

12 June 2020

SAZKA Group Q1 2020 Operational and Financial Review and Update on Current Trading

SAZKA Group a.s. (“SAZKA Group” or the “Company”, and together with its subsidiaries and associates the “Group”) announces its financial results for the three months to 31 March 2020 and provides an update on current trading.

Q1 2020 Financial highlights

- Consolidated gross gaming revenues decreased by 11% to €405 million (Q1 2019: €458 million), primarily as a result of the impact of COVID-19 on land-based sales.
- Consolidated Operating EBITDA¹ decreased by 23% to €124 million (Q1 2019: €162 million).
- Consolidated Adjusted EBITDA, which excludes certain one-off items, decreased by 23% to €117 million (Q1 2019: €151 million).
- Consolidated profit after tax from continuing operations decreased by 51% to €43 million (Q1 2019: €87 million).

Pro-rata LTM highlights²

- Pro-rata LTM Adjusted EBITDA was €398 million.
- Pro-rata net debt / Adjusted EBITDA was 2.9x and Pro-rata priority net debt / Adjusted EBITDA was 0.4x at 31 March 2020.

Trading update

- The Group’s land-based activities in Greece, casinos and VLTs in Austria and product sales in Italy were closed as a result of government or regulatory measures in March.
- The Group’s POS networks for lottery products in the Czech Republic and Austria were not subject to restrictions and a substantial majority have operated without interruption.
- Online channels and Digital-only Games have performed strongly throughout the period, supported by the launch of new products and optimisation of existing offerings as well as changes in customer behaviour as a result of COVID-19.
- COVID-19 related restrictions began to be relaxed beginning in May. Substantially all of the Group’s operations which were closed have now reopened.

¹ Operating EBITDA, together with Adjusted EBITDA and Free cash flow are all non-IFRS performance measures used in this document. Please see “Alternative performance measures (“APMs”)” at the end of this document.

² Pro-rata LTM data presented excluding impact of IFRS 16.

Robert Chvatal, SAZKA Group CEO, commented:

The first quarter of 2020 started very positively, with the strong momentum across our geographies and products which we saw in 2019 continuing into the new year. At the beginning of March, we achieved an important strategic milestone with the signing of a shareholders agreement with ÖBAG regarding the management of CASAG.

We were well positioned to weather the challenges of the unprecedented and unexpected situation which the world suddenly found itself in. We benefited in particular from our diverse range of products, sales channels, and geographic exposure, our favourable cost structure, and our strong liquidity.

Some of our businesses have performed very well throughout the period, with online sales partially compensating or in some cases more than compensating for the impact on physical channels. We are very pleased that the businesses which were more directly impacted are now all back in operation, and while it is still early days, some restrictions remain, and there remains considerable uncertainty regarding the development of the COVID-19 epidemic and the economic recovery in the countries in which we operate, we have seen some positive datapoints since these businesses have restarted operations.

Our online and digital-only offerings have been a major strategic focus for the group for some time and I am very pleased that the changes in consumer behaviour as a result of the COVID-19 epidemic have allowed us to develop our product offering and increase our user base faster than would have otherwise been the case, with significant increases in registrations and active users as well as several exciting product launches.

OPAP's recently announced acquisition of Stoiximan Group's Greek and Cypriot business represents a further important step as we develop our digital entertainment offering, and will complement the step-change in OPAP's online activities during the last few months.

I am extremely proud of the resilience our businesses have shown and I would like to thank the entire SAZKA Group team for their hard work and perseverance, and for seizing opportunities to progress our strategic priorities during a period which has on a personal level been very difficult for many of us.

Selected consolidated financial data

€ millions	Q1 2020	Q1 2019	Δ
Gross gaming revenues (GGR)	405.3	457.8	-11%
Net gaming margin (NGR)	266.8	316.1	-16%
Operating EBITDA	124.5	161.7	-23%
Operating EBITDA margin	46.6%	51.2%	-4.5 pp.
Adjusted EBITDA	117.0	151.2	-23%
Profit before tax	61.6	113.2	-46%
Profit from continuing operations	42.6	86.7	-51%

Financial review

For the three months ending 31 March 2020, consolidated gross gaming revenues decreased by 11% to €405 million, primarily as a result of the impact of COVID-19 on the Group's land-based retail activities towards the end of the period. This included restrictions on the operation of OPAP's agents' stores and VLT halls in Greece and casinos in Austria, and reduced footfall in POS in Italy.

The Group generated consolidated Operating EBITDA of €124 million, which is a 23% reduction in comparison to Q1 2019. Profitability was supported by the substantial portion of variable items in the Group's cost structure.

With consolidated Operating EBITDA at €124 million and acquisition of property, plant and equipment and intangible assets at €13 million, Free cash flow remained strong at €111 million (Q1 2019: €152 million).

Pro-rata net debt (excluding impact of IFRS 16) as of 31 March 2020 was €1,156 million. LTM pro-rata Adjusted EBITDA (excluding impact of IFRS 16) was €398 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 0.4x at 31 March 2020.

Key financing transactions

In February 2020 the Company issued €300 million aggregate principal amount of 3 7/8% senior notes due 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.

In March 2020 OPAP prepaid an outstanding €200 million retail bond and also issued a bond loan of €100 million with a maturity date of 29 March 2021.

Business review

The performance of all the Group's businesses in Q1 2020 was affected by the COVID-19 epidemic. Before the impact of COVID-19, which began to a material extent in March in the countries in which we operate, performance across our businesses had been strong.

In Q1 2020, Numerical Lotteries' Operating EBITDA decreased by 24% to €78 million, Instant Lotteries' Operating EBITDA decreased by 60% to €3 million, Sports Betting's Operating EBITDA decreased by 10% to €23 million, Digital-only Games' Operating EBITDA grew by 78% to €7 million, reflecting strong growth in January and February and changes in consumer behaviour as a result of COVID-19, and VLTs and Casinos' Operating EBITDA decreased by 33% to €9 million, all compared to Q1 2019.

SAZKA: While GGR increased by 25%, NGR increased by 1% as a result of an increase in lottery tax from 23% to 35% which took effect as of 1 January 2020. Operating EBITDA decreased by 3% compared to Q1 2019.

OPAP: GGR decreased by 17% and NGR decreased by 19% reflecting the closure of all land-based activities starting on 14 March 2020. Operating EBITDA decreased by 24% compared to Q1 2019.

Equity method investees³: Aggregate pro-rata Operating EBITDA of Equity method investees decreased by 17% due to the impact of restrictions on CASAG's land-based activities and lower sales at LOTTOITALIA as a result of changed customer behaviour due to COVID-19.

Selected financial data of major operating entities

€ millions	Q1 2020	Q1 2019	Δ
SAZKA			
GGR	77.0	61.8	+25%
NGR	49.5	49.2	+1%
Operating EBITDA	22.3	22.9	-3%
Operating EBITDA margin	45.1%	46.6%	-1.5 pp.
OPAP⁴			
GGR	328.3	396.0	-17%
NGR	217.4	266.8	-19%
Operating EBITDA	86.3	113.0	-24%
Operating EBITDA margin	39.7%	42.4%	-2.7 pp.
Equity method investees³			
Aggregate pro-rata Operating EBITDA	44.5	53.9	-17%

³ Includes CASAG and LOTTOITALIA.

⁴ Includes 36.5% interest in Stoiximan on equity basis.

Strategic review

In February 2020, OPAP paid an extraordinary dividend in the amount 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. 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%).

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 by the Group of a 17.2% stake in CASAG from Novomatic. The pre-emption period for other shareholders will finish after the publication of this announcement, however as a result of the shareholders agreement with ÖBAG, we expect to 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. We expect to subsequently consolidate CASAG.

While the Group's existing liquidity is sufficient to fund the consideration payable for the acquisition of Novomatic's 17.2% stake, we are also in advanced discussions regarding external financing.

Pro-rata financial data as of 31 March 2020⁵

€ millions	SAZKA	OPAP ⁶	Equity method investees ⁷	Other	Company and SGF	Total
LTM Operating EBITDA	93.1	363.5	610.8	(4.3)	(23.8)	1,039.3
LTM Adjusted EBITDA	93.1	367.0	610.8	(4.3)	(13.5)	1,053.1
Gross debt	233.7	979.6	216.9	0.0	1,011.2	2,441.5
Cash and equivalents and ST financial assets	(68.9)	(425.2)	(346.8)	(20.3)	(36.7)	(898.0)
Net debt	164.8	554.4	(467.7)	(20.3)	974.5	1,205.6
Pro-rata ownership %	100.00%	33.33%	Various	Various	100.00%	
Pro-rata LTM Adjusted EBITDA	93.1	122.3	199.3	(3.6)	(13.5)	397.7
Pro-rata net debt	164.8	184.8	(151.0)	(16.7)	974.5	1,156.4
Pro-rata net debt to Adjusted EBITDA	1.8x	1.5x	NM	NM	NM	2.9x
Pro-rata priority net debt to Adjusted EBITDA						0.4x

⁵ All data presented in this table excludes the impact of IFRS 16. Operating EBITDA of the Company for 2019 includes a payment of €8.4 million received from the Company's parent KKCG, representing recharges of certain expenses relating to the VTO incurred by the Company. The information in the table above has been derived or calculated from the financial statements of SAZKA a.s., OPAP, equity method investees (comprising CASAG (38.16%), LOTTOITALIA (32.50%) and Stoiximan (12.25%)), the Company and SGF and certain other entities within the Group. Pro-rata ownership % indicates the effective economic interest of the Company in each entity as of 31 March 2020, which is assumed to have been held throughout the twelve months ended 31 March 2020. We present these pro rata financial measures because compliance with certain of the covenants in the indenture governing the Company's 3 7/8% Senior Notes due 2027 is determined with reference to the pro rata financial ratios set forth above.

⁶ Excludes Stoiximan.

⁷ Includes CASAG, LOTTOITALIA and Stoiximan.

Developments after the end of the period

In April 2020, the general meeting of LOTTOITALIA approved a dividend in the amount of €150 million. Our share in the amount of €49 million was received by the Group in April 2020.

In April 2020, OPAP received regulatory approvals for its previously announced acquisition of 51% of Stoiximan Group's Greek and Cypriot business ("SMGC"). OPAP also announced the acquisition (subject to regulatory approvals) of a further stake in SMGC, which will result in a total shareholding stake of 85% and sole control of SMGC. Through these acquisitions, OPAP has significantly strengthened its position in Digital-only Games in Greece – in 2019, SMGC generated GGR of €197 million and EBITDA of €44 million. The aggregate net consideration planned to be paid during the course of 2020 for these transactions is €163.4 million, plus net cash and certain earn-outs.

Austrian Lotteries approved distributions to its shareholders in the amount of €16.7 million net to our 9.45% direct stake, of which €7.2 million was paid in May.

In April 2020, OPAP drew a €200 million bond loan with a maturity date of 30 September 2020.

In May 2020, OPAP signed a bond loan agreement of €100 million with a maturity date of 4 May 2022. No amounts have yet been drawn under this bond loan.

On 10 June 2020, OPAP announced it would propose a dividend of €0.30 per share for the financial year 2019 to the forthcoming AGM, to be held on 25 June 2022.

On 12 June 2020, EDHH paid the Company €4 million of interest on an intragroup loan.

COVID-19 Update

Czech Republic

The physical point of sale network for lottery products continued to be resilient during the period before removal of restrictions. Online performance continues to be strong.

Greece

OPAP stores reopened on 11 May 2020. PLAY gaming halls reopened on 8 June 2020. Activities were subject to certain restrictions, including social distancing and a prohibition on chairs. Some of these restrictions have subsequently been relaxed, including the removal of the prohibition on chairs from 6 June 2020. OPAP also expanded its game portfolio with virtual sports launched in March and online casino in April.

Austria

The physical point of sale network for lottery products continued to be resilient during the period before removal of restrictions. Online performance continues to be strong.

Land-based casinos and most of the VLT halls were reopened on 29 May 2020, subject to certain social distancing restrictions. Most of CASAG's International casinos across Europe have restarted with the rest scheduled to reopen in coming weeks.

Italy

Sales of the 10eLotto and Millionday games restarted on 27 April 2020 and Lotto game sales resumed on 4 May 2020. The monitors in POS on which 10eLotto results are displayed were allowed to be turned back on from 28 May 2020.

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/sazkagroup200612.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.

There will be a digital playback on the 12th of June 2020 at 17:00 (CEST Time). This Service will be available until EOD Monday, 22nd of June 2020. Please dial the following numbers and use the PIN CODE: 7276 # from a touch-tone telephone.

Digital Playback UK: + 44 (0) 203 059 5874

Digital Playback US: + 1 631 257 0626

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 and media enquiries

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Definitions

In this document:

“Austrian Lotteries“	refers to Österreichische Lotterien Gesellschaft m.b.H.
“CASAG“	refers to Casinos Austria AG
“EDHH“	refers to EMMA DELTA HELLENIC HOLDINGS LIMITED
“KKCG“	refers to KKCG AG
“LOTTOITALIA“	refers to LOTTOITALIA S.r.l.
“LTM“	refers to Last twelve months
“Novomatic“	refers to Novomatic AG
“ÖBAG“	refers to Österreichische Beteiligungs AG
“OPAP“	refers to OPAP S.A.
“POS“	refers to Point of sales
“SAZKA“	refers to Sazka a.s.
“SGF“	refers to SAZKA Group Financing a.s.
“Stoiximan“	refers to TCB Holdings Ltd, parent company of Stoiximan Group
“VLT“	refers to video lottery terminal
“VTO“	refers to the voluntary tender offer by the Company for OPAP shares in 2019, upon conclusion of which the Group’s economic interest in OPAP was increased to 31.99%

Alternative performance measures used in the document (“APMs”)

This document contains certain unaudited financial and operating measures that are not defined or recognized under IFRS that we use to assess the performance of our business. Explanations of these measures are set out below. For example, in this document, we present non-IFRS financial measures such as amount staked, Operating EBITDA, Operating EBITDA margin, Adjusted EBITDA, net debt, capital expenditures, free cash flow, which we use to, among other things, evaluate the performance of our operations, develop budgets, and measure our performance against those budgets. We present some of these numbers on a pro-rata and / or pre-IFRS 16 basis. We believe that Operating EBITDA and Adjusted EBITDA assist in understanding our trading performance as they give an indication of our ability to service our indebtedness.

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 therefore you should exercise caution in comparing these measures as reported by us to such measures or other similar measures as reported by other companies. An investor should not consider these non-IFRS measures (a) as a substitute for operating results (as determined in accordance with IFRS) or as a measure of our operating performance, (b) as a substitute for cash flow from or used in operating, investing and financing activities (as determined in accordance with IFRS) or as a measure of our ability to meet cash needs or (c) as a substitute for any other measure of performance under IFRS. These measures may not be indicative of our historical operating results or financial condition, nor are such measures meant to be predictive of our future results or financial condition. Even though the non-IFRS financial measures are

used by management to assess our financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under IFRS.

A reconciliation of APMs is presented below.

Adjusted EBITDA

€ millions	Q1 2020	Q1 2019
Operating EBITDA	124.5	161.7
One off adjustments		
Reversal of provisions		(10.7)
One-time tax benefits	(7.8)	0.0
Other	0.3	0.2
Adjusted EBITDA	117.0	151.2

Free cash flow

€ millions	Q1 2020	Q1 2019
Operating EBITDA	124.5	161.7
Acquisition of property, plant and equipment and intangible assets	(13.1)	(10.1)
Free cash flow	111.4	151.6

Operating EBITDA
OPAP

€ millions	Q1 2020	Q1 2019
Profit for the period	32.8	56.7
Result from discontinued operations	0.0	0.0
Income taxes	15.3	22.6
Financial result	11.1	6.4
Depreciation and amortization	27.1	27.3
Restructuring expenses	0.0	0.0
Operating EBITDA	86.3	113.0

SAZKA

€ millions	Q1 2020	Q1 2019
Profit for the period	14.3	15,0
Result from discontinued operations	0.0	0,0
Income taxes	3.7	3,9
Financial result	2.7	2,9
Depreciation and amortization	1.6	1,2
Restructuring expenses	0.0	0.0
Operating EBITDA	22.3	22.9

Equity method investees (CASAG and LOTTOITALIA)

€ millions	Q1 2020	Q1 2019
Profit for the period	60.4	86.6
Result from discontinued operations	0.2	0.3
Income taxes	22.5	31.1
Financial result	6.7	0.7
Depreciation and amortization	38.9	37.5
Restructuring expenses	0.0	1.0
Operating EBITDA	128.8	156.9

Disclaimer

This announcement does not represent an offer, constitute or form part of, and should not be construed as an advertisement, an offer or an invitation to subscribe to or to purchase securities of SAZKA Group a.s. or its subsidiaries from time to time.

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. 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, pending acquisitions or other transactions, financing plans 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 the Group’s 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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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.