

11 September 2020

SAZKA Group H1 and Q2 2020 Results 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 six months to 30 June 2020 and provides an update on current trading.

H1 2020 Financial highlights

- Consolidated gross gaming revenues decreased by 28% to €652 million (H1 2019: €909 million), primarily as a result of the impact of COVID-19 on land-based sales.
- Consolidated Operating EBITDA¹ decreased by 42% to €167 million (H1 2019: €287 million).
- Consolidated Adjusted EBITDA, which excludes certain one-off items, decreased by 41% to €168 million (H1 2019: €286 million).
- Consolidated profit after tax from continuing operations decreased by 90% to €42 million (H1 2019: €145 million).

Pro-rata LTM H1 2020 highlights²

- Pro-rata LTM Adjusted EBITDA was €379 million.
- Pro-rata net debt / Adjusted EBITDA was 3.2x and Pro-rata priority net debt / Adjusted EBITDA was 0.5x at 30 June 2020.

Key strategic initiatives

- In June, we acquired the 17.19% stake in CASAG previously held by Novomatic. As a result, SAZKA Group’s shareholding is now 55.48% and CASAG has been fully consolidated as a subsidiary from 26 June.
- In July, the Supervisory Board of CASAG approved a plan to optimise the cost structure of the casino business in Austria.
- In July, OPAP acquired an additional 51% stake in Stoiximan Group’s Greek and Cypriot business, as a result of which it now holds a 69% stake.

Trading update

- Most restrictions to which our businesses were subject as a result of COVID-19 were lifted by June and the businesses which were impacted by COVID-19 have recovered well.
- Land-based sales of most products in most geographies are approaching, or in some cases exceeding, sales during the same period last year.
- Online sales, which increased significantly in the Czech Republic, Austria and Greece during the period most directly impacted by COVID-19, have continued to perform strongly.

¹ Operating EBITDA, together with Adjusted EBITDA and Free cash flow are non-IFRS performance measures. 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:

“Our diverse geographic exposure, game portfolio and sales channels, the wealth of knowledge and expertise we have within the organisation, and the agility and resilience of our team meant that we were well placed to deal with COVID-19. They also positioned us well for recovery when the situation began to normalise. Over the last few months performance across geographies and products has been returning towards, or in some cases is above, pre-pandemic levels.

Whilst the future impact of COVID-19 on businesses and the economy is hard to predict, it is clear that the pandemic has allowed us to accelerate our strategy of increasing online sales, including of traditional products and digital-only games. This was already a major strategic focus for us and our experience in the last several months has only emphasized the benefits that it can bring.

I’m also delighted that we were able to close two strategic M&A transactions. After closing the acquisition of Novomatic’s stake in CASAG, we look forward to working together with the Austrian state, CASAG and Austrian Lotteries to take the lotteries business to further successes, and to build a sustainable and profitable Austrian casinos business, leveraging the strength of the brand and the team.

In August we closed an important acquisition in Greece by taking a majority stake in Stoiximan’s Greek and Cypriot business. Not only does this further strengthen our position as the undisputed leader in the Greek and Cypriot markets, but it also represents a step-change in OPAP’s online presence.”

Selected consolidated financial data (H1/H1)

€ millions	H1 2020	H1 2019	Δ
Gross gaming revenues (GGR)	651.9	908.5	-28%
Net gaming margin (NGR)	428.8	625.3	-31%
Operating EBITDA	167.1	286.6	-42%
Operating EBITDA margin	39.0%	45.8%	-6.9 p.p.
Adjusted EBITDA	168.5	286.5	-41%
Profit before tax	55.7	192.4	-71%
Profit from continuing operations	42.0	145.1	-71%

Selected consolidated financial data (Q2/Q2)

€ millions	Q2 2020	Q2 2019	Δ
Gross gaming revenues (GGR)	246.6	450.7	-45%
Net gaming margin (NGR)	161.9	309.2	-48%
Operating EBITDA	42.6	124.9	-66%
Operating EBITDA margin	26.3%	40.4%	-14.1 p.p.
Adjusted EBITDA	51.6	135.2	-62%
Profit before tax	(6.0)	79.2	n/m
Profit from continuing operations	(0.6)	58.5	n/m

Selected consolidated financial data (Q2/Q1)

€ millions	Q2 2020	Q1 2020	Δ
Gross gaming revenues (GGR)	246.6	405.3	-39%
Net gaming margin (NGR)	161.9	266.8	-39%
Operating EBITDA	42.6	124.5	-66%
Operating EBITDA margin	26.3%	46.6%	-20.3 p.p.
Adjusted EBITDA	51.6	116.9	-56%
Profit before tax	(6.0)	61.6	n/m
Profit from continuing operations	(0.6)	42.6	n/m

Q2 2020 Financial review

For the three months ending 30 June 2020, consolidated gross gaming revenues decreased by 45% to €247 million, primarily as a result of the impact of COVID-19 on the Group's land-based retail activities. This included restrictions on the operation of OPAP's agents' stores and VLT halls in Greece, land-based casinos in Austria, and sales in Italy. Strong revenues from Digital-only Games and online sales of other products only partially compensated for the decline in land-based revenues.

The Group generated consolidated Operating EBITDA of €43 million for three months ending 30 June 2020, which is a 66% reduction in comparison to Q2 2019. Profitability was supported by the substantial portion of variable items in the Group's cost structure.

With consolidated Operating EBITDA at €43 million and acquisition of property, plant and equipment and intangible assets at €6 million, Free cash flow was €37 million (Q2 2019: €119 million).

Pro-rata net debt (excluding impact of IFRS 16) as of 30 June 2020 was €1,212 million. LTM pro-rata Adjusted EBITDA (excluding impact of IFRS 16) was €379 million. Pro-rata net debt / Adjusted EBITDA (excluding impact of IFRS 16) was 3.2x and pro-rata priority net debt / Adjusted EBITDA (excluding impact of IFRS 16) was 0.5x at 30 June 2020.

Key financing transactions

In April, OPAP drew a €200 million bank loan due September 2020.

In June, CAME drew a €105 million bank loan due September 2025. The proceeds were used to pay the consideration for Novomatic's stake in CASAG.

Dividends and distributions

In April, the general meeting of LOTTOITALIA approved a dividend of €150 million. The dividend was also paid in April.

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.

Q2 2020 Business review

Before the impact of COVID-19, which began to a material extent in mid-March in the countries in which we operate, performance across our businesses had been strong. From May we saw a recovery of sales through land-based distribution channels as restrictions were lifted and customers became more willing to spend time in public places, while online sales continued to be strong.

In the Czech Republic, at least 70% of the physical network remained operational throughout the period, which recovered to over 95% before the end of restrictions mid-May.

In Greece, OPAP stores reopened on 11 May. PLAY gaming halls reopened on 8 June. Activities continued to be subject to certain restrictions, including social distancing and a prohibition on seating. Some of these restrictions have subsequently been relaxed, for example, seating has been allowed since 6 June.

In Austria, land-based casinos and most of the VLT halls were reopened on 29 May, subject to certain social distancing restrictions.

In Italy, sales of 10eLotto and Millionday games restarted on April 27 and Lotto sales restarted on 4 May.

In Q2 2020, Numerical Lotteries' Operating EBITDA decreased by 55% to €43 million, Instant Lotteries' Operating EBITDA decreased by 90% to €1 million, Sports Betting's Operating EBITDA decreased by 90% to €3 million, Digital-only Games' Operating EBITDA grew by 868% to €8 million, and VLTs and Casinos' Operating EBITDA decreased by 148% to €6 million due to the closure of PLAY gaming halls in Greece and land-based casinos in Austria, all compared to Q2 2019.

SAZKA a.s.: While GGR remained flat, NGR decreased by 13% as a result of an increase in lottery tax from 23% to 35% which took effect as of 1 January 2020. Operating EBITDA increased by 10% compared to Q2 2019 (broadly flat when normalised for a €2m exceptional gain).

OPAP: GGR decreased by 53% and NGR decreased by 54% reflecting the closure of all land-based activities starting from mid-March to mid-May. As a result, operating EBITDA decreased by 82% compared to Q2 2019.

Equity method investees: Aggregate pro-rata Operating EBITDA of Equity method investees decreased by 53% due to the impact of restrictions on CASAG's land-based activities and lower sales at LOTTOITALIA as a result of the suspension of sales for part of the period and changed customer behaviour.

Selected financial data of major operating entities

€ millions	Q2 2020	Q2 2019	Δ
SAZKA a.s.			
GGR	67.0	67.1	0%
NGR	44.0	50.5	-13%
Operating EBITDA	24.0	21.9	+10%
Operating EBITDA margin	54.6%	43.5%	+11.1 p.p.
OPAP³			
GGR	179.6	383.6	-53%
NGR	117.8	258.8	-54%
Operating EBITDA	15.9	88.4	-82%
Operating EBITDA margin	13.5%	30.5%	-20.7 p.p.
Equity method investees⁴			
Aggregate Operating EBITDA	65.8	140.6	-53%

³ Includes 36.5% interest in Stoiximan on equity basis.

⁴ Includes CASAG and LOTTOITALIA.

Q2 2020 Strategic review

In June, SAZKA Group acquired the 17.19% stake in CASAG previously held by Novomatic. As a result, SAZKA Group's shareholding in CASAG is now 55.48% and CASAG has been fully consolidated as a subsidiary from 26 June.

During Q2 the Company acquired an additional 0.35% stake in OPAP through open market purchases for €9 million. On 24 June 2020, the Company acquired a 2.21% stake in OPAP from EMMA Delta. As a result, the Company's direct shareholding increased from 7.94% to 10.15%. The Group's shareholding remained unchanged at 42.04% of the total issued share capital, however the Group's economic interest increased to 34.23%.

Pro-rata financial data as of 30 June 2020⁵

€ millions	SAZKA a.s.	OPAP ⁶	CASAG	Equity method investees ⁷	Other ⁸	Company ⁹	Total
LTM Operating EBITDA	95.2	283.1	169.3	367.0	(3.9)	(17.2)	893.4
LTM Adjusted EBITDA	93.2	294.4	161.9	367.0	(3.9)	(11.8)	900.8
Gross debt	233.1	1,148.5	184.1	0.0	105.1	1,019.1	2,689.9
Cash and equivalents and ST financial assets	(73.9)	(638.2)	(342.5)	(239.4)	(61.0)	(32.3)	(1,387.1)
Net debt	159.2	510.4	(158.4)	(239.4)	44.1	986.9	1,302.8
Pro-rata ownership %	100.00%	34.22%	55.48%	Various	Various	100.00%	
Pro-rata LTM Adjusted EBITDA	93.2	100.8	89.8	109.5	(3.0)	(11.8)	378.5
Pro-rata net debt	159.2	174.7	(87.9)	(67.6)	46.6	986.9	1,211.9
Pro-rata net debt to Adjusted EBITDA	1.7x	1.7x	-1.0x	NM	NM	NM	3.2x
Pro-rata priority net debt to Adjusted EBITDA							0.5x

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, CASAG, equity method investees comprising LOTTOITALIA and Stoiximan, 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 30 June 2020, which is assumed to have been held constant throughout the twelve months ended 30 June 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 LOTTOITALIA and Stoiximan.

⁸ Includes SAZKA Czech, EMMA Delta, IGH and CAME.

⁹ Includes SGF, a finance subsidiary and issuer of the €200 million 4.0% notes due 2022.

Developments after the end of the period

In July, OPAP prepaid €50 million of a bank loan.

In July, the Supervisory Board of CASAG approved a plan to optimise the cost structure of the casino business in Austria.

In July, the Group received a dividend from LOTTOITALIA in the amount of €21 million.

In July, OPAP acquired a 51% stake in Stoiximan Group's Greek and Cypriot business ("SMGC") for aggregate net consideration of €90 million. Following the completion of this transaction, OPAP holds a 69% effective stake in SMGC and retains its 36.75% stake in Stoiximan Group's operations outside of Greece and Cyprus, operating under the BETANO brand.

In August, OPAP paid a dividend of €0.30 per share. Shareholders had the option of receiving cash or shares under OPAP's scrip dividend programme. The Group elected to receive scrip. As a result of the scrip dividend programme and further open market purchases after the end of the period, the Group's shareholding in OPAP increased to 43.33% of the total issued share capital (equivalent to an economic interest of 35.39%).

Conference Call

Later today at 13:00 BST / 14:00 CEST / 8:00 EST, management will host a conference call to discuss the H1 results and the current trading. The live stream can be accessed through the following link: <https://87399.choruscall.eu/links/sazkagroup200911.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 11th of September 2020 at 17:00 (CEST Time). This Service will be available until EOD Monday, 21st 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.
“CAME”	refers to CAME Holding GmbH,
“CASAG”	refers to Casinos Austria AG
“CLS”	refers to CLS Beteiligungs GmbH
“EDHH”	refers to EMMA DELTA HELLENIC HOLDINGS LIMITED
“EMMA Delta”	refers to Emma Delta Management Ltd
“KKCG”	refers to KKCG AG
“IGH”	refers to Italian Gaming Holding a.
“LOTTOITALIA”	refers to LOTTOITALIA S.r.l.
“LTB”	refers to LTB Beteiligungs GmbH
“LTM”	refers to last twelve months
“Medial”	refers to Medial Beteiligungs-Gesellschaft m.b.H.
“Novomatic”	refers to Novomatic AG
“ÖBAG”	refers to Österreichische Beteiligungs AG
“OPAP”	refers to OPAP S.A.
“POS”	refers to point of sale
“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	H1 2020	H1 2019
Operating EBITDA	167.1	286.6
One off adjustments:		
Reversal of provisions	0.0	(2.5)
Support to agents by OPAP	5.2	0.0
Tax benefit	(12.3)	0.0
Project expenditure	4.6	2.4
Other	3.9	0.0
Adjusted EBITDA	168.5	286.5

Free cash flow

€ millions	H1 2020	H1 2019
Operating EBITDA	167.1	286.6
Acquisition of property, plant and equipment and intangible assets	(18.9)	(16.3)
Free cash flow	148.1	270.3

Operating EBITDA

SAZKA a.s.

€ millions	H1 2020	H1 2019
Profit for the period	31.2	30.4
Result from discontinued operations	0.0	0.0
Income taxes	6.6	6.4
Financial result	5.5	5.7
Depreciation and amortization	3.0	2.3
Restructuring expenses	0.0	0.0
Operating EBITDA	46.3	44.9

OPAP

€ millions	H1 2020	H1 2019
Profit for the period	16.8	91.7
Result from discontinued operations	0.0	0.0
Income taxes	7.0	40.8
Financial result	12.7	12.2
Depreciation and amortization	65.7	56.7
Restructuring expenses	0.0	0.0
Operating EBITDA	102.2	201.4

Equity method investees (CASAG and LOTTOITALIA)

€ millions	H1 2020	H1 2019
Profit for the period	78.7	158.9
Result from discontinued operations	0.2	1.1
Income taxes	30.8	58.7
Financial result	7.0	1.8
Depreciation and amortization	77.8	76.1
Restructuring expenses	0.0	1.0
Operating EBITDA	194.6	297.5

Disclaimer

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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.

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