

30 April 2020

SAZKA Group FY 2019 Operational and Financial Review and Update on Current Trading

SAZKA Group a.s. (“SAZKA Group” or the “Company”, and together with its subsidiaries and equity affiliates the “Group”) announces its financial results for the twelve months to 31 December 2019 and provides an update on current trading.

Financial highlights

- Consolidated gross gaming revenues increased by 6% to €1,906 million (2018: €1,798 million).
- Consolidated EBITDA increased by 17% to €592 million (2018: €508 million) with growth in all key geographies and major business segments. Consolidated Adjusted EBITDA, excluding certain one-off items, was €603 million¹.
- Consolidated profit for the year after tax from continuing operations increased by 35% to €311 million (2018: €230 million).
- Consolidated cash generated from operating activities increased by 21% to €474 million (2018: € 393 million).
- Pro-rata Adjusted EBITDA was €411 million¹.
- Pro-rata net debt / Adjusted EBITDA was 2.9x and pro-rata priority net debt / Adjusted EBITDA was 1.1x at 31 December 2019².

Trading update

- The global COVID-19 outbreak has had an ongoing impact on the operations of the Group. There has been however no material interruption to business continuity at the Group’s businesses.
- Different products and geographies have been affected to varying degrees by the COVID-19 outbreak, with online sales performing strongly.
- Currently, many of the restrictions to which our physical retail networks have been subject are being gradually and to various degrees lifted.
- As of 31 March 2020, the cash balances of the Company and its 100%-owned subsidiaries were approximately €100 million. On 23 April 2020 the Group received a €49 million dividend from LOTTOITALIA.

¹ Adjusted EBITDA excludes the impact of one off items of €11.0 million on a consolidated basis, primarily consisting of costs relating to the potential acquisition of Novomatic’s stake in CASAG and certain financing transactions and certain impairments at OPAP, partly offset by adjustment for the release of a provision at OPAP (€16.1 million). Revenues for 2019 include €8.4 million from the Company’s parent KKCG, representing recharges of certain expenses relating to the VTO incurred by the Company.

² In both cases, excluding impact of IFRS 16

Robert Chvatal, SAZKA Group CEO, commented:

2019 was another very strong year for the Group. Apart from the outstanding organic growth and increased profitability across all our markets, we have taken a number of important strategic steps. In particular, we increased our ownership of OPAP through the voluntary tender offer and have taken significant steps towards a majority shareholding position in CASAG by reaching an agreement to acquire a stake of up to 17.2% from Novomatic (subject to various conditions precedent).

2020 has seen further strategic progress. We have built on our agreement with Novomatic by signing an agreement with ÖBAG regarding the management of CASAG, and OPAP's recently announced acquisition of Stoiximan Group's Greek and Cypriot business will strengthen its position in online sports betting. We know both these businesses very well and are very excited to expand our interests in both.

I am very pleased by the resilience which our business has displayed during the COVID-19 epidemic. Different geographies and different products have been affected to differing degrees, with sales through online channels – already growing strongly prior to COVID-19 – helping to compensate for declines in sales through physical POS. We have certainly benefited from our geographical and product diversification and prudent financial policies during these unprecedented times.

There is now a clear trend for a relaxation of restrictions, and we are actively preparing to take advantages of the opportunities this will bring.

None of this would have been possible without the experience and dedication of my colleagues from across the Group.

Selected IFRS consolidated financial data

€ millions	Q4 19	Q4 18	Δ	FY 2019	FY 2018	Δ
Gross gaming revenues (GGR)	535	510	+5%	1,906	1,798	+6%
Net gaming margin (NGR)	369	351	+5%	1,311	1,233	+6%
EBITDA	163	145	+12%	592	508	+17%
EBITDA margin	44.1%	41.4%	+2.7 pp.	45.2%	41.2%	+4.0 pp
Adjusted EBITDA				603		
Profit before tax	70	86	-19%	358	313	+14%
Profit from continuing operations	94	61	+54%	311	230	+35%

Financial review

For the twelve months ending 31 December 2019, consolidated gross gaming revenues grew 6%, to €1,906 million, and consolidated net gaming margin increased 6%, to €1,311 million, when compared to 2018. This continued strong top line performance, combined with improved margins across the businesses, resulted in the Group generating consolidated EBITDA of €592 million, which was an increase of 17% compared to 2018. Consolidated Adjusted EBITDA, excluding certain one-off items, was €603 million.³

With consolidated EBITDA at €592 million and CAPEX at €37 million, free cash flow⁴ grew 30% to €555 million (2018: €428 million).

Pro-rata net debt (excluding impact of IFRS 16) as of 31 December 2019 stood at €1,193 million. 2019 pro-rata Adjusted EBITDA (excluding impact of IFRS 16) was €411 million. Pro-rata net debt / Adjusted EBITDA (excluding impact of IFRS 16) was 2.9x and pro-rata priority net debt / Adjusted EBITDA (excluding impact of IFRS 16) was 1.1x at 31 December 2019.

Key financing transactions

The Group undertook a number of important strategic financing transactions in 2019, beginning with a committed financing package of approximately €2.1 billion for the VTO.

In September 2019 we issued CZK 6.0 billion (approximately €232 million) aggregate principal amount of 5.20% notes due 2024. This transaction was one of the largest private issuances in the history of the Czech bond market.

³ Adjusted EBITDA excludes the impact of one off items of €11.0 million on a consolidated basis, primarily consisting of costs relating to the potential acquisition of Novomatic's stake in CASAG and certain financing transactions and certain impairments at OPAP, partly offset by adjustment for the release of a provision at OPAP (€16.1 million). Revenues for 2019 include €8.4 million from the Company's parent KKCG, representing recharges of certain expenses relating to the VTO incurred by the Company.

⁴ Defined as EBITDA – CAPEX.

In November 2019 we completed our debut international bond offering of €300 million aggregate principal amount of 4.1/8% Senior Notes due 2024, the proceeds of which were used to refinance a syndicated loan facility which had been drawn to finance the acquisition of the OPAP shares in the VTO and the repayment a €250 million margin loan at Emma Delta.

These transactions represented an important step in our strategy of simplifying our capital structure, diversifying our funding sources, and extending our maturity profile.

Business review

The Group's businesses continued to perform well across products and geographies during 2019.

Numerical lotteries' EBITDA grew by 13% to €400 million, Instant lotteries' EBITDA was flat at €48 million, Sports betting's EBITDA grew by 27% to €102 million, Digital games' EBITDA grew by 47% to €16 million and VLTs EBITDA grew by 98% to €64 million, all compared to 2018.

SAZKA a.s.: GGR and NGR both increased by 14% driven by growth in Digital games and Instant lotteries. With operating expenses increasing by 9%, EBITDA grew by 19% compared to 2018.

OPAP: GGR increased by 5% and NGR increased by 4% driven mainly by growth in Numerical lotteries and VLTs. With operating expenses decreasing across all cost categories, EBITDA grew by 17% compared to 2018.

CASAG: GGR and NGR both increase by 2% driven mainly by the continuing growth trend in the online gaming in Austria as well as growth of Casinos Austria International. EBITDA grew by 9% compared to 2018.

LOTTOITALIA: Revenues grew by 2% led mainly by growth in the 10eLotto game. EBITDA increased by 4% compared to 2018.

Selected IFRS financial data of major operating subsidiaries

€ millions	2018	2019	Δ
SAZKA a.s.			
GGR	251	286	+14%
NGR	193	219	+14%
EBITDA	79	94	+19%
EBITDA margin	41.0%	43.0%	+2.0 pp.
OPAP			
GGR	1 547	1 620	+5%
NGR	1 040	1 086	+4%
EBITDA	354	413	+17%
EBITDA margin	34.0%	38.0%	+4.0 pp.
CASAG			
GGR	1 338	1 359	+2%
NGR	705	719	+2%
EBITDA	192	211	+9%
EBITDA margin	27.3%	29.3%	+2.0 pp.
LOTTOITALIA			
Revenues ⁵	481	489	+2%
EBITDA	381	397	+4%
EBITDA margin	79.1%	81.1%	+2.0 pp.

⁵ Revenues from contract with customers.

Strategic review

In May 2019, we sold our entire interest in our Croatian business for cash consideration of €302.6 million.

In July 2019 KKCG acquired 25% of the shares of the Company from an affiliate of Emma Capital and became the sole owner of the Company.

In November 2019, following the settlement of a voluntary tender offer (“VTO”), we acquired an additional 7.25% shareholding in OPAP. After the settlement of the VTO, we acquired an additional 0.03% stake in OPAP through open market purchases. As a result, our shareholding in OPAP increased to 40.0% (32.0% economic interest).

In December 2019, we announced the acquisition of an additional 17.2% stake in CASAG from Novomatic, the completion of which remains subject to various conditions precedent. The completion of the acquisition is also subject to applicable pre-emptive rights of CASAG shareholders. As part of the transaction the Group and Novomatic also agreed to amicably settle the pending arbitration proceedings initiated by the Group in relation to their June 2017 shareholders’ agreement.

Pro-rata financial data (excluding the impact of IFRS 16)⁶

€ thousands	SAZKA a.s.	OPAP ⁷	Equity method investees ⁸	Other	Company and SAZKA Group Financing	Total
EBITDA	93 818	393 686	626 644	(3 796)	(23 589)	1 086 763
Adjusted EBITDA ⁹	93 818	394 300	626 644	(3 796)	(13 227)	1 097 738
Gross debt	257 440	1 056 360	182 034	308 500	729 640	2 533 975
Cash and equivalents and ST financial assets	(59 523)	(637 100)	(505 501)	(29 706)	(49 890)	(1 281 721)
Net debt	197 916	419 260	(323 467)	278 795	679 750	1 252 254
Effective economic interest	100.00%	31.99%	Various	Various	100.00%	
Pro-rata Adjusted EBITDA	93 818	126 137	207 074	(3 115)	(13 227)	410 686
Pro-rata net debt	197 916	134 121	(99 679)	281 258	679 750	1 193 367
Pro-rata net debt / Adjusted EBITDA	2.1x	1.1x	NM	NM	NM	2.9x
Pro-rata priority net debt / Adjusted EBITDA						1.1x

⁶ All data presented in this table excludes the impact of IFRS 16.

⁷ Excluding Stoiximan.

⁸ Includes CASAG, LOTTOITALIA and Stoiximan.

⁹ Adjusted EBITDA excludes the impact of one off items of €11.0 million on a consolidated basis, primarily consisting of costs relating to the potential acquisition of Novomatic's stake in CASAG and certain financing transactions and certain impairments at OPAP, partly offset by adjustment for the release of a provision at OPAP (€16.1 million). Revenues for 2019 include €8.4 million from the Company's parent KKCG, representing recharges of certain expenses relating to the VTO incurred by the Company.

Developments after the end of the period

In January 2020, OPAP approved the distribution of a gross extraordinary dividend of €1.00 per share. Under OPAP's scrip dividend programme, shareholders had the option to choose to receive the dividend in cash or new shares in the company. The Group elected to take the dividend in new shares. As a result, our ownership increased from 40.0% to 41.7% (economic interest of 33.3%) pro-forma for the dividend.

In February 2020 the Company issued €300 million of 3 7/8% senior notes maturing 2027. Proceeds were used, together with cash on balance sheet to repay and cancel debt at CAME Holding GmbH and Italian Gaming Holding a.s., continuing our strategy of simplifying our capital structure and extending maturities.

In March 2020 the Group signed a shareholder agreement with ÖBAG, an entity owned by the Austrian government, regarding the management of CASAG. As part of this agreement, ÖBAG is waiving its pre-emption rights with respect to the acquisition of a 17.2% stake in CASAG from Novomatic. The pre-emption period for the shareholders will finish after the publication of this announcement, however as a result of signed shareholders agreement, we should acquire an additional stake of at least 13.5% in CASAG, resulting in a stake of at least 51.8% in total, subject to necessary regulatory approvals and CASAG shareholders' meeting approval.

In April 2020 the general meeting of LOTTOITALIA approved a dividend in the amount of €150 million. The Group received its share in the amount of €49 million on 23 April 2020.

On 21 April 2020 OPAP announced the receipt of regulatory approvals for its previously announced acquisition of 51% of Stoiximan Group's Greek and Cypriot business ("SMGC") and the acquisition (subject to regulatory approvals) of a further stake in SMGC as a result of which OPAP will have a total shareholding of 85% in and sole control of SMGC. Through this acquisition, OPAP strengthens its position in online sports-betting in Greece. In 2019, SMGC generated GGR of €197 million and EBITDA of €44 million. The aggregate net consideration planned to be paid in the course of 2020 for these transactions is €163.4 million, plus net cash, as well as certain earn-outs.

COVID-19 update

The Company and its subsidiaries have implemented a number of measures to ensure normal operations, invoking business continuity plans where appropriate, as well as planning to achieve a quick ramp-up of the business once restrictions will be lifted. The Company and its subsidiaries have not experienced any material interruption to the continuity of their core business processes as a result of the COVID-19 outbreak.

While all of the Group's online and digital channels have continued to operate without interruption, the physical retail networks have been subject to restrictions to safeguard public health and protect our employees. All of the Group's operating companies have fully complied with the decisions and recommendations of the public authorities in the countries of their operations.

These developments will impact the Group's financial performance. The extent of the impact will depend on factors including, but not limited to, the duration of the outbreak, how long current restrictions remain in place, further measures taken by governments, the extent of the overall economic disruption, and the effectiveness of our mitigation measures.

The Company and its subsidiaries and equity affiliates have been implementing and continuing to evaluate savings and deferrals in operating costs (for example, marketing costs) and capital expenses. Profitability and cash flow have been further supported by a reduction of variable costs (for example taxes on GGR and sales commissions). The operating companies are also evaluating the various schemes launched by governments to provide support to businesses, for example by deferring tax payments and subsidizing the cost of employees in impacted businesses.

Given the current circumstances, the uncertainty and rapidly changing nature of the situation, we have undertaken measures to maximise liquidity within the Group, in particular through the measures described above. As of 31 March 2020, the cash balances of the Company and its 100%-owned subsidiaries were approximately €100 million, subsequent to which the Group received its share in the amount of €49 million on 23 April 2020 of a dividend paid by LOTTOITALIA.

Restrictions, measures and impacts by jurisdiction are described below:

Czech Republic

As of 16 March 2020, the Government of the Czech Republic implemented restrictions on movement of citizens in the Czech Republic in order to contain the spread of the COVID-19 epidemic. Citizens are permitted to shop for supplies limited to food, essential items, fuel, and medicine. The public can also access necessary financial and postal services. From 20 April 2020, certain businesses are allowed to reopen, and certain types of outdoor events and gatherings which were previously prohibited are permitted.

We estimate that approximately 95% of SAZKA a.s.' retail network can currently provide its products, up from approximately 70% in earlier weeks.

At the same time, we are actively promoting the use of online platforms for lottery products and digital-only offerings as well as optimising our portfolio of digital-only products. In parallel, further improvements in the sign-up process have been implemented to allow for safe registrations and authorizations without having to visit the physical points of sale.

Gross gaming revenue year to date (including the period impacted by COVID-19 and the periods before) is approximately in line with SAZKA a.s.' budget (set before COVID-19). Gross gaming revenue so far in April has been slightly above budget, with strong performance in digital channels more than compensating for the negative impact on sales via physical points of sale.

Greece

On 13 March 2020, the Greek government published its decision to impose a temporary ban on the operation of a wide range of shops, indoor venues, and other locations. As a result of this, all OPAP stores and PLAY gaming halls in Greece have been closed since 14 March 2020. OPAP's stores in Cyprus have been temporarily closed as well.

Due to these restrictions, OPAP's increased focus has been online, which in turn has been reflected in growth in digital games. Further measures involve the enhancement of OPAP's product portfolio, including the launch of virtual sports and a third additional weekly draw for Joker. However online products do not contribute a material amount of revenues.

Operating costs have been reduced, mainly by adjusting marketing and sponsorship spending. Capital expenditures have been put on hold, with most projects postponed to 2021 where possible.

OPAP management estimate that the monthly impact of the current restrictions on OPAP is a reduction of approximately €130-140 million to GGR and approximately €50-53 million to EBITDA before mitigating measures which OPAP management estimate could result in savings of approximately €4-6 million of EBITDA per month. OPAP management estimate monthly cash burn during the current restrictions at €21-22 million.

On 28 April 2020 the Prime Minister announced a gradual lifting of restrictions imposed to contain the spread of coronavirus in Greece, beginning of 4 May 2020. It was announced that OPAP stores (excluding PLAY gaming halls) will reopen on 11 May, as part of the second group of shops which are allowed to reopen. Safety precautions will apply to staff and customers (e.g. mask use), seating in-store will not be allowed, while a maximum number of people allowed in-store at any given time will be established depending on store size.

Austria

On 13 March 2020, the Austrian government published its decision to impose a temporary ban on the operation of a wide range of shops, excluding those providing basic services such as food retail, pharmacies, post offices, banks, petrol stations and tobacco stores. The decision went into force on 16 March 2020. The Austrian government has subsequently relaxed some restrictions, including allowing small shops to open from 14 April 2020. On 21 April 2020 the Chancellor announced plans to allow

large shops to open from 1 May 2020, with further easing of restrictions, including opening of restaurants and hospitality businesses, potentially following later in May.

The ban has had only a limited impact on the availability of CASAG's subsidiary Austrian Lotteries' products through its main physical retail channels.

In coordination with the authorities, CASAG decided to close all its casinos in Austria, while its subsidiary Austrian Lotteries decided to close all its gaming halls on 13 March 2020. All the casinos of CASAG's subsidiary Casinos Austria International, which operates casinos and VLT businesses in multiple countries, are also currently closed.

Austrian Lotteries' online gaming activities have remained available to the public during the entire period. They include draw-based games (Austrian Lotteries' major products Lotto and Euromillions), instant scratch cards, online casino, poker, bingo and sports betting.

The Austrian government and the governments of certain jurisdictions where Casinos Austria International operates have introduced measures to support part-time workers, which may allow CASAG to reduce the financial impact of the closure.

Italy

Due to the ongoing COVID-19 outbreak, the Agenzia Dogane Monopoli (ADM) suspended sales of LOTTOITALIA's 10e Lotto and Millionday games through its retail network, effective from 31 March 2020. LOTTOITALIA's Lotto game was also suspended. These games account for 100% of LOTTOITALIA's sales. On 23 April 2020 the ADM published a decree allowing sales of 10e Lotto and Millionday games from 27 April 2020 and Lotto from 4 May 2020.

Publication of the Annual Review

As of today, the SAZKA Group 2019 Annual Review is available at:
<https://www.sazkagroup.com/investors/annual-and-interim-financials>

Conference Call

Later today at 14:00 GMT / 15:00 CEST / 9:00 EST, management will host a conference call to discuss the FY results and the current trading. The live stream can be accessed through the following link:
<https://87399.choruscall.eu/links/sazkagroup200430.html> or you can call in at:

UK (TF): + 44 (0) 800 368 1063

UK & International: + 44 (0) 203 059 5872

US: + 1 516 447 5632

DE: + 49 (0) 69-2 2224 493

FR: + 33 (0) 170918711

We recommend that you call any of the above numbers 5 to 10 minutes before the scheduled start.

About SAZKA Group

SAZKA Group is one of the largest pan-European lottery operators. Its businesses run lotteries in all the major continental European countries where lotteries are privately operated, including the Czech Republic, Greece, Austria, Italy, and Cyprus. Its businesses focus on the lottery segment, including numerical lotteries (draw-based games) and instant lotteries (scratch cards), while also providing complementary products in sports-betting and digital-only games. They sell their products both through extensive retail networks and digital platforms. All its lottery operators are members of the World Lottery Association and the European Lottery Association and operate in accordance with their codes of practice.

Investor enquiries

Radek Nemecek

T: +420 727 982 885

E: radek.nemecek@sazkagroup.com

www.sazkagroup.com

Definitions

In this document

“Austrian Lotteries” refers to Österreichische Lotterien Gesellschaft m.b.H.

“CASAG” refers to Casinos Austria AG

“KKCG” refers to KKCG AG

“LOTTOITALIA” refers to LOTTOITALIA S.r.l.

“Novomatic” refers to Novomatic AG

“ÖBAG” refers to Österreichische Beteiligungs AG

“OPAP” refers to OPAP S.A.

“Stoiximan” refers to TCB Holdings Ltd, parent company of Stoiximan Group

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This announcement does not form, and should not be construed as, the basis of any credit analysis or other evaluation an investment or lending recommendation, advice, a valuation or a due diligence review. The information contained in this announcement is for indicative purposes only. This announcement may include forward-looking statements regarding certain of our plans and our current goals, intentions, beliefs and expectations concerning, among other things, our future results of operation, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as “may,” “could,” “should,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “assume,” “believe,” “plan,” “seek,” “continue,” “target,” “goal,” “would” or their negative variations or similar expressions identify forward looking statements. By their nature, forward-looking statements are inherently subject to risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this document, those past results or developments may not be indicative of results or developments in future periods.

We do not undertake any obligation to review, update or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this document.

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announcement were developed solely for our use at the time at which they were prepared and for limited purposes which may not meet the requirements or objectives of the recipient of this announcement. Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in the document is or is intended to be a profit forecast or profit estimate. The financial statements included this announcement have not been subject to any review or audit process by our independent auditors and may be subject to change after a review or audit process.

We are not providing advice (whether in relation to legal, tax or accounting issues or otherwise). You should receive legal, tax, accounting and any other necessary advice from your advisors in relation to the contents of this announcement.

This announcement has not been approved by any regulatory authority and does not represent financial statements within the meaning of applicable Czech law.

We use certain unaudited non-IFRS financial measures. These measures include, among others, amount staked, EBITDA, Adjusted EBITDA, EBITDA (excluding impact of IFRS 16), Adjusted EBITDA (excluding impact of IFRS 16), net debt (excluding impact of IFRS 16), free cash flow, and measures on a pro-rata basis. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity. As there are no generally accepted accounting principles governing the calculation of non-IFRS financial and operating measures, other companies may calculate such measures differently or may use such measures for different purposes than we do and such measures should therefore not be used to compare us against another company.