	**--**	**85.24 %**	**--**	**--**
- Trade receivables	--	85.24 %	--	--
Past due 181 – 365 days	**--**	**91.10 %**	**--**	**--**
- Trade receivables	--	91.10 %	--	--
Past due > 365 days	**4**	**100.00 %**	**(4)**	**--**
- Trade receivables	4	100.00 %	(4)	--
Total	**55**	**15.07 %**	**(8)**	**47**

(b) Liquidity risk

Liquidity risk is the risk that the Company will have difficulties with performing obligations associated with its financial liabilities that are settled using money or other financial assets.

The Company monitors liquidity and maturity of investments, other financial assets, expected cash flows from its activity in individual currencies and fulfillment of bank liabilities, on an ongoing basis (see Note 22).

The Company's management minimises liquidity risk (i.e. the risk of insufficient funds to cover liabilities) through regular management and planning of its future cash flows. The main instrument for cash flow planning is the creation of a medium-term plan, which is always made every year for the following three years. Cash flows for closest following years are consequently broken down in detail according to the individual months and updated regularly.

The liquidity risk management strategy also includes the fact that the Company holds a part of its assets in highly liquid financial means.

The Company uses its own IT tools to manage liquidity risks, market risks and the measurement of financial instruments, or their trading.

The table below provides an analysis of the Company's financial assets and liabilities broken down according to the due dates, in particular based on the time left from the balance sheet date to the contractual maturity date. If an option of earlier repayment exists, the Company opts for the most prudent manner of assessment; payables are thus expected to be paid as soon as possible and receivables are expected to be collected on the latest possible date. Assets and liabilities with no contractually fixed maturity are grouped in the "on-demand" category.

Financial statements for the year ended 31 December 2020 (in CZK million)

at 31 December 2020	**Carrying amount**	**Contractual cash flows(1)**	**Within 1 year**	**1-5 years**	**More than 5 years**	**On demand**
Assets						
Non-current trade and other receivables	13	13	--	--	--	13
Non-current restricted cash	57	57	--	57	--	--
Current trade and other receivables	182	182	182	--	--	--
Total	**252**	**252**	**182**	**57**	**--**	**13**
Cash and cash equivalents	**1,488**					
Liabilities						
Bank loans and other borrowings (Note 22)	5,678	6,968	887	3,258	2,823	--
Non-current trade and other liabilities	465	553	--	254	299	--
Current trade and other payables	943	962	962	--	--	--
Lease liabilities	59	690	69	290	331	--
Total	**7,145**	**9,173**	**1,918**	**3,802**	**3,453**	**--**
Net liquidity risk	**(5,405)**	**(8,921)**	**(1,736)**	**(3,745)**	**(3,453)**	**13**

Financial statements for the year ended 31 December 2020 (in CZK million)

at 31 December 2019	Carrying amount	Contractual cash flows(1)	Within 1 year	1-5 years	More than 5 years	On demand
Assets						
Non-current receivables from derivatives	29	29	--	29	--	--
Non-current trade and other receivables	11	11	--	--	--	11
Non-current restricted cash	55	55	--	55	--	--
Current receivables from derivatives	9	9	9	--	--	--
Current trade and other receivables	47	47	47	--	--	--
Total	**151**	**151**	**56**	**84**	**--**	**11**
Cash and cash equivalents	**1,512**					
Liabilities						
Bank loans and other borrowings (Note 22)	6,541	7,732	909	2,923	3,900	--
Non-current trade and other liabilities	53	55	--	55	--	--
Non-current liabilities from derivatives	6	6	--	6	--	--
Current trade and other payables	679	679	679	--	--	--
Lease liabilities	52	52	19	33	--	--
Total	**7,331**	**8,524**	**1,607**	**3,017**	**3,900**	**--**
Net liquidity risk	**(5,668)**	**(8,373)**	**(1,551)**	**(2,933)**	**(3,900)**	**11**

(1) Contractual cash flows not adjusted by the discounting to the net present value but including any outstanding interest.

The Company's management does not expect the cash flows included in the liquidity risk analysis to be realised in a significant amount earlier than scheduled.

Financial statements for the year ended 31 December 2020 (in CZK million)

(c) Offsetting arrangements

Effects of offsetting on the financial position of 2020

	Gross value	Offset amounts	Net amounts presented in the Statement of financial position	Potential amounts to be offset: Cash collateral	Potential amounts to be offset: Financial instruments	Net value
Assets						
Current trade receivables and other receivables	206	(24)	182	(128)	--	54
Total	**206**	**(24)**	**182**	**(128)**	**--**	**54**
Liabilities						
Current trade and other payables	967	-24	943	(128)	--	815
Total	967	-24	**943**	**(128)**	**--**	**815**

Effects of offsetting on the financial position of 2019

	Gross value	Offset amounts	Net amounts presented in the Statement of financial position	Potential amounts to be offset: Cash collateral	Potential amounts to be offset: Financial instruments	Net value
Assets						
Current trade receivables and other receivables	47	--	47	(13)	--	34
Cash and cash equivalents	1,508	--	1,508	(1,508)	--	--
Total	**1,555**	**--**	**1,555**	**(1,521)**	**--**	**34**
Liabilities						
Bank loans and other borrowings - non-current portion	5,914	--	5,914	(881)	--	5,033
Bank loans and other borrowings - current portion	627	--	627	(627)	--	--
Current trade and other payables	679	--	679	(13)	--	666
Total	**7,220**	**--**	**7,220**	**(1,521)**	**--**	**5,699**

Financial statements for the year ended 31 December 2020 (in CZK million)

Offset amounts
Payables arising from agents' commissions are offset against receivables from agents and only the net amounts are settled. The relevant amounts have therefore been presented net in the Statement of financial position.

Potential Offset Amounts
Deposits received from agents can be potentially offset against the Company's trade receivables.

Bank accounts pledged to financing banks as a collateral for bank loans could be offset against liabilities from bank loans.

(d) Interest rate risk

In its activities, the Company is exposed to the risk of interest rate fluctuations, as the interest-bearing assets and interest-bearing liabilities have different due dates or dates of remeasurement or are payable or remeasured at different amounts. The period during which a certain financial instrument has a fixed interest rate therefore shows the extent to which a given financial instrument is exposed to the interest rate risk. The risk related to a change in market interest rates primarily applies to the Company's non-current liabilities with variable interest rates (held-to-maturity financial assets and liabilities arising from finance lease bear a fixed interest rate).

The Company is exposed to the risk of interest rate fluctuations primarily as a result of bank loans with variable interest rate. The Company continuously monitors the development in financial markets and based on the current situation decides whether loans will be drawn with either variable or fixed interest rate. The risk of increase in interest rates is monitored on an ongoing basis and if necessary, the application of standard tools for risk elimination (interest rate swap) is considered.

Non-current loans were issued and concluded with a variable interest rate, but the interest rate risk of these loans and bonds was hedged by interest rate swaps.

Sensitivity analysis

In connection with unsecured loans, an increase/decrease in PRIBOR interest rates by 1 percentage point would cause an increase/decrease in interest expense by CZK 57 million.

	Profit/loss before tax		**Equity excluding tax impact**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	+ profit / - loss	+ profit / - loss	+ increase / - decrease	+ increase / - decrease
31/12/2020				
Instruments with variable interest rate	(57)	57	--	--
Cash flow sensitivity (net)	**(57)**	**57**	**--**	**--**

	Profit/loss before tax		**Equity excluding tax impact**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	+ profit / - loss	+ profit / - loss	+ increase / - decrease	+ increase / - decrease
31/12/2019				
Instruments with variable interest rate	(66)	66	--	--
Interest rate swaps	66	(66)	242	(242)
Cash flow sensitivity (net)	**--**	**--**	**242**	**(242)**

Financial statements for the year ended 31 December 2020 (in CZK million)

(e) Currency risk

Currency risk is the risk that the fair value of future cash flows from financial instruments will change as a result of changes in foreign exchange rates.

The Company is exposed to risks arising from foreign currency transactions. These risks arise from purchases in currencies other than the functional currency.

The Company monitors currency risks and evaluates the potential impact of fluctuations in the currency exchange rates on the Company's operations on an ongoing basis. The management also evaluates regularly potential currency risks prior to the conclusion of significant contracts or business transactions.

The Company could potentially be exposed to a foreign exchange risk due to its participation in the Eurojackpot lottery up to the exchange rate amount of CZK 30 per Euro. The Company's management does not perceive this risk as significant.

As at 31 December 2020	**EUR**	**USD**	**Other**	**Total**
Cash and cash equivalents	1	1	--	2
Total assets	**1**	**1**	**--**	**2**
Non-current trade and other payables	31	60	--	91
Current trade and other payables	--	411	--	411
Total liabilities	**31**	**471**	**--**	**502**
Total	**(30)**	**(470)**	**--**	**(500)**

As at 31 December 2019	**EUR**	**USD**	**Other**	**Total**
Current trade receivables and other receivables	4	1	--	5
Cash and cash equivalents	1	--	--	1
Total assets	**5**	**1**	**--**	**6**
Current trade and other payables	18	41	1	60
Total liabilities	**18**	**41**	**1**	**60**
Total	**(13)**	**(40)**	**(1)**	**(54)**

Sensitivity analysis

The strengthening (weakening) of foreign currencies against the Czech crown as at 31 December 2020 would have an impact on the measurement of financial instruments denominated in foreign currency and on equity without an impact of tax and on the profit or loss before tax in the amounts presented below. This analysis assumes that all other variables, especially interest rates, remain constant.

	Statement of profit or loss		**Equity excluding tax impact**	
CZK million	10 % strengthening + profit / - loss	10 % weakening + profit / - loss	10 % strengthening + increase / - decrease	10 % weakening + increase / - decrease
31/12/2020				
EUR	(3.0)	3.0	--	--
USD	(47.0)	47.0	--	--
GBP	--	--	--	--
31/12/2019				
EUR	(1.3)	1.3	--	--
USD	(4.0)	4.0	--	--
GBP	(0.1)	0.1	--	--

(f) Capital management

The Company strives to maintain a strong capital base with the objective to maintain trust of the ultimate shareholder, creditors and markets, and manage future development of its own business activities.

By managing the capital and optimising the debt-to-equity ratio (up to the ratio of 3), the Company intends to secure preconditions for conducting its business activities under the going concern principle and maximising dividends for its shareholders.

As at the end of the period, the Company reported the following debt-to-equity ratio:

	31/12/2020	**31/12/2019**
Total bank loans and other borrowings	5,678	6,541
Less cash and cash equivalents (Note 20)	1,488	1,512
Net debt	**4,190**	**5,029**
Company's total equity	**5,907**	**5,691**
Net debt to equity ratio	**0.709**	**0.884**

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(g) Risk of regulation changes

The gaming sector is regulated intensively by the state authorities. These authorities have the right to change unilaterally the legislative and regulatory framework governing the method of operating the games that the Company offers.

Changes in the regulatory environment can have a considerable impact by limiting betting activities or changing of expenses on adherence to regulations and taxes. The Company strictly complies with regulatory standards and effectively and efficiently understands and addresses the changing regulatory requirements. Potential non-compliance with the rules and regulatory framework by the Company as well as enacting new acts and/or further enforcement of legislation could have a negative impact on the Company's business activities.

(h) Financial instruments and fair values

The fair values and book values of financial assets and liabilities are set out in the Statement of financial position as follows:

Fair values and book values of financial assets and liabilities	**Book value**		**Fair value**	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**
Assets				
Non-current receivables from derivatives	--	29	--	29
Non-current trade and other receivables	13	11	13	11
Current trade and other receivables	182	47	182	47
Current receivables from derivatives	--	9	--	9
Non-current restricted cash	57	55	57	55
Cash and cash equivalents	1,488	1,512	1,488	1,512
Total	**1,740**	**1,663**	**1,740**	**1,663**
Liabilities				
Bank loans and other borrowings - non-current portion	5,046	5,914	5,046	5,914
Non-current trade and other liabilities	465	53	465	53
Non-current liabilities from derivatives	--	6	--	6
Non-current lease liabilities	33	33	33	33
Bank loans and other borrowings - current portion	632	627	632	627
Current trade and other payables	943	679	943	679
Current lease liabilities	26	19	26	19
Total	**7,145**	**7,331**	**7,145**	**7,331**

Fair value hierarchy

The Company applied the following hierarchy to determine and report the fair value of financial instruments according to valuation procedures:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: other procedures based on input data that have a significant impact on the reported fair value and which are observable, directly or indirectly.
- Level 3: procedures based on input data that have a significant impact on the reported fair value and the input data are not based on observable market data.

This practice was ended on 21 December 2020, as the Company has new non-bank financing as of this date, and therefore the swaps have been terminated.

	Net book value at 31 December 2019	Fair value at 31 December 2019		
	Fair value of hedging instruments	Level 1	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	38	--	38	--
Fair value of financial liabilities				
Interest rate swaps	6	--	6	--

The fair values indicated in the table were acquired from financial institutions with which the interest rate swaps were concluded.

Financial statements for the year ended 31 December 2020 (in CZK million)

28. Related parties

Related party transactions are represented by transfer of resources, services or obligations between the Company and a related party. All material transactions with related parties were carried out based on the arm's length principle.

(a) Overview of transactions with the Company's Shareholder

During 2020 (and 2019), there were no significant transactions between the Company and the sole shareholder of the Company, excluding the payment of dividends - see Note 21.

(b) Overview of transactions with other KKCG AG Group companies

Overview of outstanding balances as at 31 December 2020 and 31 December 2019:

	31/12/2020	31/12/2019
Receivables		
Current trade receivables	4	4
Other receivables	61	35
Liabilities		
Current trade payables	15	44
Loans from Group companies	5,678	--

Other receivables as at 31 December 2020 mainly represent advances provided for future lease payments in the amount of CZK 61 million (31 December 2019: CZK 35 million) based on a future lease agreement for the Bořislavka Centrum.

Overview of transactions in 2020 and 2019:

	2020	2019
Revenue from sale of goods and services and other operating income	21	23
Materials, consumables and services and other operating expenses	142	126
Other finance income	--	6
Interest income	5	--
Interest expense	8	--

Revenues and expenses for the period 2020 from transactions with other companies relate mainly to purchased and provided services within the KKCG AG Group.

During 2020, the Company provided related parties with financial resources in the total amount of CZK 6,706 million, which were repaid in full as at 31 December 2020.

Financial statements for the year ended 31 December 2020 (in CZK million)

(c) Transactions with key members of the Company's management

	2020		2019	
Personnel expenses	**Members of the Company's bodies**	**Executives**	**Members of the Company's bodies**	**Executives**
Wages and salaries	--	170	--	161
Social and health insurance	--	39	--	46
Total	**--**	**209**	**--**	**207**

In 2015, a bonus programme was introduced. It aims at motivating the management to achieve the Company's long-term growth targets. In connection with this, a liability of CZK 23 million was recorded as at 31 December 2020 (as at 31 December 2019: CZK 35 million).

No loans or borrowings were provided to the members of the Board of Directors, members of the Supervisory Board and other members of the Company's management in 2020 or 2019. Company's cars are available to the Company's management according to its internal rules.

Financial statements for the year ended 31 December 2020 (in CZK million)

29. Subsequent events

Following the decision of the sole shareholder exercising the powers of the General Meeting of 26 January 2021 approving the amendment to the Articles of Association and the decision of the Board of Directors of 26 January 2021 revoking the authorization of Robert Chvátal, the member of the Board of Directors and CEO, for legal proceedings against employees, the following changes were made in the Commercial Register on 26 January 2021:

- Removal of the current manner of acting on behalf of the Company, including the authorization of a member of the Board of Directors and CEO Robert Chvátal to conduct legal proceedings against employees;
- Registration of a new way of acting on behalf of the Company: The Company is always represented jointly by two members of the Board of Directors.

At the same time, based on the decision of the Board of Directors dated 26 January 2021, Pavel Šaroch was dismissed from the position of Chairman of the Board of Directors and Robert Chvátal was dismissed from the position of CEO with effect from 1 February 2021. Robert Chvátal was elected the new Chairman of the Board of Directors. The relevant removals and entries were made in the Commercial Register on 1 February 2021.

On 26 January 2021, the Board of Directors of SAZKA as appointed Aleš Veselý as General Manager with effect from 1 February 2021.

Date: 13 April 2021	Signature of the Statutory Representatives: Pavel Šaroch Member of the Board of Directors Robert Chvátal Chairman of the Board of Directors

English translation

Independent auditor's report

to the shareholder of SAZKA a.s.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of SAZKA a.s., with its registered office at Praha 9, K Žižkovu 851 (the "Company") as at 31 December 2020, of the Company's financial performance and cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company´s financial statements comprise:

- the statement of financial position as at 31 December 2020,
- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- the statement of cash flows for the year ended 31 December 2020, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but does not include the financial statements and auditor's report thereon.

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Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors and supervisory board of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13 April 2021

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jiří Zouhar

Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

This report is addressed to the shareholder of SAZKA a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.