

PRESS RELEASE

23 December 2019

SAZKA Group 9M 2019 Operational and Financial Review

SAZKA Group a.s. announces its financial results for the nine months to 30 September 2019.

- Consolidated Gross gaming revenues increased by 6% to €1,371 million (9M 2018: €1,288 million).
- Consolidated EBITDA increased by 19% to €430 million (9M 2018: €363 million) with growth in all key geographies and major business segments.
- Consolidated Profit from continuing operations increased by 28% to €217 million (9M 2018: €169 million).
- Pro-rata, pro-forma LTM EBITDA of €361 million (€391 million pro-forma for the acquisition of an additional 7.25% stake in OPAP following the end of the period).
- Pro-rata, pro-forma¹ net debt / LTM EBITDA ratio of 2.4x (1.2x on priority debt basis) at 30 September 2019 (3.3x and 1.5x pro-forma for certain subsequent transactions including the acquisition of the additional 7.25% stake in OPAP).
- Successful issuance of CZK 6bn (~€235m) Fixed-Rate Notes due 2024 and, following the end of the period, €300m Senior Notes due 2024.

IFRS consolidated financial data

EUR millions

	Q3 2019	Q3 2018	% Change	9M 2019	9M 2018	% Change
Gross gaming revenues (GGR)	463	431	+7%	1,371	1,288	+6%
Net gaming revenues (NGR)	317	296	+7%	942	882	+7%
EBITDA	143	132	+9%	430	363	+19%
EBITDA margin	45.1%	44.4%	+0.7 pp.	45.6%	41.1%	+4.5 pp
Profit before tax	96	85	+13%	288	227	+27%
Profit from continuing operations	72	64	+12%	217	169	+28%

¹ Pro-forma adjustments primarily relate to the sale of the SuperSport business.

Business review

SAZKA Group's business continued to perform well during the first nine months of 2019 with numerical lotteries' EBITDA growing by 11%, instant lotteries' EBITDA by 27%, sports betting EBITDA by 22%, and digital games' EBITDA by 66%, compared to the corresponding period in 2018.

SAZKA Group recognises that mobile and digital offerings will be important for the sector's long-term success. The success of our initiatives in this area is clearly seen within the Group's digital games business segment where net gaming revenues more than tripled during the first nine months of 2019, compared to the corresponding period in 2018.

Financial review

For the nine months ending 30 September 2019, consolidated gross gaming revenues grew 6%, to €1,371 million, and consolidated net gaming revenues increased 7%, to €942 million, in each case compared to the corresponding period in 2018. This continued strong top line performance, combined with improved margins across the businesses, resulted in the Group generating consolidated EBITDA of €430 million, which was an increase of 19% compared to the corresponding period in 2018.

The Group's pro-rata, pro-forma (for the sale of the SuperSport business) net debt to LTM EBITDA ratio was 2.4x at 30 September 2019.

With consolidated EBITDA at €430 million and CAPEX at €23 million, SAZKA Group's free cash flow² grew 28% to €407 million (9M 2018: €318 million). Consolidated net debt decreased during the period to €1,346 million (31 December 2018: €1,439 million).

During the third quarter, SAZKA a.s. made a scheduled amortisation of €6 million, CAME made a scheduled amortisation of €12 million, and IGH repaid €6 million of debt following the receipt of a distribution from LOTTOITALIA.

9M 2019 performance by business

SAZKA a.s.: GGR and NGR both increased by 10% driven by growth in instant lotteries and online products. With operating expenses increasing by 5%, EBITDA grew by 16% in comparison to the same period last year.

OPAP: GGR and NGR both increased by 6% driven mainly by growth in VLTs and numerical lotteries. With operating expenses decreasing as a result of more favourable terms with IT providers, EBITDA grew by 20% (excluding impact of IFRS 16) in comparison to the same period last year.

Equity method investees: Equity method investees on an EBITDA basis increased by 11% overall as CASAG, LOTTOITALIA and Stoiximan all grew during the 9M 2019 time period in comparison to the same period last year.

² Defined as EBITDA – CAPEX.

Pro-rata financial data

EUR thousands	SAZKA a.s.	OPAP	Equity method investees ³	Other	SAZKA Group a.s. and SAZKA Group Financing	Total
100% EBITDA						
9M 2019 (ex IFRS 16 effect)	70 148	292 462	471 973	-2 114	-28 110	804 358
9M 2018	60 358	244 599	424 979	-2 442	-15 354	712 140
<i>% change</i>	<i>16%</i>	<i>20%</i>	<i>11%</i>		--	<i>13%</i>
LTM EBITDA	88 916	401 463	632 746	-6 696	-31 930	1 084 499
Net debt	219 788	482 178	-245 698	484 950	158 754	1 099 972
Pro-rata ownership %	100.0%	24.7%	Various	Various	100.0%	
Pro-rata LTM EBITDA	88 916	99 183	211 427	-6 153	-31 930	361 443
Pro-rata gross debt	259 385	161 249	75 980	511 510	425 256	1 433 381
Pro-rata net debt	219 788	119 125	-67 975	439 373	158 754	869 064
Pro-rata net debt to EBITDA	2.5x	1.2x	NM	NM	NM	2.4x
Pro-rata Priority net debt to EBITDA						1.2x
Pro-forma for subsequent transactions ⁴						
Pro-rata LTM EBITDA	88 916	128 289	211 427	-6 153	-31 930	390 549
Pro-rata gross debt	259 385	240 525	75 980	322 810	725 256	1 623 956
Pro-rata net debt	219 788	154 082	-67 975	295 961	697 961	1 299 818
Pro-rata net debt to EBITDA	2.5x	1.2x	NM	NM	NM	3.3x
Pro-rata Priority net debt to EBITDA						1.5x

³ Includes CASAG, LOTTOITALIA and Stoiximan.

⁴ Reflects 32.0% pro-rata stake in OPAP post VTO, €150m dividend paid in November 2019, the issuance of the €300 million Senior Notes, and certain other minor transactions post the 30 September quarter-end.

Developments after the end of the period

In November 2019, following the settlement of the Voluntary Tender Offer which was announced in July 2019 with the subscription period commencing on 1 October 2019, the Group's shareholding in OPAP increased to 40.0% (32.0% on a pro-rata basis). As a result of the Voluntary Tender Offer, the Group acquired an additional 7.25% stake in OPAP and Emma Delta Hellenic Holdings repaid its credit facility with an intragroup loan from the Company.

In November 2019, the Group paid a dividend to its shareholder of CZK 3 827 million (~€150m).

In November 2019, the Group successfully completed its debut offering of €300m Senior Notes, 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 of Emma Delta Hellenic Holding's credit facility described above.

In December 2019, the Group announced the acquisition of an additional 17.2% stake in CASAG from Novomatic AG, the completion of which remains subject to various conditions precedent including, without limitation, applicable regulatory approvals and notifications. The completion of the acquisition is also subject to applicable pre-emptive rights of other Casinos Austria AG shareholders. As part of the transaction the Group and Novomatic AG also agreed to amicably settle the pending arbitration proceedings initiated by the Group in relation to their June 2017 shareholders' agreement.

On 17 December 2019, the Czech parliament approved several amendments which adjust various tax laws, one of the amendments changing the gaming tax on lottery products. Gaming tax on lottery products, calculated from GGR, was increased from 23% to 35% starting on 1 January 2020.

About SAZKA Group

We are one of the largest pan-European lottery operators. Our businesses operate lotteries in all the major continental European countries where lotteries are privately operated, including the Czech Republic, Greece, Austria and Italy, and in Cyprus. Our businesses focus on the lottery segment, including numerical lotteries (draw-based games) and instant lotteries (scratch cards), and also provide complementary products, including sports-betting and digital-only games. They sell their products both through various retail networks and through digital platforms.

Our businesses are supported by iconic and long-established brands, unrivalled POS networks and a long history of operations. 100% of our gaming activities are regulated. They operate under long-term and, in many cases, exclusive licenses and concessions, which have allowed them to enjoy leading and, in many cases, exclusive positions in all the markets in which they are present.

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