SAZKA Group a.s.

CONSOLIDATED ANNUAL REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
& INDEPENDENT AUDITOR'S REPORT

for the year 2017

Content

1. Information about the Consolidating Company

SAZKA Group a.s. is a joint-stock company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161 (the "Company").

2. Information about the Group

As at 31 December 2017 the Group included the Company and its following subsidiaries and associates which meet the definition of consolidated entities according to International Financial Reporting Standards ("IFRS"):

- SAZKA Czech a.s.
    - SAZKA a.s.
    - SPORTLEASE a.s.
    - SAZKA FTS a.s.
    - Kavárna štěstí s.r.o.
- Vitalpeak Limited
- RUBIDIUM HOLDINGS LIMITED
- Austrian Gaming Holding a.s.
    - CAME Holding GmbH
        - Medial Beteiligungs GmbH
    - BAIH Beteiligungsverwaltungs GmbH
        - CLS Betteiligungs GmbH
        - LTB Beteiligungs GmbH
- IGH Financing a.s.
    - Italian Gaming Holding a.s.
        - LOTTOITALIA S.r.l.
- SAZKA Asia a.s.
    - Sazka Asia Vietnam Company Limited
    - Sazka Distribution Vietnam Joint Stock Company
- EMMA DELTA MANAGEMENT LTD
    - EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD
        - Emma Delta Finance Plc
        - Emma Delta Hellenic Holdings Ltd
            - OPAP S.A.
- SAZKA Group Financing a.s.
- SAZKA Group Russia LLC

(The Company and its subsidiaries listed above are hereinafter reported to as "the Group"). Further information about the Group as at 31 December 2017 is presented in the Consolidated Financial Statements.

3. Main activities and financial indicators of the Group

The Group is owned by two international investment groups KKCG (75% through KKCG AG) and EMMA Capital (25% through EMMA GAMMA LIMITED) and operates primarily in five countries including Austria, Cyprus, Czech Republic, Greece and Italy with a total addressable market of over 78 million adult customers through more than 63,000 points of sale and through online channels.

The Group is considering an initial public offering on the main market of the London Stock Exchange. To that end, Citigroup Global Markets Limited, J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove and Morgan Stanley & Co. International plc have been appointed as Joint Global Coordinators and Nomura International plc as Equity Adviser. If appropriate, further regulatory announcements will be made in due course.

3.1. Financial position of the Group

Balance sheet of the Group as at 31 December 2017 was as follows:

- Non-current assets in the total amount of EUR 3 265 161 thousands, of which Intangible Assets amounted to EUR 1 974 662 thousands, Goodwill amounted to EUR 623 096 thousands, Tangible assets (PPE) amounted to EUR 138 182 thousands, Equity-accounted investees amounted to EUR 498 579 thousands and Other non-current assets amounted to EUR 5 430 thousands;
- Current assets in total amount of EUR 642 011 thousands, of which Inventories amounted to EUR 8 400 thousands, Short-term trade receivables and other current assets amounted to EUR 213 522 thousands, Short-term financial assets amounted to EUR 8 908 thousands, and Cash and cash equivalents amounted to EUR 410 288 thousands.

The Equity of the Group as at 31 December 2017 was in amount of EUR 1 650 839 thousands and Liabilities in amount of EUR 2 256 333 thousands. There were no own shares on the Balance sheet of the Group.

Financial performance of the Group (in thousands Euro)	**2017**	**2016**	**Δ%**
Net Gaming Revenues (“NGR”)	1 133 591	408 955	177%
EBITDA	353 408	133 199	165%
Profit for the year after tax	189 549	92 275	105%
Net increase / decrease in cash and cash equivalents			
Cash flow from operating activities	259 007	52 376	395%
Cash flow from investing activities	-231 577	-157 441	47%
Cash flow from financing activities	20 666	446 450	-95%

3.2. Main drives of the financial performance

The Group's net gaming revenue (NGR) for the year ended 31 December 2017 were €1 134 million, an increase of €725 million, or 177 per cent., compared to €409 million in the year ended 31 December 2016. This was principally as a result of OPAP being consolidated for the whole period (compared to last quarter which was consolidated in prior year). In addition, the Group's NGR increased due to an increase in sales for its lotteries business in the Czech SAZKA a.s. business.

The Group's EBITDA for the year ended 31 December 2017 were €353 million, an increase of €220 million, or 165 per cent., compared to €133 million in the year ended 31 December 2016. This was principally as a result of the reasons set forth above.

The Group's profit for the year ended 31 December 2017 was €190 million, an increase of €98 million, or 105 per cent., compared to €92 million in the year ended 31 December 2016. This was principally as a result of the reasons set forth above.

Similar to 2016, neither Medial Beteiligungs GmbH nor LOTTOITALIA S.r.l. were consolidated in the Group's financial accounts for 2017, but instead were accounted for as share of profit of investments accounted for using the equity method. The Group's profit for 2017 was €190 million of which €74 million was due to the share of profit of equity-accounted investees. Of the €190 million of the Group’s profit, €93 million was attributed to the equity holders of the Group due to the Group having a 23.7 per cent effective economic interest in OPAP.

4. Human resources

The average number of employees in the Group for the year 2017 was 1 660 of which 133 were executives. (2016: number of employees 1 364 of which 109 were executives.) The percentage of women in the workforce at the end of the respective period was 42 per cent and 28 per cent among middle management (2016: 39 per cent and 24 per cent respectively.)

The Group is led by a high performing team which is crucial to the success of the Group. The intention of the Group is to attract new talents, continue to develop existing people, as well as ensure that the human resources are engaged and retained through the Group’s initiatives and high-level internal communication.

5. Education and Social area

The Group focuses on creating and promoting a good working environment of transparency, responsibility, respect and safety while providing training and development opportunities to its employees together with a wide range of employee benefits. The Group continued in 2017 with the Sales Force Academy program in the Czech Republic and the OPAP Academy in Greece, focused on skills and talent development of the Group's employees.

6. Responsible gaming and sponsoring

Responsible gaming refers to a series of actions designed to protect the general public and especially vulnerable social groups from excessive gaming and to protect minors from any participation in games of chance. Responsible gaming is at the core of the Group's culture and mission, and it strives to design and provide safe, legal, and balanced forms of entertainment in the jurisdictions in which it operates. By their nature, SAZKA Group's main business - draw-based numerical lottery games operate through a periodic payment of small amounts to participate in the game.

The Group has committed significant resources to expanding its marketing and communication efforts. In certain jurisdictions, the Group advertises on television, on radio, in print media and on the Internet. For its draw-based numerical lotteries, the draws are conducted on live television events with nationwide broadcasting. The Group also conducts extensive market testing on new games and services prior to launch and leverages its decades of experience in the lottery and gaming market to identify and capitalize on customer demand. The Group also maintains a strong sponsorship presence.

7. Environment

In order to identify the sources from which we can reduce our environmental footprint, we quantify direct and indirect greenhouse gas emissions sources from our operations.

Group's CO2 emissions	**2017**	**2016**	**Δ%**
Petrol consumption CO2 equivalent (kt)	1 689	99	1 604%
Diesel consumption CO2 equivalent (kt)	22 273	17 765	25%
Total (kt)	26 707	21 202	26%

The Total figure includes OPAP buildings in Athens and Thessaloniki.

8. Subsequent events

There were no other Subsequent events which would materially influence the activities or financial position of the Group except of Subsequent events presented in point 37 of the consolidated financial statements.

Date:	Signature of the statutory body	
28 March 2018	Pavel Šaroch Member of the Board of Directors	Pavel Horák Member of the Board of Directors

9. Independent auditor's report & consolidated financial statements

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Independent Auditor's Report to the Shareholders of SAZKA Group a.s.

Opinion

We have audited the accompanying consolidated financial statements of SAZKA Group a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the separate and in the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and the Supervisory Board for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 above 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 consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 control.
- Obtain an understanding of internal control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Statutory Auditor Responsible for the Engagement

Petr Sikora is the statutory auditor responsible for the audit of the consolidated financial statements of SAZKA Group a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
28 March 2018

KPMG Česká republika Audit, s.r.o.
Registration number 71

Petr Sikora
Partner
Registration number 2001

SAZKA Group a.s.

Consolidated financial statements
for the year ended 31 December 2017

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

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of financial position	**Note**	**31/12/2017**	**31/12/2016**
ASSETS			
Intangible assets	5	1 974 662	2 021 609
Goodwill	5	623 096	561 937
Property, plant and equipment	6	138 182	92 515
Investment property	6	922	940
Other non-current investments	7	918	1 701
Equity-accounted investees	7	498 579	386 082
Long-term trade receivables and other non-current assets	9	23 372	7 028
Deferred tax asset	8	5 430	12 158
Total non-current assets		**3 265 161**	**3 083 970**
Inventories		8 400	12 883
Short-term trade receivables and other current assets	9	213 522	134 488
Current tax asset		893	31 414
Short-term financial assets	10	8 908	13 606
Cash and cash equivalents	11	410 288	365 999
Total current assets		**642 011**	**558 390**
Total assets		**3 907 172**	**3 642 360**

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of financial position (continued)	**Note**	**31/12/2017**	**31/12/2016**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	81	81
Treasury shares		-1 416	-1 042
Capital contributions and other reserves		486 855	438 862
Translation reserve		-12 462	-7 738
Retained earnings and profit for the current period		250 063	183 041
Total equity attributable to equity holders of the Company		723 121	613 204
Non-controlling interest	14	927 718	1 139 164
Total equity		**1 650 839**	**1 752 368**
Liabilities			
Bank loans and other borrowings – non-current portion	15	1 338 235	990 296
Other long-term liabilities		11 912	8 551
Long term provisions	17	33 767	35 674
Employee benefits	19	3 084	1 507
Deferred tax liability	8	225 801	219 543
Total non-current liabilities		**1 612 799**	**1 255 571**
Bank loans and other borrowings – current portion	15	261 429	292 052
Short-term trade and other payables	16	370 268	327 418
Current tax liability		2 148	5 121
Short-term provisions	17	9 689	9 830
Total current liabilities		**643 534**	**634 421**
Total liabilities		**2 256 333**	**1 889 992**
Total equity and liabilities		**3 907 172**	**3 642 360**

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of comprehensive income	**Note**	**For 2017**	**For 2016**
Amounts staked	20	4 967 155	1 613 330
Gross gaming revenue (GGR)	20	1 664 027	591 246
Lottery tax	20	-530 436	-182 291
Net gaming revenue (NGR)	20	**1 133 591**	**408 955**
Other revenues	20	99 818	36 949
Other operating income	21	36 585	8 998
Agent´s commissions	22	-396 565	-130 875
Materials, consumables and services	23	-283 437	-100 745
Marketing expenses	24	-95 404	-39 134
Personnel expenses	25	-81 564	-28 039
Other operating expenses	27	-59 616	-22 910
Profit before interest, tax, depreciation and amortization (EBITDA)		**353 408**	**133 199**
Depreciation and amortization	26	-95 177	-16 934
Profit from operating activities		**258 231**	**116 265**
Interest income	28	2 937	5 733
Interest expense	28	-69 410	-49 286
Other financial gain/loss	28	-6 406	22 635
Loss from financial operations		**-72 879**	**-20 918**
Share of profit of equity-accounted investees (net of tax)	29	73 758	15 890
Profit before income tax		**259 110**	**111 237**
Income tax expense	30	-69 561	-18 962
Profit for the year after tax		**189 549**	**92 275**
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		-4 724	31
Remeasurement of hedging derivatives (net of tax)		16 462	-754
Share of other comprehensive income of equity accounted investees		-232	-2 445
Items that wil not be reclassified to profit or loss:			
Actuarial gain/loss		181	-179
Other comprehensive income/loss for the year	31	**11 687**	**-3 347**
Total comprehensive income for the year		**201 236**	**88 928**

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Profit for the year after tax attributable to:			
Equity holders of the Company		92 980	56 604
Non-controlling interests		96 569	35 671
Profit for the year after tax		**189 549**	**92 275**
Total comprehensive income attributable to:			
Equity holders of the Company		104 633	53 397
Non-controlling interests		96 603	35 531
Total comprehensive income for the period		**201 236**	**88 928**
Earnings per share	Note	**For 2017**	**For 2016**
Basic earnings per share for the year (in TEUR)	13	4 649	2 830
Diluted earnings per share for the year (in TEUR)	13	4 649	2 830

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of changes in equity	**Note**	**Share capital**	**Treasury shares**	**Capital contributions and other reserves**	**Retained earnings and profit for the period**	**Translation reserve**	**Total equity***	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017		**81**	**-1 042**	**438 862**	**183 041**	**-7 738**	**613 204**	**1 139 164**	**1 752 368**
Profit for 2017		--	--	--	92 980	--	92 980	96 569	189 549
Other comprehensive income/(loss)		--	--	16 345	32	-4 724	11 653	34	11 687
Total comprehensive income		**--**	**--**	**16 345**	**93 012**	**-4 724**	**104 633**	**96 603**	**201 236**
Transactions with owners, recorded directly in equity:									
Reallocation of profit of previous period		--	--	51	-51	--	--	--	--
Other movements in equity		--	-374	-54	444	--	16	-1 714	-1 698
Other capital contributions		--	--	31 651	--	--	31 651	--	31 651
Dividends paid		--	--	--	--	--	--	-258 533	-258 533
Withholding tax from dividends		--	--	--	--	--	--	-40 732	-40 732
Effect of new acquisitions		--	--	--	--	--	--	2 701	2 701
Effect of change in ownership interests		--	--	--	-26 383	--	-26 383	-9 771	-36 154
Total transactions with owners		**--**	**-374**	**31 648**	**-25 990**	**--**	**5 284**	**-308 049**	**-302 765**
Balance at 31 December 2017	13	**81**	**-1 416**	**486 855**	**250 063**	**-12 462**	**723 121**	**927 718**	**1 650 839**

* Total equity attributable to equity holders of the Company.

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of changes in equity	**Note**	**Share capital**	**Treasury shares**	**Capital contributions and other reserves**	**Retained earnings and profit (loss) for the period**	**Translation reserve**	**Total equity***	**Non-controlling interest**	**Total equity**
Balance at 1 January 2016		**81**	**--**	**189 134**	**126 528**	**-7 770**	**307 973**	**289**	**308 262**
Profit for 2016		--	--	--	56 604	--	56 604	35 671	92 275
Other comprehensive income/(loss)		--	--	-3 199	-40	32	-3 207	-140	-3 347
Total comprehensive income		**--**	**--**	**-3 199**	**56 564**	**32**	**53 397**	**35 531**	**88 928**
Transactions with owners, recorded directly in equity:									
Other movements in equity		--	-1 042	--	97	--	-945	-3 348	-4 293
Other capital contributions		--	--	252 927	-72	--	252 855	-255	252 600
Dividends paid		--	--	--	--	--	--	-25 599	-25 599
Effect of new acquisitions		--	--	--	--	--	--	1 132 836	1 132 836
Effect of change in ownership interests		--	--	--	-76	--	-76	-290	-366
Total transactions with owners		**--**	**-1 042**	**252 927**	**-51**	**--**	**251 834**	**1 103 344**	**1 355 178**
Balance at 31 December 2016	13	**81**	**-1 042**	**438 862**	**183 041**	**-7 738**	**613 204**	**1 139 164**	**1 752 368**

* Total equity attributable to equity holders of the Company.

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Consolidated statement of cash flows	**Note**	**For 2017**	**For 2016**
OPERATING ACTIVITIES			
Profit (+) for the year		189 549	92 275
Adjustments for:			
Income tax expense	30	69 561	18 962
Depreciation and amortization	26	95 177	16 934
Profit (-) / loss (+) on sale of property, plant and equipment and intangible assets	21,27	67	-575
Profit (-) on revaluation of non-current assets, financial instruments and investments	28	--	-23 371
Net interest expense (+)	28	66 473	43 553
Net FX gains (-) / losses (+)	28	346	-365
Other financial gains (dividends)	28	-34	-40
Share of profit (-) of equity-accounted investees	29	-73 758	-15 890
Other non-monetary transactions		--	262
Operating result before changes in working capital and provisions		**347 381**	**131 745**
Increase (+) / decrease (-) in provisions		-1 369	653
Increase (-) / decrease (+) in inventories		4 548	-9 776
Increase (-) / decrease (+) in trade receivables and other assets		-48 314	46 586
Increase (+) (decrease (-) in trade and other payables		38 879	-19 097
Cash generated from operating activities		**341 125**	**150 111**
Interest paid		-47 377	-37 936
Income tax paid		-34 741	-59 799
Net cash generated from operating activities		**259 007**	**52 376**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		-95 380	-13 251
Acquisition of subsidiaries and equity-accounted investees, net of cash acquired		-143 671	-182 056
Proceeds from sale of property, plant and equipment and intangible assets		195	736
Interest received		2 547	5 717
Dividends received	28	34	40
Decrease (+) in short-term financial assets	10	4 698	31 373
Net cash used in investing activities		**-231 577**	**-157 441**
FINANCING ACTIVITIES			
Dividends paid		-299 265	-25 599
Other contributions to equity		31 651	252 600
Loans and borrowings received		740 231	823 404
Repayment of loans and borrowings		-450 366	-599 220
Acquisition of treasury shares		-1 585	-4 735
Net cash generated from financing activities		**20 666**	**446 450**
Net increase in cash and cash equivalents		**48 095**	**341 385**
Effect of currency translation		-3 806	-13
Cash and cash equivalents at the beginning of the accounting period	11	**365 999**	**24 627**
Cash and cash equivalents at the end of the accounting period	11	**410 288**	**365 999**

The notes on pages 10 to 84 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements – Contents

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Notes to the consolidated financial statements

1. General information about the Group

1.1 Description

SAZKA Group a.s. (originally PUU Czech, a.s.) ("the Company") was established on 2 April 2012 by the entry in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18161. The Company's registered office is at Vinohradská 1511/230, Strašnice, 100 00 Praha 10, Ident. No. 242 87 814. The Company was founded for the purpose of holding capital investments in other entities.

SAZKA Group a.s. ("the Group") operates its lottery, betting and non-lottery business in the Czech Republic, Greece, Cyprus, Austria, Italy and Vietnam and is included into the consolidated Group of the parent Company KKCG AG (for more details see also note 1.5 bellow).

1.2 Principal activity

The principal activity of the Group is the operation of lotteries and other similar games in accordance with applicable legislation, i.e. the operation of instant and numerical lotteries, sports and odds betting and other similar games.

In addition to lottery and betting activities, the Group also operates non-lottery business activities through points of sale and terminals (e.g. telecommunication, payment services etc.). Furthermore, the Group also develops investing activities within which shares in companies with similar business activities are acquired.

1.3 Group companies

The following table details companies that are part of SAZKA Group a.s.'s consolidated group and shows ownership interests held by the parent company in these companies.

Company name	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: SAZKA Group a.s.	Czech Republic	--	--	full
Subsidiary: SAZKA Czech a.s. – sub-group	Czech Republic	100%	100%	full
Subsidiary: Austrian Gaming Holding a.s. – sub-group	Czech Republic	100%	100%	full
Subsidiary: RUBIDIUM HOLDINGS LIMITED	Cyprus	100%	100%	full
Subsidiary: Vitalpeak Limited	Cyprus	100%	100%	full
Subsidiary: IGH Financing a.s. – sub-group	Czech Republic	100%	100%	full
Subsidiary: Emma Delta Management Ltd – sub-group	Cyprus	66.7%(1)	66.7%(1)	full
Subsidiary: SAZKA Asia a.s. – sub-group	Czech Republic	100%	100%	full
Subsidiary: SAZKA Group Financing a.s. (2)	Slovakia	100%	--	full
Subsidiary: SAZKA Group Russia LLC (3)	Russia	100%	--	full

(1) *66.7 % represents voting shares, total economic share in* EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD *is 71.86%.*

(2) *SAZKA Group Financing a.s. entered the consolidation group on 18 October 2017.*

(3) *SAZKA Group Russia LLC entered the consolidation group on 29 August 2017.*

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

SAZKA Czech a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: SAZKA Czech a.s.	Czech Republic	--	--	full
Subsidiary: SAZKA FTS a.s.	Czech Republic	100%	100%	full
Subsidiary: SAZKA a.s. (4)	Czech Republic	100%	100%	full
Subsidiary: SPORTLEASE a.s.	Czech Republic	100%	100%	full
Subsidiary: Kavárna štěstí s.r.o.	Czech Republic	100%	100%	full

(4) Fsázky a.s. became part of the consolidated subgroup SAZKA a.s. on 23 May 2017. On 1 December 2017, Fsázky a.s. merged to SAZKA a.s.

Austrian Gaming Holding a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: Austrian Gaming Holding a.s.	Czech Republic	--	--	full
Subsidiary: CAME Holding GmbH – sub-group	Austria	100%	100%	full
Subsidiary: BAIH Beteiligungsverwaltungs GmbH – sub-group (5)	Austria	--	100%	full
Associated company: LTB Beteiligungs GmbH (6)	Austria	--	41.766%	equity

CAME Holding GmbH sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: CAME Holding GmbH	Austria	--	--	full
Subsidiary: BAIH Beteiligungsverwaltungs GmbH – sub-group (5)	Austria	100%	--	full
Associated company: LTB Beteiligungs GmbH (6)	Austria	41.766%	--	equity
Associated company: Medial Beteiligungs-GmbH	Austria	29.63%	29.63%	equity

(5) On 11 December 2017 the share of 100% owned by Austrian Gaming Holding a.s. was sold to subsidiary CAME Holding GmbH.

(6) The share of 24.9% was owned by BAIH Beteiligungsverwaltungs GmbH and 41.76% was owned by Austrian Gaming Holding a.s in 2016. On 11 December 2017 the share of 41.76% owned by Austrian Gaming Holding a.s. was sold to subsidiary CAME Holding GmbH.

BAIH Beteiligungsverwaltungs GmbH sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: BAIH Beteiligungsverwaltungs GmbH (4)	Austria	--	--	full
Associated company: CLS Beteiligungs GmbH	Austria	66.67%	66.67%	equity
Associated company: LTB Beteiligungs GmbH	Austria	24.9%	24.9%	equity

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IGH Financing a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: IGH Financing a.s.	Czech Republic	--	--	full
Subsidiary: Italian Gaming Holding a.s. – sub-group	Czech Republic	100%	100%	full

Italian Gaming Holding a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: Italian Gaming Holding a.s.	Czech Republic	--	--	full
Associated company: LOTTOITALIA S.r.l.	Italy	32.5%	32.5%	equity

Emma Delta Management sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: Emma Delta Management Ltd	Cyprus	--	--	full
Subsidiary: EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD – sub-group	Cyprus	100% (7)	--	full

(7) During the reported period the Group increased investor shares of EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD to 71.86%. This increase only represents an increase in the economic share in the company without change of control.

EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	Cyprus	--	--	full
Subsidiary: Emma Delta Finance Plc	Cyprus	100%	100%	full
Subsidiary: Emma Delta Hellenic Holdings Limited – sub-group	Cyprus	100%	100%	full

Emma Delta Hellenic Holdings Limited sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: Emma Delta Hellenic Holdings Limited	Cyprus	--	--	full
Subsidiary: OPAP S.A. – sub-group (8)	Greece	33%	33%	full

(8) According to IFRS 10, the Group has control over the OPAP sub-group through the combination of holding the largest individual stake of shares (with remaining free float being widely held by minority shareholders) and majority in the Board (including the roles of CEO and Executive Chairman).

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OPAP S.A. sub-group includes:	Registered office	Ownership interest at 31/12/2017	Ownership interest at 31/12/2016	Consolidation method
Parent company: OPAP S.A.	Greece	--	--	full
Subsidiary: OPAP CYPRUS LTD	Cyprus	100%	100%	full
Subsidiary: OPAP INTERNATIONAL LTD	Cyprus	100%	100%	full
Subsidiary: OPAP SERVICES S.A.	Greece	100%	100%	full
Subsidiary: OPAP SPORTS LTD	Cyprus	100%	100%	full
Subsidiary: OPAP INVESTMENT LTD	Cyprus	100%	100%	full
Subsidiary: HELLENIC LOTTERIES S.A.	Greece	67%	67%	full
Subsidiary: TORA DIRECT S.A.	Greece	100%	100%	full
Subsidiary: HORSE RACES S.A.	Greece	100%	100%	full
Subsidiary: TORA WALLET S.A.	Greece	100%	100%	full
Associated company: GLORY TECHNOLOGY LTD (9)	Cyprus	--	20%	equity
Subsidiary: Neurosoft S.A. (10)	Greece	67.72%	29.53%	full

(9) On 14 December 2017, the share in GLORY TECHNOLOGY LTD was sold.

(10) On 31 July 2017, the Group acquired 38.19% share in Neurosoft S.A. and from this date the subsidiary is fully consolidated.

The SAZKA Asia a.s. sub-group includes:	Registered office	Ownership structure at 31/12/2017	Ownership structure at 31/12/2016	Consolidation method
Parent company: SAZKA Asia a.s.	Czech Republic	--	--	full
Subsidiary: Sazka Asia Vietnam Company Limited	Vietnam	100%	100%	full
Subsidiary: Sazka Distribution Vietnam Joint Stock Company (11)	Vietnam	90%	--	full

(11) Sazka Distribution Vietnam Joint Stock Company became part of the consolidated group on 28 June 2017.

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1.4 Statutory body and supervisory board

The board of directors as at 31 December 2017:

Chairman of the board of directors:	Karel Komárek
Member of the board of directors:	Jiří Šmejc
Member of the board of directors:	Pavel Šaroch
Member of the board of directors:	Pavel Horák

Supervisory board as at 31 December 2017:

Chairman of the supervisory board:	Tomáš Porupka
Member of the supervisory board:	Jakub Sokol
Member of the supervisory board:	Radka Fišerová

1.5 Shareholders as at 31 December 2017:

KKCG AG Registered office: Kapellgasse 21, 6004 Luzern Switzerland	75%
EMMA GAMMA LIMITED Registered office: Esperidon 12, 4th floor 1087 Nicosia Cyprus	25%

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union („IFRS‟).

The Group does not have to prepare consolidated financial statements in accordance with Czech GAAP; consequently, notes to the consolidated financial statements do not include reconciliation between the consolidated financial statements under the Czech Accounting Standards and the consolidated financial statements under IFRS.

The accounting policies described in Note 3 were used in preparing the consolidated financial statements for the year ended 31 December 2017 and in preparing the comparative information as at 31 December 2016.

These consolidated financial statements were approved by the board of directors on 28 March 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

The Group is consistent in applying the accounting policies described below.

(c) Functional and presentation currency

The functional currency of the Company is the Czech Koruna (CZK), individual group entities have their own functional currencies.

These IFRS consolidated financial statements are presented in Euro (EUR). All financial information is rounded to the nearest thousand (TEUR), unless stated otherwise.

Any differences between the amounts included in the financial statements and the respective amounts included in the notes are attributed to roundings.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to make assumptions based on its own judgement in applying accounting policies. Consequently, actual results may differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either in the period in which the estimate is revised (providing that the revision relates only to that period) or in the revision period and future periods (providing that the revision relates to both the current and future periods).

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 3 and 5 – recognition of goodwill, impairment of goodwill, impairment of intangible assets that have indefinite useful lives and assessment of useful lives of intangible assets;
- Notes 3 and 6 – assessment of useful lives of property, plant and equipment;
- Note 17 – provisions;
- Note 18 – derivative financial instruments;
- Note 30 – calculation of taxes;
- Note 33 – definition of contigences, assessment of litigations.

(e) New standards and amendments applicable from 1 January 2017

The Group applied for the first time certain standards and amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017.

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.

The Group has early adopted IFRS 9 Financial instruments with a date of initial application of 1 January 2017 (for details please refer to chapter Change in accounting policies (g)).

IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group has early adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2017. As a result the Group has changed its accounting policy for revenue recognition (for details please refer to chapter Change in accounting policies (g)).

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Amends IAS 12 *Income Taxes* to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Group’s accounting policy is consistent with this amendment, there are no changes to this accounting policy.

Amendments to IAS 7: Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2017.

Amends IAS 7 *Statement of Cash Flows* to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual improvements 2014-2016 cycle: Amendments to IFRS 12

The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.

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

The following new standards and amendments were not effective for the period ended 31 December 2017 and were not applied when preparing these consolidated financial statements.

Other standards, interpretations and amendments to issued standards adopted before 31 December 2017 but not yet effective that are not described below are deemed by the Group as irrelevant.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group will aim for modified retrospective transition option applying the practical expedient of:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group leases the following types of underlaying assets resulting from contractual arrangements that would be in the scope of the new standard (treated as operating lease) as at 31 December 2017:

- Premises
- Cars
- IT equipment

In relation to premises, the Group does expect that the new Standard, when initially applied, will have a significant impact on the financial statements, since it will require the Group to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Group acts as a lessee. The Group calculated the estimated present value of remaining lease payments of rents with definite lease term of TEUR 31 480 as at 31 December 2017.

The Group has identified rents of premises and cars with indefinite lease term for which the detailed analysis of separate lease term is required and will be undertaken as of the date of adoption. As at 31 December 2017, the Group does not expect a significant impact on financial statements resulting from rents with indefinite lease term.

In relation to IT equipment, The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Group is party to a contractual arrangement that results in variable lease payments, which are excluded from the measurement of lease assets and lease liabilities. Instead, these costs are recognised as expenses in the period in which they are incurred. As the Group has only lease contracts with variable lease payments, those are linked to future sales from the leased item, there is no change in accouting treatment under adoption of IFRS 16.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements

Annual Improvements 2014-2016 Cycle

In December 2016, IASB published a set of three amendments for 2014–2016 (IFRS 12, IFRS 1 and IAS 28). Amendments to IFRS 12 are effective from 1 January 2017; the other two amendments from 1 January 2018. These amendments were endorsed for the application within the EU on 7 February 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Effective for annual periods beginning on or after 1 January 2018. Not yet endorsed for use in the EU.

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date deferred indefinitely. EU endorsement currently halted.

Amends IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations),
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Amendments to IAS 40: Transfers of Investment Property

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. The amendments also provide that property under construction may also be transferred to investment property when there is evidence of the change in use.

The Group does not expect that the amendment will have an impact on the Group's financial statements. This interpretation has not yet been approved for application within the EU.

IFRIC 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group does not expect that the amendment will have an impact on the Group's financial statements. This interpretation has not yet been approved for application within the EU.

IFRIC 23 Uncertainty over Income Tax Treatments (issued by IASB on 7 June 2017)

The interpretation clarifies how to report and value deferred tax and current income tax receivable/payable where uncertainty over income tax treatments during the preparation of an income tax return exists. IFRIC 23 shall be applied when determining taxable income (tax losses), taxable bases, unutilised tax losses, unutilised tax offsets and tax rates where uncertainty over the accounting for income tax exists.

This interpretation has not yet been approved for application within the EU.

IFRS 17 Insurance contracts

Effective for annual periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This standard will have no impact on the Group's financial statements.

Annual improvements to IFRS standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.

(g) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The Group has early adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2017. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5(c) of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2017. The details and quantitative impact of the changes in accounting policies are disclosed below.

Although the modified retrospective method of transition is applied, the comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. As the gaming revenues are already being reported net after deduction for player winnings (prizes), which are calculated according to outcome of the game and the received stakes relating to future lottery periods are already recorded as deferred revenues the Group does not expect the adoption of the new revenue standard to have a material impact on the Group's net assets on an ongoing basis. The following revenue breakdown demonstrates that accounting treatment of the revenue recognition is either already in line with the new revenue standard or has non-material impact to reported figures within the Notes.

Draw based games (numerical lotteries)

Revenue is recognized when received stakes belong to the period to which they relate in terms of timing and substance. Received stakes relating to future lottery periods are recognized as deferred revenues ("Numerical lottery subscription").

Betting

Amounts staked are recognized when the bet event result occurs. For a series of bet events, revenues are recognized when the last bet event result occurs. Betting payouts are recognized when the event occurred on an accrual basis.

Instant lotteries

Gross revenues are recognized when the instant lottery tickets are being removed from the central warehouse or point of sale after being purchased by the customer, wholesalers or the agent's network.

VLT Technology

Revenue is defined as the algebraic sum of all players' sessions within a period. A player's session begins when the player inserts his/her card in the machine and ends when he/she takes the card out. Revenue (GGR) is recognized on the net effect (receipts –prizes) of each player's game session. VLT machines were launched in the year 2017.

Unclaimed prizes

Unclaimed prizes, expired winnings that have failed to be claimed by the winners, are either recognised as revenue after the relevant claim period expires or attributed to the State after the given relevant claim period expires.

Loyalty program

Benefits granted to customer reduce the revenues of the product. The Group has launched a loyalty program in 2017 in connection with its new on-line platform. Revenues and expenses are reported on an accrual basis, always allocated to the period to which they relate in terms of timing and substance.

Mobile phone top-up service

Revenues and expenses from GSM services are reported on an accrual basis when the transaction is complete (performed). The Group operates as an agent for a mobile operator and therefore records as revenue the net amount it retains as a commission. Revenue is not connected with any relating additional service.

Mobile virtual network operator (MVNO)

Revenues and expenses from MVNO are reported on an accrual basis, always allocated to the period to which they relate in terms of timing and substance. Revenue is recognized when the flow of voice or data services takes place, regardless of when the payment or collection is being made. Revenue is not connected with any relating additional service.

Ticket sale

Revenues from the sale of tickets are reported on an accrual basis, always allocated to the period to which they relate in terms of timing and substance. The Group operates as an agent for ticket sale and therefore records as revenue the net amount it retains as a commission. Revenue is not connected with any relating additional service.

IFRS 9 Financial instruments

The Group has early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Group would have to adopt consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI, however as the impairment charged to statement of profit and loss and OCI is highly non-material by nature, the Group's approach is to keep the impairment of trade receivables included in other expenses and disclosed in the Notes. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures. All relevant consequential amendments are applied to disclosures for 2017 but generally have not been applied to comparative information.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, however, as there is no significant impact on the Group resulting from the adoption, the comparative periods have not been restated. Thus, the information presented for 2016 does generally reflect the requirements of IFRS 9 and therefore is comparable to the information presented for 2017 under IFRS 9.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characterized. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group has no financial assets except for Investments accounted for using the equity method, which are out of scope of IFRS 9. Thus, the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial assets and liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for impairment of financial assets.

Hedge Accounting

The Group has elected to not adopt the new general hedge accounting model in IFRS 9 and opted out for the exemption according to IFRS 9 allowing the Group to keep all hedging relationships designated under IAS 39 at 31 December 2017.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

At the date of a business combination, non-controlling interests are accounted for at their proportionate share of the acquiree's identifiable net assets, which are generally measured at fair value.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iii. Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

iv. Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control. Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition less impairment losses. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

v. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group, do not follow IFRS 3, when such transactions comply with the "common control" definition stated in IFRS 3.

By this type of transactions market valuation of assets at the date of acquisition is not performed.

The difference between cost and carrying amount of identifiable assets and liabilities acquired is directly recorded in equity at the date of acquisition and therefore no goodwill is recognized.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Long-term financial assets at fair value through profit or loss

An instrument is classified as a financial asset at fair value through profit or loss if it is held for trading or if designated like this by the initial recognition. Transaction costs at initial recognition are recognized in profit or loss. Financial instruments at fair value through profit or loss are measured at fair value and subsequent changes in measurement are recognized at profit/loss from financial operations.

(c) Other non-derivative financial assets

The Group has additionaly the following non-derivative financial assets: trade receivables, other receivables and loans provided.

i. Classification

Trade receivables, other receivables and loans provided are non-derivative financial assets with fixed or determinable payments. Such assets are not quoted in an active market and are not classified as available for sale or held to maturity or as assets at fair value through profit or loss.

ii. Recognition

Trade receivables, other receivables and loans provided are initially recognised on the date that they are originated.

iii. Measurement

Trade receivables, other receivables and loans provided are measured at amortised cost less any impairment losses.

When applying amortised cost, any difference between the cost and the value upon redemption is recognised in the consolidated statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

iv. Derecognition

The Group derecognises trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

v. Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle the transaction on a net basis.

(d) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, and finance lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs. Subsequently, financial liabilities, other than financial liabilities at fair value through profit or loss, are measured at amortised cost using the effective interest method.

The Group classifies as current any part of non-current loans and borrowings that is due within one year of the date of the consolidated statement of financial position.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(e) Derivative financial instruments

Embedded derivatives

Financial and non-financial contracts (that are not themselves measured at fair value through profit or loss) are assessed in order to determine whether they contain embedded derivatives.

Embedded derivatives in a hybrid contract with a host that is a financial asset are not separated from the host contract. Instead, the hybrid financial instrument as a whole is assessed for classification.

Changes in the fair value of both the host contract and the embedded derivative are recognised immediately in profit or loss.

(f) Hedging derivatives and hedge accounting

The Group uses hedging derivatives (interest rate swaps) to mitigate risks associated with the volatility of future cash flows as a result of changes in interest rates over the hedged period. Hedging derivatives are recognised in the balance sheet at fair value (see note 4). Derivatives' positive fair values are recognised in "Short-term receivables from financial instruments" in assets. Derivatives' negative fair values are reported in "Short-term payables from financial instruments" in liabilities.

In accordance with the IFRS, the Group decided to apply hedge accounting to report effects of interest rate risk hedging and, consequently, prepared a document describing the hedge relationship between the hedged item and the hedging derivative.

This document contains information about the following:

- hedged items;
- hedging derivatives;
- risks that are being hedged;
- calculation of hedge effectiveness.

The Group applies hedge accounting if:

- the hedge is in line with the Group's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,

- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The Group applies hedge accounting to hedge the exposure to changes in cash flows. From recognised assets or liabilities, or forecast transactions, the effective portion of the hedge (i.e. the change in the fair value of the hedging instrument attributable to the hedged risk) is recognised in other comprehensive income (under "Capital contributions and other reserves" within equity). The ineffective portion is recognised in the consolidated statement of comprehensive income in profit or loss for the period.

(g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options other than in a business combination are recognised as a deduction from equity, net of any tax effects.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at the bank and short-term highly liquid investments (including fixed-term deposits) with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank accounts and deposits that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restricted cash is also included in Cash and Cash equivalents. Restricted cash is cash not available for immediate use. Such cash cannot be used by a Group until a certain point or event in the future.

(i) Impairment

i. Non-financial assets and investments in subsidiaries, jointly controlled entities and associates

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, and the Group's investments in subsidiaries, jointly-controlled entities and associates are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least annually at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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 together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated 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. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the business combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications 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 amortisation, if no impairment loss had been recognised.

ii. Financial assets (including trade and other receivables)

Financial instruments not carried at fair value through profit or loss and contract assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. IFRS 9 Financial Instruments establishes a new model for recognition and measurement of impairments of financial instruments and contract assets that are measured at Amortized Cost or FVOCI—the so-called "expected credit losses" or "ECL" model.
The Group recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;
– debt investments measured at FVOCI; and
– contract assets (as defined in IFRS 15)

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

– debt securities that are determined to have low credit risk at the reporting date; and
– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB-or higher per rating agency S&P. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Short-term receivables are not discounted. When determining the recoverable amount of loans and receivables, the debtor’s creditworthiness and financial performance and the value of all pledges and third-party guarantees are taken into consideration. If, in a subsequent period, the recoverable amount of an impaired receivable measured at amortised cost increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed.

(j) Property, plant and equipment

i. Assets owned

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. At the inception of a finance lease, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, less accumulated depreciation (see below) and any impairment losses.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognised in the Group’s consolidated statement of financial position.

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

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When identifying lease arrangements, the Group also considers additional criteria defined in IFRIC 4 – Determining Whether an Arrangement Contains a Lease. The Group examines whether the arrangement conveying the right to use the asset meets the definition of a lease.

iii. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the expenditure can be measured reliably. All other expenses, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in the consolidated statement of comprehensive income as incurred.

iv. Depreciation expense

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the individual categories of property, plant and equipment are as follows:

• Appliances and special technical equipment	4 - 14 years
• Fixtures and fittings	4 - 14 years
• Power and propulsion machinery and equipment	5 - 20 years
• Vehicles	6 years
• Other constructions	50 years
• Work machinery and equipment	4 - 14 years
• Buildings and halls	20 - 60 years
• Utility networks	30 - 60 years
• Construction improvements to outdoor surfaces	15 - 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible assets

i. Goodwill and intangible assets acquired as part of business combinations

Goodwill is the excess of the cost of an acquisition over the fair value of the Group's interest in the net identifiable assets of the acquiree as at the acquisition date. Goodwill is recognised as an intangible asset.

Goodwill is initially measured at cost less accumulated impairment losses, and is tested for impairment annually.

Gains and losses on the sale of a business also include the carrying amount of goodwill attributable to the business sold.

Intangible assets acquired through a business combination are recognised at fair value as at the acquisition date, providing that they are separable or originated as a result of contractual or other legal rights. Indefinite-lived intangible assets are not amortised and are recognised at cost less any impairment losses.

Intangible assets that have finite useful lives are amortised over their estimated useful lives and are recognised at cost less accumulated amortisation (see below) and any impairment losses.

ii. Software and other intangible assets

Software and other intangible assets that are acquired by the Group and have finite (definite) useful lives are measured at cost less accumulated amortisation (see below) and any impairment losses.

Indefinite-lived intangible assets are not amortised and instead are tested annually for impairment. At each reporting date their useful lives are reviewed in order to determine whether the current events and circumstances support the indefinite nature of their useful lives.

iii. Subsequent expenditure

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iv. Amortization expense

Except for goodwill, trademarks and the lottery operator's licences, intangible assets are amortised on a straight-line basis in the consolidated statement of comprehensive income over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Software — 2 - 7 years
- Property rights - other — 6 years
- Appreciable right, licenses — based on their validity term
- Distribution network (contracts with providers) — 20 years
- Other intangible assets — 3 – 6 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Assets held for sale

Assets with a significant carrying amount that are highly likely to be sold within one year of the reporting date are not included in non-current assets, but are presented separately as part of current assets at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated.

(m) Other non-current investments

Other non-current investments are not consolidated and are stated at cost less any impairment loss following the acquisition.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes the purchase price, import duties and other taxes (except for those that the Group subsequently reclaims from the tax authorities), freight, handling costs and other expenses directly attributable to the acquisition of finished goods, materials and services. Cost is reduced by trade discounts, rebates and other similar items.

(o) Adjustments

Adjustments to impaired assets are established based on information ascertained primarily during the physical count and reconciliation process. Adjustments to receivables are established and reversed in accordance with an internal guideline.

(p) Provisions

A provision is recognised in the consolidated statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are recognised at the expected settlement amount. Long-term liabilities are recognised as liabilities at the present value of the expenditures expected to be required to settle the liability. Where the effect of discounting is material, the discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any additions and the effects of changes in interest rates are recognised as finance income or costs in the consolidated statement of comprehensive income.

Changes in estimated provisions may arise in particular due to variances from the originally estimated expenditures or due to a change in the date of settlement, or in the extent, of the liability. Changes in estimates are generally recognised in the consolidated statement of comprehensive income as at the date that the estimate is changed. Provisions are reviewed on an ongoing basis.

Establishment and use of provisions

Additions to provisions are charged to the relevant expense accounts corresponding to the nature of the provision. Discounting of provisions is charged to financial expenses as interest expense. The use and release of provisions are recognized as a decrease in the relevant expense accounts.

Jackpot provision

Jackpot games are games with fixed odds where unpaid winnings are transferred to next draw as a bonus. In next draw there are normal, regular winnings from amounts staked in current draw and bonuses transferred from previous draw. This obligation to transfer the unpaid winnings is given in game approval from regulator. Group creates a provision for bonuses on jackpot, which are transferred to next draw.

Warranty provision

A warranty provision is recognized upon the sale of a particular product or the provision of a service. The provision is determined based on historical records of warranty provisions, taking into account all possible development scenarios and their probability.

Restructuring provision

A restructuring provision is recognized once the Group has approved a detailed restructuring plan and restructuring has started or has been publicly announced. No provision is established for future operating losses.

(q) Employee benefits

Money that the Group is obliged to pay to its employees is recognised as short-term (e.g. wages, social security contributions, paid annual leave) or long-term liabilities (e.g. retirement benefits, jubilees).

Contributions to defined contribution pension plans are recognised as employee benefit expense on an accrual basis. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The net liability of the Group in respect of defined benefit pension plans is calculated separately for each scheme as an estimate of the future benefits to which the employees are entitled in relation to their work in the current and prior periods; the value of the liability is equal to the present value of defined benefit payable at the balance sheet date less the fair value of plan assets and of past services cost. The defined benefit liability and the related expense are estimated annually by independent actuaries using the projected credit unit method. The present value of the liability is determined by discounting the estimated future cash flows to the interest rate of high quality corporate bonds or government bonds in the same currency as the liability with proportional liability duration, or interest rate that takes into account the risk and duration of the liability, where the market depth for such bonds is weak. The expenses for defined benefit plans, as estimated, are recognized in the income statement and are included in personnel expenses. Additionally the actuarial gains/(losses) are recognised in other comprehensive income.

(r) Revenue recognition and accounting for winnings

Revenue is recognised at fair value received or claimed during regular business activities.

Expenses and revenue are recognised in the period to which they relate in terms of timing and substance. Revenue is shown net of value added tax, estimated discounts. The amount of revenue is considered to be reliably measurable when all contingencies relating to the sale have been resolved.

Revenues from lottery, betting and VLTs

Gaming revenues are reported net after deduction for player winnings.

Received stakes relating to future lottery periods are recorded as deferred revenues ("Numerical lottery subscription").

Lottery tax, assessed as percentage (according to specific country legislation) of revenue from stakes less wins in the period, is recognised based on recognised revenue less wins in the period.

Prize claims are recognized in lottery period based on the date of lottery draw and presented in balance sheet as other current payables, presented on accrual basis at the end of reporting period.

Unclaimed prizes (expired winnings that have been failed to claim by the winners) are recognized as a revenue after the relevant period given to winner expires, otherwise it is still reported as a payout/obligation to winners in balance sheet. In OPAP S.A. Group unclaimed prizes are attributed to the State after the given relevant claim period expires.

Draw based games (numerical lotteries)
There are two types of draw based games – Fixed odds and Pari mutuel (jackpot games).

For Fixed odds, the payout is fixed amount.

For Pari mutuel games payout pool is created and in case there is no winner in the given draw and the prize is rolled to the next draw as jackpot, the provision is recognized (on net basis).

Revenue is recognized when received stakes belongs to the period to which they relate in terms of timing and substance. Received stakes relating to future lottery periods are recognized as deferred revenues.

Instant lotteries
Revenues from lottery tickets sale are recognized in the period when the transaction is complete (performed). Instant lotteries payouts are recognized on accrual basis based on the claim date.

Betting (odds bets)
Odds bets are organized, according to gaming plan, via online (internet based) betting system connected to central IT system.

Amounts staked are recognized when the bet event result occurs. For a series of bet events, revenues are recognized when the last bet event result occurs. Betting payouts are recognized when the event occurred on accrual basis.

VLTs
Revenue is defined as the algebraic sum of all players' sessions within a period. A player's session begins when the player inserts his/her card in the machine and ends when he/she takes the card out. Revenue (GGR) is recognized the net effect (receipts – winnings) of each player's game session.

Other revenues

Other revenues which do not represent the main business includes:

- Mobile virtual network operator
- Mobile phone (GSM) top-up service
- Sale of tickets
- Revenue from commissions
- Revenue from other services

(s) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest and interest on loans provided), dividend income, gains on the disposal of available-for-sale financial assets, foreign exchange gains, and gains on derivative instruments that are recognised in profit or loss, and changes in the fair value of financial assets at fair value through profit or loss.

Finance costs comprise interest expense on loans and borrowings and on finance leases, bank fees, losses on disposal of available-for-sale financial assets, foreign exchange losses, and losses on derivative instruments that are recognised in profit or loss, and changes in the fair value of financial assets at fair value through profit or loss.

i. Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method, and comprises interest income on funds invested (bank interest and interest on loans provided).

ii. Interest expense

Interest expense is recognised as it accrues in profit or loss, using the effective interest method, and comprises interest expense on bank loans and borrowings and on finance leases.

iii. Financial gains and losses

Financial gains and losses primarily comprise foreign exchange gains and losses, income arising from the ownership of securities, bank fee and changes in fair value of financial assets at fair value through profit or loss.

(t) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates valid at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences in respect of assets and liabilities whose initial recognition affects neither accounting nor taxable profit. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, if there is an intention to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash-flow hedges, which are recognised in other comprehensive income.

For the companies with functional currency different to the Group's presentation currency (Euro), the assets and liabilities (including goodwill and fair value adjustments arising on acquisition) are translated to the presentation currency using exchange rates ruling at the reporting date. The income and expenses of these companies are translated to Euro using average exchange rate for the period. Foreign currency differences are recognised in other comprehensive income and in equity as a separate component (Translation reserve).

(v) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(w) Related parties

A related party is a person or entity that is related to the entity preparing the consolidated 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.

B) An entity is related to the reporting entity if any of the following conditions is met:

(I) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(II) One entity is an associate or joint venture of the other entity (or an associate or 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 associate 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 sponsoring 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 (I) has significant influence over the entity or is a member of the key management personnel of the entity (or its parent).

(x) Operating segments

Segment information is presented based on the internal management reports and information provided to the chief operating decision makers, as required by IFRS 8. An operating segment represents a separate category of games or other services offered by Group entities. Information for operating segments that do not constitute reportable segment is combined and disclosed in the „Other" cattegory.

(y) Non-controlling interests

The Group measures non-controlling interest at its proportionate share of the recognised amount of the identifiable net assets.

4. Determination of fair value

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value hierarchy

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other input-based methods that have a significant impact on the recorded fair value and that are observable either directly or indirectly
- Level 3: input-based methods that have a significant impact on the recorded fair value and that are not based on observable market data

The fair values of assets (other than cash at the bank and cash in hand) and liabilities that are not measured at fair value are determined using techniques based on Level 3 of the fair value hierarchy. The fair value of cash at the bank and cash in hand is determined using Level 1 of the fair value hierarchy.

(a) Intangible assets

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(b) Non-derivative financial assets

The fair value of long-term trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of long-term financial assets through profit or loss is determined based on net asset value which corresponds to the fair value of the underlying asset held by the company, recognised on the side of the company that holds the financial asset. Unrealized gains and losses from revaluation of financial assets at fair value are recognized through profit or loss under Finance income/expense.

(c) Non-derivative financial liabilities

The fair value determined for the purpose of presenting long-term trade payables is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Derivative financial liabilities

The fair value of interest rate swaps is determined based on revaluation carried out by the counterparty (the bank) at the reporting date (see Note 18).

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5. Intangible assets and goodwill

2017	Licences & property rights	Brands and trademarks	Software	Intangible assets under construction	Other intangible assets	Goodwill	Total
Acquisition cost							
Balance at 1/1/2017	**1 138 855**	**793 644**	**21 646**	**--**	**84 636**	**561 937**	**2 600 718**
Effect of new acquisitions	4	--	4 210	--	--	40 493	44 707
Additions	4 227	--	16 495	348	3	--	21 073
Transfers	--	--	3 680	124	-3 094	--	710
Disposals	--	--	-751	--	--	--	-751
Effect of currency translation	270	4 014	450	15	198	20 666	25 613
Balance at 31/12/2017	**1 143 356**	**797 658**	**45 730**	**487**	**81 743**	**623 096**	**2 692 070**
Accumulated amortisation							
Balance at 1/1/2017	**-8 384**	**--**	**-8 295**	**--**	**-493**	**--**	**-17 172**
Amortisation expense	-69 225	--	-8 046	--	-370	--	-77 641
Disposals	--	--	751	--	--	--	751
Effect of currency translation	-18	--	-205	--	-27	--	-250
Balance at 31/12/2017	**-77 627**	**--**	**-15 795**	**--**	**-890**	**--**	**-94 312**
Net book value at 1/1/2017	**1 130 471**	**793 644**	**13 351**	**--**	**84 143**	**561 937**	**2 583 546**
Net book value at 31/12/2017	**1 065 729**	**797 658**	**29 935**	**487**	**80 853**	**623 096**	**2 597 758**

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2016	Licences & property rights	Brands and trademarks	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance at 1/1/2016	**4 434**	**69 267**	**2 225**	**3 602**	**356 564**	**436 092**
Effect of new acquisitions	1 134 281	724 364	16 772	79 539	205 309	2 160 265
Additions	139	--	2 482	1 717	--	4 338
Transfers	--	--	166	-166	--	--
Disposals	--	--	--	-59	--	-59
Effect of currency translation	1	13	1	3	64	82
Balance at 31/12/2016	**1 138 855**	**793 644**	**21 646**	**84 636**	**561 937**	**2 600 718**
Accumulated amortisation						
Balance at 1/1/2016	**-159**	**--**	**-4 429**	**-321**	**--**	**-4 909**
Amortisation expense	-8 225	--	-3 865	-172	--	-12 262
Effect of currency translation	--	--	-1	--	--	-1
Balance at 31/12/2016	**-8 384**	**--**	**-8 295**	**-493**	**--**	**-17 172**
Net book value at 1/1/2016	**4 275**	**69 267**	**-2 204**	**3 281**	**356 564**	**431 183**
Net book value at 31/12/2016	**1 130 471**	**793 644**	**13 351**	**84 143**	**561 937**	**2 583 546**

Intangible assets primarily comprise intellectual property rights (mainly licenses), brands and trademarks, software and goodwill.

As at 31 December 2017 and 31 December 2016 trademarks were pledged as collateral. As at 31 December 2017, the value of pledged trademarks was TEUR 73 294 (as at 31 December 2016: 69 280 TEUR) see Note 33.

As at 31 December 2017, goodwill was recognized from new acquisiton of Neurosoft S.A. see Note 12. The most significant additions to intangible assets in 2017 were acquisitions of new software for draw based games and sports betting.

The most significant additions to intangible assets in 2016 were acquisitions of softwares for contact centre and sports betting and expenses on project Digital Entertainment Hub.

The Effect of new acquisitions balance for Licenses and Property Rights includes an amount of TEUR 300 000 which constitutes a prepayment against the GGR contribution to the Hellenic Republic for the period from 12/10/2020 to 12/10/2030. The future value of this prepayment, as prescribed in the relevant 2013 amendment to the supplementary Act of 12/12/2011 between the Hellenic State and Opap S.A., amounts to TEUR 1 831 200.

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Brands and trademarks

	31/12/2017	31/12/2016
SAZKA a.s.	73 294	69 280
OPAP S.A.	724 364	724 364
Total	**797 658**	**793 644**

Goodwill

	31/12/2017	31/12/2016
SAZKA a.s.	377 294	356 628
Emma Delta Management Ltd sub-group	245 802	205 309
Total goodwill	**623 096**	**561 937**

Indefinite-lived intangible assets, goodwill, and impairment testing

Impairment is determined by estimating the recoverable amount of the cash-generating unit to which goodwill and other non-depreciable assets relate.

In accordance with IAS 36, the Group tested the goodwill and indefinite-lived intangible assets (i.e. trademarks and the lottery licence) for impairment in 2017.

Goodwill

The impairment testing is performed on annual basis as at 31 December. The recoverable amount is estimated using the higher of:

1. Value in Use "VIU" - VIU is derived from forecasts of future cash flows. The forecasts are prepared and updated by the management. Weighted average cost of capital (WACC) is applied as the appropriate discount rate to estimate net present value of future cash flows attributable to each cash-generating unit. The cash flow forecast is always prepared based on specific expected operating results and a business plan covering a period of at least three years. To reflect continuity of the business beyond the explicit forecasting period a terminal value model (Gordon growth model) is applied.
2. Fair Value Less Costs of Disposal (FVLCD) – i.e. the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The estimate of FVLCD is based either on:
    a. market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial.
    b. market multiples method – i.e. a comparison of the tested company with similar publicly traded companies. The Group relied on a peer based EV/EBITDA multiple benchmark to estimate the respective FVLCD. Costs of disposal are considered as immaterial. The Group used following assumptions for impairment testing: a common market participant, 12.97 EV/EBITDA market multiple.

The resulting recoverable amount calculated based on VIU and/or FVLCD exceeded the respective carrying amount, which led to the conclusion that no impairment of the tested assets had to be recognised as at 31 December 2017. In addition, the Group's management carried out a sensitivity analysis of factors influencing calculation of the recoverable amount. Expectable movements in the mentioned factors do not indicate any impairment of goodwill.

Trademarks

Impairment testing of trademarks was carried out by applying the relief from royalty method. Similarly to the paragraphs above, an explicit cash flow forecast was prepared based on a business plan covering a period of at least three years. To reflect continuity of the trademarks beyond the explicit forecasting period a terminal value model (Gordon growth model) is applied. Net royalties after tax were discounted using the weighted average cost of capital (WACC) with an uplift of 1%p. Tax amortization benefit was reflected in the calculation as well.

Resulting recoverable amount exceeded the carrying amount of the trademarks, which led to the conclusion that no impairment of the trademarks had to be recognised as at 31 December 2017. In addition, the Group's management carried out a sensitivity analysis of factors influencing calculation of the recoverable amount. Expectable movements in the mentioned factors do not indicate any impairment of trademarks.

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6. Property, plant and equipment, investment property

2017	Land – owned	Buildings – owned	Machinery and equipment – owned	Machinery and equipment – leased	Tangible assets under construction	Other tangible assets	Total
Acquisition cost							
Balance at 1/1/2017	**11 352**	**40 195**	**7 720**	**186**	**--**	**41 216**	**100 669**
Effect of new acquisitions	--	288	1 281	--	--	257	1 826
Additions	--	1 697	47 932	--	1 553	9 622	60 804
Transfers	--	147	3 580	--	19	-4 456	-710
Disposals	--	--	-783	--	--	-499	-1 282
Effect of currency translation	141	1 131	389	2	48	95	1 806
Balance at 31/12/2017	**11 493**	**43 458**	**60 119**	**188**	**1 620**	**46 235**	**163 113**
Accumulated depreciation							
Balance at 1/1/2017	**--**	**-3 094**	**-3 018**	**-186**	**--**	**-1 856**	**-8 154**
Depreciation expense	--	-3 039	-3 404	--	--	-11 074	-17 517
Disposals	--	--	640	--	--	380	1 020
Effect of currency translation	--	-92	-186	-2	--	--	-280
Balance at 31/12/2017	**--**	**-6 225**	**-5 968**	**-188**	**--**	**-12 550**	**-24 931**
Net book value at 1/1/2017	**11 352**	**37 101**	**4 702**	**--**	**--**	**39 360**	**92 515**
Net book value at 31/12/2017	**11 493**	**37 233**	**54 151**	**--**	**1 620**	**33 685**	**138 182**

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2016	Land – owned	Buildings – owned	Machinery and equipment – owned	Machinery and equipment – leased	Other tangible assets, incl. tangible assets under construction	Total
Acquisition cost						
Balance at 1/1/2016	**2 423**	**18 844**	**4 715**	**186**	**5 718**	**31 886**
Effect of new acquisitions	8 790	17 268	899	--	32 529	59 486
Additions	--	3 059	2 064	--	3 790	8 913
Transfers	139	1 020	41	--	-43	1 157
Disposals	--	--	--	--	-779	-779
Effect of currency translation	--	4	1	--	1	6
Balance at 31/12/2016	**11 352**	**40 195**	**7 720**	**186**	**41 216**	**100 669**
Accumulated depreciation						
Balance at 1/1/2016	**--**	**-1 353**	**-1 851**	**-186**	**--**	**-3 390**
Depreciation expense	--	-1 001	-1 165	--	-2 548	-4 714
Transfers	--	-740	--	--	--	-740
Disposals	--	--	--	--	692	692
Effect of currency translation	--	--	-2	--	--	-2
Balance at 31/12/2016	**--**	**-3 094**	**-3 018**	**-186**	**-1 856**	**-8 154**
Net book value at 1/1/2016	**2 423**	**17 491**	**2 864**	**--**	**5 718**	**28 496**
Net book value at 31/12/2016	**11 352**	**37 101**	**4 702**	**--**	**39 360**	**92 515**

The most significant additions to property, plant and equipment in 2017 mainly concern lottery terminals, printers and monitors.

The most significant additions to property, plant and equipment in 2016 mainly concern improvement works of owned and leased premises.

As at 31 December 2017, the net book value of the building and the adjacent land, pledged as a collateral (see Note 33), totals TEUR 21 488 (2016: TEUR 19 906).

Machinery and equipment - leased comprise primarily the draw equipment which the Group has acquired under finance lease.

As at 31 December 2017, the Group had non-capitalised items of property, plant and equipment or intangible assets (see Note 33) amounting to TEUR 950 (2016: TEUR 899).

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Investment property

	31/12/2017	31/12/2016
Acquisition cost:		
Balance as at beginning of reporting period	**898**	**--**
Additions	1	1 315
Transfers	782	-417
Balance as at end of the reporting period	**1 681**	**898**
Accumulated depreciation:		
Balance as at beginning of reporting period	**42**	**--**
Depreciation expense	-19	--
Transfers	-782	42
Balance as at end of the reporting period	**-759**	**42**
Net book value as at the end of the reported period	**922**	**940**

Investment property comprises a number of commercial properties that are leased to third parties.

The useful life of buildings is estimated to be 20 years and the straight-line method of depreciation is used.

According to the Group's estimates, the fair value of the property does not differ substantially from its book value.

As at 31 December 2017 the Group income received from leasing of these investments properties amounted to TEUR 250 (31 December 2016: TEUR 64).

7. Other non-current investments and equity-accounted investees

Other non-current investments

		31/12/2017	31/12/2016
Other non-current investments	**Ownership interest (%)**	**918**	**1 701**
IGT Czech Republic LLC, organizační složka (former GTECH Czech Republic LLC.) (1)	63.00%	770	1 561
SALEZA, a.s. (2)	98.10%	--	--
Ski Pec a.s.	5.40%	25	23
Sportovní areál Harrachov a.s.	1.90%	70	67
SKIAREÁL Špindlerův Mlýn, a.s.	1.80%	53	50

1) The Group has 63% ownership interest in IGT Czech Republic LLC, organizační složka (former GTECH Czech Republic LLC). The ownership interest in IGT Czech Republic LLC, organizační složka is classified as "Other non-current investments" and the investment was valued at acqusition date in the amount TEUR 1 561. The IGT Czech Republic LLC, organizační složka financial information as of 31 December 2017 is not available and therefore the investment is recorded at historical cost less by its decrease. The ownership interest remained unchanged.

The reason for classifying the ownership interest as "Other non-current investments" is that the Group (despite being the majority owner of IGT Czech Republic LLC, organizační složka) does not control the possibility to pay dividends and the transferability of its ownership interest is limited. In addition, managerial control over the entity is delegated to IGT Global Solutions Corporation .

Based on a concluded agreement, the remaining 37% ownership interest in IGT Czech Republic LLC, organizační složka should be acquired on 31 December 2022.

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The obligation to purchase the remaining 37% ownership interest in IGT Czech Republic LLC, organizační složka, which arises from the concluded agreement and has a discounted present value of TEUR 1 993 (31 December 2016: TEUR 1 852), is recognised as a long-term liability arising from financial instruments. The nominal value of this financial obligation is TEUR 2 535 (USD 3 million).

The Group considers that the carrying amount of the investment is a reasonable approximation of fair value and therefore the investment is not revaluated.

2) As at 31 December 2017, the Group holds a 98.10% ownership interest in SALEZA, a.s., against which insolvency proceedings were initiated based on a notice issued by the Municipal Court in Prague dated 17 January 2011. The legal effects of the insolvency proceedings occurred on 17 January 2011. The Municipal Court in Prague declared insolvency of the debtor in its resolution dated 29 March 2011. The legal effects of the resolution occurred on 29 March 2011. The Municipal Court in Prague restricted the debtor's right to dispose of the assets in its resolution dated 3 May 2011. The legal effects of the resolution occurred on 3 May 2011. The Municipal Court in Prague adjudicated bankruptcy order over the debtor's assets in its resolution dated 27 May 2011. The legal effects of the resolution occurred on 30 May 2011.

As at 31 December 2017, the Company's current financial statements are unavailable.

Equity-accounted investees

		31/12/2017	**31/12/2016**
Equity – accounted investmees	**Ownership interest (%)**	**498 579**	**386 082**
Medial Beteiligungs-GmbH (3)	29.63%	79 039	70 308
LTB Beteiligungs GmbH (4)	66.67%	46 798	50 786
CLS Beteiligungs GmbH (5)	66.67%	46 754	50 739
LOTTOITALIA S.r.l. (6)	32.50%	325 988	202 074
Neurosoft S.A.(7)	67.72%	--	12 175

Change in value of the investments accounted for using the equity method contains increase in the amount of an investment by the owner and the share of profit or loss, other comprehensive income of the equity accounted investments less paid dividends.

The following tables represent assets and liabilities, revenues, profit/loss and total comprehensive income related to significant equity accounted investments:

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3) Medial Beteiligungs-GmbH is a company holding participations in lottery and gaming business. The Group holds a share of 29.63%. The company is accounted for using the equity method.

Medial Beteiligungs-GmbH *)	**31/12/2017**	**31/12/2016**
Non-current assets	70 984	48 504
Current assets	10 999	4 021
Non-current liabilities	--	--
Current liabilities	-4	-13
Net assets (100%)	81 979	52 512
Group´s share (29.63%)	24 290	15 559
Fair value adjustments	54 749	54 749
Carrying amount of interest in associate	**79 039**	**70 308**
Revenues	--	--
Profit from continuing operations (100%)	29 000	26 287
Total comprehensive income (100%)	28 217	18 036
Group´s share of total comprehensive income	**8 361**	**5 344**

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

4) LTB Beteiligungs GmbH is a company holding participations in lottery and gaming business. The Group holds a total share of 66.67% (41.766% is owned through CAME Holding GmbH and 24.9% is owned through BAIH Beteiligungsverwaltungs GmbH). The shares in the company were acquired on 7 December 2016. According to the company´s Articles of Association the company is able to make a decision only with 100% shareholders approval. Therefore the Group considers it as investment in associate and the company is accounted for using the equity method.

LTB Beteiligungs GmbH *)	**31/12/2017**	**31/12/2016**
Non-current assets	-1 596	915
Current assets	3 472	3 509
Non-current liabilities	--	--
Current liabilities	-3 443	-10
Net assets (100%)	-1 567	4 414
Group´s share (66.67%)	-1 045	2 943
Fair value adjustments	47 843	47 843
Carrying amount of interest in associate	**46 798**	**50 786**
Revenues	--	--
Profit from continuing operations (100%)	5 727	394
Total comprehensive income (100%)	5 727	394
Group´s share of total comprehensive income	**3 818**	**263**

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

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5) CLS Beteiligungs GmbH is a company holding participations in lottery and gaming business. The share of 66.67% is owned through BAIH Beteiligungsverwaltungs GmbH and was acquired on 7 December 2016. According to the company´s Articles of Association the company is able to make a decision only with 75% shareholders approval. Therefore the Group considers it as investment in associate and the company is accounted for using the equity method.

CLS Beteiligungs GmbH *)	**31/12/2017**	**31/12/2016**
Non-current assets	-1 596	915
Current assets	51	3 532
Non-current liabilities	--	--
Current liabilities	-3	-17
Net assets (100%)	-1 548	4 430
Group´s share (66.67%)	-1 032	2 953
Fair value adjustments	47 786	47 786
Carrying amount of interest in associate	**46 754**	**50 739**
Revenues	--	--
Profit from continuing operations (100%)	5 722	394
Total comprehensive income (100%)	5 722	394
Group´s share of total comprehensive income	**3 815**	**263**

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

6) LOTTOITALIA S.r.l. is a company that organizes and manages lottery and gaming business in Italy. The Group holds a share of 32.5%, the share in the company was acquired on 5 May 2016 The company is accounted for using the equity method.

LOTTOITALIA S.r.l.	**31/12/2017**	**31/12/2016**
Non-current assets	809 085	765 056
Current assets	279 346	56 046
Non-current liabilities	--	--
Current liabilities	-85 391	-199 337
Net assets (100%)	1 003 040	621 765
Group´s share (32.50%)	325 988	202 074
Fair value adjustments	--	--
Carrying amount of interest in associate	**325 988**	**202 074**
Revenues	363 323	37 446
Profit from continuing operations (100%)	177 845	21 767
Total comprehensive income (100%)	177 845	21 767
Group´s share of total comprehensive income	**57 800**	**7 074**

7) The company Neurosoft S.A. is part of OPAP S.A. sub-group. The Group owned 29.53% share in Neurosoft S.A. as at 31 December 2016. On 31 July 2017, the Group acquired additional stake of 38.19% in this company and from that date Neurosoft S.A. is fully consolidated (see Note 12).

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8. Deferred tax assets and liabilities

The deferred tax was calculated using tax rates applicable in individual companies.

As at 31 December 2017 and 31 December 2016, the following deferred tax assets and liabilities and their movements were recognised:

	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	Assets		Liabilities		Net	
Deferred tax asset (+) /liability (-)	**5 430**	**12 158**	**-225 801**	**-219 543**	**-220 371**	**-207 385**
Non-current assets	--	--	-237 098	-229 539	-237 098	-229 539
Short-term and long-term provisions	15 026	11 252	-49	--	14 977	11 252
Revaluation of hedging derivatives	62	257	-3 823	-121	-3 761	136
Loans and borrowings	137	54	-1 673	-358	-1 536	-304
Other liabilities and employee benefits	15 625	18 534	-31	--	15 594	18 534
Other temporary differences	219	51	-8 766	-7 515	-8 547	-7 464
Deferred tax assets and liabilities	31 069	30 148	-251 440	-237 533	-220 371	-207 385
Set off of tax	-25 639	-17 990	25 639	17 990	--	--

	31/12/2017	2017		31/12/2016	2016	
	Deferred tax liability	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax liability	Recognised in profit or loss	Recognised in other comprehensive income
Deferred tax asset (+) /liability (-)	**-220 371**	**-7 307**	**-3 909**	**-207 385**	**491**	**250**
Non-current assets	-237 097	-6 837	--	-229 539	-1 230	--
Short-term and long-term provisions	14 977	1 919	--	11 252	-591	--
Revaluation of hedging derivatives	-3 761	18	-3 835	136	--	177
Loans and borrowings	-1 536	-1 214	--	-304	-304	--
Other liabilities and employee benefits	15 594	-114	-74	18 534	3 399	73
Other temporary differences	-8 547	-1 079	--	-7 464	-783	--

A total increase in the deferred tax liability relates besides above mentioned to deferred tax liability of TEUR 1 112 pertaining to the new acquisition of Neurosoft S.A. and FX loss of TEUR 658.

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The Group has unrecognised deferred tax assets, as it is uncertain whether sufficient future taxable profits will be available against which they could be utilised, shown in the table below. These deferred tax assets relate to the following components of assets and liabilities:

	Base for the calculation deferred tax		Unrecognised deferred tax asset	
	2017	**2016**	**2017**	**2016**
Tax losses carried forward	23 710	12 441	6 130	2 874
Total deferred tax asset	**23 710**	**12 441**	**6 130**	**2 874**
Change in unrecognised deferred tax asset	**11 269**	**--**	**3 256**	**--**

Tax losses for which no deferred tax asset was recognised expire as follows:

	2017	**2016**
Tax losses carried forward	**48 884**	**26 799**
Expiring within:		
Between 1 and 5 years	33 773	11 922
Between 5 and 10 years	15 111	14 877

9. Trade and other receivables

Long-term receivables comprise advances and deposits provided that are due in more than 12 months after the reporting date.

	31/12/2017	**31/12/2016**
Long-term trade receivables and other non-current assets	**23 372**	**7 028**
Long-term advances and deposits provided	1 172	1 335
Advances for pension benefits	221	221
Other long-term receivables	21 979	5 472

Other long-term receivables comprise receivable from VLT vendor in the amount of TEUR 17 928 (31 December 2016: TEUR 10) and long-term loans provided in the amount of TEUR 2 928 (31 December 2016: TEUR 4 468).

	31/12/2017	**31/12/2016**
Short-term trade receivables and other current assets	**213 522**	**134 488**
Short-term receivables from agents	107 640	74 522
Short-term trade receivables	28 713	11 801
Receivables from VAT and other taxes	23 905	13 622
Short-term receivables from financial derivates	11 652	--
Short-term loans provided	8 928	9 280
Short-term prepaid expenses	14 780	13 792
Other short-term receivables	17 904	11 471

Short term prepaid expenses comprise mainly unclaimed wins from instant lotteries and prepayments made to football clubs for advertising and sponsoring services according to the terms of separate contracts with each of those associations.

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10. Short-term financial assets

Short-term financial assets in amount of TEUR 8 908 comprise receivable based on a cashpooling agreement concluded with KKCG Structured Finance AG (in 2016: TEUR 13 606).

11. Cash and cash equivalents

	31/12/2017	31/12/2016
Cash and cash equivalents	**410 288**	**365 999**
Bank accounts	267 624	281 589
Fixed-term deposits	131 281	81 168
Cash in hand	11 383	3 242

The Group has tied cash amounted to TEUR 7 960 (2016: TEUR 29 183) mainly for the purpose of game principals, due to guarantees received from the agents and liabilities to suppliers and as security to the borrowing facility.

As at 31 December 2017, the Group has pledged bank accounts with a total balance of TEUR 31 538 (2016: TEUR 33 285).

12. New acquisitions

In 2017 the Group acquired interest in the following companies or group of companies:

Company	Ownership interest	Acquisition date	Purchase price in TEUR
Fsázky a.s. (1)	100%	23 May 2017	
Sazka Distribution Vietnam Joint Stock Company	90%	28 June 2017	
Neurosoft S.A. (2)	38.19%	31 July 2017	
SAZKA Group Financing a.s	100%	18 October 2017	
SAZKA Group Russia LLC	100%	29 August 2017	
Total			**51 085**

(1) Fsázky a.s. was acquired on 23 May 2017. Effective from 1 December 2017 the company merged with Sazka a.s. (see Note 1.3).

(2) The Group owned 29.53% share in Neurosoft S.A. as at 31 December 2016. On 31 July 2017, the Group acquired additional stake of 38.19% in this company and from that date Neurosoft S.A. is fully consolidated (see Note 7 and 1.3).

The other acquisitions were aggregated because they are individually immaterial.

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The acquisitions of investments had the following effect on the Group:

	Recognised values on acquisition		
	Neurosoft S.A.	Others (individually immaterial)	Total
Tangible fixed assets	537	1 289	1 826
Licenses	--	4	4
Other intangible assets	4 115	95	4 210
Other non-current assets	116	367	483
Short-term receivables	--	1 777	1 777
Cash and cash equivalents	2 613	3 384	5 997
Other current assets	4 443	65	4 508
Deferred tax liability	-1 112	--	-1 112
Other non-current liabilities	-312	--	-312
Short-term loans and borrowings	-779	-265	-1 044
Other current liabilities	-1 335	-1 709	-3 044
Net identifiable assets and liabilities	8 286	5 007	13 293
Goodwill (Note 5)	40 493	--	40 493
Non-controlling interest aquired	-2 675	-26	-2 701
Consideration paid	46 104	4 981	51 085
Consideration paid, satisfied in cash	34 197	4 981	39 178
Fair value of previously held assets – part of consideration	11 907	--	11 907
Cash acquired	-2 613	-3 384	-5 997
Net cash outflow in 2017	31 584	1 597	33 181

The values of assets and liabilities recognised on acquisitions represent the fair values (see accounting policy 3a). The impact of new acquisitions on the Group`s net result and the Group`s revenues is both immaterial.

In 2016 the Group acquired interest in the following companies or group of companies:

Company	**Interest acquired**	**Date of acquisition**	**Consideration transferred in TEUR**
BAIH Beteiligungsverwaltungs GmbH	100%	7 December 2016	
Emma Delta Management Ltd – group	66.7%	6 October 2016	
IGH Financing a.s.	100%	28 April 2016	
Italian Gaming Holding a.s.	100%	19 February 2016	
Kavárna štěstí s.r.o.	100%	30 May 2016	
SAZKA Asia a.s.	100%	27 July 2016	
Sazka Asia Vietnam Company Limited	100%	29 November 2016	
Total			**408 412**

The most significant acquisition was acquisition of Emma Delta Management Ltd sub-group, including OPAP S.A. sub-group. The other acquisitions were aggregated because they are individually immaterial.

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The acquisitions of all companies had the following effect on the Group:

	Recognised values on acquisition		
	Emma Delta Management Ltd sub-group	Others (individually immaterial)	Total
Tangible fixed assets	60 801	--	60 801
Brands	724 364	--	724 364
Licenses	1 134 281	--	1 134 281
Other intangible assets	96 312	--	96 312
Other non-current assets	24 882	69 345	94 227
Short-term receivables	169 945	--	169 945
Cash and cash equivalents	218 161	312	218 473
Other current assets	2 854	--	2 854
Long-term loans and borrowings	-280 336	--	-280 336
Deferred tax liability	-210 066	--	-210 066
Other non-current liabilities	-45 363	--	-45 363
Short-term loans and borrowings	-397 183	--	-397 183
Payables	-232 368	-2	-232 370
Net identifiable assets and liabilities	1 266 284	69 655	1 335 939
Goodwill (note 5)	205 309	--	205 309
Non-controlling interest acquired	-1 132 836	--	-1 132 836
Consideration paid	338 757	69 655	408 412
Consideration paid, satisfied in cash	107 250	67 274	174 524
Consideration – part settled in 2017	--	2 381	2 381
Fair value of previously held assets – part of consideration	231 507	--	231 507
Cash acquired	-218 161	-312	-218 473
Net cash inflow (+) /outflow (-) in 2016	110 911	-66 962	43 949

The values of assets and liabilities recognized on acquisition are their fair values (see accounting policy 3a). Emma Delta Management Ltd sub-group contributed from October to December 2016 TEUR 420 407 to Group's consolidated revenues and TEUR 31 431 to Group's total profit for the period.

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

13. Equity

Share capital

The Group's share capital consists of 20 ordinary shares in certificated form with a nominal value of TCZK 100 per share. No changes were made in the share capital in 2017 or 2016.

The share capital is fully paid-up.

Capital contributions and other reserves

In 2017, Capital contributions and other reserves were increased by TEUR 31 651 as a contribution from company's shareholders (31 December 2016: an increase by TEUR 252 927).

Effect of change in ownership interests

During the reported period the Group acquired additional investor shares of EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD. This increase only represents an increase in the economic share in the company without change of control. Consequently, this transaction is presented as a non-controlling interest transaction.

Earnings per share

Profit attributable to ordinary shareholders (in TEUR)	**2017**	**2016**
Net profit attributable to ordinary shareholders	92 980	56 604
Net profit attributable to ordinary shareholders	**92 980**	**56 604**

Weighted average number of ordinary shares for 2017

	Number of shares	**Weight**	**Weighted average**	**Weighted average**
Issued ordinary shares at 1 January	20	1	20	20
Newly issued shares	--			
Issued ordinary shares at 31 December	20	1	20	20
Weighted average number of ordinary shares at 31 December	20	1	20	20
Basic earnings per share for the year (in TEUR)			**4 649**	**2 830**
Diluted earnings per share for the year (in TEUR)			**4 649**	**2 830**

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14. Non-controlling interests

The Group´s non-controlling interests amount to TEUR 927 718 as of 31 December 2017 (2016: TEUR 1 139 164) relate mainly to OPAP S.A. sub-group and represent 71.86% on its equity (including 33% non-controlling interest in its subsidiary HELLENIC LOTTERIES S.A. and 32.28% non-controlling interest in its subsidiary Neurosoft S.A.). Further non-controlling interests represent 28.14% on equity of the whole Emma Delta Management Ltd sub-group.

The reconciliation of non-controlling interes tis presented in table below:

	OPAP S.A. sub-group	**Others (individually immaterial)**	**Total**
Assets	2 521 336		
Liabilities	1 248 808		
Sub-group's non-controlling interest	43 397		
Net assets attributable to the Group	1 229 131		
Non-controlling interest percentage	67.00%		
Non-controlling interest calculation	**823 518**		
Sub-group's non-controlling interest entering into consolidation	**43 397**		
Carrying amount of non-controlling interest	**866 915**	**60 803**	**927 718**
Net gaming revenue	972 936		
Profit	126 221		
Other comprehensive income	-22		
Total comprehensive income	126 199		
Non-controlling interest percentage	67.00%		
Profit allocated to non-controlling interest	**84 568**		
Share of profit of sub-group's non-controlling interest entering into consolidation	5 415		
Share of other comprehensive income of sub-group's non-controlling interest entering into consolidation	36		
Total comprehensive income attributable to non-controlling interest	**90 019**	**6 584**	**96 603**
Net inflow / outflow (-) of cash and cash equivalents for the year	**(27 421)**	**(32 631)**	**(60 052)**

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15. Loans and borrowings

	31/12/2017	31/12/2016
Bank loans and other borrowings – non-current portion	**1 338 235**	**990 296**
Long-term bank loans and borrowings received	669 632	727 296
Long-term liabilities arising from debt securities (bonds)	668 603	263 000

	31/12/2017	31/12/2016
Bank loans and other borrowings – current portion	**261 429**	**292 052**
Current portion of long-term bank loans and borrowings	91 920	35 949
Short-term bank loans and borrowings received	--	80 271
Short-term loans and borrowings received from related parties	--	56 118
Short-term liabilities arising from debt securities (bonds)	169 338	101 025
Overdrafts	171	18 689

Bank loans and other borrowings

As at 31 December 2017 the Group had the following loans:

Specification of the loan	Year of maturity	Total balance of the loan	Short-term part of the loan	Long-term part of the loan
Bank Loan - Erste Group Bank AG	2021	**83 137**	8 437	74 700
Syndicated loan facility - JP Morgan, ICBC, Nomure, VTB & others	2019	**170 472**	472	170 000
Long term obligation	2019	**13 365**	3 000	10 365
Bond loan - Piraeus Bank	2018	**75 000**	75 000	--
Bond loan - Piraeus Bank	2021	**75 000**	75 000	--
Bond loan - Alpha Bank	2020	**49 771**	--	49 771
Bond loan - National Bank of Greece	2020	**99 272**	--	99 272
Bond loan - EFG Eurobank Ergasias	2020	**40 500**	9 000	31 500
Bond loan - EFG Eurobank Ergasias	2021	**100 000**	10 000	90 000
Bond loan - Eurobank and National bank of Greece	2022	**196 798**	--	196 798
Bond loan - Alpha Bank	2019	**40 000**	--	40 000
Bond loan - EFG Eurobank Ergasias	2020	**5 000**	--	5 000
Overdraft - National Bank of Greece	--	**171**	171	--
Overdraft - Alpha Bank	--	**756**	--	756
Bank loan - PPF Banka, Air Bank	2023	**88 795**	8 392	80 403
Bank loan - UniCredit Bank	2022	**196 573**	40 043	156 529
Syndicated loan facility - KB, ČS, ČSOB, Unicredit	2019	**61 177**	30 613	30 564
Syndicated loan facility - KB, ČS, ČSOB, Unicredit	2020	**147 277**	962	146 315
Bond loan - J & T BANKA, a.s	2022	**156 600**	338	156 262
TOTAL		**1 599 664**	**261 429**	**1 338 235**

Interest rates for loans and borrowings are based on PRIBOR or EURIBOR and margin that vary from 2.65% to 7.625%.

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As at 31 December 2016 the Group had the following loans:

Specification of the loan	Year of maturity	Total balance of the loan	Short-term part of the loan	Long-term part of the loan
Bank Loan - PPF banka a.s.	2017	**80 271**	80 271	--
Syndicated loan facility - JP Morgan, ICBC, Nomure, VTB & others	2019	**321 981**	981	321 000
Long term obligation	2019	**14 953**	3 000	11 953
Bond loan - Piraeus Bank	2017	**75 000**	75 000	--
Bond loan - EFG Eurobank Ergasias	2017	**13 000**	13 000	--
Bond loan - EFG Eurobank Ergasias	2020	**45 000**	4 500	40 500
Bond loan - EFG Eurobank Ergasias	2021	**100 000**	--	100 000
Bond loan - Piraeus Bank	2018	**75 000**	7 500	67 500
Overdraft - National Bank of Greece	--	**12 100**	12 100	--
Bond loan - Alpha Bank	2019	**50 000**	--	50 000
Bond loan - EFG Eurobank Ergasias	2020	**5 000**	--	5 000
Senior Secured Bond loan	2017	**1 025**	1 025	--
Overdraft - Piraeus Bank	--	**6 589**	6 589	--
Bank loan - PPF Banka, Air Bank	2023	**60 668**	1 888	58 780
Bank loan - UniCredit Bank	2022	**139 945**	167	139 778
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2019	**86 799**	29 309	57 490
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2020	**138 900**	605	138 294
TOTAL		**1 226 231**	**235 935**	**990 296**

Interest rates for loans and borrowings are based on PRIBOR or EURIBOR and margin that vary from 2.5% to 7.625%.

For some of the loans and based on the loans contractual conditions the Group companies need to fulfil specific financial indicators such as long-term debt coverage or debt-equity ratio. As at 31 December 2017 and 31 December 2016 the group companies fulfilled these indicators.

Loans received from related parties

As at 31 December 2017, the Group had no loans from related parties. Loans from KKCG AG and EMMA GAMMA LIMITED were fully repaid.

As at 31 December 2016, the Group had the following loans that were received from related parties:

31/12/2016	Year of maturity	Principal at 31/12/2016	Principal due within 1 year	Principal due in 1 to 5 years
KKCG AG	2019	38 859	--	38 859
EMMA GAMMA LIMITED	2019	12 953	--	12 953
Total		**51 812**	**--**	**51 812**

As at 31 December 2016, liabilities amounted to TEUR 4 306 were recognised in respect of outstanding interest on the above loans.

Loans received from related parties are subordinated to the bank loans described above and any early repayment is subject to prior approval of the syndicate of banks. According to the loan agreements, the loans are due in 2019 but the lender is entitled to require early repayment on demand. As a result, the

Consolidated financial statements for the year ended 31 December 2017 (in thousands of Euro)

Group's management classifies these loans as a short-term loans in the consolidated statement of financial position.

16. Trade and other payables

	31/12/2017	31/12/2016
Short-term trade and other payables	**370 268**	**327 418**
Liabilities arising from unpaid wins	105 051	81 726
Short-term trade payables	99 385	82 980
Lottery tax liabilities	66 280	54 070
Payables to state (social and health insurance liabilities, other taxes)	34 535	8 307
Deferred revenues	8 972	9 936
Payables to employees	7 869	7 575
Short-term payables from financial instruments	284	1 353
Other payables	47 892	81 471

Trade payables comprise items arising from the Group's ordinary course of business and are due as specified in the respective payment terms.

As at 31 December 2017 and 31 December 2016, trade and other payables were not secured.

The Group’s exposure to currency and liquidity risk related to trade and other payables is described in Note 34 to the consolidated financial statements – Risk management and disclosure methods.

17. Provisions

Short-term provisions	Short-term provision for jackpots	Other short-term provisions	Total
Balance at 1/1/2016	**4 760**	**1 900**	**6 660**
Additions	7 602	2 223	9 825
Utilisation	-4 759	-1 899	-6 658
Effect of currency translation	2	1	3
Balance at 31/12/2016	**7 605**	**2 225**	**9 830**
Balance at 1/1/2017	**7 605**	**2 225**	**9 830**
Effect of new acquisitions	866	63	929
Additions	7 105	2 293	9 398
Utilisation	-7 805	-2 283	-10 088
Release	-866	-63	-929
Effect of currency translation	419	130	549
Balance at 31/12/2017	**7 324**	**2 365**	**9 689**

The provision for jackpots is generated cumulatively till the jackpot is won as described in Note 3 p).

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Long-term provisions	Litigation provision	Other long-term provisions	Total
Balance at 1/1/2016	**--**	**813**	**813**
Effect of new acquisitions	35 822	1 854	37 676
Additions	645	812	1 457
Utilisation	-45	--	-45
Release	-4 228	--	-4 228
Effect of currency translation	--	1	1
Balance at 31/12/2016	**32 194**	**3 480**	**35 674**
Balance at 1/1/2017	**32 194**	**3 480**	**35 674**
Additions	17 978	834	18 812
Utilisation	-817	-160	-977
Release	-19 862	--	-19 862
Effect of currency translation	--	120	120
Balance at 31/12/2017	**29 493**	**4 274**	**33 767**

In 2015 a new long-term bonus scheme was introduced. The aim of this programme is to motivate the management to meet the long-term growth target of the Group. Long-term provision totalling TEUR 4 274 (31 December 2016: TEUR 3 480) was recognized in this respect.

Release of litigation provision as of 31 December 2017 in the amount of TEUR 19 862 was driven by the change of estimation due to positive outcome of similar cases.

18. Derivatives

As at 31 December 2017, the Group had the following financial derivatives for hedging:

Hedging derivatives	Due date	Fair value as at 31/12/2017
Payables from swap transactions – long-term	2023	-214
Receivables from swap transactions – long-term	2022	453
Receivables from swap transactions – short-term	2018	2 852
Total hedging financial derivatives		**3 091**

As at 31 December 2017, the Group held derivatives to hedge future cash flows from the payments of interest according to the credit contracts or loan agreements (interest rate swaps).

As at 31 December 2017, the Group had the following financial derivatives for trading:

Trading derivatives	Due date	Fair value as at 31/12/2017
Payables from option transactions – long-term	2021	-1 993
Payables from swap transactions - short-term	2018	-284
Receivables from option transactions - short-term	2018	8 800
Receivables from swap transactions - long-term	2022	2
Total trading financial derivatives		**6 525**

As at 31 December 2017, the Group held trading derivatives, besides other, in a form of purchase option (Note 7).

All financial derivatives were stated at fair value as at 31 December 2017 and categorised to Level 2 in the fair value hierarchy.

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As at 31 December 2016, the Group had the following financial derivatives for hedging:

Hedging derivatives	Due date	Fair value as at 31/12/2016
Receivables from swap transactions – long-term	2022	346
Payables from swap transactions – short-term	2017	-1 353
Total hedging financial derivatives		**-1 007**

As at 31 December 2016, the Group held derivatives to hedge future cash flows from the payments of interest according to the credit contracts or loan agreements (interest rate swaps).

As at 31 December 2016, the Group had the following financial derivatives for trading:

Trading derivatives	Due date	Fair value as at 31/12/2016
Payables from option transactions – long-term	2021	-1 852
Total trading financial derivatives		**-1 852**

As at 31 December 2016, the Group held trading derivatives in a form of purchase option.

All financial derivatives were stated at fair value as at 31 December 2016 and categorised to Level 2 in the fair value hierarchy.

19. Employee benefits

Defined Benefit Plan

Under Greek labor law, employees are entitled to termination payments in the event of retirement with the amount of payment varying in relation to the employee's compensation and length of service. The liability arising from the above obligation is actuarially valued by an independent actuarial company. The liability as at 31 December 2017 was TEUR 3 084 (31 December 2016: 1 507).

	31/12/2017	31/12/2016
Opening balance as at 1 January	**1 507**	**--**
Effect of new acquisitions	297	1 206
Current service costs	1 632	59
Interest costs	36	5
Settlement cost (result)	109	1 076
Total cost recognized in Statement of Comprehensive Income	**1 777**	**1 140**
Actuarial (gain)/loss arising from financial assumptions	-28	101
Actuarial (gain)/loss arising from experience adjustment	-227	152
Total actuarial (gain)/loss recognized in Equity	**-255**	**253**
Payments	-242	-1 091
Closing balance as at 31 December	**3 084**	**1 507**

Acturial assumptions used:	
Discount rate (in %)	1.40%
Rate of increase in salaries (in %)	2.00%
Average service in the company	from 8 to 30 years
Inflation rate (in %)	2.00%

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Sensitivity analysis	Increase in discount rate by 0.5%	Decrease in discount rate by 0.5%	Increase of the expected wages´ increase by 0.5%	Decrease of the expected wages´ increase by 0.5%
Actuarial liability	1 772	2 196	2 173	1 783
Percentage change	-10%	11%	10%	-9%

In March 2017, the board of directors of OPAP S.A. approved a long-term motivation programme, designed to distribute part of net profit to members of the board of directors and key executives when set up KPI's are fulfilled. It is a three-year programme for the period 2017-2019.

The programme's objectives (KPI's) are:
a) meeting the OPAP S.A. sub-group's profitability plans for the reported period, and
b) increasing the share price at the Athens Exchange.

When the above conditions are met, the maximum amount to be distributed among no more than thirty recipients is TEUR 3 578. A liability relating to this programme recognised as at 31 December 2017 is TEUR 1 113.

When comparing current service cost for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016. The increase of current service costs was also driven by 3 years long term bonus incentive scheme issued during 2017.

20. Revenues and other revenues

	31/12/2017	31/12/2016
Amounts staked	4 967 155	1 613 330
Gross gaming revenues (GGR)	1 664 027	591 246
Lottery Tax	-530 436	-182 291
Net gaming revenue (NGR)	**1 133 591**	**408 955**

Other revenues	**99 818**	**36 949**
Sales of goods	78 758	167
Sales of services	20 747	36 594
Revenues from lease of real estates	313	188

When comparing Revenues and Other revenues for the year 2017 and 2016 an increase in revenues primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

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In the following table Total revenue is diasaggregated by major product/services lines and timing of revenue recognition. The table also includes a reconciliation of disaggregated revenue with the Group's operating segments (see Note 35).

2017 **Revenues and other revenues according to major products/service lines**	**Lotteries**	**Instant lotteries**	**Sports Betting**	**Digital**	**Telecommunication services**	**Other**	**Total**
Draw based games (numerical lotteries)	975 417	--	--	7 501	--	--	**982 918**
Instant lotteries	--	139 157	--	3 246	--	--	**142 403**
Sports Betting	--	--	425 133	--	--	--	**425 133**
VLT Technology revenues	--	--	--	--	--	57 550	**57 550**
Passive lotteries	55 089	--	--	--	--	--	**55 089**
Mobile virtual network operator (MVNO)	--	--	--	--	10 138	--	**10 138**
Mobile phone top-up service	--	--	--	--	3 725	--	**3 725**
Ticket sale	--	--	--	--	--	127	**127**
Other	--	--	--	--	5 525	81 237	**86 762**
Total	**1 030 506**	**139 157**	**425 133**	**10 747**	**19 388**	**138 914**	**1 763 845**

2016 **Revenues and other revenues according to major products/service lines**	**Lotteries**	**Instant lotteries**	**Sports Betting**	**Digital**	**Telecommunication services**	**Other**	**Total**
Draw based games (numerical lotteries)	404 018	--	--	--	--	--	**404 018**
Instant lotteries	--	58 500	--	--	--	--	**58 500**
Sports Betting	--	--	111 019	--	--	--	**111 019**
Passive lotteries	17 383	--	--	--	--	--	**17 383**
Mobile virtual network operator (MVNO)	--	--	--	--	8 593	--	**8 593**
Mobile phone top-up service	--	--	--	--	23 667	--	**23 667**
Ticket sale	--	--	--	--	--	146	**146**
Other	--	--	--	--	--	4 869	**4 869**
Total	**421 401**	**58 500**	**111 019**	--	**32 260**	**5 015**	**628 195**

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2017 **Revenues and other revenues according to major products/service lines**	**Lotteries**	**Instant lotteries**	**Sports Betting**	**Digital**	**Telecommunication services**	**Other**	**Total**
Products and services transferred at point in time	1 030 506	139 157	425 133	10 747	19 388	138 914	**1 763 845**
Products and services transferred over time	--	--	--	--	--	--	**--**
Total	**1 030 506**	**139 157**	**425 133**	**10 747**	**19 388**	**138 914**	**1 763 845**

2016 **Revenues and other revebues according to major products/service lines**	**Lotteries**	**Instant lotteries**	**Sports Betting**	**Digital**	**Telecommunication services**	**Other**	**Total**
Products and services transferred at point in time	421 401	58 500	111 019	--	32 260	5 015	**628 195**
Products and services transferred over time	--	--	--	--	--	--	**--**
Total	**421 401**	**58 500**	**111 019**	--	**32 260**	**5 015**	**628 195**

The Group does not recognise any contract assets or contract liabilities.

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21. Other operating income

	31/12/2017	31/12/2016
Other operating income	**36 585**	**8 998**
Revenue from the sale of operating leases	2 111	174
Income from subsidies	264	157
Penalties and default interests	185	83
Proceeds from the sale of material	3	481
Proceeds from the sale of non-current assets	--	575
The remaining portion of operating income	34 022	7 528

When comparing other operating income for the year 2017 and 2016 an increase in income primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

22. Agents' commissions

In general agent's commissions are commissions accrued to the agents for their services and they are accounted as a portion from amounts staked, GGR or NGR (depending on operating segment).

When comparing agent´s commissions for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

23. Materials, consumables and services

	31/12/2017	31/12/2016
Materials, consumables and services	**-283 437**	**-100 745**
Cost of goods sold	-76 754	-97
Cost of IT and software services	-58 904	-15 083
Advisory and other professional services	-49 636	-23 646
Fees to system providers	-35 766	-18 444
Materials and consumables	-25 559	-25 611
Telecommunication services	-10 968	-7 264
Cost of operating leases	-9 731	-2 429
Other services	-16 119	-8 171

The majority of expenses is directly related to revenue from lottery and betting activities.

When comparing materials, consumables and services for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

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24. Marketing expenses

	31/12/2017	31/12/2016
Marketing expenses	**-95 404**	**-39 134**
Advertising	-66 701	-29 319
Sponsorship and donations	-28 703	-9 815

When comparing marketing expenses for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

The Group donates money to several registered not-for-profit organisations, the amount contibuted in 2017 was TEUR 904 (in 2016: TEUR 0).

Not-for-profit organisations contributions	**904**
Greek Paraolympic Committee	500
Apostoli (NGO founded by the Holy Archdiocese of Athens)	150
KETHEA (rehabilitation and social reintegration network)	105
CENTRUM POHYBOVÉ MEDICÍNY PAVLA KOLÁŘE	76
LEEMON CONCEPT	60
BEST RATING	11
NADACE PINK BUBBLE	1
NADACE AC SPARTA PRAHA	1

25. Personnel expenses

	31/12/2017	31/12/2016
Personnel expenses	**-81 564**	**-28 039**
Wages and salaries	-65 058	-21 942
Social security and health insurance	-13 851	-5 354
Other social expenses	-2 007	-653
Retirement benefit costs	-648	-90

Average number of employees in 2017 was 1 660 employees (2016: 1 364).

When comparing personel expenses for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

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26. Depreciation and amortization

	31/12/2017	31/12/2016
Depreciation and amortization	**-95 177**	**-16 934**
Depreciation of property, plant and equipment	-16 339	-4 672
Impairment of property, plant and equipment	-1 197	--
Amortisation of intangible assets	-77 641	-12 262

When comparing depreciation and amortization expense for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

27. Other operating expenses

	31/12/2017	31/12/2016
Other operating expenses	**-59 616**	**-22 910**
Other taxes	-11 585	-13 585
Travel expenses	-3 362	-1 039
Repair and maintenance	-2 160	-1 167
Fees	-1 355	-790
Insurance premiums	-754	-162
Loss from the sale of non-current assets	-71	--
The remaining portion of operating expenses	-40 329	-6 167

When comparing other operating expenses for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

The remaining portion of operating expenses primary comprise cost of printing and designing the scratches and logistics in amount of TEUR 14 730 (2016: TEUR 4 337).

In the remainning portion of operating expenses are included penalties, fines and default interests in the amount TEUR 142 (2016: TEUR 90). None of these penalties or settlements, default interests relates to anti-corruption and briberly penalties or to envinronmental penalties in 2017 and 2016.

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28. Finance income and finance costs

	31/12/2017	31/12/2016
Interest income	**2 937**	**5 733**
Interest income from loans	2 931	1 115
Income from bonds	6	4 618
Interest expense	**-69 410**	**-49 286**
Interest expense	-46 579	-38 913
Bond-related interest and expense	-22 831	-10 373
Other financial gains / loss	**-6 406**	**22 635**
Foreign exchange gains (+)/losses (-)	-346	365
Income from ownership of securities	34	40
Other finance income	150	90
Other finance expenses	-6 244	-1 231
Gain (+) on revaluation of financial assets at fair value through profit or loss *	--	23 371
Loss from financial operations	**-72 879**	**-20 918**

* Gain (+) on revalution of finacial assets at fair value through profit or loss represents the change in fair value of financial assets until 6 October 2016 when these assets entered into purchase price allocation (see also Note 12).

When comparing finance income and finance cost for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

29. Share of profit equity-accounted investees

	31/12/2017	31/12/2016
Share of profit equity-accounted investees (net of tax)	**73 758**	**15 890**

The Group has significant influence in associated companies Medial Beteiligungs-GmbH, LTB Beteiligungs GmbH, CLS Beteiligungs GmbH, LOTTOITALIA S.r.l., as described in Note 7. None of these companies is publicly traded.

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30. Income tax expense

	31/12/2017	31/12/2016
Income tax expense	**-69 561**	**-18 962**
Current income tax	-62 254	-19 453
Deferred income tax	-7 307	491

Deferred tax is calculated using valid tax rates that are also expected to be valid when the asset is realised or the liability settled. The tax rates are country dependent and following local legislations.

Current tax comprises the tax estimate for 2017 and adjustment to the tax estimate for 2016.

When comparing income tax expense for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd.(including the OPAP S.A. sub-group) as of 6 October 2016.

Corporate income tax by country/region	**Tax rate**	
	2017	**2016**
Austria	25.00%	25.00%
Cyprus	12.50%	12.50%
Czech Republic	19.00%	19.00%
Greece	29.00%	29.00%
Russia	20.00%	20.00%
Slovakia	21.00%	22.00%
Vietnam	20.00%	20.00%

Reconciliation of effective tax rate

		2017		2016
Profit before income tax		**259 110**		**111 237**
Income tax using the valid tax rate *)	19.00%	49 231	19.00%	21 135
Effect of different tax rate used to determine current and deferred tax	0.00%	-9	0.00%	--
Effect of non-deductible expenses	5.26%	13 618	4.13%	3 704
Effect of non-taxable income	-5.99%	-15 511	-2.59%	-2 876
Effect of certain income subject to a special tax rate	-0.01%	-24	0.08%	24
Tax relating to prior periods	0.10%	251	0.06%	64
Effect of accumul. tax loss claimed in the current period	0.17%	446	-0.02%	-17
Effect of not recognised deferred tax assets relating to tax losses of current period	1.69%	4 377	-2.10%	-2 338
Effect of adjustments that do not result in deferred tax	-3.54%	-9 181	-6.63%	-6 424
Effect of different tax rate in comp. within the Group	10.17%	26 363	5.12%	5 690
Income tax expense presented in the consolidated statement of comprehensive income	**26.85%**	**69 561**	**17.05%**	**18 962**

*) 19% income tax rate was used for reconciliation since it is a domestic tax rate of parent Company.

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31. Other comprehensive income/loss for the year

	31/12/2017	31/12/2016
Foreign currency translation differences for foreign operations	-4 724	31
Foreign currency translation differences for foreign operations total	**-4 724**	**31**
Share of OCI of equity accounted investments	-232	-2 445
Share of OCI of equity accounted investments	**-232**	**-2 445**
Effective portion of changes in fair value of cash flow hedges, before tax	20 297	-931
Deferred tax	-3 835	177
Effective portion of changes in fair value of cash flow hedges, net of tax	**16 462**	**-754**
Actuarial gain/loss - before tax	255	-252
Actuarial gain/loss - deferred tax	-74	73
Actuarial gain/loss, net of tax	**181**	**-179**
Other comprehensive income/(loss) for the period, net of income tax	**11 687**	**-3 347**

32. Operating leases

Income

The Group leases non-residential premises and movable assets under operating leases - see note 3(j). The lease contracts have been concluded either for a fixed term or for an indefinite period with a possibility to give a notice. In 2017, an amount of TEUR 2 111 (2016: TEUR 174) was recognised as income from operating leases in the statement of comprehensive income. The income is included in Other operating income in Note 21.

The Group will receive the following income from operating lease instalments (long-term contracts only):

	2017	2016
Within one year	729	632
From one to five years	2 112	1 025
In more than five years	2 615	1 848
TOTAL	**5 456**	**3 505**

Expense

In 2017, an amount of TEUR 9 731 (2016: TEUR 2 429) was recognized as an expense on operating leases in the statement of comprehensive income. The expenses are included in Materials, consumables and services in Note 23.

The Group is obliged to pay operating lease instalments as follows (long-term contracts only):

	2017	2016
Within one year	6 442	5 112
From one to five years	19 201	16 831
In more than five years	31 151	33 583
TOTAL	**56 794**	**55 526**

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33. Contingencies

Legal matters

The Group estimates legal claims against OPAP S.A., for which a negative outcome is likely and therefore result in a provision, including interest, amounting to TEUR 29 342 (2016: TEUR 32 195).

Off balance sheet items and pledged assets

Off-balance sheet assets	**31/12/2017**	**31/12/2016**
Low value tangible assets not recorded in balance sheet	950	899
Commitments and guarantees granted (notes, other guar.)	156 099	124 377
Receivables written-off	3 320	3 107
Other	3 500	1 083
Total	**163 869**	**129 466**

Off-balance sheet liabilites	**31/12/2017**	**31/12/2016**
Guarantees received (bank and other guarantees)	40 947	45 470
Other	26	--
Total	**40 973**	**45 470**

Pledged assets for the loans received by the company	**31/12/2017**	**31/12/2016**
Tangible and intangible fixed assets	94 782	89 186
Securities, shares	206 210	206 210
Other	31 538	33 285
Total	**332 530**	**328 681**

34. Risk management and disclosure methods

This section elaborates in detail on the financial and operational risks the Group is exposed to and on its risk management methods. The key financial risks the Group faces comprise credit risk and liquidity risk. Since the Group is burdened with loans, interest rate risk exposure may also be deemed significant.

(a) Credit risk

i. Credit risk exposure

Credit risk is a risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk primarily as a result of its operating (namely in relation to its trade receivables) and financial activities, including deposits with banks and financial institutions, loans provided to third parties and other financial instruments.

The maximum credit risk exposure regarding financial assets is their carrying amount (if the counterparties fail to meet all their contractual obligations and, at the same time, the guarantees and pledges provided are found to be worthless). As for cash and cash equivalents, the Group has accounts with prestigious banks, which represents minimum risk exposure.

One of key measures to mitigate the credit risk in ordinary business activities are deposits received from partners (intermediaries). Receivables from the partners are monitored by management on regular basis.

The maximum exposure to credit risks at the reporting date by type of counterparty and geographical region is provided in the tables below.

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Credit risk by type of counterparty

At 31 December 2017	**Companies (non-financial insti-tutions)**	**State, govern-ment**	**Financial insti-tutions**	**Indivi-duals**	**Total**
Assets					
Long-term trade receivables and other non-current assets	22 385	--	530	457	23 372
Short-term trade receivables and other current assets	90 515	27 450	1 050	94 507	213 522
Short-term financial assets	8 908	--	--	--	8 908
Current tax asset	--	893	--	--	893
Cash and cash equivalents	1 249	--	409 039	--	410 288
Total	**123 057**	**28 343**	**410 619**	**94 964**	**656 983**

At 31 December 2016	**Companies (non-financial insti-tutions)**	**State, govern-ment**	**Financial insti-tutions**	**Indivi-duals**	**Total**
Assets					
Long-term trade receivables and other non-current assets	6 435	--	77	516	7 028
Short-term trade receivables and other current assets	59 303	12 516	9	62 660	134 488
Short-term financial assets	13 606	--	--	--	13 606
Current tax asset	--	31 414	--	--	31 414
Cash and cash equivalents	367	--	365 632	--	365 999
Total	**79 711**	**43 930**	**365 718**	**63 176**	**552 535**

ii. Credit risk by region

Long-term and short-term receivables, Short-term financial assets, Current tax asset and Cash and cash equivalents	**31/12/2017**	**31/12/2016**
Greece	323 406	196 866
Czech Republic	244 241	248 623
Cyprus	49 508	46 226
Austria	26 182	790
Switzerland	11 868	22 788
Other countries	1 778	37 242
Total	**656 983**	**552 535**

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iii. Ageing structure of financial assets

Ageing structure

At 31 December 2017	**Not past due**	**Past due 0-90 days**	**Past due 91-180 days**	**Past due 181-365 days**	**More than one year**	**Impair-ment created (-)**	**Total**
Assets							
Equity-accounted investments	498 579	--	--	--	--	--	498 579
Long-term trade receivables and other non-current assets	23 372	--	--	--	--	--	23 372
Short-term trade receivables and other current assets	201 396	5 845	6 998	573	34 963	-35 360	214 415
Short-term financial assets	8 908	--	--	--	--	--	8 908
Cash and cash equivalents	410 288	--	--	--	--	--	410 288
Total	**1 142 543**	**5 845**	**6 998**	**573**	**34 963**	**-35 360**	**1 155 562**

At 31 December 2016	**Not past due**	**Past due 0-90 days**	**Past due 91-180 days**	**Past due 181-365 days**	**More than one year**	**Impair-ment created (-)**	**Total**
Assets							
Equity-accounted investments	386 082	--	--	--	--	--	386 082
Long-term trade receivables and other non-current assets	7 028	--	--	--	--	--	7 028
Short-term trade receivables and other current assets	161 594	2 382	150	442	37 806	-36 472	165 902
Short-term financial assets	13 606	--	--	--	--	--	13 606
Cash and cash equivalents	362 659	562	--	2 778	--	--	365 999
Total	**930 969**	**2 944**	**150**	**3 220**	**37 806**	**-36 472**	**938 617**

The Group´s management believes that the overdue amounts are recoverable in full and therefore no impairment to these assets is applicable.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group’s management minimises liquidity risk (i.e. the risk of inappropriate funds to cover liabilities) through ongoing future cash flow management and planning. The key cash flow planning tool is an annual medium term plan prepared for the period of the following three years. The cash flows for the immediately following years are broken down in detail into individual months, and consequently updated on an ongoing basis.

As part of its liquidity risk management strategy, the Group ensures that a portion of its assets is highly liquid.

The table below presents an analysis of Group’s financial assets and liabilities classified by maturity, namely by the period remaining from the reporting date till the contractual maturity. Where earlier repayment is possible, the Group makes the most prudent assessment possible, therefore expecting the earliest possible repayment of liabilities and the latest possible repayment of receivables. Assets and liabilities whose maturity is not contractually specified are grouped under the “undefined maturity” category.

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Liquidity risk analysis (by maturity)

At 31 December 2017	**Carrying amount**	**Con-tractual cash flows** (1)	**1 year or less**	**1-5 years**	**More than 5 years**	**Un-defined maturity**
Assets						
Other non-current investments	918	918	--	--	--	918
Long-term trade receivables and other non-current assets	23 372	23 372	--	13 642	9 730	--
Short-term trade receivables and other current assets	213 522	213 522	213 522	--	--	--
Short-term financial assets	8 908	8 908	8 908	--	--	--
Current tax asset	893	893	893	--	--	--
Total	**247 613**	**247 613**	**223 323**	**13 642**	**9 730**	**918**
Cash	**410 288**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings – non-current portion	-1 338 235	-1 445 650	--	-1 428 933	-16 717	--
Other long-term liabilities	-11 912	-11 912	--	-11 771	-141	--
Bank loans and other borrowings – current portion	-261 429	-320 887	-320 887	--	--	--
Short-term trade and other payables	-370 268	-370 268	-370 268	--	--	--
Current tax liability	-2 148	-2 148	-2 148	--	--	--
Total	**-1 983 992**	**-2 150 865**	**-693 303**	**-1 440 704**	**-16 858**	**--**
Net balance - liquidity risk	**-1 326 091**	**-1 903 252**	**-469 980**	**-1 427 062**	**-7 128**	**918**

(1) Contractual cash flows are not discounted to net present value and include interest, if applicable.

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At 31 December 2016	**Carrying amount**	**Con-tractual cash flows** (1)	**1 year or less**	**1-5 years**	**More than 5 years**	**Un-defined maturity**
Assets						
Other non-current investments	1 701	1 701	--	--	--	1 701
Long-term trade receivables and other non-current assets	7 028	7 028	--	--	--	7 028
Short-term trade receivables and other current assets	134 488	134 488	133 154	1 334	--	--
Short-term financial assets	13 606	13 606	13 606	--	--	--
Current tax asset	31 414	31 414	31 414	--	--	--
Total	**188 237**	**188 237**	**178 174**	**1 334**	**--**	**8 729**
Cash	**365 999**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings – non-current portion	-990 296	-1 069 050	-	-1 019 447	-49 603	--
Other long-term liabilities	-8 551	-8 551	-	-8 551	-	--
Bank loans and other borrowings – current portion	-292 052	-343 101	-343 101	-	-	--
Short-term trade and other payables	-327 418	-327 418	-327 418	-	-	--
Current tax liability	-5 121	-5 121	-5 121	-	-	--
Total	**-1 623 438**	**-1 753 241**	**-675 640**	**-1 027 998**	**-49 603**	**--**
Net balance - liquidity risk	**-1 069 202**	**-1 565 004**	**-497 466**	**-1 026 664**	**-49 603**	**8 729**

(1) Contractual cash flows are not discounted to net present value and include interest, if applicable.

The Group management does not expect that the cash flows included in the maturity analysis will be settled earlier or in significantly larger volumes.

(c) Interest rate risk

In its business activities, the Group is exposed to the risk of interest rate fluctuation as the interest-bearing assets and liabilities have various maturities or remeasurement dates, or are due or remeasured in different amounts. The period throughout which a financial instrument bears a fixed interest rate determines the level of the financial instrument's exposure to interest rate risk. The risk arising from fluctuations in market interest rates primarily relates to the Group's long-term liabilities bearing variable interest rates.

The table below shows the Group's exposure to interest rate risk classified by contractual maturity of financial instruments. Non-interest-bearing assets and liabilities or those without specified contractual maturity are grouped under the "undefined maturity" category.

Financial information on interest-bearing and non-interest-bearing assets and liabilities and related contractual maturities at 31 December 2017:

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Interest rate risk analysis (by maturity)

At 31 December 2017	**1 year or less**	**1-5 years**	**More than 5 years**	**Undefined maturity (or non-interest-bearing)**	**Total**
Assets					
Long-term trade receivables and other non-current assets	--	13 642	9 730	--	23 372
Short-term trade receivables and other current assets	213 522	--	--	--	213 522
Short-term financial assets	8 908	--	--	--	8 908
Current tax asset	893	--	--	--	893
Cash and cash equivalents	--	--	--	410 288	410 288
Total	**223 323**	**13 642**	**9 730**	**410 288**	**656 983**
Liabilities					
Bank loans and other borrowings – non-current portion	--	-1 324 887	-13 348	--	-1 338 235
Other long-term liabilities	--	-11 771	-141	--	-11 912
Bank loans and other borrowings – current portion	-261 429	--	--	--	-261 429
Short-term payables from financial instruments	-284	--	--	--	-284
Short-term trade and other payables	-369 984	--	--	--	-369 984
Current tax liability	-2 148	--	--	--	-2 148
Total	**-633 845**	**-1 336 658**	**-13 489**	**--**	**-1 983 991**

Financial information on interest-bearing and non-interest-bearing assets and liabilities and related contractual maturities at 31 December 2016:

Interest rate risk analysis (by maturity)

At 31 December 2016	**1 year or less**	**1-5 years**	**More than 5 years**	**Undefined maturity (or non-interest-bearing)**	**Total**
Assets					
Long-term trade receivables and other non-current assets	--	--	--	7 028	7 028
Short-term trade receivables and other current assets	134 488	--	--	--	134 488
Short-term financial assets	13 606	--	--	--	13 606
Current tax asset	31 414	--	--	--	31 414
Cash and cash equivalents	--	--	--	365 999	365 999
Total	**179 508**	**--**	**--**	**373 027**	**552 535**
Liabilities					
Bank loans and other borrowings – non-current portion	--	-990 296	--	--	-990 296
Other long-term liabilities	--	--	-8 551	--	-8 551
Bank loans and other borrowings – current portion	-292 052	--	--	--	-292 052
Short-term payables from financial instruments	-1 353	--	--	--	-1 353
Short-term trade and other payables	-326 065	--	--	--	-326 065
Current tax liability	-5 121	--	--	--	-5 121
Total	**-624 591**	**-990 296**	**-8 551**	**--**	**-1 623 438**

A change by one basis point in interest rates as of 31 December 2017 would have immaterial effects on equity.

	Profit or loss	
Effect in thousands of Euro	100 bp increase	100 bp decrease
	+ profit/ - loss	+ profit/ - loss
31/12/2017		
Variable rate instruments	-12 329	12 329
Interest rate swaps	2 446	-2 446
Cash flow sensitivity (net)	**-9 883**	**9 883**
31/12/2016		
Variable rate instruments	-10 714	10 714
Interest rate swaps	2 450	-2 450
Cash flow sensitivity (net)	**-8 264**	**8 264**

(d) Currency risk

The Group is exposed to currency risk through its subsidiaries with CZK as a functional currency. The Group is using FX and interest rate derivatives in such subsidiaries to cover the future cash flows from assets and liabilities denominated in currencies other than CZK.

The management also regularly monitors potential currency risks prior to the conclusion of significant contracts or business transactions.

At 31 December 2017	EUR	CZK	USD	Other	Total
Long-term trade receivables and other current assets	23 016	356	--	--	23 372
Short-term financial assets	297	8 611	--	--	8 908
Short-term trade receivables and other current assets	198 719	15 104	36	556	214 415
Cash and cash equivalents	315 188	94 652	84	364	410 288
Total assets	**537 220**	**118 723**	**120**	**920**	**656 983**
Bank loans and other borrowings – non-current portion	-1 161 357	-176 878	--	--	-1 338 235
Other long-term liabilities	-9 567	-352	-1 993	--	-11 912
Bank loans and other borrowings – current portion	-229 873	-31 556	--	--	-261 429
Short-term trade and other payables	-316 288	-53 159	-2 924	-45	-372 416
Total liabilities	**-1 717 085**	**-261 945**	**-4 917**	**-45**	**-1 983 992**
Total	**-1 179 865**	**-143 222**	**-4 797**	**875**	**-1 327 009**

At 31 December 2016	**EUR**	**CZK**	**USD**	**Other**	**Total**
Long-term trade receivables and other current assets	6 741	287	--	--	7 028
Short-term financial assets	18	13 588	--	--	13 606
Short-term trade receivables and other current assets	151 776	13 485	309	332	165 902
Cash and cash equivalents	329 774	31 454	4 761	10	365 999
Total assets	**488 309**	**58 814**	**5 070**	**342**	**552 535**
Bank loans and other borrowings – non-current portion	-794 512	-195 784	--	--	-990 296
Other long-term liabilities	-6 699	--	-1 852	--	-8 551
Bank loans and other borrowings – current portion	-206 039	-86 013	--	--	-292 052
Short-term trade and other payables	-281 498	-47 893	-2 837	-311	-332 539
Total liabilities	**-1 288 748**	**-329 690**	**-4 689**	**-311**	**-1 623 438**
Total	**-800 439**	**-270 876**	**381**	**31**	**-1 070 903**

A reasonably possible strengthening (weakening) of EUR, CZK and USD against all other currencies as at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		**Equity, net of tax**	
Effect in thousands of Euro	10% Euro strengthening	10% Euro weakening	10% Euro strengthening	10% Euro weakening
	+ profit/ - loss	+ profit/ - loss	+ increase/ - decrease	+ increase/ - decrease
31/12/2017				
EUR	-9	9	--	--
CZK	-15 163	15 163	-19 738	19 738
USD	490	-490	--	--
31/12/2016				
EUR	-18	18	--	--
CZK	-6 943	6 943	-16 061	16 061
USD	-38	38	--	--

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(e) Capital management

The Group's aim is to maintain a strong capital base so as to maintain ultimate shareholder, creditor and market confidence and to sustain future development of own business.

Through capital management and debt-to-equity ratio optimisation (until ratio 3), the Group aims to ensure the going concern principle prerequisites and to maximise the level of dividends to shareholders.

At the reporting date, the Group recorded the following debt-to-equity ratio:

	31/12/2017	**31/12/2016**
Total liabilities	2 256 333	1 889 992
Less: cash and cash equivalents and short-term financial assets	419 196	379 605
Net debt	**1 837 137**	**1 510 387**
Total equity	**1 650 839**	**1 752 368**
Debt to equity ratio	**1.113**	**0.862**

(f) Regulatory risk

The gaming sector is intensively regulated by state authorities. The authorities have the right to unilaterally alter the legislative and regulatory framework that governs the manner and modus operandi of the games that the Group offers.

The developments drive evolving regulatory challenges for the Group. Changes in the regulatory environment may have a substantial impact, through restricting betting activities or changing compliance costs and taxes. The Group consistently complies with regulatory standards, while understands and addresses changing regulatory requirements in an efficient and effective manner. Additionally, a potential failure on the Group's part to comply with the governing rules and the regulatory framework, as well as the enactment of new laws or/and further regulatory enforcement could have a negative impact on the Group's business activities.

Risk of additional charges for OPAP CYPRUS LTD

In October 2017, the Attorney General delivered to the Auditor General and following his request, an opinion by which OPAP CYPRUS LTD supposedly does not pay to the Republic of Cyprus the amounts due under the Bilateral Treaty by making a new interpretation of the Bilateral Treaty, totally different from the interpretation given by the Republic of Cyprus throughout the duration of the Bilateral Treaty since 2003. The General Accountant of the Republic of Cyprus, who is authorized under the Bilateral Treaty to audit the accounts of OPAP CYPRUS LTD, took a different position from the Attorney General supporting the way OPAP CYPRUS LTD calculated its contributions to Republic of Cyprus. No claim has been made to-date against OPAP CYPRUS LTD and OPAP S.A. is convinced, that the interpretation of the Attorney General is unfounded.

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(g) Financial instruments and fair values

Financial instruments – categories

The Group's financial assets comprise long-term and short-term loans and borrowings, trade receivables and other receivables, short-term financial assets, other non-current investments and investments accounted for using the equity method, long-term receivables from financial instruments, and cash and cash equivalents, which are all classified as loans and receivables.

Financial liabilities comprise interest-bearing loans and borrowings, bank loans and trade and other payables, derivatives (liabilities from financial instruments), and short-term tax liabilities.

The Group considers that all carrying amounts are a reasonable approximations of fair values.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

Fair values and carrying amounts of financial assets and liabilities	Carrying amount		Fair value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets				
Other non-current investments and equity-accounted investments	499 497	387 783	499 497	387 783
Long-term trade receivables and other non-current assets	23 372	7 028	23 372	7 028
Short-term trade receivables and other current assets	213 522	134 488	213 522	134 488
Short-term financial assets	8 908	13 606	8 908	13 606
Current tax asset	893	31 414	893	31 414
Cash and cash equivalents	410 288	365 999	410 288	365 999
Total	**1 156 480**	**940 318**	**1 156 480**	**940 318**
Liabilities				
Bank loans and other borrowings – non-current portion	-1 338 235	-990 296	-1 338 235	-990 296
Other long-term liabilities	-11 912	-8 551	-11 912	-8 551
Bank loans and other borrowings – current portion	-261 429	-292 052	-261 429	-292 052
Short-term trade and other payables	-369 984	-326 065	-369 984	-326 065
Short-term liabilities from financial instruments	-284	-1 353	-284	-1 353
Current tax liability	-2 148	-5 121	-2 148	-5 121
Total	**-1 983 992**	**-1 623 438**	**-1 983 992**	**-1 623 438**

Fair value hierarchy

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other techniques based on inputs that have a material impact on the reported fair value and that are observable, either directly or indirectly
- Level 3: techniques based on inputs that have a material impact on the reported fair value and that are not based on observable market data

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The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount at 31/12/17		Fair value at 31/12/17		
	Held-for-trading	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swaps	2	3 305	--	3 307	--
Call option	8 800	--	--	8 800	--
Financial liabilities measured at fair value					
Interest rate swaps	-284	-214	--	-498	--
Call option	-1 993	--	--	-1 993	--

	Carrying amount at 31/12/16		Fair value at 31/12/16		
	Held-for-trading	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swaps	--	346	--	346	--
Financial liabilities measured at fair value					
Interest rate swaps	--	-1 353	--	-1 353	--
Purchase option	-1 852	--	--	-1 852	--

Fair values as shown in the tables were obtained from financial institutions in which the interest rate swaps are contracted. The Group considers that the carrying amount of the purchase option is reasonable approximation of fair value and therefore not revaluated.

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35. Operating segments

(a) Business segments

2017 FINANCIAL OPERATING SEGMENTS	Lotteries	Instant lotteries	Sports Betting	Digital	Telecommunication services	Other	Total
Amounts staked	2 902 891	393 289	1 599 739	13 687	--	57 549	**4 967 155**
Gross gaming revenue	1 038 413	139 607	425 133	3 325	--	57 549	**1 664 027**
Net gaming revenue	**711 390**	**100 600**	**278 741**	**2 575**	**--**	**40 285**	**1 133 591**
Other revenue and other operating income	12	6	699	--	98 211	37 475	**136 403**
Agents´ commission	-238 802	-32 698	-106 296	--	-2 892	-15 877	**-396 565**
Operating expenses	-210 379	-36 508	-110 025	-2 500	-98 736	-61 873	**-520 021**
Depreciation and amortization	-22 828	-2 863	-29 315	-432	-577	-39 162	**-95 177**
Results from operating activities	**239 393**	**28 537**	**33 804**	**-357**	**-3 994**	**-39 152**	**258 231**
Share on profit of equity-accounted investees	66 237	--	325	3 407	--	3 789	**73 758**
Operating profit including share on profit of equity-accounted investees	**305 630**	**28 537**	**34 129**	**3 050**	**-3 994**	**-35 363**	**331 989**

2016 FINANCIAL OPERATING SEGMENTS	Lotteries	Instant lotteries	Sports Betting	Digital	Telecommunication services	Other	Total
Amounts staked	1 067 228	158 859	387 243	--	--	--	**1 613 330**
Gross gaming revenue	421 727	58 500	111 019	--	--	--	**591 246**
Net gaming revenue	**295 283**	**42 637**	**71 035**	**--**	**--**	**--**	**408 955**
Other revenue and other operating income	--	--	--	--	31 936	14 011	**45 947**
Agents´ commission	-84 074	-12 888	-30 129	--	-3 188	-596	**-130 875**
Operating expenses	-96 115	-16 103	-23 242	--	-30 494	-24 874	**-190 828**
Depreciation and amortization	-8 354	-2 593	-3 586	--	-100	-2 301	**-16 934**
Results from operating activities	**106 740**	**11 053**	**14 078**	**--**	**-1 846**	**-13 760**	**116 265**
Share on profit of equity-accounted investees	10 650	--	83	1 746	--	3 411	**15 890**
Operating profit including share on profit of equity-accounted investees	**117 390**	**11 053**	**14 161**	**1 746**	**-1 846**	**-10 349**	**132 155**

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(b) Geographical segments

In 2017 Group´s operations were in Czech Republic, Greece, Cyprus, Austria, Italy, Vietnam and Other. Segment other includes Russia, Slovakia and overheads.

Geographical segments	Czech Republic	Greece	Cyprus	Austria	Italy	Vitenam	Other	Total
Net gaming revenue	160 655	903 165	69 771	--	--	--	--	**1 133 591**
Results from operating activities	56 447	206 140	6 814	-1 640	--	-885	-8 645	**258 231**
Share of profit of equity-accounted investees	--	--	-267	16 225	57 800	--	--	**73 758**
Operating profit including share of profit of equity-accounted investees	**56 447**	**206 140**	**6 547**	**14 585**	**57 800**	**-885**	**-8 645**	**331 989**
Segment Assets	548 661	2 211 737	302 008	195 320	325 988	384	323 074	**3 907 172**
Segment Liabilities	348 203	1 227 204	205 584	83 148	--	786	391 408	**2 256 333**

In 2016 Group´s operations were in Czech Republic, Greece, Cyprus, Austria, Italy, Other. Other includes overheads.

Geographical segments	Czech Republic	Greece	Cyprus	Austria	Italy	Other	Total
Net gaming revenue	144 620	251 859	12 476	--	--	--	**408 955**
Results from operating activities	58 325	60 995	6 386	-403	--	-9 038	**116 265**
Share of profit of equity-accounted investees	--	--	500	8 316	7 074	--	**15 890**
Operating profit including share of profit of equity-accounted investees	**58 325**	**60 995**	**6 886**	**7 913**	**7 074**	**-9 038**	**132 155**
Segment Assets	518 154	2 203 157	314 551	140 775	202 074	263 649	**3 642 360**
Segment Liabilities	352 872	880 184	370 749	9	--	286 178	**1 889 992**

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36. Related parties

Relations between the Group and its related parties include relationships with shareholders and other persons as shown in the table below. The parties are as follows:

(1) – Shareholders and the companies they control

(2) – Key management personnel in a given entity or its parent company

All the parties disclosed below are related to the Group due to their relationships within KKCG AG group and Emma Gamma Limited group in the reported periods. Some of them are also related by the key management personnel.

All material transactions with related parties were carried out on an arm's length basis.

(a) Outstanding related party balances as at 31 December 2017 and 31 December 2016:

	Assets		**Liabilities**	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cestovní kancelář FISCHER, a.s.	--	--	415	276
DataSpring s.r.o.	121	39	118	166
Geewa a.s.	--	--	--	1
Conectart s.r.o.	34	--	155	125
KKCG a.s.	--	--	701	844
KKCG AG *)	--	1 337	157	42 263
KKCG Structured Finance AG *)	8 908	13 606	--	--
Kynero Consulting a.s.	--	--	6	1
MND a.s.	4	--	36	36
Vinohradská 230 a.s.	--	--	56	2
G-JET s.r.o.	--	--	13	--
FM&S Czech a.s.	2	3	76	48
KKCG UK Limited	152	--	68	217
SafeDX s.r.o.	--	--	44	--
EMMA CAPITAL LIMITED	--	--	120	1 882
Emma Gamma Limited	--	--	--	12 953
Emerging Markets Capital, a.s.	--	1 049	932	1 102
Total	**9 221**	**16 034**	**2 897**	**59 916**

*)
As at 31 December 2016, liabilities of KKCG AG comprised loans received. In 2017 the loan was repaid (see Note 15).

As at 31 December 2017 and 31 December 2016, receivables from KKCG Structured Finance AG comprised short-term financial assets as described in Note 10.

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(b) Related party transactions for the period ended 31 December 2017 and 31 December 2016:

	Revenues		Expenses	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cestovní kancelář FISCHER, a.s.	--	--	171	153
DataSpring s.r.o.	159	85	481	447
Geewa a.s.	--	--	8	10
Conectart s.r.o.	114	1	772	648
KKCG a.s.	--	--	1 963	2 669
KKCG AG *)	--	1 336	2 148	4 309
KKCG Structured Finance AG *)	2	9	1 346	1 927
Kynero Consulting a.s.	--	--	11	11
MND a.s.	1	--	322	357
Vinohradská 230 a.s.	--	--	59	8
G-JET s.r.o.	--	--	25	8
FM&S Czech a.s.	15	38	390	355
KKCG UK Limited	--	--	341	196
SafeDX s.r.o.	1	20	137	--
MND Drilling & Services a.s.	--	--	6	--
EMMA CAPITAL LIMITED	--	--	--	1 554
Emma Gamma Limited	--	--	116	1 077
Emerging Markets Capital, a.s.	453	880	970	1 101
Total	**745**	**2 369**	**9 266**	**14 830**

*) Expenses for 2017 and 2016 from KKCG AG and KKCG Structured Finance AG represent interest expenses from loan received, which was repaid in 2017, described in detail in Note 15.

(c) Transactions with members of the Group's bodies for the period ended 31 December 2017 and 31 December 2016:

In 2017, the Group paid out bonuses to members of the Group entities' bodies amounting to TEUR 898 (2016: TEUR 411).

37. Subsequent events

Description of significant subsequent events that occurred after 31 December 2017:

1) As of 15 January 2018, the Group acquired a controlling interest in Casinos Austria AG via the acquisition of additional shares in Medial Beteiligungs GmbH. After the acquisition, the Group holds an effective interest in Casinos Austria AG of 34.04 % and has an additional 17.2 % of voting rights from a shareholders agreement with Novomatic AG. Through the combination of both of these events, the Group has gained control over the Casinos Austria AG. Certain transfers of direct and indirect interests by the Group's controlling shareholders in Casinos Austria AG may give Novomatic AG the right to terminate the shareholders agreement.
The acquisition will have material effect on the Group's financial statements.

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The acquisitions of the Medial Beteiligungs had the following effect on the Group:

	Values on acquisition Medial Beteiligungs Group
Non-current assets*	623 530
Current assets	309 859
Non-current liabilities	411 294
Current liabilities	423 874
Net Assets	98 221
Non-controlling interest	52 258
Consideration paid	285 966
Expected Non-current assets from acquisition *	240 003

* subject to ongoing acquisition accounting

The Group considers for all values presented in the table that their book values are close to fair values except to the Non-current assets.

As of 15 January 2018 the Group drew on a loan in the amount of TEUR 115 000 relating to the additional acquisition of Medial Beteiligungs GmbH shares.

2) The Group also undertakes all necessary steps to acquire 3 Croatian companies:

- 67 % of company SUPER SPORT d.o.o,
- 67 % of company PUNI BROJ d.o.o,
- 51 % of company minus5 d.o.o.

On 23 February 2018, the Group signed a share purchase agreement to effectively acquire all 3 companies and is awaiting approval from regulatory authorities to close the transaction. Management anticipates that this approval will be received by the end of April 2018.

On 23 February 2018, the Group also signed an option agreement, under which the Group will effectively buy the remaining outstanding 33 % of SUPER SPORT d.o.o. and 33 % of PUNI BROJ d.o.o, becoming 100 % owner of the company.

3) The subscription period for the 5- year Senior Unsecured Notes SG 4.00/2022 (the "Notes")

After the end of the reporting period, the Group subscribed the remaining 39 800 pcs of Notes in the value of TEUR 39 800. Total subscription of the Notes is in the amount of TEUR 200 000 as at the date of issue of the consolidated financial statements.

4) The Group is considering an initial public offering on the main market of the London Stock Exchange. To that end, Citigroup Global Markets Limited, J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove and Morgan Stanley & Co. International plc have been appointed as Joint Global Coordinators and Nomura International plc as Equity Adviser Further announcements will be made if and when the group makes a decision to proceed with the initial public offering.

5) On 22 March 2018, the Board of Directors of OPAP resolved upon proposing to the AGM, the distribution of EUR 0.40 gross dividend per share for the fiscal year 2017. Taking into account that the company already distributed EUR 0.10 interim per share dividend in October 2017, the remaining gross dividend to be distributed stands at EUR 0.30 per share. Subject to AGM (April 25th 2018) approval, the ex-dividend date will take place on 7 May 2018.

Except for the above, no other subsequent events that would have a material impact on the consolidated financial statements as at 31 December 2017 occured.

Date:	Signature of the authorised representative:	
28 March 2018	Pavel Šaroch Member of the Board of Directors	Pavel Horák Member of the Board of Directors