SAZKA Group a.s.

CONSOLIDATED ANNUAL REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
& INDEPENDENT AUDITOR'S REPORT
for the year 2016

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SAZKA Group a.s.
Consolidated Annual Report for the year 2016

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 2016 the Group includes the Company and its following subsidiaries 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
- EMMA DELTA MANAGEMENT LTD
    - EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD
        - Emma Delta Finance Plc
        - Emma Delta Hellenic Holdings Ltd
            - OPAP S.A.

(The Company and its subsidiaries listed above hereinafter reported to as "The Group"). Further information about the Group as at 31 December 2016 is presented in the Consolidated Financial Statements.

3. Main activities and financial indicators of the Group

The Group is owned by 2 international investment groups KKCG (75% through KKCG AG) and EMMA Capital (25% through EMMA GAMMA LIMITED) and is operating in 5 countries and serving 90 million customers through more than 51 thousand points of sale.

The Group made additional investments during 2016 in lottery and betting companies in Italy, Austria and Greece. Such investments are part of the long-term ongoing development process of the Group in its following main activities:

- Lottery and betting activities
- Non-lottery activities

3.1. Financial position of the Group

Balance sheet of the Group as at 31 December 2016 was as follows:

- Non-current assets in total amount of EUR 3 083 970 thousands, of which Intangible Assets amounted to EUR 2 021 609 thousands, Goodwill amounted to EUR 561 937 thousands, Tangible assets amounted to EUR 92 515 thousands, Long-term investments amounted to EUR 387 783 thousands and Other Long-term assets in the amount of EUR 7 028 thousands;
- Current assets in total amount of EUR 558 390 thousands, of which Inventories amounted to EUR 12 883 thousands, Receivables amounted to EUR 134 488 thousands and Short-term financial assets amounted to EUR 13 606 thousands.

The Equity of the Group as at 31 December 2016 was in amount of EUR 1 752 368 thousands and Liabilities in amount of EUR 1 889 992 thousands. There were no own-shares on the Balance sheet of the Group.

Financial performance of the Group	**2016**	**2015**	**Δ%**
Net Gaming Revenues ("NGR")	591 246	180 915	227%
EBITDA	133 199	85 348	56%
Profit for the year	92 275	84 338	9%
Net increase / decrease in cash and cash equivalents			
Cash flow from operating activities	52 376	46 759	12%
Cash flow from investing activities	-157 441	-212 826	-26%
Cash flow from financing activities	446 450	150 059	198%

3.2. Lottery and betting activities

The increases in NGR and EBITDA was caused mainly by the increased investment into OPAP (and EMMA DELTA MANAGEMENT LTD sub-group) in 4Q 2016.

During 2016 the Group also invested into non-controlling interests in Austrian Lotteries and LOTTOITALIA with a view of future strategic development of these assets.

The overall Profit remains sustainable since the Group is investing to improve its operations, network and overall performance.

3.3. Non-lottery activities

Non-lottery activities are mainly represented by Virtual mobile operator activities, sale of tickets through the network and other services.

The virtual mobile operations and mobile phones recharging in the Czech Republic and Greece drive their performance through the benefit of the networks that are already in place and provide for a sustainable part of income for the Group.

The Group is heavily investing into IT – mainly for interfaces for lottery and non-lottery businesses. This is part of a long-term ongoing process that the Group expects to continue to expand into the future.

4. Human resources

The average number of employees in the Group for the year 2016 was 1 364 of which 109 were executives.

The Group's strategy is led by a high performing team which is then vital 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's companies support the education of employees and provide a qualitative environment for personal development. The Group continued in 2016 with the Sales Force Academy program in Czech Republic and the OPAP Academy in Greece, focused on skills and talent development of the Group's employees.

The Group also 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.

6. Social responsibility and sponsoring

The Group continuously supports the communities and economies in all of the countries in which it operates. The main parts of the Group's Corporate Responsibility strategy is founded on pillars such as support to young generations, health, sport, culture and society.

Furthermore, Responsible Gaming is a central element in the sustainability strategy of the Group. It includes self-regulation and the establishment of an environment with fair, reliable and safe gaming experience provided to the customers. The Group's companies have designed and implemented solid strategies and series of actions aiming to protect and prevent the general public and social groups from excessive participation in games of chance.

The Group's Companies also support the sustainable structure and environment of the Lottery and Gaming industry with protection of the market against illegal providers.

7. 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 36 of the consolidated financial statements.

Date:	Signature of the statutory body	
10 May 2017	Pavel Šaroch Member of the Board of Directors	Pavel Horák Member of the Board of Directors

8. 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 2016, and 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 2016, 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 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 consolidated financial statements is, in all material respects, consistent with 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 Bodyfor 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.

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 2016, based on which this independent auditor's report has been prepared.

Prague
10 May 2017

KPMG Česká republika Audit

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 2016

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Consolidated statement of financial position	**Note**	**31/12/2016**	**31/12/2015**
ASSETS			
Intangible assets	5	2 021 609	79 051
Goodwill	5	561 937	356 564
Property, plant and equipment	6	92 515	24 079
Investment property	6	940	--
Other non-current investments	8	1 701	1 701
Investments accounted for using the equity method	8	386 082	65 220
Long-term financial assets at fair value through profit or loss	9	--	208 148
Long-term trade receivables and other non-current assets	11	7 028	325
Deferred tax asset	10	12 158	--
Total non-current assets		**3 083 970**	**735 088**
Inventories		12 883	253
Short-term trade receivables and other current assets	11	134 488	12 580
Current tax asset	30	31 414	17
Short-term financial assets	12	13 606	44 979
Cash and cash equivalents	13	365 999	24 627
Assets held for sale	7	--	1 968
Total current assets		**558 390**	**84 424**
Total assets		**3 642 360**	**819 512**

The notes on pages 10 to 66 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Consolidated statement of financial position (continued)	**Note**	**31/12/2016**	**31/12/2015**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	81	81
Treasury shares	15	-1 042	--
Capital contributions and other reserves		438 862	189 134
Translation reserve		-7 738	-7 770
Retained earnings and profit for the current period		183 041	126 528
Total equity attributable to equity holders of the Company		613 204	307 973
Non-controlling interest	16	1 139 164	289
Total equity		**1 752 368**	**308 262**
Liabilities			
Bank loans and other borrowings – non-current portion	17	990 296	265 521
Other long-term liabilities		8 551	1 821
Long term provisions	19	35 674	813
Employee benefits	21	1 507	--
Deferred tax liability	10	219 543	8 180
Total non-current liabilities		**1 255 571**	**276 335**
Bank loans and other borrowings – current portion	17	292 052	104 041
Short-term trade and other payables	18	327 418	120 831
Current tax liability	30	5 121	3 383
Short-term provisions	19	9 830	6 660
Total current liabilities		**634 421**	**234 915**
Total liabilities		**1 889 992**	**511 250**
Total equity and liabilities		**3 642 360**	**819 512**

The notes on pages 10 to 66 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Consolidated statement of comprehensive income	**Note**	**For 2016**	**For 2015**
Continuing operations			
Revenues	22	628 195	192 957
Other operating income	23	8 998	25 073
Total income		**637 193**	**218 030**
Materials, consumables and services	24	-260 939	-66 092
Personnel expenses	25	-28 039	-12 193
Depreciation and amortization	26	-16 934	-1 940
Other operating expenses	27	-215 016	-54 397
Profit from operating activities		**116 265**	**83 408**
Interest income	28	5 733	63
Interest expense	28	-49 286	-15 897
Other financial gains	28	22 635	24 840
Profit/(loss) from financial operations		**-20 918**	**9 006**
Share of profit of investments accounted for using the equity method (net of tax)	29	15 890	915
Profit before income tax		**111 237**	**93 329**
Income tax expense	30	-18 962	-8 991
Profit for the year		**92 275**	**84 338**
Items that are or may be reclassified to profit or loss:			
Revaluation of hedging derivatives, net of tax		-754	484
Actuarial loss, net of tax		-179	--
Foreign currency translation differences for foreign operations		31	2 005
Share of other comprehensive income of equity accounted investments		-2 445	--
Other comprehensive income/loss for the year (net of tax)		**-3 347**	**2 489**
Total comprehensive income for the year		**88 928**	**86 827**
Profit attributable to:		**92 275**	**84 338**
Equity holders of the Company		56 604	84 365
Non-controlling interests		35 671	-27
Total comprehensive income attributable to:		**88 928**	**86 827**
Equity holders of the Company		53 397	86 889
Non-controlling interests		35 531	-62

Earnings per share	**Note**	**For 2016**	**For 2015**
Basic earnings per share (in thousands of Euro)	15	2 830	4 218
Diluted earnings per share (in thousands of Euro)	15	2 830	4 218

The notes on pages 10 to 66 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2016 (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 (loss) 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
Increase in 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	15	**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 66 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Consolidated statement of changes in equity	**Note**	**Share capital**	**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 2015		**81**	**82 716**	**59 159**	**-9 810**	**132 146**	**--**	**132 146**
Profit (loss) for 2015		--	--	84 365	--	84 365	-27	84 338
Other comprehensive income		--	484	--	2 040	2 524	-35	2 489
Total comprehensive income		**--**	**484**	**84 365**	**2 040**	**86 889**	**-62**	**86 827**
Transactions with owners, recorded directly in equity:								
Other movements in equity		--	--	-16 996	--	-16 996	--	-16 996
Increase in other capital contributions		--	105 934	--	--	105 934	333	106 267
Effect of change in ownership interests		--	--	--	--	--	18	18
Total transactions with owners		**--**	**105 934**	**-16 996**	**--**	**88 938**	**351**	**89 289**
Balance at 31 December 2015	15	**81**	**189 134**	**126 528**	**-7 770**	**307 973**	**289**	**308 262**

* Total equity attributable to equity holders of the Company.

The notes on pages 10 to 66 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Consolidated statement of cash flows	**Note**	**For 2016**	**For 2015**
OPERATING ACTIVITIES			
Profit (+) for the year		92 275	84 338
Adjustments for:			
Income tax expense	30	18 962	8 991
Depreciation and amortization	26	16 934	1 940
Loss (+) on sale of property, plant and equipment and intangible assets	27	-575	148
Gain (-) on disposal of financial investments and other financial gains		--	-36
Profit (-) on revaluation of non-current assets, financial instruments and investments	28	-23 371	-21 606
Net interest expense (+)	28	43 553	15 834
Net FX profit (-)	28	-365	-1 541
Other financial gains (dividends)	28	-40	-1 295
Badwill	27	--	-25 061
Share of profit of investments accounted for using the equity method	29	-15 890	-915
Other non-monetary transactions		262	-18
Operating result before changes in working capital and provisions		**131 745**	**60 779**
Increase (+) in provisions		653	213
Increase (-) / decrease (+) in inventories		-9 776	32
Increase (-) / decrease (+) in trade receivables and other assets		46 586	-5 966
Increase (+) in trade and other payables		-19 097	4 531
Cash generated from operating activities		**150 111**	**59 589**
Interest paid		-37 936	-11 508
Income tax paid		-59 799	-1 322
Net cash generated from operating activities		**52 376**	**46 759**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	-8 913	-2 286
Acquisition of intangible assets	5	-4 338	-2 395
Acquisition of subsidiaries and investments accounted for using the equity method, net of cash acquired		-182 056	-168 705
Proceeds from sale of property, plant and equipment and intangible assets		736	10
Interest received		5 717	107
Dividends received	28	40	1 295
Increase (-) / decrease (+) in short-term financial assets	12	31 373	-40 852
Net cash used in (-) investing activities		**-157 441**	**-212 826**
FINANCING ACTIVITIES			
Dividends paid		-25 599	--
Other contributions to equity		252 600	105 934
Loans and borrowings received		823 404	74 469
Repayment of loans and borrowings		-599 220	-30 344
Acquisition of treasury shares		-4 735	--
Net cash generated from (+) / used in (-) financing activities		**446 450**	**150 059**
Net increase (+) /decrease (-) in cash and cash equivalents		***341 385***	***-16 008***
Effect of currency translation		-13	1 341
Cash and cash equivalents at the beginning of the accounting period	13	**24 627**	**39 294**
Cash and cash equivalents at the end of the accounting period	13	**365 999**	**24 627**

The notes on pages 10 to 66 are an integral part of these consolidated financial statements.

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Consolidated financial statements for the year ended 31 December 2016 (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 and betting business in Czech Republic, Greece, Cyprus, Austria and Italy.

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 31/12/2016	Ownership interest at 31/12/2015	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 (1)	Czech Republic	100%	75%	full
Subsidiary: RUBIDIUM HOLDINGS LIMITED	Cyprus	100%	100%	full
Subsidiary: Vitalpeak Limited	Cyprus	100%	100%	full
Subsidiary: IGH Financing a.s. – sub-group (2)	Czech Republic	100%	--	full
Subsidiary: Emma Delta Management Ltd – subgroup (3)	Cyprus	66.7%	--	full
Subsidiary: SAZKA Asia a.s. – subg-roup (4)	Czech Republic	100%	--	full

(1) *On 17 August 2016, remaining 25% interest in Austrian Gaming Holding a.s. was acquired.*

(2) *IGH Financing a.s. entered the consolidation group on 28 April 2016.*

(3) *According to IFRS rules the Group obtained "de-facto" control over Emma Delta Management Ltd including its subsidiaries as at 6 October 2016 – the date when approval from HELLENIC GAMING COMMISSION (Independent administrative authority) was issued. All other legal and formal steps were finished in January 2017 however according to IFRS rules Emma Delta Management Ltd including its subsidiaries entered the consolidation group on 6 October 2016.*

(4) *SAZKA Asia a.s. entered the consolidation group on 27 July 2016.*

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

SAZKA Czech a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	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. – sub-group	Czech Republic	100%	100%	full
Subsidiary: SPORTLEASE a.s. (5)	Czech Republic	100%	--	full
Subsidiary: Kavárna štěstí s.r.o. (6)	Czech Republic	100%	--	full

(5) SPORTLEASE a.s. was sold from SAZKA a.s. to SAZKA Czech a.s. on 22 June 2016.

(6) Kavárna štěstí s.r.o. entered the consolidation group on 30 May 2016.

SAZKA a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: SAZKA a.s.	Czech Republic	--	--	full
Subsidiary: SPORTLEASE a.s. (5)	Czech Republic	--	100%	full

Austrian Gaming Holding a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	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 (7)	Austria	100%	--	full
Associated company: LTB Beteiligungs GmbH (8)	Austria	41.766%	--	equity

(7) BAIH Beteiligungsverwaltungs GmbH entered the consolidation group on 7 December 2016.

(8) LTB Beteiligungs GmbH entered the consolidation group on 7 December 2016. The share of 24.9% is owned by BAIH Beteiligungsverwaltungs GmbH.

CAME Holding GmbH sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: CAME Holding GmbH	Austria	--	--	full
Associated company: Medial Beteiligungs-GmbH	Austria	29.63%	29.63%	equity

BAIH Beteiligungsverwaltungs GmbH sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: BAIH Beteiligungsverwaltungs GmbH (7)	Austria	--	--	full
Associated company: CLS Beteiligungs GmbH	Austria	66.67%	--	equity
Associated company: LTB Beteiligungs GmbH	Austria	24.9%	--	equity

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IGH Financing a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: IGH Financing a.s.	Czech Republic	--	--	full
Subsidiary: Italian Gaming Holding a.s. – sub-group (9)	Czech Republic	100%	--	full

(9) Italian Gaming Holding a.s. entered the consolidation group on 19 February 2016.

Italian Gaming Holding a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: Italian Gaming Holding a.s.	Czech Republic	--	--	full
Associated company: LOTTOITALIA S.r.l. (10)	Italy	32.5%	--	equity

(10) LOTTOITALIA S.r.l. entered the consolidation group on 5 May 2016.

Emma Delta Management sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: Emma Delta Management Ltd (3)	Cyprus	--	--	full
Subsidiary: EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD – sub-group	Cyprus	100%	--	full

EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	Cyprus	--	--	full
Subsidiary: Emma Delta Finance Plc	Cyprus	100%	--	full
Subsidiary: Emma Delta Helenic Holdings Limited – sub-group	Cyprus	100%	--	full

Emma Delta Helenic Holdings Limited sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: Emma Delta Helenic Holdings Limited	Cyprus	--	--	full
Subsidiary: OPAP S.A. – sub-group	Greece	33%	--	full

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OPAP S.A. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: OPAP S.A.	Greece	--	--	full
Subsidiary: OPAP CYPRUS LTD	Cyprus	100%	--	full
Subsidiary: OPAP INTERNATIONAL LTD	Cyprus	100%	--	full
Subsidiary: OPAP SERVICES S.A.	Greece	100%	--	full
Subsidiary: OPAP SPORTS LTD	Cyprus	100%	--	full
Subsidiary: OPAP INVESTMENT LTD	Cyprus	100%	--	full
Subsidiary: HELLENIC LOTTERIES S.A.	Greece	67%	--	full
Subsidiary: TORA DIRECT S.A.	Greece	100%	--	full
Subsidiary: HORSE RACES S.A.	Greece	100%	--	full
Subsidiary: TORA WALLET S.A.	Greece	100%	--	full
Associated company: GLORY TECHNOLOGY LTD	Cyprus	20%	--	equity
Associated company: NEUROSOFT S.A.	Greece	29.53%	--	equity

SAZKA Asia a.s. sub-group includes:	Registered office	Ownership interest at 31/12/2016	Ownership interest at 31/12/2015	Consolidation method
Parent company: SAZKA Asia a.s. (4)	Czech Republic	--	--	full
Subsidiary: Sazka Asia Vietnam Company Limited (11)	Vietnam	100%	--	full

(11) On 29 November 2016, Sazka Asia Vietnam Company Limited was acquired.

1.4. Statutory body and supervisory board

The board of directors as at 31 December 2016:

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 2016:

Chairman of the supervisory board: Tomáš Porupka

Member of the supervisory board: Jakub Sokol

Member of the supervisory board: Irena Doleželová Sokolíková

1.5. Shareholders as at 31 December 2016:

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

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 2016 and in preparing the comparative information as at 31 December 2015.

These consolidated financial statements were approved by the board of directors on 10 May 2017.

(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.

The amounts included in the financial statements have been rounded in thousands of Euro. 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 6 – recognition of contracts for the operating lease of terminals;
- Note 7 – assessment of the impairment of significant assets held for sale;
- Note 32 – assessment of litigations.

(e) Standards recently issued

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2016 (the list does not include new or amended standards and interpretations that relate to non-profit and public sector organisations, as those standards and interpretations do not apply to the Group).

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment,
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated,
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 27: Equity method in the separate financial statements

Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Annual Improvements 2012-2014 Cycle

Effective for annual periods beginning on or after 1 January 2016

Makes amendments to the following standards:

- **IFRS 5** — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,
- **IFRS 7** — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,
- **IAS 19** — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid,
- **IAS 34** — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments to IAS 1: Disclosure initiative

Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply,
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss,
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

Effective for annual periods beginning on or after 1 January 2016.

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

(f) Standards, interpretations and amendments to standards adopted before 31 December 2016 but not yet effective

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.

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

The Group does not expect IFRS 9 to have material impact on the consolidated financial statements. The classification and measurement of the Group’s financial instruments are not expected to change under IFRS 9 because of the nature of the Group’s operations and the types of financial instruments that it holds.

IFRS 15 Revenue from Contracts with Customers

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

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity’s performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group is evaluating the impact of adoption of IFRS 15 on the financial statements.

Clarifications to IFRS 15 'Revenue from Contracts with Customers'

Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRS 16 Leases

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

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group is evaluating the impact of adoption of IFRS 16 on the financial statements.

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 12: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

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.

Amendments to IAS 7: Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

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.

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.

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

Separable 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 are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives 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.

(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 assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

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	30 - 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. Depreciation 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
• Distribution network (contracts with providers)	20 years
• Trademarks	indefinite
• Lottery operator's licences	The period for which they have been issued

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.

The jackpot provision is established as the jackpot (win) is generated cumulatively and is carried forward to the next period.

(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 the statement of 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, returns and after eliminating of sales within the Group. The amount of revenue is considered to be reliably measurable when all contingencies relating to the sale have been resolved.

Revenues from lottery and betting

Gaming revenues are reported net after deduction for player winnings.

Revenue attributable to gaming transactions in which the Group assumes an open position against the player are reported net after deduction of player winnings which are calculated according to outcome of the game. Income from betting activities represents net gain or loss form betting activities in the period plus the gain or loss on the revaluation of open positions at period end.

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.

Other revenues

Other revenues which do not represent the main business includes:

- Virtual mobile operator
- Recharging of mobile phones
- 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 20).

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5. Intangible assets and goodwill

2016	Licences & property rights	Brands and trademarks	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance at 1/1/2016	**4 434**	**69 267**	**6 656**	**3 603**	**356 564**	**440 524**
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	--	--	-4 265	-167	--	-4 432
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**	**2 227**	**3 282**	**356 564**	**435 615**
Net book value at 31/12/2016	**1 130 471**	**793 644**	**13 351**	**84 143**	**561 937**	**2 583 546**

2015	Licences & property rights	Brands and trademarks	Software	Other intangible assets	Goodwill	Total
Acquisition cost						
Balance at 1/1/2015	**4 434**	**67 518**	**5 729**	**2 134**	**347 561**	**427 376**
Additions	--	--	974	1 421	1	2 396
Disposals	-113	--	-221	--	--	-334
Transfers	--	--	20	-20	--	--
Effect of currency translation	113	1 749	154	68	9 002	11 086
Balance at 31/12/2015	**4 434**	**69 267**	**6 656**	**3 603**	**356 564**	**440 524**
Accumulated amortisation						
Balance at 1/1/2015	**-83**	**--**	**-3 710**	**-209**	**--**	**-4 002**
Amortisation expense	-88	--	-780	-106	--	-974
Disposals	15	--	161	--	--	176
Effect of currency translation	-3	--	-100	-6	--	-109
Balance at 31/12/2015	**-159**	**--**	**-4 429**	**-321**	**--**	**-4 909**
Net book value at 1/1/2015	**4 351**	**67 518**	**2 019**	**1 925**	**347 561**	**423 374**
Net book value at 31/12/2015	**4 275**	**69 267**	**2 227**	**3 282**	**356 564**	**435 615**

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

As at 31 December 2016 and 31 December 2015 trademarks were pledged as collateral.

As at 31 December 2016, the value of pledged trademarks was TEUR 69 279 (see Note 17).

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.

Brands and trademarks

	31/12/2016	31/12/2015
SAZKA a.s.	69 280	69 267
OPAP S.A.	724 364	--
Total	**793 644**	**69 267**

Goodwill

	31/12/2016	31/12/2015
SAZKA a.s.	356 628	356 564
Emma Delta Management Ltd sub-group	205 309	--
Total goodwill	**561 937**	**356 564**

Indefinite-lived intangible assets, goodwill, and impairment testing

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 2016. Impairment is determined by estimating the recoverable amount of the cash-generating unit to which goodwill and other non-depreciable assets relate.

Goodwill

The recoverable amount is estimated using:

a) The method of estimated future cash flows (value in use). Value in use is derived from forecasts of future cash flows (these forecasts are prepared and updated by management). The discount rates applied to estimated cash flows are calculated as the weighted average cost of capital (WACC) of each cash-generating unit. A cash flow forecast is always prepared based on specific expected operating results and a business plan covering a period of five years, which is followed by a perpetuity, from which terminal value is derived.

b) The market multiples method (fair value less costs of disposal). This method is based on a comparison of the tested company with similar companies publicly traded in selected period, while the market values are base for estimate of enterprise value (through market multiples). Enterprise value is expressed as an EBITDA multiple. Costs of disposal are considered as immaterial.

The Group used following assumptions for impairment testing: a common market participant, 9.75 EV/EBITDA market multiple.

The impairment testing is performed on annual basis always as at 31 December. The resulting value calculated on value in use and fair value less costs of disposal exceeded the carrying amount of total assets reduced by operating current liabilities, which led to the conclusion that no impairment of the tested assets had to be recognised as at 31 December 2016. In addition, the Group’s management carried out a sensitivity analysis of factors influencing the calculation of value in use, and the expectable movements in those factors do not indicate any impairment of goodwill and indefinite-lived intangible assets, either.

Trademarks

For the trademarks, impairment testing was further supported by the relief from royalty method. Similar to paragraphs above, a forecast was prepared based on a business plan covering a period of five years until the end of 2021, followed by a perpetuity, which was used to calculate terminal value. Net royalties after tax were discounted using the weighted average cost of capital (WACC).

The resulting discounted value exceeded the carrying amount of trademarks, which supported the conclusion that no impairment of trademarks had to be recognised as at 31 December 2016. In addition, the Group’s management carried out a sensitivity analysis of factors influencing the calculation of the fair value of trademarks, and the expectable movements in those factors do not indicate any impairment of trademarks.

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6. Property, plant and equipment, investment property

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**	**4 728**	**186**	**1 288**	**27 469**
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	43	--	4 387	5 589
Disposals	--	--	-5 007	--	-779	-5 786
Effect of currency translation	--	4	1	--	1	6
Balance at 31/12/2016	**11 352**	**40 195**	**2 728**	**186**	**41 216**	**95 677**
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	--	--	4 992	--	692	5 684
Effect of currency translation	--	--	-2	--	--	-2
Balance at 31/12/2016	**--**	**-3 094**	**1 974**	**-186**	**-1 856**	**-3 162**
Net book value at 1/1/2016	**2 423**	**17 491**	**2 877**	**--**	**1 288**	**24 079**
Net book value at 31/12/2016	**11 352**	**37 101**	**4 702**	**--**	**39 360**	**92 515**

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2015	**Land – owned**	**Buildings – owned**	**Machinery and equipment – owned**	**Machinery and equipment – leased**	**Other tangible assets**	**Tangible assets under con-struction**	**Total**
Acquisition cost							
Balance at 1/1/2015	**3 678**	**18 589**	**2 785**	**182**	**1 203**	**541**	**26 978**
Additions	--	439	1 795	--	--	52	2 286
Transfers	-1 337	-663	108	--	--	-421	-2 313
Disposals	--	--	-49	--	--	-129	-178
Effect of currency translation	82	479	89	4	33	9	694
Balance at 31/12/2015	**2 423**	**18 844**	**4 728**	**186**	**1 236**	**52**	**27 469**
Accumulated depreciation							
Balance at 1/1/2015	**--**	**-1 052**	**-1 224**	**-182**	**--**	**--**	**-2 458**
Depreciation expense	--	-352	-614	--	--	--	-966
Transfers	--	81	10	--	--	--	91
Disposals	--	--	14	--	--	--	14
Effect of currency translation	--	-30	-37	-4	--	--	-71
Balance at 31/12/2015	**--**	**-1 353**	**-1 851**	**-186**	**--**	**--**	**-3 390**
Net book value at 1/1/2015	**3 678**	**17 537**	**1 561**	**--**	**1 203**	**541**	**24 520**
Net book value at 31/12/2015	**2 423**	**17 491**	**2 877**	**--**	**1 236**	**52**	**24 079**

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

As at 31 December 2016, the net book value of the building and the adjacent land, pledged as a collateral (see Note 17), totals TEUR 19 906 (2015: TEUR 19 913).

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

As at 31 December 2016 and 31 December 2015, the Group had no significant non-capitalised items of property, plant and equipment or intangible assets.

Investment property

Acquisition cost:	
Balance at 1 January 2016	--
Effect of new acquisition	1 315
Transfer to own used assets	-417
Balance at 31 December 2016	898
Accumulated depreciation:	
Balance at 1 January 2016	--
Depreciation for the period	42
Balance at 31 December 2016	42
Net book value at 31 December 2016	**940**

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

7. Assets held for sale

	31/12/2016	31/12/2015
Assets held for sale		**1 968**
Land	--	1 350
Buildings	--	608
Machinery and equipment	--	10

As at 31 December 2016, the Group has no assets held for sale.

As at 31 December 2015, the Group identified assets held for sale totalling TEUR 1 968. These are mainly land around the office building, supporting objects and transformer station and its equipment.

Assets held for sale as at 31 December 2015 was sold in January 2016. The selling price was TEUR 2 512. An application for registration into the Land Registry was submitted on 15 January 2016.

8. Other non-current investments and investments accounted for using the equity method

Other non- current investments

		31/12/2016	31/12/2015
Other non-current investments	**Ownership interest (%)**	**1 701**	**1 701**
GTECH Czech Republic LLC. (1)	63.00%	1 561	1 561
SALEZA, a.s. (2)	98.10%	--	--
Ski Pec a.s.	5.40%	23	23
Sportovní areál Harrachov a.s.	1.90%	67	67
SKIAREÁL Špindlerův Mlýn, a.s.	1.80%	50	50

1) The Group has a 63% ownership interest in GTECH Czech Republic LLC. The ownership interest in GTECH Czech Republic LLC is classified as "Other non-current investments", is carried at historical cost and no impairment trigger identified in 2016.

   The reason for classifying the ownership interest as "Other non-current investments" is that the Group (despite being the majority owner of GTECH Czech Republic LLC) 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 GTECH Corporation.

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

   The obligation to purchase the remaining 37% ownership interest in GTECH Czech Republic LLC., which arises from the concluded agreement and has a discounted present value of TEUR 1 852 (2015: TEUR 1 821), is recognised as a long-term liability arising from financial instruments. The nominal value of this financial obligation is TEUR 2 535 ($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 2016, 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.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Investments accounted for using the equity method

		31/12/2016	31/12/2015
Investments accounted for using the equity method*	**Ownership interest (%)**	**386 082**	**65 220**
Medial Beteiligungs-GmbH (3)	29.63%	70 308	65 220
LTB Beteiligungs GmbH (4)	66.67%	50 786	--
CLS Beteiligungs GmbH (5)	66.67%	50 739	--
LOTTOITALIA S.r.l. (6)	32.50%	202 074	--
GLORY TECHNOLOGY LTD (7)	20.00%	--	--
NEUROSOFT S.A.(7)	29.53%	12 175	--

* Change in value of the investments accounted for using the equity method contains acquisition and share of profit or loss of the investments accounted for using the equity method.

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

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 *)	**31/12/2016**	**31/12/2015**
Non-current assets	48 504	34 278
Current assets	4 021	1 127
Non-current liabilities	--	--
Current liabilities	-13	-66
Net assets (100%)	52 512	35 339
Group´s share (29.63%)	15 559	10 471
Fair value adjustments	54 749	54 749
Carrying amount of interest in associate	**70 308**	**65 220**
Revenues	--	--
Profit from continuing operations (100%)	26 287	3 089
Total comprehensive income (100%)	18 036	3 089
Group´s share of total comprehensive income	**5 344**	**915**

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

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 Austrian Gaming Holding a.s. 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 *)	**31/12/2016**	**31/12/2015**
Non-current assets	915	--
Current assets	3 509	--
Non-current liabilities	--	--
Current liabilities	-10	--
Net assets (100%)	4 414	--
Group´s share (66.67%)	2 943	--
Fair value adjustments	47 843	--
Carrying amount of interest in associate	**50 786**	**--**
Revenues	--	--
Profit from continuing operations (100%)	394	--
Total comprehensive income (100%)	394	--
Group´s share of total comprehensive income	**263**	**--**

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

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 *)	**31/12/2016**	**31/12/2015**
Non-current assets	915	--
Current assets	3 532	--
Non-current liabilities	--	--
Current liabilities	-17	--
Net assets (100%)	4 430	--
Group´s share (66.67%)	2 953	--
Fair value adjustments	47 786	--
Carrying amount of interest in associate	**50 739**	**--**
Revenues	--	--
Profit from continuing operations (100%)	394	--
Total comprehensive income (100%)	394	--
Group´s share of total comprehensive income	**263**	**--**

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

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.	**31/12/2016**	**31/12/2015**
Non-current assets	765 056	--
Current assets	56 046	--
Non-current liabilities	--	--
Current liabilities	-199 337	--
Net assets (100%)	621 765	--
Group´s share (32.50%)	202 074	--
Fair value adjustments	--	--
Carrying amount of interest in associate	**202 074**	**--**
Revenues	37 446	--
Profit from continuing operations (100%)	21 767	--
Total comprehensive income (100%)	21 767	--
Group´s share of total comprehensive income	**7 074**	**--**

7) The companies GLORY TECHNOLOGY LTD and NEUROSOFT S.A. are part of OPAP S.A. sub-group. The percentages as presented in tabale above reflect the shares held by OPAP S.A. sub-group. The companies are accounted for using the equity method.

9. Long-term financial assets at fair value through profit or loss

	31/12/2016	**31/12/2015**
Long-term financial assets at fair value through profit or loss	**--**	**208 148**

Long-term financial assets at fair value through profit or loss represented investors shares held by the Group in the limited liability company („*International Variable Capital Company*“ – a form of company according to Cyprus law) through Vitalpeak Limited and RUBIDIUM HOLDINGS LIMITED.

As a result of acquisition of Emma Delta Management Ltd including OPAP S.A. sub-group these assets became to be part of purchase price allocation as assets previously held (Note 14).

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10. Deferred tax assets and liabilities

As at 31 December 2016 and 31 December 2015, the following deferred tax assets and liabilities and their movements were recognised:

	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
		Assets		**Liabilities**		**Net**
Deferred tax asset (+) /liability (-)	**12 158**	**--**	**-219 543**	**-8 180**	**-207 385**	**-8 180**
Non-current assets	--	--	-229 539	-9 642	-229 539	-9 642
Short-term provisions	11 252	1 434	--	--	11 252	1 434
Revaluation of hedging derivatives	257	7	-121	--	136	7
Loans and borrowings	54	--	-358	--	-304	--
Other liabilities and employee benefits	18 534	--	--	--	18 534	--
Other temporary differences	51	69	-7 515	-48	-7 464	21
Deferred tax assets and liabilities	30 148	1 510	-237 533	-9 690	-207 385	-8 180
Set off of tax	-17 990	-1 510	17 990	1 510	--	--

	31/12/2016	2016		31/12/2015	2015	
	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 (-)	**-207 385**	**491**	**250**	**-8 180**	**-1 920**	**-113**
Non-current assets	-229 539	-1 230	--	-9 642	-2 081	--
Short-term and long-term provisions	11 252	-591	--	1 434	76	--
Revaluation of hedging derivatives	136	--	177	7	--	-113
Loans and borrowings	-304	-304	--	--	--	--
Other liabilities and employee benefits	18 534	3 399	73	--	--	--
Other temporary differences	-7 464	-783	--	21	-12	--
Effect of currency translation	--	--	--	--	97	--

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

11. Trade and other receivables

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

	31/12/2016	31/12/2015
Long-term trade receivables and other non-current assets	**7 028**	**325**
Long-term advances and deposits provided	1 335	325
Prepayments of retirement benefits	221	--
Other long-term receivables	5 472	--

Other long-term receivables comprise long-term loans provided in the amount of TEUR 4 468.

	31/12/2016	31/12/2015
Short-term trade receivables and other current assets	**134 488**	**12 580**
Short-term trade receivables	11 801	7 858
VAT and other taxes receivable	13 622	1 925
Short-term receivables from agents	74 522	--
Short-term loans provided	9 280	--
Other short-term receivables	11 471	139
Short-term prepaid expenses	13 792	2 658

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 concracts with each of those associations.

12. Short-term financial assets

Short-term financial assets in amount of TEUR 13 606 comprise receivable based on a cashpooling agreement concluded with KKCG Structured Finance AG (in 2015: TEUR 44 979 a receivable due from owing securities – promissory notes held to maturity based on an investment agreement concluded with KKCG Structured Finance Limited).

13. Cash and cash equivalents

	31/12/2016	31/12/2015
Cash and cash equivalents	**365 999**	**24 627**
Cash in hand	3 242	98
Bank accounts	281 589	24 529
Term deposits	81 168	--

The Group has tied cash amounted to TEUR 29 183 (2015: TEUR 2 415) 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 2016, the Group has pledged bank accounts with a total balance of TEUR 33 285 (2015: TEUR 19 806).

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

14. New acquisitions

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**

*) see also comment (3) in Note 1.3

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

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
Non-current assets	2 040 640	69 345	2 109 985
Current assets	390 960	312	391 272
Non-current liabilities	-535 765	--	-535 765
Current liabilities	-629 551	-2	-629 553
Net identifiable assets and liabilities	1 266 284	69 655	1 335 939
Goodwill (Note 5)	205 309	--	205 309
Non-controlling interest aquired	-1 132 836	--	-1 132 836
Consideration paid	338 757	69 655	408 412
Consideration paid, satisfied in cash	107 250	--	174 524
Consideration – part settled in 2017	--	2 381	2 381
Fair value of previously held assets – part of consideration (Note 9)	231 507	--	231 507
Cash acquired	-218 161	-312	-218 473
Net cash inflow 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).
The Group performed an analysis of acquisition values presented in table above as at 31 December 2016. No triggers for the update of acquisition accounting were identified.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

In 2015 the Group acquired interest in the following companies:

Company	Interest acquired	Date of acquisition	Consideration transferred in TEUR
Vitalpeak Limited	100%	30 March 2015	
Austrian Gaming Holding a.s.	75%	2 September 2015	
CAME Holding GmbH	100%	17 October 2015	
RUBIDIUM HOLDINGS LIMITED	100%	24 August 2015	
Total			**242 265**

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

	Recognised values on acquisition
Non-current assets	250 559
Current assets	700
Non-current liabilities	--
Current liabilities	-929
Net identifiable assets and liabilities	250 330
Badwill (Note 23)	-25 061
Effect of acquisition of entity under common control into equity (Note 15)	16 995
Consideration paid	242 265
Consideration paid, satisfied in cash	168 765
Consideration – part settled in 2016	73 500
Cash acquired	-60
Net cash outflow in 2015	168 705

The values of assets and liabilities recognized on acquisition are their fair values (see accounting policy 3a).

15. 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 2016 or 2015.

The share capital is fully paid-up.

Capital contributions and other reserves

In 2016, Capital contributions and other reserves were increased by TEUR 252 927 (2015: an increase by TEUR 105 934) as a contribution from the parent company KKCG AG (former KKCG PLC).

Other movements in equity in 2015 of TEUR -16 996 represent acquisition effect of RUBIDIUM HOLDINGS LIMITED from parent company (see note 14 and accounting policy 3a(v)).

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Earnings per share

Profit attributable to ordinary shareholders (in TEUR)	**2016**	**2015**
Net profit attributable to ordinary shareholders	56 604	84 365
Net profit attributable to ordinary shareholders	**56 604**	**84 365**

Weighted average number of ordinary shares for 2016	**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)			**2 830**	**4 218**
Diluted earnings per share for the year (in TEUR)			**2 830**	**4 218**

16. Non-controlling interests

The Group´s non-controlling interests amount to TEUR 1 139 164 as of 31 December 2016 (2015: TEUR 289) relate mainly to OPAP S.A. sub-group and represent 67% on its equity (including 33% non-controlling interest in its subsidiary HELLENIC LOTTERIES S.A.). Further non-controlling interests represent 33.3% 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	1 767 675		
Liabilities	695 443		
Fair value adjustment	514 298		
Sub-group NCI	36 954		
Net assets attributable to the Group	1 549 576		
Percentage of non-controlling interest	67.00%		
NCI calculated	**1 038 216**		
Sub-group NCI incoming to consolidation	36 954		
Carrying amount of NCI	**1 075 170**	**63 994**	**1 139 164**
Revenue	420 407		
Profit	55 115		
OCI	-180		
Total comprehensive income	54 935		
NCI percentage	67.00%		
Profit allocated to NCI	**36 927**	**-1 256**	**35 671**
Other comprehensive income allocated to NCI	**-121**	**-20**	**-141**

Profit & Loss figures as presented in table above represent only post-acquisition part. The Cash Flow is not presented due to impracticability to present only post-acquisition part.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

17. Loans and borrowings

	31/12/2016	31/12/2015
Bank loans and other borrowings – non-current portion	**990 296**	**265 521**
Long-term bank loans and other borrowings received	990 296	200 435
Long-term loans and other borrowings received from related parties	--	65 086

	31/12/2016	31/12/2015
Bank loans and other borrowings – current portion	**292 052**	**104 041**
Short-term part of long-term loans	131 969	24 955
Short-term bank loans and other borrowings received	85 276	--
Short-term loans and other borrowings received from related parties	56 118	79 086
Bank overdrafts	18 689	--

Bank loans and other borrowings

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
		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 2016 the group companies fulfilled these indicators.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

As at 31 December 2015 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
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2019	**95 784**	24 148	71 636
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2020	**120 144**	750	119 394
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2019	**4 730**	27	4 702
Syndicated Loan - KB, ČS, ČSOB, Unicredit	2020	**4 732**	29	4 702
		225 390	**24 955**	**200 435**

Loans received from related parties

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

As at 31 December 2015, the Group had the following loans that were received from related parties:

31/12/2015	Year of maturity	Principal at 31/12/ 2015	Principal due within 1 year	Principal due in 1 to 5 years
KKCG AG	2019	74 479	--	74 479
KKCG Structured Finance AG	2019	65 086	--	65 086
Total		**139 565**	**--**	**139 565**

As at 31 December 2015, liabilities amounted to TEUR 5 528 were recognised in respect of outstanding interest on the above loans.

Loan received from KKCG AG is 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 agreement, the loan is due in 2019 but the lender is entitled to require early repayment on demand. As a result, the Group's management classifies this loan as a short-term loan in the consolidated statement of financial position.

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18. Trade and other payables

	31/12/2016	31/12/2015
Short-term trade and other payables	**327 418**	**120 796**
Short-term trade payables	82 980	21 336
Liabilities arising from unpaid winnings	81 726	14 039
Lottery tax liabilities	54 070	6 847
Payables to state (social and health insurance liabilities, other taxes)	8 307	731
Payables to employees	7 575	648
Deferred revenues	9 936	--
Other payables	82 824	77 195

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 2016 and 31 December 2015, 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 33 to the consolidated financial statements – Risk management and disclosure methods.

19. Provisions

Short-term provisions	Short-term provision for jackpots	Other short-term provisions	Total
Balance at 1/1/2015	**5 555**	**1 529**	**7 084**
Additions	4 715	1 882	6 597
Utilisation	-5 645	-1 544	-7 189
Effect of currency translation	135	33	168
Balance at 31/12/2015	**4 760**	**1 900**	**6 660**
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**

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Long-term provisions	**Litigation provision**	**Other long-term provisions**	**Total**
Balance at 1/1/2015	**--**	**--**	**--**
Additions	--	813	813
Utilisation	--	--	--
Effect of currency translation	--	--	--
Balance at 31/12/2015	**--**	**813**	**813**
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**

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 3 480 (2015: TEUR 813) was recognized in this respect.

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

20. Derivatives

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

	Due date	Fair value as at 31/12/2016
Hedging derivatives		
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:

	Due date	Fair value as at 31/12/2016
Trading derivatives		
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 (Note 8).

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

As at 31 December 2015, the Group had the following financial derivatives for hedging:

	Due date	Fair value as at 31/12/2015
Hedging derivatives		
Payables from swap transactions – short-term	2016	-35
Total hedging financial derivatives		**-35**

As at 31 December 2015, 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 2015, the Group had the following financial derivatives for trading:

	Due date	Fair value as at 31/12/2015
Trading derivatives		
Payables from option transactions – long-term	2021	-1 821
Total trading financial derivatives		**-1 821**

As at 31 December 2015, the Group held trading derivatives in a form of purchase option.

All financial derivatives were stated at fair value as at 31 December 2015 and categorised to Level 2 in the fair value hierarchy.

21. 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 firm of actuaries. The last actuarial valuation was undertaken in December 2016.

The analysis of the plans in Consolidated Statement of Financial Position is as follows:

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

22. Revenues

	31/12/2016	31/12/2015
Revenues	**628 195**	**192 957**
Revenue from lottery and betting activities	591 246	180 915
Amounts wagered	*1 613 330*	*403 274*
Winnings	*-1 022 084*	*-222 359*
Revenue from other activities	36 949	12 042

In 2015 a record win of CZK 2,466 million (EUR 91.2 million) was recorded in the Eurojackpot lottery. The winning bet was staked in the Czech Republic. The Group had the duty to pay out the winning. As the Eurojackpot is a lottery with a shared winning principal, all lottery companies within the Eurojackpot association which received bets in the respective period participated on the winning. The Group secured the pay-out of the winning within its licence, however the Group expense was only a minor portion of the winning, corresponding to bets staked in the Czech Republic.

23. Other operating income

	31/12/2016	31/12/2015
Other operating income	**8 998**	**25 073**
Income from negative goodwill	--	25 061
Other operating income	8 998	12

In 2015 TEUR 25 061 is badwill from acquisition of Vitalpeak Limited (see Note 14).

24. Materials, consumables and services

	31/12/2016	31/12/2015
Materials, consumables and services	**-260 939**	**-66 092**
Services relating to sales	-97 430	-61 548
Agents´ commissions	-127 964	-23 383
Fees to system providers	-18 444	-18 255
Other services	-17 101	-762

The majority of expenses is directly related to revenue from lottery and betting activities. Services relating to sales contain mainly marketing costs, IT related costs and related material consumption.

Other services contain telecommunication costs, operating leasing costs and TEUR 414 (2015: TEUR 125) of costs attributable to auditors´remunerations.

25. Personnel expenses

	31/12/2016	31/12/2015
Personnel expenses	**-28 039**	**-12 193**
Payroll expenses	-21 942	-9 311
Social security and health insurance expenses	-5 354	-2 513
Other social expenses	-653	-369
Retirement benefit costs	-90	--

Average number of employees in 2016 was 1 364 employees (2015: 325).

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26. Depreciation and amortization

	31/12/2016	31/12/2015
Depreciation and amortization	**-16 934**	**-1 940**
Depreciation of tangible fixed assets	-4 672	-966
Amortization of intangible assets	-12 262	-974

27. Other operating expenses

	31/12/2016	31/12/2015
Other operating expenses	**-215 016**	**-54 397**
Loss on disposal of assets	--	-148
Other taxes	-13 585	-7 654
Contribution on net revenue, other levies and duties, lottery tax	-182 291	-35 997
Other operating expenses	-19 140	-10 598

28. Finance income and finance costs

	31/12/2016	31/12/2015
Interest income	**5 733**	**63**
Bank interest	1 115	63
Other interest (non-banking bodies)	4 618	--
Interest expense	**-49 286**	**-15 897**
Interest on bank loans	-38 913	-8 326
Other interest (non-banking bodies)	-10 373	-7 571
Other financial gains and losses	**22 635**	**24 840**
Foreign exchange gains (+)/losses (-)	365	1 541
Income from ownership interests (dividends)	40	1 295
Other finance income (+)/expense (-)	-1 141	113
Gain (+) on revalution of finacial assets at fair value through profit or loss *	23 371	21 891
Profit (loss) from financial operations	**-20 918**	**9 006**

* Gain (+) on revalution of finacial assets at fair value through profit or loss represents the change in fair value of financial assets (as described in Note 9) until 6 October 2016 when these assets entered into purchase price allocation (see also Note 14).

29. Share of profit of investments accounted for using the equity method

	31/12/2016	31/12/2015
Share of profit of investments accounted for using the equity method	**15 890**	**915**

The Group has significant influence in associated companies Medial Beteiligungs-GmbH, LTB Beteiligungs GmbH, CLS Beteiligungs GmbH, LOTTOITALIA S.r.l., GLORY TECHNOLOGY LTD and NEUROSOFT S.A. as described in Note 8. None of these companies is publicly traded.

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30. Income tax expense

	31/12/2016	31/12/2015
Income tax expense	**-18 962**	**-8 991**
Current tax expense	-19 453	-7 071
Deferred tax expense	491	-1 920

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 2016 and an adjustment to the tax estimate for 2015.

Reconciliation of effective tax rate

Reconciliation of effective tax rate

		2016		2015
Profit before income tax		**111 237**		**93 329**
Income tax using the valid tax rate *)	19.00%	-21 135	19.00%	-17 732
Items increasing tax:				
Badwill	--	--	-5.10%	4 762
Gain on revaluation of financial assets at fair value through profit or loss	-2.52%	2 805	-4.46%	4 159
Effect of nrecognized deferred tax asset on tax loss of the current period	-2.10%	2 338	--	--
Effect of consolidation adjustments that do not result in deferred tax	-5.78%	6 424	--	--
Items decreasing tax:				
Non-deductible expenses	3.33%	-3 704	0.19%	-180
Effect of different tax rate in companies within the Group	5.12%	-5 690	--	--
Income tax expense presented in the consolidated statement of comprehensive income	**17.05%**	**-18 962**	**9.63%**	**-8 991**

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

31. 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 2016, an amount of 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 23.
The Group will receive the following income from operating lease instalments (long-term contracts only):

	2016	2015
Within one year	632	--
From one to five years	1 025	--
In more than five years	1 848	--
	3 505	**--**

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Expense

In 2016, an amount of TEUR 2 429 was recognized as an expense on operating leases in the statement of comprehensive income. The expenses are included in other services in Note 24.
The Group is obliged to pay operating lease instalments as follows (long-term contracts only):

	2016	2015
Within one year	5 112	507
From one to five years	16 831	1 423
In more than five years	33 583	--
	55 526	**1 930**

32. 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 32 195.

33. 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) – see Note 18. 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 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**

Credit risk by type of counterparty

At 31 December 2015	**Companies (non-financial insti-tutions)**	**State, govern-ment**	**Financial insti-tutions**	**Indivi-duals**	**Total**
Assets					
Long-term trade receivables and other non-current assets	325	--	--	--	325
Short-term trade receivables and other current assets	10 640	1 925	--	15	12 580
Short-term financial assets	44 979	--	--	--	44 979
Current tax asset	--	17	--	--	17
Cash and cash equivalents	98	--	24 529	--	24 627
Total	**56 042**	**1 942**	**24 529**	**15**	**82 528**

ii. Credit risk by region

The credit risk relating to assets and liabilities is located in the Czech Republic, Switzerland and Greece.

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iii. Ageing structure of financial assets

Ageing structure

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**	**Adjust-ment created**	**Total**
Assets							
Long-term financial assets at fair value through profit or loss	--	--	--	--	--	--	--
Other non-current financial investments and investments accounted for using the equity method	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**

Ageing structure

At 31 December 2015	**Not past due**	**Past due 0-90 days**	**Past due 91-180 days**	**Past due 181-365 days**	**More than one year**	**Adjust-ment created**	**Total**
Assets							
Long-term financial assets at fair value through profit or loss	208 148	--	--	--	--	--	208 148
Other non-current financial investments and investments accounted for using the equity method	66 921	--	--	--	--	--	66 921
Long-term trade receivables and other non-current assets	325	--	--	--	--	--	325
Short-term trade receivables and other current assets	12 267	202	5	24	82	--	12 580
Short-term financial assets	44 979	--	--	--	--	--	44 979
Cash and cash equivalents	24 627	--	--	--	--	--	24 627
Total	**357 262**	**202**	**5**	**24**	**82**	**--**	**357 580**

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

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(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.

Liquidity risk analysis (by maturity)

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						
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	**186 536**	**186 536**	**178 174**	**1 334**	**--**	**7 028**
Cash	**365 999**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings – non-current portion	990 296	990 296	--	990 296	--	--
Long-term liabilities from financial instruments and other long-term liabilities	8 551	8 551	--	--	8 551	--
Bank loans and other borrowings – current portion	292 052	292 052	292 052	--	--	--
Short-term trade and other payables	326 065	326 065	326 065	--	--	--
Current tax liability	5 121	5 121	5 121	--	--	--
Short-term liabilities from financial instruments	1 353	1 353	1 353	--	--	--
Total	**1 623 438**	**1 623 438**	**624 591**	**990 296**	**8 551**	**--**
Net balance - liquidity risk	**-1 070 903**	**-1 436 902**	**-446 417**	**-988 962**	**-8 551**	**7 028**

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

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

At 31 December 2015	**Carrying amount**	**Con-tractual cash flows (1)**	**1 year or less**	**1-5 years**	**More than 5 years**	**Un-defined maturity**
Assets						
Long-term trade receivables and other non-current assets	325	325	--	--	--	325
Short-term trade receivables and other current assets	12 580	12 580	12 580	--	--	--
Short-term financial assets	44 979	44 979	44 979	--	--	--
Current tax asset	17	17	17	--	--	--
Total	**57 901**	**57 901**	**57 576**	**--**	**--**	**325**
Cash	**24 627**	**--**	**--**	**--**	**--**	**--**
Liabilities						
Bank loans and other borrowings – non-current portion	265 521	265 521	--	265 521	--	--
Long-term liabilities from financial instruments	1 821	1 821	--	--	1 821	--
Bank loans and other borrowings – current portion	104 041	104 041	104 041	--	--	--
Short-term trade and other payables	120 796	120 796	120 796	--	--	--
Current tax liability	3 383	3 383	3 383	--	--	--
Short-term liabilities from financial instruments	35	35	35	--	--	--
Total	**495 597**	**495 597**	**228 255**	**265 521**	**1 821**	**--**
Net balance - liquidity risk	**-413 069**	**-437 696**	**-170 679**	**-265 521**	**-1 821**	**325**

(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 since 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.

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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	133 154	1 334	--	--	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	**178 174**	**1 334**	**--**	**373 027**	**552 535**

Liabilities					
Bank loans and other borrowings – non-current portion	--	990 296	--	--	990 296
Long-term liabilities from financial instruments and 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 income tax liability	5 121	--	--	--	5 121
Total	**624 591**	**990 296**	**8 551**	**--**	**1 623 438**

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

Financial information on interest-bearing and non-interest-bearing assets and liabilities and related contractual maturities at 31 December 2015:

Interest rate risk analysis (by maturity)

At 31 December 2015	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	--	--	--	325	325
Short-term trade receivables and other current assets	12 580	--	--	--	12 580
Short-term financial assets	44 979	--	--	--	44 979
Current tax asset	17	--	--	--	17
Cash and cash equivalents	--	--	--	24 627	24 627
Total	**57 576**	**--**	**--**	**24 952**	**82 528**
Liabilities					
Bank loans and other borrowings – non-current portion	--	265 521	--	--	265 521
Long-term liabilities from financial instruments	--	--	1 821	--	1 821
Bank loans and other borrowings – current portion	104 041	--	--	--	104 041
Short-term payables from financial instruments	35	--	--	--	35
Short-term trade and other payables	120 796	--	--	--	120 796
Current income tax liability	3 383	--	--	--	3 383
Total	**228 255**	**265 521**	**1 821**	**--**	**495 597**

A change by one basis point in interest rates as of 31.12.2016 would have immaterial effects on the results and on equity.

(d) Currency risk

The Group is exposed to currency risk throug its subsidiaries with functional currency CZK. 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.

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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:

	31/12/2016	**31/12/2015**
Total liabilities	1 889 991	511 250
Less: cash and cash equivalents and short-term financial assets	379 605	69 606
Net debt	**1 510 386**	**441 644**
Total equity	**1 752 368**	**308 262**
Debt to equity ratio	**0.862**	**1.433**

(f) 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.

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets				
Other non-current investments and investments accounted for using the equity method	387 784	66 921	387 784	66 921
Long-term trade receivables and other non-current assets	7 028	325	7 028	325
Long-term financial assets at fair value through profit or loss	--	208 148	--	208 148
Short-term trade receivables and other current assets	134 488	12 580	134 488	12 580
Short-term financial assets	13 606	44 979	13 606	44 979
Current tax asset	31 414	17	31 414	17
Cash and cash equivalents	365 999	24 627	365 999	24 627
Total	**940 319**	**357 597**	**940 319**	**357 597**
Liabilities				
Bank loans and other borrowings – non-current portion	990 296	265 521	990 296	265 521
Long-term liabilities from financial instruments and other long-term liabilities	8 551	1 821	8 551	1 821
Bank loans and other borrowings – current portion	292 052	104 041	292 052	107 729
Short-term trade payables and other short-term payables	326 065	120 796	326 065	120 796
Short-term liabilities from financial instruments	1 353	35	1 353	35
Current tax liability	5 121	3 383	5 121	3 383
Total	**1 623 438**	**495 597**	**1 623 438**	**499 285**

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

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:

Consolidated financial statements for the year ended 31 December 2016 (in thousands of Euro)

	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	--

	Carrying amount at 31/12/15			Fair value at 31/12/15		
	Held-for-trading	Fair value – hedging instruments	Designated at fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Long-term financial investments	--	--	208 148	--	208 148	--
Financial liabilities measured at fair value						
Interest rate swaps	--	-35	--	--	-35	--
Purchase option	-1 821	--	--	--	-1 821	--

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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34. Operating segments

(a) Business segments

Segment information for the year ended 31 December 2016	**Lotteries**	**Instant lotteries**	**Sports betting**	**Telecommu nication and other services**	**Other unallocated and other operations**	**Total**
Continuing operations						
Amounts wagered	1 022 790	202 780	387 221	539	--	**1 613 330**
Revenue from lottery and betting	404 018	75 883	111 019	326	--	**591 246**
Other revenue and other operating income	3	50	242	29 156	16 496	**45 947**
Agents´ commission	-78 585	-16 944	-27 219	-31	-5 184	**-127 963**
Contribution on net revenue, other levies and duties, lottery tax	-121 139	-21 079	-39 984	-90	--	**-182 292**
Operating expenses	-98 385	-20 599	-30 161	-31 530	-13 064	**-193 739**
Depreciation and amortization	-7 623	-4 159	-4 099	-125	-928	**-16 934**
Profit/loss from operating activities	**98 289**	**13 152**	**9 798**	**-2 294**	**-2 680**	**116 265**
Interest income					5 733	**5 733**
Interest expense					-49 286	**-49 286**

Segment information for the year ended 31 December 2015	**Lotteries**	**Instant lotteries**	**Sports betting**	**Telecommu nication and other services**	**Other unallocated and other operations**	**Total**
Continuing operations						
Amounts wagered	310 729	44 061	48 093	391	--	**403 274**
Revenue from lottery and betting	158 478	18 456	3 737	244	--	**180 915**
Other revenue and other operating income	--	--	--	5 664	31 451	**37 115**
Agents´ commission	-17 314	-2 798	-158	-22	-3 091	**-23 383**
Contribution on net revenue, other levies and duties, lottery tax	-31 508	-3 691	-755	-43	--	**-35 997**
Operating expenses	-48 113	-7 883	-5 028	-9 813	-2 465	**-73 302**
Depreciation and amortization	-1 065	-131	-258	-52	-434	**-1 940**
Profit/loss from operating activities	**60 478**	**3 953**	**-2 462**	**-4 022**	**25 461**	**83 408**
Interest income					63	**63**
Interest expense					-15 897	**-15 897**

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(b) Geographical segments

In 2016 Group´s operations are in Czech Republic, Greece, Cyprus, Austria and Italy.

Segment information for the year ended 31 December 2016	**Czech Republic**	**Greece**	**Cyprus**	**Austria**	**Italy**	**Inter-company transactions**	**Total**
Revenues and other operating income	209 086	415 561	21 489	--	--	-8 943	**637 193**
Segment assets	1 301 502	2 832 254	1 908 796	140 775	202 074	-2 743 041	**3 642 360**
Segment liabilities	701 183	910 929	374 393	9	--	-96 522	**1 889 992**

Segment information for the year ended 31 December 2015	**Czech Republic**	**Greece**	**Cyprus**	**Austria**	**Italy**	**Inter-company transactions**	**Total**
Revenues and other operating revenues	192 969	--	25 061	--	--	--	**218 030**
Segment assets	1 271 771	--	208 178	65 916	--	-726 353	**819 512**
Segment liabilities	511 190		955	46	--	-941	**511 250**

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35. 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 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 2016 and 31 December 2015:

	Assets		Liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Cestovní kancelář FISCHER, a.s.	--	--	276	12
DataSpring s.r.o.	39	9	166	492
Geewa a.s.	--	--	1	11
GTECH Czech Republic LLC.	--	33	--	3
Conectart s.r.o. (former Informační linky, s.r.o.)	--	--	125	62
KKCG a.s.	--	--	844	188
KKCG AG *)	1 337	--	42 263	79 086
KKCG Real Estate a.s.	--	--	--	--
KKCG Structured Finance AG *)	13 606	44 996	--	65 086
Kynero Consulting a.s.	--	--	1	1
MND a.s.	--	--	36	52
Springtide Ventures s.r.o.	--	--	--	11
Vinohradská 230 a.s.	--	--	2	--
G-JET s.r.o.	--	--	--	--
FM&S Czech a.s.	3	--	48	--
KKCG UK Limited	--	--	217	--
SafeDX s.r.o.	--	--	--	--
EMMA CAPITAL LIMITED	--	--	1 882	--
Emma Gamma Limited	--	--	12 953	--
Emerging Markets Capital, a.s.	1 049	--	1 102	--
Total	**16 034**	**45 038**	**59 916**	**145 004**

*)
As at 31 December 2016 and 31 December 2015, liabilities of KKCG AG (former KKCG PLC) and KKCG Structured Finance AG (former KKCG Structured Finance Limited) comprised loans received from related parties, as described in detail in Note 17.
As at 31 December 2016 and 31 December 2015, receivables from KKCG Structured Finance AG comprised short-term financial assets as described in Note 12.

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(b) Related party transactions for the period ended 31 December 2016 and 31 December 2015:

	Revenues		Expenses	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Cestovní kancelář FISCHER, a.s.	--	2	153	20
DataSpring s.r.o.	85	84	447	27
Geewa a.s.	--	--	10	25
GTECH Czech Republic LLC.	--	165	--	12
Conectart s.r.o. (former Informační linky, s.r.o.)	1	--	648	273
KKCG a.s.	--	8	--	705
KKCG AG *)	--	--	--	9 286
KKCG Real Estate a.s.	--	--	--	68
KKCG Structured Finance AG *)	9	14	1927	5 443
Kynero Consulting a.s.	--	--	11	3
MND a.s.	--	1	357	124
Springtide Ventures s.r.o.	--	--	--	9
Vinohradská 230 a.s.	--	--	8	--
G-JET s.r.o.	--	--	8	--
FM&S Czech a.s.	38	--	355	--
KKCG UK Limited	--	--	196	--
SafeDX s.r.o.	20	--	--	--
EMMA CAPITAL LIMITED	--	--	1 554	--
Emma Gamma Limited	--	--	1 077	--
Emerging Markets Capital, a.s.	880	--	1 101	--
Total	**153**	**274**	**7 852**	**15 995**

*)
Expenses for 2016 and 2015 from KKCG AG (former KKCG PLC) and KKCG Structured Finance AG (former KKCG Structured Finance Limited) represent interest expenses from loans received from related parties described in detail in Note 17.

Except from the stated above in 2015 RUBIDIUM HOLDINGS LIMITED was acquired from the parent company KKCG AG (former KKCG PLC, transaction under common control, see Note 14).

(c) Transactions with members of the Group's bodies for the period ended 31 December 2016 and 31 December 2015:

In 2016, the Group paid out bonuses to members of the group entities' bodies amounting to TEUR 411 (2015: TEUR 221).

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36. Subsequent events

Description of significant subsequent events that occurred after 31 December 2016:

- The Group signed agreements for the future acquisition of additional stakes in company Medial Beteiligungs-GmbH. The transactions are still in the negotiation phase and are subject to approval of authorities.
- On 18 April 2017, the Group increased its investment in associated company LOTTOITALIA S.r.l. in the amount of TEUR 100 165 through a capital increase.
- On 17 March 2017, the Group issued 200 000 common, bearer bonds with a nominal value of € 1 000 each (the Bonds). The final yield has been set at 3.50% and the offer price of the Bonds has been set at € 1 000 each, namely 100% of the nominal value.
- On 9 May 2017, the Group's subsidiary OPAP S.A. paid a dividend in the amount of EUR 0.6 per OPAP's share as publicly announced in document "Resolutions of the 17th ordinary general meeting of OPAP S.A." dated 27 April 2017.

Except for the above, no other subsequent events that would have a material impact on the consolidated financial statements as at 31 December 2016 occured.

Date:	Signature of the authorised representative:	
10 May 2017	Pavel Šaroch Member of the Board of Directors	Pavel Horák Member of the Board of Directors