

ANNUAL REPORT

2021

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.

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Identification data

SAZKA a.s.

Registered office: Prague 6, Evropská 866/69, postal code 160 00 Vokovice

Identification number: 26493993

Tax identification number: CZ699003312

Incorporated in the Commercial Register by the Municipal Court in Prague, File no. B 7424

Business activities:

- publishing activities, polygraphic production, bookbinding and copying work,
- production, reproduction, distribution, sale, rental of audio and audio-visual recordings and production of unrecorded data carriers and recordings,
- intermediation of trade and services,
- wholesale and retail,
- provision of software, consulting in the field of information technology, data processing, hosting and related activities and web portals,
- rental and lending of movable property,
- advisory and consulting activities, processing of professional studies and assessments,
- advertising activity, marketing, media representation,
- services in the field of administrative management and services of an organizational economic character,
- operation of games of chance in accordance with generally binding legislation,
- work of accounting consultants, bookkeeping, maintaining tax records,
- 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.

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 also part of the international lottery holding Allwyn.

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 7,200 points of sale located throughout the Czech Republic, but also online at the game portal www.sazka.cz.

The Company is dedicated to responsible gaming with the “Hraj s rozumem” project and has international audited EL (European Lotteries) and WLA (World Lottery Association) certifications, which confirm compliance with high international standards in this area.

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 2021.

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 2021:

Board of Directors:

Robert Chvátal, chairman of the Board of Directors

Pavel Šaroch, member of the Board of Directors

Kamil Ziegler, member of the Board of Directors

Supervisory Board:

Tomáš Porupka, chairman of the Supervisory Board

Robert Kolář, member of the Supervisory Board

Petr Luňák, member of the Supervisory Board

Entries in the Commercial Register:

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.

The change of registered office of the sole shareholder SAZKA Czech a.s. to Prague 6, Vokovice, Evropská 866/71, postal code 160 00 was entered in the Commercial Register on 13 June 2021.

Due to the expiry of the term of office of all existing members of the Board of Directors and the Supervisory Board as of 1 September 2021, members of the Board of Directors Robert Chvátal (chairman of the Board of Directors), Pavel Šaroch, Kamil Ziegler and members of the Supervisory Board Tomáš Porupka (chairman of the Supervisory Board) and Robert Kolář were reelected for the next term effective from 2 September 2021. Removals and entries in the Commercial Register were made on 14 September 2021.

Following the decision of the sole shareholder in the scope of the general meeting of 29 November 2021, which approved the amendment of the articles of association, the subject of business was specified in the Commercial Register on 1 December 2021:

Deletion of “production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act”, “manufacture, installation, repair of electrical machinery and apparatus, electronic and telecommunications equipment,” and “installation, repair, inspection and testing of electrical equipment”

Entry of “publishing activities, polygraphic production, bookbinding and copying work”, “production, reproduction, distribution, sale, rental of audio and audio-visual recordings and production of unrecorded data carriers and recordings”, “intermediation of trade and services”, “wholesale and retail”, “provision of software, consulting in the field of information technology, data processing, hosting and related activities and web portals”, “rental and lending of movable property”, “advisory and consulting activities, processing of professional studies and assessments”, “advertising activity, marketing, media representation”, “services in the field of administrative management and services of an organizational economic character”.

On 14 December 2021, the sole shareholder elected Petr Luňák as a new member of the Supervisory Board within the scope of the general meeting. The entry in the Commercial Register was made on 4 February 2022.

Significant events in 2021

At the beginning of 2021 the Company announced a change in the CEO position. Since January, it has been led by Aleš Veselý who replaced Robert Chvátal.

In 2021, 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), 79 instant lotteries (scratch cards) at points of sale and 69 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 370 technical games and 3 live games. There was also a sports fantasy game on the Internet, which was free for customers (without bets).

The bettors of the Company managed to win 62 million various winnings in the numerical lotteries and instant lotteries (scratch cards) in the past year. The highest amount was won by lottery bettor of Sportka, namely CZK 250,151,476. In 2021, 250 customers became millionaires in total.

From the point of view of product changes, a significant event was the launch of the new Extra Renta lottery, which offers a top prize of CZK 100,000 per month for 20 years. The Company also renewed the popular Tutovka brand, under which it now provides customers with an attractive package of scratch cards.

The Company continuously complies with the strict international rules on responsible gaming set by the European Lotteries and World Lottery Association. In the area of responsible gaming, the Company was active last year, constantly developing a comprehensive responsible gaming strategy that protects customers and society. At the same time, the Company continues to develop its own platform for responsible gaming, "Hraj s rozumem", where, among other things, it focused on the education of persons under 18 years of age and strict control of compliance with this age limit in its sales network. In the past year, the Company also became a member of the Institute for Gambling Regulation to promote responsible gaming at the level of the entire market.

Human resources

Year-on-year 2020–2021, the number of full-time employees increased.

Number of employees:

As at 31 December 2020:	447
As at 31 December 2021:	488

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 Center, 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 2021

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 2021, the Company also continued to strengthen its activities in other areas, especially through its virtual mobile operator SAZKAmobil.

In 2021, the Company reached a profit before tax of CZK 1,996 mil. The total amount of bets at the Company was CZK 25,948 mil.

The state of the Company's assets as at 31 December 2021 was as follows:

- Non-current assets in the amount of CZK 13,739 mil., of which intangible non-current assets amounted to CZK 2,781 mil., tangible non-current assets amounted to CZK 240 mil., goodwill amounted to CZK 9,636 mil.; real estate investment to CZK 405 mil.
- Current assets in the amount of CZK 1,883 mil., of which short-term trade receivables and other current assets in the amount of CZK 313 mil., and cash and cash equivalents in the amount of CZK 1,564 mil.

Equity as at 31 December 2021 amounted to CZK 6,629 mil. and liabilities including external sources of capital amounted to CZK 8,993 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 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.

EVALUATION OF THE COMPANY'S MAIN ACTIVITIES IN 2021

Numerical lotteries

Customers have positively admitted Sportka's regular Friday draw, which was launched at the end of 2020. SAZKA a.s. launched a new game in the field of number lotteries called Extra Renta. A unique possibility of group betting, so-called syndicates, was developed for the Sportka and Eurojackpot lotteries on the gaming portal Sazka.cz. Last year, customers were strongly motivated by extraordinary bonuses for selected games. High deposits were especially noted on Friday the 13th, the New Year's Eve Eurojackpot bonus was also successful, although its jackpot was at its lowest at that time.

Instant lotteries - scratch cards

Scratch cards are increasingly popular among Czechs, especially during the Christmas holidays. The Company launched a total of 19 new scratch tickets. For example, Tutovka was a novelty – an innovative concept of 4 lottery tickets in a package with a guaranteed win. The strongest drawing lot was traditionally the Black Pearls.

The Company also operates and develops its own scratch-off e-lotteries sold through the Sazka.cz website. Online e-lotteries (Black Pearl, Reindeer, Zlatá rybka, Big player and others) continue to be an alternative to the printed copy of scratch tickets sold at points of sale. Several original themes were also launched only for customers on the Internet.

Technical and live games

The Company under the Sazka Games brand launched 136 new online technical games and added a new live game “Plátýnko”.

Odds betting

Sazkabet was once again affected by covid restrictions and changes in sporting events. During the year, a new supplier of the odds betting system was selected. The annual plan was fulfilled to 120% in the area of odds betting.

CRM

The program for registered customers in the Sazka Klub retail network had more than 300,000 active and fully registered members. A quarter of lottery sales in retail were made by registered customers with a Sazka card. The growth is mainly caused by the game “Kolo štěstí”, which is intended for members of the loyalty program.

Technology

In 2021, the Company launched an automatic packaging line for scratch cards in Horní Počernice. As part of automation, the Company also started using machine learning to classify contact center communications, including voice calls. Another novelty is the monitoring of traffic at selected POS using motion sensors.

The game portal Sazka.cz has seen more than 300 different improvements. These were, for example, projects from the areas of: eSports, syndicated betting, loyalty program for online bettors, fast lotteries, Sazka Hry.

The infrastructure for the operation of online betting, the performance of the Sazka.cz application and related components has been strengthened overall.

The Company continued intensive preparation of the Company's largest project in recent years - Futurum, which aims to successfully implement the replacement of the central lottery system in 2022, including the replacement of all Company terminals.

Other activities

The Company expanded its scope in the eSports segment, which began in 2020. The partner, the largest Czech-Slovak league, Sazka eLEAGUE, maintained its status as the largest CS:GO league. SAZKA a.s. established a new partnership with the Sinners eSports team and launched the Sazka eSport portal.

SAZKA mobil still holds the status of the largest independent virtual operator on the Czech market. In addition to the new data packages, SAZKA mobil launched a Rewards Wheel for customers.

Online payment service PaySafeCard has seen year-on-year revenue growth of more than 50%.

Customers of 82 partners in total can use cash payments at the Company's terminals, which is 26 partners more than last year.

For the year 2021, within the framework of cooperation with Česká pošta, s.p. processed more than 2.1 million parcels. In November, the possibility of submitting a package via Balíkovna was launched at more than 1,400 locations.

The Company significantly entered the field of cycling, where it became a partner of the largest races in the Czech Republic. In addition to professionals, she also supports regional sports, and has also donated bicycles to children's homes.

The Company was actively involved in helping the victims of the tornado in South Moravia, to which it donated funds in the amount of CZK 50 mil.

Through the project Hraj s rozumem, the Company became a partner of the project Rozpočti si to, the purpose of which is to develop financial literacy and responsible decision-making among children and adolescents.

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

In 2021, the Company continued to modernize and innovate its portfolio. The news covered brick-and-mortar stores and online betting. The Internet environment makes it possible to fundamentally expand and improve the product range and offer existing games in a more entertaining form. Digitization is still a great potential for the Company to maintain its growing development. The introduction of the second drawing day of the European Eurojackpot lottery will have an impact on the Company's operations in 2022.

Russia - Ukraine conflict

The conflict between Russia and Ukraine has led and is expected to continue to lead to disruption, instability and volatility in global markets and industries, which also affects the economic situation in the Czech Republic.

In Prague, on 16 June 2022

.....
Pavel Šároch
Member of the Board of Directors
SAZKA a.s.

.....
Robert Chvátal
Chairman of the Board of Directors
SAZKA a.s.

Report of the Board of Directors of SAZKA 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 Evropská 866/69, 160 00 Prague 6, Vokovice, 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 2021 to 31 December 2021 (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 Evropská 866/71, Vokovice, 160 00 Prague 6, 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 Evropská 866/71, Vokovice, 160 00 Prague 6, Identification No. 24287814, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161 SAZKA Group a.s. is further controlled by SAZKA Entertainment AG, with registered office at Weinmarkt 9, 6004 Lucerne, Swiss Confederation, Reg. No. CHE-366.705.452 (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 2021.

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 900,000,000 on 22 July 2021;
- Drawing a loan in the amount of CZK 1,148,330,711.66 from SAZKA Group a.s. based on FACILITY AGREEMENT concluded on 21 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:

- Contract for work with AEC a.s. dated 9 December 2021;
- Agreement on the provision of security monitoring services by the AEC EDR tool with AEC a.s. dated 9 December 2021;
- Amendment no. 1 to the Purchase agreement with AUTOCONT a.s. dated 3 March 2021;
- Contract for work with AUTOCONT a.s. and FM&S Czech a.s. dated 24 February 2021;
- Amendment no. 1 to the Contract for work with AUTOCONT a.s. and FM&S Czech a.s. dated 26 March 2021;
- Amendment no. 2 to the Contract for work with AUTOCONT a.s. and FM&S Czech a.s. dated 16 June 2021;
- Amendment no. 3 to the Contract for work with AUTOCONT a.s. and FM&S Czech a.s. dated 30 November 2021;
- Agreement on the provision of sub-license with AUTOCONT a.s. dated 21 October 2021;
- Amendment no. 3 to the Agreement on supply and implementation of HW and SW for backup, incl. Maintenance with AUTOCONT a.s. (agreement was concluded with DataSpring s.r.o. whose legal successor is AUTOCONT a.s.) dated 22 July 2021;
- Amendment no. 4 to the Agreement on supply and implementation of HW and SW for backup, incl. Maintenance with AUTOCONT a.s. (agreement was concluded with DataSpring s.r.o. whose legal successor is AUTOCONT a.s.) dated 21 December 2021;
- Agreement on cooperation and distribution of content and information with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 17 May 2021;
- Lease agreement concerning Bořislavka Centre with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 4 June 2021;
- Amendment no. 1 to the Lease agreement concerning Bořislavka Centre with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 20 December 2021;
- Lease agreement concerning Bořislavka Centre with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 4 June 2021 (establishment SAZKA a.s.);
- Agreement on the provision of registry services with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 27 October 2021;
- Agreement on the provision of fitness services with FM&S Czech a.s. dated 1 July 2021;
- Agreement on the provision of factory catering with FM&S Czech a.s. dated 1 July 2021;
- Guarantee with Italian Gaming Holding a.s., SAZKA Group a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s. a SAZKA Austrian Gaming Holding a.s. dated 30 August 2021;

- Guarantee with Italian Gaming Holding a.s., SAZKA Group a.s., SAZKA Group Financing (Czech Republic) a.s., SAZKA Group Financing a.s., SAZKA Czech a.s. a SAZKA Austrian Gaming Holding a.s. dated 30 November 2021;
- Agreement on the provision of registry services with KKCG a.s. dated 22 September 2021;
- Agreement on the provision of registry services with KKCG Real Estate Group a.s. dated 27 October 2021;
- Framework agreement on marketing and media cooperation with Media Marketing & Communication, a.s. dated 13 May 2021;
- Donation agreement with MND a.s. dated 23 March 2021;
- Donation agreement with MND a.s. dated 20 April 2021;
- Confidentiality and information protection agreement with MND a.s. dated 2 June 2021;
- Agreement on combined electricity supply services with MND a.s. dated 18 June 2021 (trader's agreement no. 2400017708);
- Agreement on combined electricity supply services with MND a.s. dated 6 December 2021 (trader's agreement no. 2400018379);
- Agreement on combined gas supply services with MND a.s. dated 6 December 2021 (trader's agreement no. 1400025352);
- Agreement on combined gas supply services with MND a.s. dated 6 December 2021 (trader's agreement no. 1400025341);
- Agreement on the provision of services with MND Energie a.s. dated 2 June 2021 (contract concluded with MND a.s. MND Energie a.s. acquired part of the business plant effective from 1 November 2021 – the retail division from MND a.s. and as a result MND Energie a.s. became the creditor of all claims and the debtor of all debts of MND a.s. from this contract);
- Agreement on the processing of personal data with MND Energie a.s. dated 2 June 2021 (contract concluded with MND a.s. MND Energie a.s. acquired part of the business plant effective from 1 November 2021 – the retail division from MND a.s. and as a result MND Energie a.s. became the creditor of all claims and the debtor of all debts of MND a.s. from this contract);
- Amendment no. 1 to the Agreement on the storage of file material in the archive of a commercial file store with SALEZA, a.s. dated 10 September 2021;
- Agreement on the termination of the Agreement on the lease of premises used for business with SAZKA FTS a.s. dated 12 April 2021;
- Agreement on the provision of registry services with SAZKA Group a.s. dated 10 August 2021;
- Agreement on the compensation of SW modification costs for billing purpose of Balíkovna Project with SAZKA Services s.r.o. dated 5 March 2021;
- Amendment no. 1 to the Agreement on the cooperation on Balíkovna Project with SAZKA Services s.r.o. dated 24 February 2021;
- Amendment no. 2 to the Agreement on the cooperation on Balíkovna Project with SAZKA Services s.r.o. dated 19 July 2021;
- Agreement on the termination of the Agreement on the lease of premises used for business with SAZKA FTS a.s. dated 30 March 2021;
- Agreement on the provision of registry services with SAZKA Services s.r.o. dated 3 August 2021;
- Agreement on the termination of the Agreement on the services procurement with SAZKA Services s.r.o. dated 19 February 2021;
- Agreement on the termination of the Agreement on the lease of premises used for business with SPORTLEASE a.s. dated 19 April 2021;
- Agreement on the provision of registry services with SPORTLEASE a.s. dated 6 August 2021.

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 May 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;
- Framework agreement on the provision of services in the area of security services and technology with AEC a.s. dated 4 June 2020;
- Agreement on the supply of HW with AEC a.s. dated 12 October 2020 (12 months of technical support from HW delivery);
- Agreement on the provision of services in the form of Software as a Service with AEC a.s. dated 2 November 2020;
- Agreement on the supply of HW with AEC a.s. dated 16 November 2020 (12 months of technical support from HW delivery);
- Framework agreement on the provision of consulting services with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 30 June 2014;
- Agreement on supply and implementation of HW and SW for backup, incl. Maintenance with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 20 October 2015, as amended by Amendments no. 1-4;
- Agreement on confidentiality and protection of confidential information with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 23 January 2018;
- Purchase contract with AUTOCONT a.s. dated 28 November 2019 as amended by Amendment no. 1;
- Agreement on the processing of personal data with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 30 September 2019;
- License agreement with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 5 December 2019;
- Agreement on for provision of data center and cloud services and other services with AUTOCONT a.s. (contract concluded with DataSpring s.r.o., whose legal successor is AUTOCONT a.s.) dated 4 June 2020;
- Agreement on future lease agreement Bořislavka centrum with BOŘISLAVKA OFFICE&SHOPPING CENTRE s.r.o. dated 19 December 2018, as amended by Amendment no. 1 (effective till 30 April 2020);
- 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 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 (effective till 7 June 2021);
- 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 (effective till 1 January 2022);
- Confidentiality agreement with MND a.s. dated 13 October 2017;
- Agreement on business cooperation with MND a.s. dated 19 October 2017;
- Agreement on business cooperation with MND a.s. dated 8 August 2018;
- Agreement on combined gas supply services with MND a.s. dated 8 July 2020 (effective till 30 June 2021);
- Agreement on the storage of file material in the archive of a commercial file store with SALEZA, a.s. dated 29 August 2012 as amended by Amendment no. 1;
- FRAMEWORK DEPOSIT AGREEMENT with SAZKA Group a.s. dated 17 September 2018, as amended by Appendix no. 1;
- FRAMEWORK AGREEMENT ON PROVISION OF ADVISORY SERVICES se SAZKA Group a.s. dated 16 June 2020;
- FACILITY AGREEMENT se 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 to 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 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 and 2 (effective till 31 May 2021);
- Agreement on the lease of business premises with SAZKA Services s.r.o. dated 1 August 2016, as amended by Appendix no. 1 (effective till 31 March 2021);
- Agreement on the procurement of services with SAZKA Services s.r.o. dated 15 February 2017 (effective till 28 February 2021);
- Cooperation agreement with SAZKA services s.r.o. dated 14 November 2019 as amended by Amendment No. 1 (effective until 30.6.2021);
- Subcontracting agreement with SAZKA Services s.r.o. dated 20 July 2020;
- Agreement on the cooperation on Balíkovna Project with SAZKA Services s.r.o. dated 17 December 2020 as amended by Amendment no. 1 and 2;
- 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 (effective till 31 May 2021).

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 28 March 2022

.....
Pavel Šaroch
Member of the Board of Directors
SAZKA a.s.

.....
Robert Chvátal
Chairman of the Board of Directors
SAZKA a.s.

Annex No. 1 - List of related parties

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 2021

COMPANY	Seat, Identification No. / Registration No.
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. No. 36828617
AEC a.s.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04772148
AEC s.r.o.	Prievozska 1978/6, post code 821 09, Bratislava, Slovak Republic, identification No. 31384072
AleaX AG	Fabrikstraße 4, 9496 Balzers, Liechtenstein, registr. No. FL-0002.629.106-8
Allwyn Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-157.119.805
Allwyn Entertainment Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13157556
Allwyn Sub AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-348.874.140
Aricoma Capital a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 11834587
Aricoma Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 102 35, Sweden, reg. No. 559239-3473
Aricoma Group International AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, reg. No. 559235-9748
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, Czech Republic, identification No. 04308697
AUTOCONT SRL	Avenue Louise 231, 1050 Bruxelles, Belgium, reg. No. 0767.591.979
AUTOCONT s.r.o.	Krasovského 14, Bratislava - mestská časť Petržalka, post code 851 01, Slovak Republic, identification No. 36396222
Blue Rosemarine Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797200
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27457622
BOSM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773878
Cachi Valle Aventuras S.A. (in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-027729
CAI Ontario Inc. (in liquidation)	200 Bay Street, Royal Bank Plaza, M5J 2Z4 Ontario, Canada, registr. No.1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-159.186.971
CAIO DK ApS	c/o Nordic Gambling ApS, Flæsketorvet 68, 2, 1711 København V, Denmark, registration no. 40909990
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, reg No. 038898d
Casino Odense K/S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-009273
Casino St. Moritz AG	Via Veglia 3, 7500 St. Moritz, Switzerland, registr. No. CHE-107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 30161 Hannover, Germany, registr. No. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registr. No. FL-0002.543.564-5
Casinos Austria (Swiss) AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN114288x
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registr. No. FN99639d
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0502.785.246
Casinos Austria International GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN37681p
Casinos Austria International Ltd.	Sofitel Hotel, Level 3, 249 Turbot Street, 4000 Brisbane, QLD, Australia, registr. No. ACN: 065998807, ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN38657z

Annex No. 1 - List of related parties

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 2021**

COMPANY	Seat, Identification No. / Registration No.
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN94404f
Casinos Event Immobilien GmbH	Lister Meile 2, 30161 Hannover, Germany, registr. No. HRB 201793
Casinos International AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-279.843.175
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, regisitr. No. FN67046y
CES EA s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration No. 32267
Cleverlance Enterprise Solutions s.r.o.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 27408787
Cleverlance Group a.s.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04771915
Cleverlance H2B a.s.	Tuřanka 1519/115a, Brno, Slatina, post code 627 00, Czech Republic, identification No. 28223756
Cleverlance Slovakia s.r.o.	Prievozska 1978/6, post code 821 09, Bratislava, Slovak Republic, identification No. 35942487
Cloud4com SK, s.r.o.	Staré Grunty 36, post code 841 04, Bratislava, Slovak Republic, identification No. 50569694
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, reg. No. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, reg. No. 506335
Complejo Monumento Güemes S.A. (in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr.No. FOLIO 187/88 ASIEN TO 2288 LIBRO 9
Coopera Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682802
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN54015i
Deutsche Sportwetten GmbH	Karmarschstr. 37+39, D-30159 Hannover, Germany, registr. No. 219939
Entreteneamientos y Jogos de Azar (EN.J.A.S.A.) S.A. (in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. No. IG TJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04283112
Fortuna 1 ApS	c/o Casino Odense K/S, Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14909087
Geologichne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, reg. No. 31978102
G-JET s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN241637z
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No.132846101000
HORSE RACES S.A.	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No. 25891401000
IGNIS HOLDING a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07435304
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registr. No. 14996/10019
INTERMOS Praha s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, 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.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08526541
IPM – Industrial Portfolio Management a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04572034
Italian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04828526
Javorina Management AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, reg. No. 559235-8393
JTU Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 02612020
Kaizen Gaming International Limited (only activities in Greece and Cyprus)	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registr. 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, registr. No. C58362
KBOC Investering B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 52308944
KKCG a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27107744

Annex No. 1 - List of related parties

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 2021

COMPANY	Seat, Identification No. / Registration No.
KKCG Development a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08295484
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 27271144
KKCG Methanol Holdings LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI No. 36-4831670
KKCG Real Estate Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-292.174.442
KKCG TechLabs s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 14042479
KKCG Technologies Finance s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 14038641
KKCG Technologies s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, reg. No. 84-2817214
KOMIX s.r.o.	Drtinova 467/2a, Smíchov, post code 150 00, Prague 5, Czech Republic, identification No. 47117087
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, reg. No. 405171567
Kynero Consulting a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 24193461
Leisure & Entertainment S.A. (in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 253/4 asiento 3484 L 13
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No.32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0988055
LIE2 AG	Fabrikstrasse 4, 9496 Balzers, Liechtenstein, registr. No. FL-0002.606.855-3
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, reg. No. FN84439a
LWD 8, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26498545
Media Marketing & Communication, a.s.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771492
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, reg. No. FN117154k
MEDICEM Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, EI. No. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, identification No. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, identification No. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564534000
MND a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 28483006
MND Drilling & Services a.s.	Velkomoravská 900/405, post code 696 18, Lužice, Czech Republic, identification No. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, reg. No. HRB206722
MND Energie a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 29137624
MND Gas Storage a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, reg. No. HRB96046
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, reg. No. HRB207844
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-448.401.517
MND Prodej a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09002359
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No.52990680
MND Ukraine a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 08957517
Moravia Systems a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26915189

Annex No. 1 - List of related parties

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 2021

COMPANY	Seat, Identification No. / Registration No.
NAP Poland Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, reg. No. 913726
Nazvrevi Oil Company Limited	P.O.Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY, reg. No. 1-32991
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration No. 84923002000
Nikolajka Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797072
Nikolajka Residence s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26205271
Ninotsminda Oil Company Limited	195 Arch. Makarios III Ave., Neocleous House, 3030 Limassol, Cyprus, reg. No. C74623
NOVECON a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08270783
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN268558p
Ontrax Göteborg AG	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. No. 556615-0032
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, 443099, Russia, reg. 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, GR 104 42, Athens, Greece, registration No. 3823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE133603
Oriv Holding a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 11735376
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN468412t
Österreichische Lotterien GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN54472g
Österreichische Sportwetten GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN196645i
Pernerova Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682844
POM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, reg. No. 36042045
Rabcat Computer Graphics GmbH	Rennweg 40-50/1/6 (1.OG), 1030 Vienna, Austria, registr. No. FN276027y
Relax Rezidence Cihlářka, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564470000
RUBIDIUM HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE 287956
SALEZA, a.s. (bankrupt, insolvent, insolvency proceedings initiated)	K Žižkovu 851, post code 19093, Prague 9, Czech Republic, identification No. 47116307
SAZKA a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26493993
SAZKA Asia a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05266289
SAZKA Austrian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04047788
SAZKA Czech a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24852104
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314350
SAZKA DELTA HELLENIC HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE320752
SAZKA DELTA MANAGEMENT LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314151
SAZKA Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-366.705.452
SAZKA FTS a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01993143
SAZKA Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24287814
SAZKA Group CZ a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08993165
SAZKA Group Financing (Czech Republic) 2, a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771522

Annex No. 1 - List of related parties

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 2021

COMPANY	Seat, Identification No. / Registration No.
SAZKA Group Financing (Czech Republic) a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07877838
SAZKA Group Financing a.s.	Dúbravská cesta 14, 841 04 Bratislava - mestská časť Karlova Ves, Slovak Republic, identification No. 51142317
SAZKA Group UK Holding Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13154201
SAZKA Group UK Limited	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 08869774
SAZKA Services s.r.o.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05111901
SAZKA mobil 5G a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07911319
SC Czech ACI, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969551
SC Czech ACJ, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969560
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of North Macedonia, reg. No. 5323983
Seavus AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. No. 556588-5935
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosnia and Hercegovina, Republic of Serbia, reg. No. 57-01-0252-17
Društvo za Informatičku Technologiju Seavus DOO	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 North Macedonia, reg. No. 6643140
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Republic of Belarus, reg. No. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, reg. No. CHE-020.4.049.285-2
Seavus S.R.L.	MD-2071, str. Alba-Iulia, 79/1, mun. Kishinev, Republic of Moldova, reg. No. 1020600026584
Seavus SHPK	Njësia Bashkiake nr. 5, Rruga Abdyl Frasheri, Ndërtesa 8, Hyrja 7, Ap. 25, 1019 Tirana, Republic of Albania, reg. No. L62225007B
Seavus Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, reg. No. 913203
Seavus Stockholm AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. No. 556594-4799
Seavus USA Inc.	2352 Main Street, Suite 200, Concord, MA 01742, United states of America, reg. No. 000873055
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registr. No. HRB 50373
SPORTLEASE a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 62361546
Springtide Ventures s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01726587
Stoiximan Limited	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registr. No. C95597
STR Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07728344
Stratiteq Sweden AB	Gustav Adolfs Torg 10 A, 211 39 Malmö, Sweden, reg. No. 556622-2682
SUPERMARINE, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062773
Theta Real s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27631842
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registr. No. 5641201000
TORA WALLET SINGLE MEMBER S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registr. No. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, EI. No. 81-1952040
VESTINLOG, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0474.725.225
Vinohradská 230 a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26203944
VSU Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN371257t
WINWIN International GmbH (in liquidation)	Rennweg 44, 1038 Vienna, Austria, registr. No. FN366572d

Financial part

Financial statements

For the year ended 31 December 2021

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

Statement of profit and loss and other comprehensive income

	Note	For 2021	For 2020
Gross gaming revenues (“GGR”)	4	10,462	8,335
Revenue from non-gaming activities	4	444	433
Other operating income		43	81
Gaming taxes		(3,669)	(3,022)
Agents’ commissions	5	(949)	(816)
Materials, consumables and services	6	(1,465)	(1,298)
Marketing services	7	(982)	(616)
Personnel expenses	8	(619)	(542)
Other operating expenses	9	(532)	(350)
Depreciation and amortisation	13, 14, 15	(218)	(165)
Impairment of tangible and intangible assets including goodwill	14, 15	(159)	-
Profit from operating activities		2,356	2,040
Interest income	11	7	-
Interest expense	11	(320)	(282)
Other finance income / (expense)	11	(47)	(233)
Finance costs, net		(360)	(515)
Profit before tax		1,996	1,525
Income tax expense	12	(375)	(283)
Profit after tax		1,621	1,242
Items that are or may subsequently be reclassified to profit or loss			
Net change in hedging derivatives reclassified to profit or loss, net of tax		-	(32)
Deferred tax from net change in hedging derivatives reclassified to profit or loss, net of tax		-	6
Total other comprehensive income / (loss)		-	(26)
Total comprehensive income		1,621	1,216

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

SAZKA a.s.

Financial statements for the year ended 31 December 2021 (in CZK million)

<i>Statement of financial position</i>	Note	31.12.2021	31.12.2020
Assets			
Intangible assets	13	2,781	2,726
Goodwill	13	9,636	9,636
Property, plant and equipment	14	240	742
Investment property	15	405	-
Right-of-use asset	16	568	57
Other financial assets	17	20	20
Restricted cash	20	55	57
Trade receivables and other non-current assets	19	34	70
Total non-current assets		13,739	13,308
Inventories		6	9
Trade receivables and other current assets	19	313	303
Cash and cash equivalents	20	1,564	1,488
Total current assets		1,883	1,800
Total assets		15,622	15,108

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

<i>Statement of financial position (continued)</i>	Note	31.12.2021	31.12.2020
LIABILITIES			
Equity			
Share capital	21	450	450
Capital contributions and other reserves	21	1,454	1,454
Retained earnings		4,725	4,003
Total equity		6,629	5,907
Liabilities			
Loans and borrowings	22	4,179	5,046
Trade and other payables	23	431	488
Lease liabilities	16	453	33
Deferred tax liability	18	231	297
Total non-current liabilities		5,294	5,864
Loans and borrowings	22	634	632
Trade and other payables	23	2,491	2,281
Lease liabilities	16	67	26
Current tax liability	12	117	123
Provisions	24	390	275
Total current liabilities		3,699	3,337
Total liabilities		8,993	9,201
Total equity and liabilities		15,622	15,108

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

Statement of changes in equity

	Share capital	Capital contributions and other reserves	Retained earnings	Total equity
Balance at 1 January 2021	450	1,454	4,003	5,907
Dividends declared	-	-	(900)	(900)
Profit for the year / Total comprehensive income for the year 2021	-	-	1,621	1,621
Balance at 31 December 2021	450	1,454	4,724	6,628

	Share capital	Capital contributions and other reserves	Retained earnings	Total equity
Balance at 1 January 2020	450	1,480	3,761	5,691
Dividends declared	-	-	(1,000)	(1,000)
Profit for the year 2020	-	-	1,242	1,242
Remeasurement of hedging derivatives, net of tax	-	(26)	-	(26)
Total comprehensive income for the year 2020	-	(26)	1,242	1,216
Balance at 31 December 2020	450	1,454	4,003	5,907

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

SAZKA a.s.

Financial statements for the year ended 31 December 2021 (in CZK million)

<i>Statement of cash flows</i>	Note	For 2021	For 2020
<u>OPERATING ACTIVITIES</u>			
Profit for the year		1,621	1,242
<i>Adjustments for:</i>			
Income tax expense	12	375	283
Depreciation and amortisation	13, 14, 15	218	165
(Profit) / loss on sale of property, plant and equipment and intangible assets		(1)	-
Net interest expense	11	319	282
Impairment losses	14, 15	160	2
Net foreign exchange (profit) / loss		(7)	4
Other financial (profit) / loss		(5)	-
Other non-cash operations		59	(68)
Operating result before changes in working capital		2,739	1,910
(Increase) / decrease in inventories		3	3
(Increase) / decrease in trade receivables and other assets	18	32	(133)
Increase / (decrease) in trade and other payables	23	120	801
Increase / (decrease) in provisions on jackpots, lotteries and prizes	24	115	68
Cash generated from operations		3,009	2,649
Interest paid	11	(318)	(252)
Income tax paid		(447)	(315)
Net cash generated from operating activities		2,244	2,081
<u>INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	14	(102)	(47)
Acquisition of intangible assets	13	(156)	(89)
Proceeds from sale of property, plant and equipment and intangible assets		1	-
Interest income received	11	1	1
Net cash used in investing activities		(256)	(136)
<u>FINANCING ACTIVITIES</u>			
Loans and borrowings received	22	-	5,670
Repayment of loans and borrowings	22	(867)	(6,563)
Repayment of principal element of lease liabilities	16	(112)	(37)
Repayment of liabilities from licences		(33)	(40)
Dividends paid	21	(900)	(1,000)
Net cash used in financing activities		(1,912)	(1,970)
<i>Net (decrease) / increase in cash and cash equivalents</i>		76	(24)
Cash and cash equivalents at the beginning of the year	20	1,488	1,512
Cash and cash equivalents at the end of the year	20	1,565	1,488

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

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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 Evropská 866/69, Prague 6, post code 160 00, identification number 264 93 993.

The ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION with its registered office in Liechtenstein. The beneficiary of VALEA FOUNDATION is Karel Komárek.

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 2021:

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

Members of the Supervisory Board as at 31 December 2021:

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

On 14 December 2021, the sole shareholder exercising the powers of the General Meeting elected Petr Luňák as a new member of the Supervisory Board. The entry in the Commercial Register was made on 4 February 2022.

1.4. Sole shareholder of the Company

SAZKA Czech a.s.
Evropská 866/71, Vokovice, 160 00 Prague 6
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 Allwyn International a.s. (previously SAZKA Group a.s.), with its registered office at Evropská 866/71, Vokovice, 160 00 Prague 6, Czech Republic.

1.5. Changes in the Commercial Register in the accounting period

As a follow-up to the decision of the sole shareholder in the scope of the general meeting of 26 January 2021, which approved the amendment of the articles of association, and the decision of the Board of Directors of 26 January 2021, which, among other things, revoked the authorization of member of the Board of Directors and CEO Robert Chvátal to take legal action against employees, the following changes were made in the Commercial Register on 26 January 2021:

- Deletion of the current way of acting on behalf of the Company, including the authorization of the member of the Board of Directors and the CEO Robert Chvátal to take legal action against employees;
- Record of a new way of acting for the Company: The Company is always represented by two members of the Board of Directors together.

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

On 13 June 2021, a change of the registered office of the sole shareholder SAZKA Czech a.s. was entered in the Commercial Register to Evropska 866/71, Vokovice, 160 00 Prague 6, and on 20.7.2021 the change of registered office of SAZKA a.s. at Evropska 866/69, Vokovice, 160 00 Prague 6.

Due to the expiry of the term of office of all existing members of the Board of Directors and the Supervisory Board as of 1 September 2021, Robert Chvátal (chairman of the Board), Pavel Šaroch, Kamil Ziegler, and members of the Supervisory Board Tomáš Porupka (chairman of the Supervisory Board) and Robert Kolář with effect from 2 September 2021. Deletions and entries in the Commercial Register were made on 14 September 2021.

Following the decision of the sole shareholder in the scope of the general meeting of 29 November 2021, which approved the amendment of the articles of association, the subject of business was specified in the Commercial Register on 1 December 2021:

- Deletion of “production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act”, “manufacture, installation, repair of electrical machinery and apparatus, electronic and telecommunications equipment,” and “installation, repair, inspection and testing of electrical equipment”
- Entry of “publishing activities, polygraphic production, bookbinding and copying work”, “production, reproduction, distribution, sale, rental of audio and audio-visual recordings and production of unrecorded data carriers and recordings”, “intermediation of trade and services”, “wholesale and retail”, “provision of software, consulting in the field of information technology, data processing, hosting and related activities and web portals”, “rental and lending of movable property”, “advisory and consulting activities, processing of professional studies and assessments”, “advertising activity, marketing, media representation”, “services in the field of administrative management and services of an organizational economic character”.

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 2021 and also in the preparation of comparative information, i.e. as at 31 December 2020.

The separate financial statements were approved for publication by the Board of Directors and were signed on his authority. The separate financial statements are approved by the shareholders at the general meeting. Until this time, the separate financial statements may be amended.

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

(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

A number of the Company's accounting procedures and published information require the determination of the fair value of financial and non-financial assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to assume a liability in an ordinary transaction between market participants at the measurement date under normal market conditions, regardless of whether the price is directly observable or determined using an estimate made on the basis of valuation methods. Fair values are determined based on quoted market prices, discounted cash flows or using valuation methods.

When determining the fair value of an asset or liability, the Company uses market data where possible.

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.

The Company reports transfers between individual levels of the hierarchy at the end of the accounting period during which the change occurred.

(f) Significant changes in accounting policies

The accounting policies stated in Note 3 have been consistently applied to the accounting periods presented in these financial statements, unless otherwise stated.

In 2021, the Company adopted the new accounting standards and amendments to the accounting standards listed below. There were no other significant changes in accounting policies in 2021 and the Company applied these accounting policies consistently for all periods presented in these financial statements.

(i) New standards and interpretations effective for the period beginning on 1 January 2021

Interest rate benchmark reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 effective for annual periods beginning on or after 1 January 2021). Phase 2 changes address issues arising from the application of the reform, including the replacement of one benchmark with an alternative.

The amendment does not have a significant impact on the Company's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 January 2020).

The amendment does not have a significant impact on the Company's financial statements.

Amendments to IFRS 4 – postponement of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendment does not have a significant impact on the Company's financial statements.

(ii) Standards, interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations were not yet effective as of December 31, 2021 and are not expected to have a significant impact on the financial statements. The Company did not apply any standard or interpretation prior to their effective date.

Documents approved by the EU:

Amendments to IFRS 3 "Business Combinations" – reference to the "Conceptual Framework" and amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" – contract performance costs

The IASB's effective date is 1 January 2022.

The Company is evaluating the impact of adopting this amendment.

Annual improvement 2018-2020

As of May 2020, the following improvements have been completed:

IFRS 9 "Financial Instruments" - clarifies which charges should be included in the 10% derecognition test for financial liabilities;

IFRS 16 "Leases" - amendment to illustrative example 13 to remove the illustration of payments from a lessor relating to leasehold improvements to remove any confusion about the treatment of lease incentives;

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - allows entities that have valued their assets and liabilities at the carrying amount recorded in the parent company's books to also value any cumulative translation differences using the amounts reported by the parent company. This change will also apply to joint ventures and associates that have adopted the same exemption under IFRS 1; and

IAS 41 "Agriculture" - removal of the requirement that accounting entities exclude cash flows for tax purposes when measuring at fair value under IAS 41. The objective of this amendment is to align with the standard's requirement to discount cash flows on an after-tax basis.

The IASB's effective date is 1 January 2022.

The Company does not expect these changes to have a material impact on the financial statements.

Amendments to IAS 16 Property, plant and equipment – revenue before intended use

The IASB's effective date is 1 January 2022.

The Company does not expect these changes to have a material impact on the financial statements.

Amendments to IAS 1 "Preparation and publication of financial statements" – publication of accounting rules

The IASB's effective date is 1 January 2023.

The company is evaluating the impact of adopting this amendment.

Amendments to IAS 8 "Accounting rules, changes in accounting estimates and errors" – definition of accounting estimates

The IASB's effective date is 1 January 2023.

The Company is evaluating the impact of adopting this amendment.

IFRS 17 "Insurance contracts"

The IASB's effective date is 1 January 2023. The official effective date of 1 January 2021 has been changed based on the fact that amendments to IFRS 17 and an amendment to IFRS 4 have been issued (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The Company does not expect IFRS 17 to have a significant impact on the financial statements.

Documents not yet approved by the EU:

Amendments to IAS 1 "Preparation and disclosure of financial statements" - Classification of liabilities as current or long-term liabilities

The changes are expected to be approved before their effective date. The IASB's effective date is 1 January 2023. The original effective date of 1 January 2022 was changed based on the fact that Classification of liabilities as current or non-current, deferral of the effective date - Amendments to IAS 1 (issued on 15 July 2020 and effective for the year beginning on or after January 1, 2023).

The Company is evaluating the impact of adopting this amendment.

Amendments to IAS 12 "Income taxes" – Deferred tax related to assets and liabilities arising from a single transaction (issued on 7 May 2021)

The amendments clarify that the initial recognition exemption does not apply to transactions that, on initial recognition, give rise to equal amounts of deductible and taxable temporary differences.

The changes are expected to be approved before their effective date. The IASB's effective date is 1 January 2023.

The Company is evaluating the impact of adopting this amendment.

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.

The effective interest method is a method of allocating interest income or interest expense over the relevant period in such a way as to achieve a constant periodic interest rate (effective interest rate) on the book value. The effective interest rate is the rate that accurately discounts the estimated future cash payments or income (excluding future credit losses) over the expected life of the financial instrument, or a shorter period, to the gross carrying amount of the financial instrument. The effective interest rate discounts the cash flows of floating rate instruments to the nearest interest revaluation date, excluding a premium or discount that reflects the credit spread above the floating rate specified in the instrument or other variables that are not set to market rates. These premiums or discounts are amortized over the expected life of the instrument. The present value calculation includes all fees paid or received between the contracting parties that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on expected cash flows at initial recognition instead of contractual payments.

(b) Non-derivative financial assets (Note 17 and 19)

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.

Allowances for losses from receivables are reported in the amount of expected credit losses from the financial asset and their creation is reported in other operating expenses. At each financial statement date, a reduction in the value of a financial asset is reported in the amount of expected credit losses for the lifetime, if the credit risk related to this financial asset has increased significantly since initial recognition, or in an amount equal to the expected credit losses for 12 months (hereinafter referred to as "ECL"), if the credit risk has not increased significantly.

The Company reports the following financial assets at amortized value: cash and cash equivalents, trade receivables, escrow accounts, other receivables and loans granted.

i. Reporting and 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 (including allocable transaction costs) 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.

ii. 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.

A financial asset is also derecognised if the Company does not transfer or retain in principle all risks and rewards arising from the ownership of the given financial asset and at the same time the Company does not retain control over the financial asset. In such a case, the Company derecognizes the financial asset and reports separately as assets or liabilities all rights and obligations arising or retained during the transfer.

iii. 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. 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 is released from financial liability when its contractual obligations are fulfilled, cancelled or expire.

Any change in contractual terms that results in more than a 10% difference in the present value of future cash flows discounted using the original interest rate is accounted for as extinguishing the financial liability. Otherwise, the change is accounted for as an adjustment to the financial liability and the profit or loss is reported in the Statement of profit and loss.

Financial guarantees

Financial guarantees require the Group to make specified payments, thereby indemnifying the holder of the guarantee for the loss it will suffer if the original obligor fails to make payment when due in accordance with the terms of the debt instrument. Financial guarantees are initially booked at their fair value, which is usually evidenced by the amount of fees received. This amount is amortized evenly over the warranty period. At the end of each accounting period, the guarantees are valued at the higher of (i) the amount of the allowance for guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the value determined at initial recognition.

(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

Until 2020, the Company used hedging derivatives (interest rate swaps) used to limit the risks associated with the volatility of future cash flows resulting from changes in interest rates 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 the item "Short-term receivables from financial instruments" or "Long-term receivables from financial instruments". Negative fair values of derivatives are reported in liabilities in the item "Current liabilities from financial instruments" or "Long-term liabilities from financial instruments".

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 Statement of profit or loss 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 Statement of profit of loss.

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 Statement of profit or loss.

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.

Profits and losses from gaming contracts considered as financial derivatives are reported on the line "Gross gaming revenues (GGR)". Accounting policies for gaming contracts are described in Note 3(q).

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.

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 90 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
• 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.

iv. Investment property (Note 15)

Investment property is a long-term asset held for the purpose of generating rental income or capital appreciation. Investments in real estate are accounted for at purchase price less depreciation and impairment losses. Depreciation is recognized in the statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful life of the property. Land is not depreciated.

The fair value of an investment property is determined by the Company as of the balance sheet date, either based on the opinion of an expert with appropriate qualifications in the field of real estate valuation, or in another way based on an internal estimate by the Company's management, for example based on the offer price.

(I) 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 and annually tested for impairment. After initial recognition in accounting, goodwill is reported at acquisition price.

Upon initial recognition, goodwill is measured at cost less cumulative impairment losses and is tested for impairment every year.

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

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

v. Impairment testing

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at least once a year at the same time (see note 13).

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest identifiable group of assets that generate cash flows from continuing use that are largely independent of cash flows from other assets or groups of assets (the so-called "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, the CGUs to which goodwill has been assigned are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of the asset or its CGU exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Impairment losses recognized in relation to a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (CGU group) and then to reduce the carrying amount of the other assets in the CGU (CGU group) on a pro rata basis.

The reported goodwill impairment loss is not subsequently reversed. For other assets, impairment losses recognized in prior periods are reviewed at each balance sheet date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization if no impairment loss had been recorded.

(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) Jackpot provision

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.

(iv) Provision for winnings

In this type of game, the probable winnings of individual lotteries are predetermined. The difference between the actual and expected winnings (described in the lottery game plan) of a given lottery is recognized in revenue for the benefit of the Company. Since there is no commitment to pay out a percentage of winnings, the Company uses the probable winnings described in the game plan to calculate expected pay-outs to recognize a provision for future high wins.

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

Gaming contracts are transactions in which the Company enters into a position against its customer. Revenues from gaming contracts are reported according to IFRS 9, and revenues, including gains and losses from revaluation of derivatives from gaming contracts, are reported on the line Gross gaming revenues (GGR).

Revenues are recognized net of winnings.

Deposits received relating to future lottery periods and future bets are accounted for as a liability ("Number Lottery Subscriptions") and measured at fair value. Unpaid winning claims are reported as trade payables and other current liabilities for the duration of the winning claim.

Numerical lotteries

Revenues are recognized in the period when the bet is placed, net of the obligation to pay future winnings valued 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% (35% in 2020) of deposits less winnings is reported based on recognised revenues reduced by winnings in the given period.

Instant lotteries

Revenues from the sale of scratch cards are recognised in the period of the transaction less of the obligation to pay future winnings. Obligation to pay future winnings is calculated based on the sales revenue and the expected share of the winnings according to the game conditions.

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% (35% in 2020) 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 2020) 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 2020).

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. The most significant part of the revenue is realized through prepaid phone cards, where the revenue is reported continuously at the moment of credit use by the customer. 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), 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 (Note 16)

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.

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.

Estimated useful life for individual categories of right-of-use assets:

Buildings and constructions (the Company's headquarters)	10 years
Machines, devices and equipment	3 – 5 years

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.

4. Revenues

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

In 2021, revenues were generated by numerical and instant lotteries (both classic printed and electronic), odds betting, Sazka games and non-lottery activities. In 2021, revenues increased across all gaming verticals comparing to 2020. The share of bets placed on the Internet has also increased. In lotteries, Sportka and printed lottery tickets were the most successful, in online betting, the growth is mainly due to electronic lottery tickets and Sazka games. For non-lottery services, sales were at a similar level as in 2020, there is a decrease in top-up sales.

Distribution of revenue according to the products:

	2021	2020
Mobile virtual network operator	286	278
Service of topping-up credit in mobile phones ("GSM")	76	84
Sale of tickets	2	2
Other	80	59
Total revenue from contracts with customers	444	433
Lottery and betting activities	10,462	8,335
Total revenue	10,906	8,768

The value of the transaction price assigned to performance obligations that were not fulfilled at the end of the accounting period for 2021 amounted to CZK 29 million (in 2020: CZK 28 million).

5. Partner fees

	2021	2020
Partner fees	949	816
Fees for agents	949	816

Partner fees include fees for agents, such as kiosks, supermarkets, petrol stations and post offices of the Česká pošta, s.p. and represent commission for their services. These fees are linked to revenues and their growth is caused both by sales growth and by the milder course of lockdown in 2021 compared to 2020.

6. Material, consumables and services

	2021	2020
Materials, consumables and services	1,465	1,298
Fees for system providers	768	593
Telecommunication services	180	178
IT infrastructure and project management	209	147
The cost of producing the lottery tickets	105	90
Other services	203	290

The largest items are payments to system suppliers, IT infrastructure, production costs for instant lotteries and telecommunications services (purchase for MVNO). In the others, the most significant items are related to the management and maintenance of offices, transport and assessable rights outside the DM.

7. Marketing expenses

	2021	2020
Marketing expenses	982	616
Advertising, promotion and other related costs	883	558
Sponsorship and donations	99	58

The biggest increase in marketing costs is for television and internet advertising, increased outdoor promotion (primarily Dvořákova Praha), shooting of new advertising clips. In 2021 SAZKA a.s. provided an extraordinary donation of 50 million crowns for the reconstruction of municipalities affected by the tornado.

8. Personnel expenses

	2021	2020
Personnel expenses	619	542
Wages and salaries	464	408
Social and health insurance	132	119
Other social expenses	23	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

	2021	2020
Other operating expenses	532	350
Unclaimed VAT	424	338
Other operating expenses	108	12

In 2021, the methodology of the income statement was changed and notary fees, winnings from consumer competitions and other small items were moved to other operating costs.

The costs for unclaimed VAT for 2021 relate to the following cost categories by its nature: CZK 123 million Marketing costs (2020: CZK 76 million), CZK 128 million Consumption of materials, energy and services (2020: CZK 161 million), 164 CZK million Rewards to partners (2020: CZK 101 million) and CZK 9 million to other categories (2020: CZK 0 million).

10. Fees payable to statutory auditors

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

11. Financial income and expenses

	2021	2020
Interest income	7	-
Bank interest	7	-
Interest expense	(320)	(282)
Interest on bank loans	-	(251)
Other interest	(320)	(31)
Other profit (+)/loss (-) relating to financial activity	(47)	(233)
Profit (+)/loss (-) from foreign exchange operations	7	(4)
Other financial expenses	(54)	(234)
Other financial income	-	5
Profit/loss from financial operations	(360)	(515)

In 2021, the financial costs consisted primarily of interest from the intragroup loan and bank fees. Thanks to the increase in PRIBOR interest rates, there was also an increase in interest.

12. Income tax expense

	2021	2020
Income tax expense	375	283
Current income tax	441	310
Deferred income tax	(66)	(27)

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 2021 and 2020 financial years.

In 2021, in the statement of financial position, tax estimate was CZK 441 million (2020 – CZK 310 million) reduced by paid advances for income tax in the amount of CZK 334 million (2020 – CZK 187 million) and the resulting liability in the amount of CZK 117 million was reported in the item Current income tax liability (2020 – CZK 123 million).

Reconciliation of effective tax rate

		2021		2020
Profit before tax		1,996		1,525
Income tax based on the applicable domestic tax rate	19.00%	(379)	19.00%	(290)
Other tax/tax-exempt items	(0.20%)	4	0.47%	7
Income tax expense reported in the statement of profit or loss and other comprehensive income	18.80%	(375)	18.53%	(283)

13. Intangible assets and goodwill

2021	Trademarks	Intellectual property rights	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance as at 1/1/2021	1,887	654	491	35	9,636	12,703
Additions	3	12	86	70	-	171
Transfers	-	-	11	(11)	-	-
Balance as at 31/12/2021	1,890	666	588	94	9,636	12,874
Accumulated amortisation						
Balance as at 1/1/2021	-	(74)	(264)	(3)	-	(341)
Amortisation expense	-	(42)	(71)	(3)	-	(116)
Balance as at 31/12/2021	-	(116)	(335)	(6)	-	(457)
Net book value 1/1/2021	1,887	580	227	32	9,636	12,362
Net book value 31/12/2021	1,890	550	253	88	9,636	12,417
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 amortisation						
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

Intangible assets include mostly trademarks, intellectual property rights, software and goodwill. The goodwill of CZK 9,636 million arose as a result of an acquisition of the Company and the subsequent merger of companies under joint control as at 1 January 2013 (using the so-called predecessor value from the highest level of consolidation).

In 2021, the major additions to intangible fixed assets were development of gaming platform and loyalty program in the total amount of CZK 56 million and acquisition of software licenses in the total amount of CZK 12 million.

A significant intangible investment in the acquisition phase is the ongoing development of a new customer sales and gaming systems in the amount of CZK 66 million.

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Trademarks relate primarily to lotteries. Individual significant trademark items are the SAZKA trademark with a residual value of CZK 1,049 million and the Sportka trademark with a residual value of CZK 560 million.

Intellectual property rights relate primarily to licences. An individual significant item in the Intellectual property rights category is a combined software license for lotteries and extended services acquired in 2020, that had a residual value of CZK 356 million as of 31 December 2021 (as of 31 December 2020: CZK 396 million) and a lottery operator license with a residual value of CZK 87 million (as of 31 December 2020: CZK 87 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 2021.

Impairment testing is performed annually as at 31 December. Goodwill impairment testing is performed at the CGU level, which is considered to be the entire Company. The recoverable amount was estimated at 31 December 2021 using value in use, while as at 31 December 2020 using fair value less costs of disposal:

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 is used as an appropriate discount rate to estimate the net present value of future cash flows allocated to each cash-generating unit, which was 10.8% for the year ending 31 December 2021. 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 2% (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 as at 31 December 2021, the following assumptions were applied: common market player, market multiple 11.71 EV / EBITDA.

The resulting recoverable amount calculated based on VIU (based on FVLCD as at 31 December 2020) 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 2021 or 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 at the CGU level, which is considered to be the entire Company. Testing was performed using the fee exemption 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 % (2020: 2 %) is used. Net fees after tax (using the 5 % royalty rate for both years) were discounted using the weighted average cost of capital (WACC) before tax. The resulting WACC reaches 10.8% (2020:9.7 %). 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 2021 or 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.

14. Property, plant and equipment

2021	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 1/1/2021	65	593	217	41	31	947
Additions	-	15	82	-	10	107
Disposals	-	-	(8)	(8)	-	(16)
Transfers – Investment property	(65)	(597)	-	-	-	(662)
Transfers	-	3	27	-	(30)	-
Balance as at 31/12/2021	-	14	318	33	11	376
Accumulated depreciation						
Balance as at 1/1/2021	-	(87)	(118)	-	-	(205)
Depreciation expense	-	(11)	(26)	-	-	(37)
Disposals	-	-	8	-	-	8
Impairment of assets	-	(159)	-	-	-	(159)
Transfers – Investment property	-	257	-	-	-	257
Balance as at 31/12/2021	-	-	(136)	-	-	(136)
Net book value 1/1/2021	65	506	99	41	31	742
Net book value 31/12/2021	-	14	182	33	11	240

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

In 2021, the major additions to tangible fixed assets are automation of the packaging in the amount of CZK 12 million, improvement of IT technology of office premises in the amount of CZK 17 million, construction modifications of the used premises in the amount of CZK 20 million and the expansion of technological hardware in the amount of CZK 12 million.

A significant tangible investment in the acquisition phase is the ongoing change of technological hardware in the amount of CZK 10 million as at 31 December 2021.

The transfer includes in particular the change in the classification of the former headquarters of the Company at K Žižkovu 851/4, Prague 9, which the Company ceased to use during the year to Investment property (*Note 15*). Impairment of assets represents a reduction in the value of the site to its fair value.

15. Investment property

2021	Land	Buildings and structures	Total
Acquisition cost			
Balance as at 1/1/2021	-	-	-
Transfers – Investment property	65	597	662
Balance as at 31/12/2021	65	597	662
Depreciation expense and disposals			
Balance as at 1/1/2021	-	-	-
Transfers - Investment property	-	(257)	(257)
Balance as at 31/12/2021	-	(257)	(257)
Net book value 1/1/2021	-	-	-
Net book value k 31/12/2021	65	340	405

Investment property relates to the area of the former headquarters of the Company K Žižkovu 851/4, Prague 9. The building's remaining period of commercial activity is 50 years. The residual value corresponds to the fair value. The Company determined the fair value on the basis of an internal estimate using independent offers and using procedures according to Level 3 of the fair value determination hierarchy.

The Company did not have significant rental income from the investment property or significant repair and maintenance costs. The investment is not subject to any restrictions on the realization of income from the investment property, and the Company has no obligations or contingent obligations due to repairs, maintenance or technical evaluation of the building.

16. Leases

	31/12/2021	31/12/2020
Right-of-use assets		
Leased premises	539	23
Cars	29	34
Total	568	57
Lease liabilities		
Current lease liabilities	67	26
Non-current lease liabilities	453	33
Total	520	59
Lease liabilities		
Lease liabilities as at 1 January	59	52
<i>Cash flows</i>		
Interest payments	(19)	(2)
Annual lease payments	(112)	(21)
<i>Non-cash movements</i>		
New lease agreements and modifications of lease agreements	573	28
Interest expense	19	2
Total	520	59

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Additions of right-of-use assets during 2021 amounted to CZK 573 million and primarily related to lease agreement with BOŘISLAVKA OFFICE & SHOPPING CENTER s.r.o. (2020 - CZK 28 million).

	2021	2020
Depreciation expense of right-of-use assets		
Leased premises	47	7
Cars	18	16
Total	65	23
Costs of short-term lease and low-value assets lease	9	9
Cost of variable lease payments dependent on sales	402	345
Total lease payments (excluding interest)	523	375

17. Other non-current investments

		31/12/2021	31/12/2020
Other non-current investments	Equity investment (%)	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 2021 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.

- 2) As at 31 December 2021, 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 2021, the company's current financial statements are unavailable to the Company.

18. Deferred tax assets and liabilities

The following deferred tax assets and liabilities and their year-on-year changes were reported as at 31 December 2021, 31 December 2020 and 31 December 2019:

	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	Assets		Liabilities		Net	
Deferred tax asset (+)/ liability (-) attributable to:	-	-	(231)	(297)	(231)	(297)
Non-current assets (difference between net book value and the value for tax purposes)	-	-	(451)	(378)	(451)	(378)
Current and non-current provisions	74	52	-	-	74	52
Other temporary differences	146	29	-	-	146	29
Calculated deferred tax assets and liabilities	220	81	(451)	(378)	(231)	(297)
Offset of deferred tax assets and liabilities	(220)	(81)	220	81	-	-

	31/12/2021	2021	31/12/2020	2020	31/12/2019
	Deferred tax liability	Recognised in statement of profit or loss	Deferred tax liability	Recognised in statement of profit or loss	Deferred tax liability
Deferred tax asset (+)/ liability (-) attributable to:	(231)	66	(297)	33	(330)
Non-current assets (difference between net book value and the value for tax purposes)	(451)	(73)	(378)	14	(392)
Current and non-current provisions	74	22	52	13	39
Remeasurement of hedging derivatives or transfer of hedging derivatives to profit or loss	-	-	-	6	(6)
Other temporary differences*	146	117	29	-	29

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

19. 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.

	31/12/2021	31/12/2020
Non-current trade receivables and other non-current assets	34	70
Non-current advances and deposits provided	34	70

Non-current advances and deposits provided mainly represent the deposit paid to Vodafone (due to the transfer of revenues for GSM recharging) and the deposit for the operation of the Eurojackpot game.

	31/12/2021 Third parties	31/12/2021 Related parties	31/12/2020 Third parties	31/12/2020 Related parties
Current trade receivables and other current assets	290	23	294	9
Current trade receivables	123	12	178	4
Current advances and deposits provided	30	4	-	5
VAT receivable	5	-	5	-
Current prepaid expenses	132	7	111	-

Prepaid expenses represent in particular expenses connected with the acquisition of scratch cards that will enter the sales process in 2022 in the amount of CZK 65 million (2020 - CZK 76 million) and also invoices received that in terms of substance relate to the 2022 supplies in the amount of CZK 45 million (2020 - 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 (see note 23(e)).

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.

20. Cash and cash equivalents

	31/12/2021	31/12/2020
Cash and cash equivalents	1,564	1,488
Cash	5	4
Bank accounts	1,559	1,484

In addition to Cash and cash equivalents, the Company has restricted cash of CZK 55 million (2020 – CZK 57 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 2021 or 2020.

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.

Capital and Other funds

Capital and other funds in amount of CZK 1,454 million (as at 31 December 2020: 1,454 million) primarily represent voluntary contributions from the Company's shareholders in previous years and are fully distributable.

Retained earnings and profit/loss for the current period

In 2021, the Company made a dividend payment in the amount of CZK 900 million, i.e. CZK 200 thousand per 1 share (2020- CZK 1,000 million, i.e. CZK 222 thousand per 1 share).

22. Loans

	31/12/2021	31/12/2020
Bank loans and other borrowings - non-current portion	4,179	5,046
Non-current loans from related parties – principal	4,179	5,046
	31/12/2021	31/12/2020
Bank loans and other borrowings - current portion	634	632
Current loans from related parties – principal	624	624
Current loans from related parties – interest	10	8
Reconciliation of movements in current and non-current loans and borrowings in the cash flow:	2021	2020
Balance at the beginning of the period	5,678	6,541
<i>Cash flows</i>		
Loans received	-	5,670
Loans paid	(867)	(6,563)
Payment of interest accumulated from previous years*	(8)	(9)
<i>Non-cash changes</i>		
Outstanding interest	10	8
Impact of deferred/accrued arrangement fee	0	31
Balance at the end of the period	4,813	5,678

* 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

Loans received from related parties

As at 31 December 2021, the Company reported the following loans received from related parties:

31/12/2021	Maturity	Interest rate	Principal balance k 31/12.2021	Principal balance k 31/12.2020
Allwyn International a.s. (former SAZKA Group a.s.)	15/9/2029	4.5%+3M PRIBOR	4,803	5,670

On 21 December 2020, SAZKA a.s. entered into a FACILITY AGREEMENT with Allwyn International a.s. (former 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 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 2021, liabilities due to unpaid interest for the above loan in the total amount of CZK 10 million were recognised.

SAZKA a.s.

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SAZKA a.s. accepted pledge for liabilities arising from the Senior Facilities Agreement concluded by SAZKA Group Financing (Czech Republic) a.s. and Allwyn International a.s. (former SAZKA Group a.s.) on 16 December 2020 for EUR 640,000,000 and for liabilities arising from issued bonds of Allwyn International a.s. (former 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 2021, 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 377 million (as at 31 December 2020: CZK 411 million), see Note 13.

	31/12/2021 third parties	31/12/2021 related parties	31/12/2020 third parties	31/12/2020 related parties
Current trade and other payables	2,404	87	2,266	15
Current trade payables	323	87	310	15
Current deposits received 1)	138		128	
Payables from unpaid winnings	240		260	
Personal income tax payables	61		35	
Lottery tax payables	1,045		986	
Social and health insurance liabilities	51		43	
Payables to employees	166		108	
Estimated payables 2)	292		225	
Prepayments	87		166	
Other payables	1		5	

- 1) As at 31 December 2021, the Company recognised a payable of CZK 138 million (31 December 2020 – CZK 128 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 2021, estimated payables were mainly comprised of estimated payables relating to supplier invoices of CZK 292 million (31 December 2020 – CZK 225 million).

Trade and other payables were not secured as at 31 December 2021 and 31 December 2020.

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.

24. Provisions

Current provisions	Current provision for jackpots and scratch cards	Total
Balance at 1/1/2020	207	207
Additions	275	275
Utilisation	(207)	(207)
Balance at 31/12/2020	275	275
Additions	390	390
Utilisation	(275)	(275)
Balance at 31/12/2021	390	390

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.

	2021	2020
Net profit / (loss) for the financial period	1,621	1,242
Income tax	375	283
Financial result	360	515
Depreciation and amortisation (including impairment)	377	165
EBITDA	2,733	2,205

26. Contingent liabilities

There are no legal disputes pending against the Company and the Company has no other contingent liabilities of a material nature.

The Company has a potential liability as a guarantor for value added tax liabilities for companies in the joint VAT group. As of 31 December 2021, related parties had a receivable, and as of 31 December 2020, a liability of CZK 58 million.

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.

Credit risk based on a counterparty

<i>at 31 December 2021</i>	Enterprises (non-financial institutions)	Financial institutions	Total
Assets			
Non-current trade and other receivables	18	-	18
Non-current restricted cash	-	55	55
Current trade and other receivables	156	-	156
Cash and cash equivalents	5	1,559	1,564
Financial guarantees provided (Note 22)	12,629	-	12,629
Total	12,808	1,614	14,422

<i>at 31 December 2020</i>	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
Financial guarantees provided (Note 22)	12,212	-	12,212
Total	12,411	1,541	13,952

Credit risk based on a territory

Credit risk is located in the Czech Republic.

ii. Impairment losses

Ageing structure of financial assets:

<i>at 31 December 2021</i>	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	18	-	-	-	-	-	18
- Other receivables	18	-	-	-	-	-	18
Current trade and other receivables	156	3	-	-	8	(11)	156
- Trade receivables	156	3	-	-	8	(11)	156
Non-current restricted cash	55	-	-	-	-	-	55
- Restricted cash	55	-	-	-	-	-	55
Cash and cash equivalents	1,564	-	-	-	-	-	1,564
- Cash in hand	4	-	-	-	-	-	4
- Bank accounts	1,559	-	-	-	-	-	1,559
Financial guarantees provided	12,629	-	-	-	-	-	12,629
Total	14 422	3	-	-	8	(11)	14 422

<i>at 31 December 2020</i>	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
Financial guarantees provided	12,212	-	-	-	-	-	12,212
Total	13 952	2	-	-	8	(10)	13 952

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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.

The financial guarantees provided represent the full amount that the Company is obliged to pay in the event that the original debtor does not make payment when due in accordance with the terms of the debt instrument.

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.

<i>At 31 December 2021</i>	Stage 1	Stage 2	Stage 3	Impairment matrix	Expected credit losses	Net carrying amount
Class 1						
Cash and cash equivalents	1,564	-	-	-	-	1,564
- Bank accounts	1,559	-	-	-	-	1,559
- Cash in hand	5	-	-	-	-	5
Non-current restricted cash	55	-	-	-	-	55
- Restricted cash	55	-	-	-	-	55
Class 2						
Current trade and other receivables	-	-	-	167	(11)	156
- Trade receivables	-	-	-	167	(11)	156
Non-current receivables	18	-	-	-	-	18
- Other receivables	18	-	-	-	-	18
Financial guarantees provided						
	12,629	-	-	-	-	12,629
Total	14 266	-	-	167	(11)	14 422

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<i>At 31 December 2020</i>	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
Financial guarantees provided	12,212	-	-	-	-	12,212
Total	13 770	-	-	192	(10)	13 952

Movements of allowances were as follows:

	Stage 1	Stage 2	Stage 3	Impairment matrix	Total
Balance at 1 January 2020	-	-	-	8	8
Additions – increase in allowance recognised in profit or loss during the year	-	-	-	2	2
Balance at 31 December 2020	-	-	-	10	10
Additions – increase in allowance recognised in profit or loss during the year	-	-	-	1	1
Balance at 31 December 2021	-	-	-	11	11

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Impairment matrix for current receivables as of 31 December 2021:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Before due date	156	3.00%	(2)	154
- Trade receivables	16	3.00%	(2)	14
- Receivables from agents	140	0.00%	-	140
Past due < 90 days	3	35.00%	(1)	2
- Trade receivables	3	35.00%	(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	167	6.57%	(11)	156

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

(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 fulfilment 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.

<i>at 31 December 2021</i>	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	18	18	-	-	-	18
Non-current restricted cash	55	55	-	55	-	-
Current trade and other receivables	156	156	156	-	-	-
Total	229	229	156	55	-	18
Cash and cash equivalents	1,564					
Liabilities						
Bank loans and other borrowings (Note 22)	4,813	6,301	977	3,445	1,878	-
Non-current trade and other liabilities	431	503	-	254	249	-
Current trade and other payables	1,081	1,081	1,081	-	-	-
Lease liabilities	520	670	93	337	240	-
Financial guarantees provided	0	12,629	12,629	-	-	-
Total	6,845	21,184	14,780	4,036	2,367	0
Net liquidity risk	(5,052)	(20,955)	(14,624)	(3,981)	(2,367)	18

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<i>at 31 December 2020</i>	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	63	26	37	-	-
Financial guarantees provided (Note 22)	0	12,212	12,212	-	-	-
Total	7,145	20,758	14,087	3,549	3,122	0
Net liquidity risk	(5,405)	(20,506)	(13,905)	(3,492)	(3,122)	13

(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.

The financial guarantees provided represent the full amount that the Company is obliged to pay in the event that the original debtor does not make payment at the due date in accordance with the terms of the debt instrument (Note 22).

(c) Offsetting arrangements

Effects of offsetting on the financial position of 2021

	Gross value	Offset amounts	Net amounts presented in the Statement of financial position	Potential amounts to be offset		Net value
				Cash collateral	Financial instruments	
Assets						
Current trade receivables and other receivables	179	(23)	156	-	(137)	19
Total	179	(23)	156	-	(137)	19
Liabilities						
Current trade and other payables	1,104	(23)	1,081	-	(137)	944
Total	1,104	(23)	1,081	-	(137)	944

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		Net value
				Cash collateral	Financial instruments	
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

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.

(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).

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 54.7 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.

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<i>As at 31 December 2021</i>	EUR	USD	Other	Total
Cash and cash equivalents	1	-	-	1
Total assets	1	-	-	1
Current trade and other payables	50	54	-	104
Non-current payables	-	377	-	377
Total liabilities	50	431	-	481
Total	(49)	(431)	-	(480)

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

The strengthening (weakening) of foreign currencies compared to the Czech crown as of 31 December 2021 would have an impact on the valuation of financial instruments denominated in foreign currency and on equity before tax and on the pre-tax profit in the amounts listed below.

<i>CZK million</i>	Profit before tax		Equity excluding tax impact	
	10% strengthening	10% weakening	10% strengthening	10% weakening
	+ profit / - loss	+ profit / - loss	+ increase / - decrease	+ increase / - decrease
31/12/2021				
EUR	(5.0)	5.0	-	-
USD	(43.0)	43.0	-	-
31/12/2020				
EUR	(3.0)	3.0	-	-
USD	(47.0)	47.0	-	-

(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:

	31/12/2021	31/12/2020
Total bank loans and other borrowings	4,813	5,678
Less cash and cash equivalents (Note 20)	1,564	1,488
Net debt	3,249	4,190
Company's total equity	6,629	5,907
Net debt to equity ratio	0.490	0.709

(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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Assets				
Non-current trade and other receivables	18	13	18	13
Current trade and other receivables	156	182	156	182
Non-current restricted cash	55	57	55	57
Cash and cash equivalents	1,564	1,488	1,564	1,488
Total	1,793	1,740	1,793	1,740
Liabilities				
Bank loans and other borrowings - non-current portion	4,179	5,046	4,179	5,046
Non-current trade liabilities	381	465	381	465
Bank loans and other borrowings - current portion	634	632	634	632
Current trade and other payables	1,081	943	1,081	943
Total	6,275	7,086	6,275	7,086

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.

As of 31 December 2021 (and as of 31 December 2020), the Company did not record any financial assets and liabilities reported at fair value. The interest rate swaps used to hedge the interest rate risk were terminated as of 21 December 2020, as the Company has new non-bank financing from that date.

The Company considers the book values of financial assets and liabilities in amortized value to be very close to their fair value.

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 2021 (and 2020), 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 2021 and 31 December 2020:

	31/12/2021	31/12/2020
Receivables		
Current trade receivables	12	4
Other receivables	25	61
Current prepaid expenses	7	-
Liabilities		
Current trade payables	87	15
Loans from Group companies (Note 22)	4,813	5,678
Current liabilities from leasing according to IFRS 16 (note 16)	38	-
Non-current liabilities from leasing according to IFRS 16 (note 16)	413	-

Other receivables as of 31 December 2021 mainly represent advances for rent and rent-related services paid in the amount of CZK 25 million (31 December 2020: CZK 61 million) based on the Lease Agreement with BOŘISLAVKA OFFICE & SHOPPING CENTER s.r.o.

Current and non-current lease liabilities relate to the lease agreement with BOŘISLAVKA OFFICE & SHOPPING CENTER s.r.o., more in note 16.

The Company has a potential liability in the form of guaranty for the value added tax liabilities of the companies in the group, more in note 26.

Overview of transactions in 2021 and 2020:

	2021	2020
Revenue from sale of goods and services and other operating income	26	21
Materials, consumables and services and other operating expenses	324	142
Other finance income	5	-
Interest income	1	5
Interest expense	283	8

Revenues and expenses for the period 2021 from transactions with other companies relate mainly to purchased and provided services within the KKCG AG Group.

During 2021, the Company provided related parties with financial resources in the form of short-term deposits with an interest rate of 0.11 - 2.72% in the total amount of CZK 4,376 million, which were repaid in full as of 31 December 2021.

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

	2021		2020	
	Members of the Company's bodies	Executives	Members of the Company's bodies	Executives
Personnel expenses				
Short-term benefits	18	212	-	165
Pension insurance contributions	-	33	-	22
Other long-term benefits	3	19	-	23
Total	21	264	-	210

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 42 million was recorded as at 31 December 2021 (as at 31 December 2020: CZK 23 million). Other long-term benefits were paid in April 2022.

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 2021 or 2020. Company's cars are available to the Company's management according to its internal rules.

29. Subsequent events

The conflict between Russia and Ukraine has led and is expected to continue to lead to disruption, instability and volatility in global markets and industries, which also affects the economic situation in the Czech Republic. This conflict has no direct operational impact on the Company, as the Company has no operations in Ukraine or Russia.

Date: 16 June 2022	Signature of the Statutory Representatives: Pavel Šároch Member of the Board of Directors Robert Chvátal Chairman of the Board of Directors
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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 6, Evropská 866/69 (the "Company") as at 31 December 2021, of the Company's financial performance and cash flows for the year ended 31 December 2021 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 profit and loss and other comprehensive income for the year ended 31 December 2021,
- the Statement of financial position as at 31 December 2021,
- the statement of Statement of changes in equity for the year ended 31 December 2021,
- the statement of Statement of cash flows for the year ended 31 December 2021, 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.

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,

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, www.pwc.com/cz

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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.

16 June 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jiří Zouhar
Partner

Petra Jirková Bočáková
Statutory Auditor, Licence No. 2253

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.