INTRALOT Group

MANAGEMENT'S DISCUSSION & ANALYSIS

of our financial condition and results of operations
for the period 1/1-30/6/2021

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Overview

We are a global leader in the supply of integrated gaming systems and services. We design, develop, operate and support customized software and hardware for the gaming industry and provide innovative technology and services to state and state licensed lottery and gaming organizations worldwide. Since our establishment more than 20 years ago, we have developed innovative technological and operating know-how and experience, which are central to maintaining our existing customer relationships as well as winning new contracts. Our long-standing relationships with our customers give us valuable insight into their strategic and other business needs. We operate a diversified and stable portfolio in 41 jurisdictions worldwide. Our business activities range from the provision of customized gaming platforms to full management of end-to-end gaming operations either for our own or other licensed operations, depending upon the market in which we operate.
In the twelve months period ended June 30, 2021, we had revenue of €396,8 million and EBITDA of €93,8 million on continuing basis for entities that we consolidate, though we have minority ownership in some of such subsidiaries. In addition, in the twelve months ended June 30, 2021, our revenue from Greece, Rest of Europe, the Americas and the Rest of the World represented 1,8%, 33,3%, 50,2% and 14,7% of total revenue, respectively.

Results of Operations of the INTRALOT Group

Comparison of the six months period ended June 30, 2020 with the six months period ended June 30, 2021

Overview

Income Statement Information (€ in million) (reviewed by auditors)	six months ended June 30, 2020	six months ended June 30, 2021	% change
Revenue	150,7	202,6	34,4%
Less: Cost of sales	-122,4	-144,9	18,4%
Gross profit	28,3	57,7	103,9%
Other operating income	8,5	10,2	20,0%
Selling expenses	-11,5	-11,5	0,0%
Administrative expenses	-32,0	-30,4	-5,0%
Research and development expenses	-1,4	-0,9	-35,7%
Reorganization expenses	-1,8	-11,2	n/a
Other operating expenses	-1,0	-2,7	n/a
EBIT	-10,9	11,2	n/a
EBITDA	26,3	54,3	106,5%
Income/(expenses) from participations and investments	-3,0	2,0	n/a
Gain/(loss) from assets disposal, impairment and write-off	-0,1	-3,3	n/a
Interest and similar expenses	-25,1	-24,4	-2,8%
Interest and related income	0,8	0,9	12,5%
Exchange differences	-0,4	2,8	n/a
Profit/(loss) equity method consolidation	-1,6	0,1	n/a
Gain/(loss) on net monetary position	0,3	0,3	0,0%
Operating profit/(loss) before tax	-40,0	-10,4	74,0%
Less: taxes	-1,2	-3,9	n/a
Net profit/(loss) from continuing operations (a)	-41,2	-14,3	65,3%
Net Profit / (loss) from Discontinued Operations (b) [1]	-1,4	-9,2	n/a

Net Profit /(Loss) after taxes (Continuing and Discontinued Operations) (a) + (b)	-42,6	-23,5	44,8%
Attributable to:			
Equity holders of parent			
-Profit/(loss) from continuing operations	-41,7	-17,6	57,8%
-Profit/(loss) from discontinued operations 1	-1,2	-9,1	n/a
	-42,9	-26,7	37,8%
Non-Controlling Interest			
-Profit/(loss) from continuing operations	0,5	3,3	n/a
-Profit/(loss) from discontinued operations 1	-0,2	-0,1	50,0%
	0,3	3,2	n/a

[1] The activities of Group subsidiaries and associates in Poland (Totolotek S.A.), in Bulgaria (Bilot EOOD, Eurofootball Ltd, Bilot Investment Ltd, Eurobet Ltd, Eurobet Trading Ltd, ICS S.A.), in Brazil (Intralot do Brazil Ltda, OLTP Ltda) and Peru (Intralot de Peru SAC) are presented as discontinued operations pursuant to IFRS 5.

Sales Overview

Total revenue increased by €51,9 million, or 34,4%, from €150,7 million in the six months period ended June 30, 2020 to €202,6 million in the six months period ended June 30, 2021. This increase was driven by increased revenue in all operating segments.

Revenue by Business Activity

The following table sets forth our revenue for each business activity for the six months period ended June 30, 2020 and 2021.

Revenue by Business Activity (€ in million)	six months period ended June 30,		% change
(reviewed by auditors)	2020	2021	
Licensed operations	40,2	61,2	52,2%
Management contracts	11,8	24,2	105,1%
Technology and support services	98,7	117,2	18,7%
Total	**150,7**	**202,6**	**34,4%**

Revenue in our licensed operations activity line increased by €21,0 million, or 52,2%, from €40,2 million in the six months period ended June 30, 2020 to €61,2 million in the six months period ended June 30, 2021. The increase is attributed to higher revenue in **Malta** (€+15,4 million), mainly due to the COVID-19 impact in the first half of 2020, and **Argentina** (€+5,6 million), mainly impacted by the COVID-19 pandemic in the previous year, while partially offset by the adverse impact of the FX currency translation.

Revenue in our management contracts activity line increased by €12,4 million, or 105,1%, from €11,8 million in the six months period ended June 30, 2020 to €24,2 million in the six months period ended June 30, 2021. The increase is mainly driven by the surplus from our **Turkish** operations (€+6,2 million), driven by Bilyoner's improved top line performance, favored by the strong growth of the online market. In 1H21, the Sports Betting market expanded close to 2,0 times y-o-y, with the online segment representing close to 92% of the market. Performance in Euro terms was only partially mitigated by the headwinds in Turkish lira (33,1% Euro appreciation versus a year ago – in YTD average terms). The surplus in our management contracts was further increased by **Morocco's** improved performance (€+3,7 million), due to the impact of COVID-19 pandemic in 1H20, and the launch of **US** Sports Betting in Montana and Washington, D.C. (€+2,5 million).

Revenue in our technology and support services line increased by €18,5 million, or 18,7%, from €98,7 million in the six months period ended June 30, 2020 to €117,2 million in the six months period ended June 30, 2021. The increase is attributed to the strong momentum of the **US** operations (€+15,5 million or +24,6% y-o-y), mainly driven by the continued growth in our Lottery operations, further boosted by a significant jackpot in January 2021 and higher merchandise sales in the current period (despite the effect from the adverse USD movement), **Australia** (€+1,9 million), driven mainly by the higher COVID-19 impact in the first half of 2020, while partially offset by a one-off merchandise sale in 1Q20, and sales from other jurisdictions (€+1,1 million), favorably impacted by the lower COVID-19 impact in the current period and the launch of the new project in **Croatia** in 2Q21, while partially counterbalanced by lower merchandise sales vs. 1H20.

Gross Gaming Revenue (GGR) by Business Activity

The following table sets forth our gross gaming revenue for each business activity for the six months period ended June 30, 2020 and 2021.

GGR by Business Activity (€ in million)	six months period ended June 30,		% change
(reviewed by auditors)	2020	2021	
Licensed operations	17,0	22,5	32,4%
Management contracts	11,8	24,2	105,1%
Technology and support services	98,7	117,2	18,7%
Total	**127,5**	**163,9**	**28,5%**

Gross Gaming Revenue (GGR) from continuing operations increased by 28,5% (from €127,5 million to €163,9 million) year over year, driven by the increase in the non-payout related GGR (+28,9% y-o-y or €+32,1m vs. 1H20), mainly due to the increased top line contribution of our US operations and the better performance of Bilyoner in the current period and the improved performance across most key regions due to the COVID-19 impact in 1H20, followed by the increase in our payout related GGR (+26,2% y-o-y or €+4,3 million vs. 1H20), driven mainly by the COVID-19 impact in the first half of 2020, mitigating the higher average payout ratio in Malta and the higher adverse FX impact from our licensed operations in Latin America in the current period (+49,6% y-o-y on wagers from licensed operations[1]). 1H21 Average Payout Ratio[2] increased by 6,5pps vs. LY (65,1% vs. 58,6%), affected mainly by the higher weighted contribution from our operations in Malta.

Gross Profit Margin

The Gross profit margin in the six months period ended June 30, 2021 was 28,5%, from 18,8% in the six months period ended June 30, 2020, positively affected by the Gross Profit margin improvement in Australia, US, Bilyoner and Morocco. Overall, Gross Profit increased by 103,9% (or €29,4 million) compared to 1H20.

Other Operating Income

Other operating income increased by €1,7 million, or 20,0%, from €8,5 million in the six months period ended June 30, 2020 to €10,2 million in the six months period ended June 30, 2021. The major driver of this increase was the higher equipment lease income in USA.

Selling Expenses

Selling expenses remained unchanged in the level of €11,5 million, despite the increase of Sale proceeds by 34,4%.

Administrative Expenses

Administrative expenses decreased by €1,6 million, or 5,0%, from €32,0 million in the six months period ended June 30, 2020 to €30,4 million in the six months period ended June 30, 2021. This decrease was primarily due to lower costs in Greece and USA.

Research and Development Expenses

Research and development expenses decreased by 0,5 million or 35,7%, from €1,4 million in the six months period ended June 30, 2020 to €0,9 million in the six months period ended June 30, 2021.

Reorganization expenses

[1] Licensed Operations Revenue also include a small portion of non-Payout related revenue, i.e., value-added services, which totaled €1,7 million and €0,5 million for 1H21 and 1H20, respectively.

[2] Payout ratio calculation excludes the IFRS 15 impact for payments to customers.

Reorganization expenses of €11,2 million in the six months period ended June 30, 2021 and €1,8 million in the six months period ended June 30, 2020, refer to advisors' fees regarding the 2021 and 2024 Bonds restructuring.

Other Operating Expenses

Other operating expenses increased by 1,7 million, from €1,0 million in the six months period ended June 30, 2020 to €2,7 million in the six months period ended June 30, 2021. This increase was mainly due to the higher provisions for contractual fines-penalties, and doubtful provisions of receivables in 2021.

EBITDA

As a result of the above and the FX loss (€7,8 million[3]) from translation to EUR, EBITDA increased by €28,0 million, or 106,5%, from €26,3 million in the six months period ended June 30, 2020 to €54,3 million in the six months period ended June 30, 2021, while EBITDA margin increased from 17,5% in the six months period ended June 30, 2020, to 26,8% in the six months period ended June 30, 2021. The margin increase is primarily driven by the revenue growth (mainly in the US and Turkey), combined with operating expenses containments, mainly in HQ and Morocco.

Income / (expenses) from participations and investments

Income/(expenses) from participations and investments came up to net income of €2,0 million in the six months period ended June 30, 2021 from net expenses of €3,0 million in the six months period ended June 30, 2020. This improvement is mainly due to the increased dividend income in 2021, as well as due to the higher impairment losses on participations and investments in 2020 mainly due to the impact of COVID-19.

Gain / (loss) from assets disposal, impairment loss & write off of assets

Gain / (loss) from assets disposal, impairment loss & write off of assets came up to net loss of €3,3 million in the six months period ended June 30, 2021 from net loss of €0,1 million in the six months period ended June 30, 2020. This burden is mainly due to the impairment provision in 2021 of the recoverable amount of goodwill from the acquisition of subsidiary Bilyoner Interactif Hizmelter AS as a result of signing a new fixed term contract until 2029.

Interest and Similar Expenses

Interest and similar expenses decreased by €0,7 million, or 2,8%, from €25,1 million in the six months period ended June 30, 2020 to €24,4 million in the six months period ended June 30, 2021. This decrease was primarily due to the lower interest expenses because of the repayment of loan agreements in USA in the fourth quarter of 2020, as well as the lower LG fees in 2021.

Interest and Related Income

Interest and related income increased by €0,1 million, or 12,5% from €0,8 million in the six months period ended June 30, 2020 to €0,9 million in the six months period ended June 30, 2021, primarily due to increased interest income on bank deposits and trade receivables in 2021.

Exchange Differences

The account "Exchange Differences" in the six months period ended June 30, 2021 of €2,8 million mainly refers to losses of approximately €0,3 million from valuation of cash balances in foreign currency other than the functional currency of each entity, gain of €0,7 million from reclassification of exchange differences reserves to Income Statement applying IFRS 10, as well as gain of approximately €2,4 million mainly from valuation of trade and debt liabilities (intercompany and non) in EUR that various subsidiaries abroad had as at 30/6/2021, with a different functional currency than the Group's.

Profit/(loss) from equity method consolidation

Consolidation of associates and joint ventures through the equity method contributed profit of €0,1 million in the six months period ended June 30, 2021 compared to the losses of €1,6 million in the six months period ended June 30, 2020, mainly deriving by the Group's associates in Asia.

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[3] No CPI adjustment y-o-y; adjusting for inflation in Turkey and Argentina (proxy), FX loss y-o-y is estimated at €4,3 million.

Operating Profit/(Loss) before Tax

As a result of the above, and due to exchange differences from a loss of €0,4 million in the six months period ended June 30, 2020 to a gain of €2,8 million in the six months period ended June 30, 2021, and decreased depreciation and amortization by €3,5 million, operating loss before tax improved by €29,6 million from a loss of €40,0 million in the six months period ended June 30, 2020, to a loss of €10,4 million in the six months period ended June 30, 2021.

Taxes

Taxes in the six months period ended June 30, 2021 amounted to expense €3,9 million, versus expense €1,2 million in the six months period ended June 30, 2020. This increase was primarily due to the positive effect of deferred taxation in 2020.

Net Profit/(Loss) from Continuing Operations (a)

As a result of the above, net loss from continuing operations improved by €26,9 million, from a loss of €41,2 million in the six months period ended June 30, 2020 to a loss of €14,3 million in the six months period ended June 30, 2021.

Net Profit/(Loss) from Discontinued Operations (b)

Discontinued operations in Poland (Totolotek S.A.), in Bulgaria (Bilot EOOD, Eurofootball Ltd, Bilot Investment Ltd, Eurobet Ltd, Eurobet Trading Ltd, ICS S.A), in Brazil (Intralot do Brazil Ltda, OLTP Ltda) and in Peru (Intralot de Peru SAC) resulted in a loss of €9,2 million in the six months period ended June 30, 2021 compared to a loss of €1,4 million in the six months period ended June 30, 2020.

Analysis of discontinued operations:

- ### Poland

On March 26, 2019 INTRALOT Group announced that it has reached an agreement with Merkur Sportwetten GmbH, a subsidiary of the Gauselmann Group based in Espelkamp, Germany to take over the renowned sports betting company Totolotek SA – an INTRALOT subsidiary in Poland. The transfer of Totolotek SA shares was completed at the end of April 2019 and the Group consolidated it by 30/4/2019. The final consideration for the disposal of Totolotek SA amounted to approximately €8,0 million, including the contingent consideration, in case of meeting certain terms and requirements within 2 years, amounting to approximately €1,8 million on a discounted basis (€2,0 million in future value). From the above consideration amount approximately €5,5 million was paid in the first six-months of 2019 and amount approximately €0,8 million in July 2019. On 30/6/2021 and 30/6/2020 the Group recognized a loss of €996 thousand and €966 thousand respectively from the non-collection of contingent consideration of Totolotek S.A. disposal, since the relevant terms and requirements were not met.

- ### Peru

On February 2021 INTRALOT announced that it has reached a binding agreement with Nexus Group in Peru to sell its entire stake of 20% in Intralot de Peru SA, an associate of INTRALOT Group, which is consolidated through the Equity method, for a cash consideration of $21 million (twenty-one million USD). In addition, the Company has signed a three-year extension of its current contract with Intralot de Peru SA through 2024, to continue to provide its gaming technology and support services. From 31/12/2020 the above activities of the Group in Peru were classified as discontinued operations pursuant to IFRS 5 par.8.. Meanwhile, the Group's investment in Intralot de Peru SAC was classified as at 31/12/2020 to "Assets held for sale". The above transaction was completed within February 2021 and the net price after taxes and transaction costs amounted to $16,2 million (€13,3 million).

Below are presented the results of the Group's discontinued operations in Peru (Intralot de Peru SAC) for the periods 1/1-30/6/2020 and 1/1-31/1/2021 (in 2021 was consolidated through equity method until 31/1/2021):

	1/1-30/6/2020	1/1-31/1/2021
Gains / (losses) from consolidations under the equity method	0,0	0,1
Profit / (loss) before taxes	**0,0**	**0,1**
Income Tax	0,0	0,0
	0,0	**0,1**

Gain/(loss) from disposal of discontinued operations	0,0	1,1
Corresponding tax	0,0	-1,3
Expenses and exchange differences occurred from sale	0,0	-0,2
Reclassification of exchange differences reserve to Income Statement	0,0	-0,6
Profit/(loss) after tax from discontinued operations	**0,0**	**-0,9**
Attributable to:		
Equity holders of parent	0,0	-0,9
Non-Controlling Interest	0,0	0,0

- ## Bulgaria

On 17/12/2020 the Group disposed 100% of subsidiaries Bilot EOOD and Bilot Investment Ltd, that held by 49% the associates Eurofootball Ltd and Eurobet Ltd group respectively. As of 17/12/2020 the above activities of the Group in Bulgaria have been classified as discontinued operations. These transactions were completed within December 2020 following the necessary approvals by the relevant local authorities. The net assets held for sale of the above Bulgarian entities (including the Group liabilities to them) amounted on 17/12/2020 to €506 thousand, forming the loss from disposal of discontinued operations to €506 thousand.

Below are presented the results of the Group's discontinued operations in Bulgaria (Bilot EOOD, Eurofootball Ltd, Bilot Investment Ltd, Eurobet Ltd, Eurobet Trading Ltd and ICS S.A.) for the period 1/1-30/6/2020 (subsidiaries Bilot EOOD and Bilot Investment Ltd in 2020 were consolidated through full consolidation method until 17/12/2020, the entity Eurofootball Ltd until 5/12/2019 through full method and for the period 6/12-31/12/2019 through equity method, and the entities Eurobet Ltd, Eurobet Trading Ltd and ICS S.A. until end March 2020 through full method).

	1/1-30/6/2020
Sale proceeds	8,7
EBITDA	**0,2**
Profit/(loss) after tax	**0,9**
Gain/(loss) from disposal of discontinued operations	0,0
Corresponding tax	0,0
Profit/(loss) after tax from discontinued operations	**0,9**
Attributable to:	
Equity holders of parent	0,6
Non-Controlling Interest	0,3

- ## Brazil

On May 14, 2021, INTRALOT announced that it has reached a binding agreement with "SAGA CONSULTORIA E REPRESENTAÇÕES COMERCIAIS E EMPRESARIAIS" ("SAGA") in Brazil to sell its entire stake in "Intralot do Brasil Comércio de Equipamentos e Programas de Computador LTDA" ("Intralot do Brasil"), representing 80% of the company's voting capital. SAGA is the only other shareholder of Intralot do Brasil holding 20% of the company. INTRALOT will continue to provide its gaming technology to Intralot do Brasil following closing of the transaction. The total cash consideration for the stake sale amounts to EUR 700 thousand (seven hundred thousand EUR). Intralot do Brasil owes by 100% OLTP subsidiary. The above consideration will be paid within the second half of 2021. The Group's net assets held for sale (including non-controlling interest rights and foreign exchange reserve) in Brazil amounted to €8,0 million as at 31/5/2021 forming a gross loss from disposal of discontinued operations to €7,3 million. Subtracting the exchange differences that were reclassified from foreign exchange differences reserve to Group's income statement, the net loss from disposal of discontinued operations amounted to €6,7 million.

Below are presented the results of the Group's discontinued operations in Brazil (Intralot do Brazil Ltda and OLTP Ltda) for the period 1/1-30/6/2020 and 1/1-31/5/2021 (in 2021 were consolidated through full consolidation method until 31/5/2021).

	1/1-30/6/2020	1/1-31/5/2021
Sale proceeds	8,8	7,2
EBITDA	**0,1**	**-0,4**
Profit/(loss) after tax	**-1,3**	**-0,6**
Gain/(loss) from disposal of discontinued operations	0,0	-7,3
Corresponding tax	0,0	0,0
Reclassification of exchange differences reserve to Income Statement	0,0	0,6
Profit/(loss) after tax from discontinued operations	**-1,3**	**-7,3**
Attributable to:		
Equity holders of parent	-0,8	-7,2
Non-Controlling Interest	-0,5	-0,1

Net Profit/(Loss) from Continuing and Discontinued Operations (a) + (b)

As a result of the above, net loss from total operations (continuing and discontinued) improved by €19,1 million, from a loss of €42,6 million in the six months period ended June 30, 2020 to a loss of €23,5 million in the six months period ended June 30, 2021.

Net Income Attributable to Owners of the Parent

After deducting non-controlling interests, total operations net loss attributable to the owners of the parent improved by €16,2 million, from a loss of €42,9 million in the six months period ended June 30, 2020 to a loss of €26,7 million in the six months period ended June 30, 2021.

Net loss from continuing operations attributable to the owners of the parent improved by €24,1 million, from a loss of €41,7 million in the six months period ended June 30, 2020 to a loss of €17,6 million in the six months period ended June 30, 2021.

Net Cash Flows from total operations (continuing and discontinued)

Cash Flow Statement (€ in million) (reviewed by auditors)	six months period ended June 30, 2020	six months period ended June 30, 2021
Operating activities		
Profit / (loss) before tax from continuing operations	-40,0	-10,4
Profit / (loss) before tax from discontinued operations	-2,8	-7,9
Profit / (loss) before Taxation	-42,8	-18,3
Plus / Less adjustments for:		
Depreciation and Amortization	35,9	32,1
Provisions	1,1	5,1
Results (income, expenses, gain and loss) from Investing Activities	7,4	2,1
Interest and similar expenses	25,1	24,5
Interest and similar Income	-0,8	-0,9
(Gain) / loss on net monetary position	-0,3	-0,3
Reorganization expenses	1,8	11,2
Plus / Less adjustments for changes in working capital:		
Decrease / (increase) of Inventories	-3,0	-1,2
Decrease / (increase) of Receivable Accounts	0,1	23,9
(Decrease) / increase of Payable Accounts (except Banks)	2,4	-32,6
Income Tax Paid	-8,8	5,7
Total inflows / (outflows) from operating activities (a)	**18,1**	**51,3**
Investing Activities		
(Purchases) / Sales of subsidiaries, associates, joint ventures and other investments	-0,5	12,8
Restricted bank deposits	-0,7	-3,1
Purchases of tangible and intangible assets	-15,2	-9,5
Proceeds from sales of tangible and intangible assets	0,0	0,0
Interest received	0,5	0,8
Dividends received	2,0	0,0
Total inflows / (outflows) from investing activities (b)	**-13,9**	**1,0**
Financing Activities		
Sale of own shares	0,0	0,1
Proceeds from loans	40,6	0,0
Repayment of loans	-41,4	-11,2
Repayments of lease liabilities	-3,5	-2,6
Interest and similar expenses paid	-23,3	-37,8
Dividends paid	-7,9	-6,5
Reorganization expenses paid	-0,8	-9,5
Total inflows / (outflows) from financing activities (c)	**-36,3**	**-67,5**
Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)	**-32,1**	**-15,2**
Cash and cash equivalents at the beginning of the period	**171,1**	**100,0**
Net foreign exchange difference	-1,5	-1,6
Cash and cash equivalents at the end of the period from total operations	**137,5**	**83,2**

Net Cash from Operating Activities

Net cash from operating activities comprises net profit before tax adjusted for working capital, cash taxes as well as certain non-cash items such as provisions and depreciation.

Cash inflows from operating activities increased by €33,2 million, or 183,4%, from €18,1 million in the six months period ended June 30, 2020 to €51,3 million in the six months period ended June 30, 2021. This increase was primarily driven by the following:

- loss before taxation from total operations (continuing and discontinued) improved by €24,5 million, from a loss of €42,8 million in the six months period ended June 30, 2020 to a loss of €18,3 million in the six months period ended June 30, 2021, due to the improvement by €29,6 million of profit before taxation from continuing operations as described above, partially counterbalanced by the increased loss from discontinued operations (loss €7,9 million in 2021, versus loss €2,8 million in 2020);
- depreciation and amortization from total operations decreased by 10,6% from €35,9 million in the six months period ended June 30, 2020 to €32,1 million in the six months period ended June 30, 2021, due to increased impairments, entities liquidation/change of consolidation method and discontinued operations in 2020, as well as and the end of useful life of older assets;
- the effect of provisions on cash flow improved by €4,0 million, from positive €1,1 million in the six months period ended June 30, 2020, to a positive effect of €5,1 million in the six months period ended June 30, 2021, mainly due to the goodwill impairment provision for Bilyoner, as well as the higher doubtful provisions and receivables write-offs in 2021.
- the effect of results from investing activities on cash flow was positive €7,4 million in the six months period ended June 30, 2020, versus a positive effect of €2,1 million in the six months period ended June 30, 2021, mainly due to the higher net FX gain (€-4,0 million y-o-y) in 2021, the higher (€+5,3 million y-o-y) net loss from investments disposals in 2021 (mainly due to the Brazil/Peru disposals in 2021 versus the Bulgarian entities deconsolidation in 2020), the higher (€-1,0 million y-o-y) dividend income in 2021, the higher (€-3,8 million y-o-y) losses from investments impairments in 2020 because of the COVID-19 impact, and the higher (€-1,8 million y-o-y) net gain from share of associates results in 2021 (due to the losses in Asian Associates in 2020 because of the COVID-19 impact);
- Net interest expenses in the six months period ended June 30, 2021 was €23,6 million (1H20: €24,3 million), as described above;
- Reorganization expenses accrued in the six months period ended June 30, 2021 was €11,2 million (1H20: €1,8 million), as described above;
- changes in our working capital, which led to a cash outflow of €9,9 million in the six months period ended June 30, 2021, compared with a cash outflow of €0,5 million in the six months period ended June 30, 2020;
    - In particular, there was an increase of €1,2 million in inventories in the six months period ended June 30, 2021, compared to an increase of €3,0 million in the six months period ended June 30, 2020, mainly due to the timing of roll out of new the projects under construction;
    - also, there was a decrease of €23,9 million in receivables in the six months period ended June 30, 2021, compared to an increase of €0,1 million in the six months period ended June 30, 2020 mainly due to the timing of revenue receipts in various projects;
    - also, there was a decrease of €32,6 million in payables towards our suppliers in the six months period ended June 30, 2021 compared to an increase of €2,4 million in the six months period ended June 30, 2020, mainly due to the timing of payments in various projects; and
  - income tax paid improved from payments of €8,8 million in the six months period ended June 30, 2020 to receipts of €5,7 million in the six months period ended June 30, 2021, mainly due to the negative effect of the tax audit in Intralot SA. in 2020, versus the positive effect in 2021 due to the appeals won by Intralot SA.

On a pro-forma basis, i.e., excluding the operating cash-flow contribution of our discontinued operations in Brazil and Bulgaria, there is an increase of €34,6m in Cash inflows from operating activities (51,3m in 1H21 vs. €16,7 million in 1H20 pro-forma).

Net Cash from Investing Activities

Cash flow from investing activities generally consists of cash outflows for investments in tangible and intangible assets as well as interest and dividends received.

In the six months period ended June 30, 2021, net cash inflows from investing activities were €1,0 million, which was an increase of €14,9 million, from net outflows of €13,9 million in the six months period ended June 30, 2020. This increase is mainly attributable to the higher net inflow of €13,3 million for (Purchases)/Sales of subsidiaries, associates, joint ventures and other investments in the six months period ended June 30, 2021 (mainly due to the inflow of €13,3 million in 2021 because of the disposal of Intralot de Peru investment), the higher net outflow of €2,4 million in 2021 for restricted bank deposits as security coverage for banking facilities, the lower outflow of €5,7 million in 2021 for net capital expenditure, the higher inflow of €0,3 million in 2021 for interest received from bank deposits and trade receivables, and the lower inflow of €2,0 million in 2021 for dividends received.

Our capital expenditure in the six months period ended June 30, 2021 reached €9,5 million while in the six months period ended June 30, 2020 reached €15,2 million. Major capital expenditure items in the six months period ended June 30, 2021 include €2,8 million in the US, including outflows towards the Sports Betting contracts, €1,8 million towards R&D and project pipeline delivery, €2,2m towards Bilyoner's contract renewal, €0,8m investment for Croatia's new contract and €1,9 million account for all other additions.

Maintenance capital expenditure during the six months period ended June 30, 2021 was €2,6 million in comparison to €3,1 million in the six months period ended June 30, 2020 (excluding discontinued operations in Brazil and Bulgaria).

Net Cash from Financing Activities

Net cash from financing activities comprises net cash proceeds from financing arrangements as well as payment of cash interest and the payment of dividends to our shareholders or to minority interests.

In the six months period ended June 30, 2021, net cash outflows from financing activities were €67,5 million, compared to net cash outflows of €36,3 million in the six months period ended June 30, 2020. This increase of net cash outflows from financing activities consisted of €9,5 million y-o-y outflow in net cash flows from financing arrangements (mainly due to the net outflow of €29,2 million of Intralot Global Holdings BV revolving facility due to the drawdown in 2020 and repayment in 2021, and the net inflow of €18,7 million of local facilities and leasing arrangements mainly in USA), higher interest payments by €14,5 million in the six months period ended June 30, 2021 (mainly due to the redemption fees and early coupons paid for the 2021 Notes Supplemental Indenture), lower dividends distribution to minority interests by €1,4 million in the six months period ended June 30, 2021, and higher payments for reorganization expenses by €8,7 million in the six months period ended June 30, 2021.

Cash & Cash Equivalents

The following table sets forth our Cash & Cash Equivalents as of June 30, 2021 and December 31, 2020.

Cash & Cash Equivalents (€ in million)	December 31, 2020	June 30, 2021	% change
Partnerships[1]	13,8	7,2	-47,8%
All other Operating Entities (with revenue contracts) & HQ	86,2	76,0	-11,8%
Total	**100,0**	**83,2**	**-16,8%**

[1] As Partnerships we define our Operations in Turkey and Argentina

Cash and cash equivalents at the end of the 1H21 period decreased by €16,8 million vs. FY20. Of the Cash & Cash Equivalents as of June 30, 2021, €7,2 million are located in our partnerships, and the rest across all other Operating entities (with revenue contracts) and HQ, with an amount close to €25,0 million allotted as Working Capital in the operating entities (with revenue contracts).

Proportionate & Pro Forma Results of Operations of the INTRALOT Group

Proportionate Financial Metrics

Pro-Forma comparison of selected Proportionate Financial Metrics for the six months period ended June 30, 2020 with the six months period ended June 30, 2021.

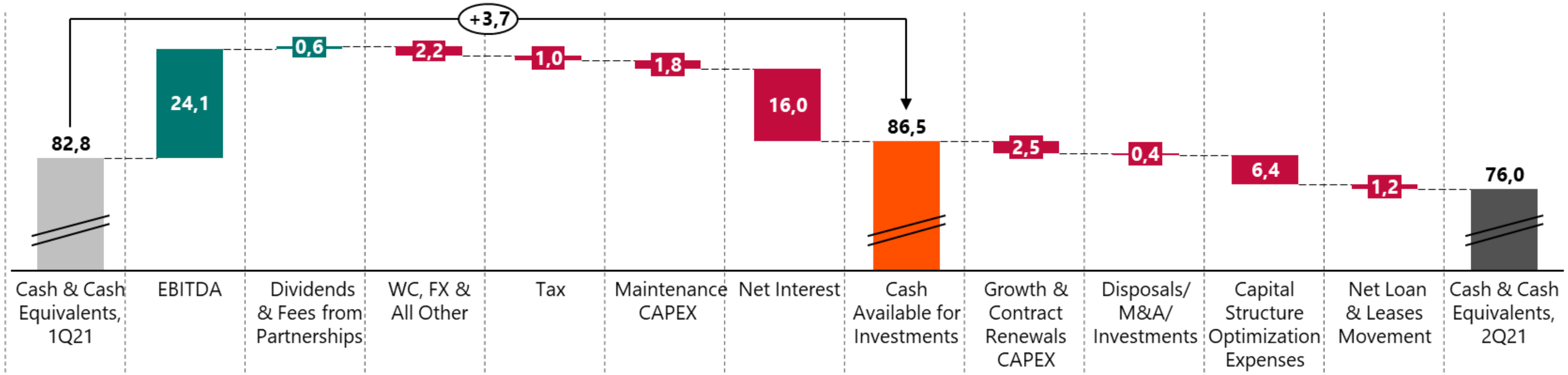
Proportionate Financial Metrics[1] – Pro Forma (€ in million)	six months period ended June 30,		% change
	2020	2021	
Proportionate Revenue	129,8	169,9	30,9%
Proportionate GGR	114,0	143,5	25,9%
Proportionate **EBITDA**	**23,3**	**46,7**	**100,4%**
Adjusted EBITDA [2]	23,5	46,8	99,1%
	December 31, 2020	**June 30, 2021**	
Proportionate Gross Debt	750,5	728,6	-
Proportionate Cash & Cash Equivalents	88,0	76,3	-

[1] The activities of Group subsidiaries in Brazil (Intralot do Brazil Ltda and OLTP Ltda), Poland (Totolotek S.A.), and Bulgaria (Bilot EOOD, Eurofootball Ltd, Bilot Investment Ltd, Eurobet Ltd, Eurobet Trading Ltd, ICS S.A.) are presented as discontinued operations pursuant to IFRS 5.
[2] Calculated as Proportionate EBITDA of fully consolidated entities including EBITDA from equity investments in Taiwan.

Pro-Forma Cash Flow – Shareholders of the Parent View (1/2)

The following chart portrays the Shareholders of the Parent View of the Cash Flow Movement (Pro-Forma) for the three-month period ended June 30, 2021, as well as the historical values of 2Q20 and 1Q21.

Pro-Forma Cash Flow – Shareholders of the Parent View, 2Q21
€m



Historical Values

	Cash & Cash Equivalents, 1Q21	EBITDA	Dividends & Fees from Partnerships	WC, FX & All Other	Tax	Maintenance CAPEX	Net Interest	Cash Available for Investments	Growth & Contract Renewals CAPEX	Disposals/ M&A/ Investments	Capital Structure Optimization Expenses	Net Loan & Leases Movement	Cash & Cash Equivalents, 2Q21
1 2Q20	134,9	9,7	1,9	-1,4	-3,4	-1,7	-1,0	139,0	-7,9		-0,6	-1,4	129,1
2 1Q21	86,2	18,2	2,5	-1,4	6,9	-0,8	-21,3	90,3	-1,9	10,0	-3,1	-12,5	82,8

The main variance (YoY and QoQ) drivers are portrayed in the table below:

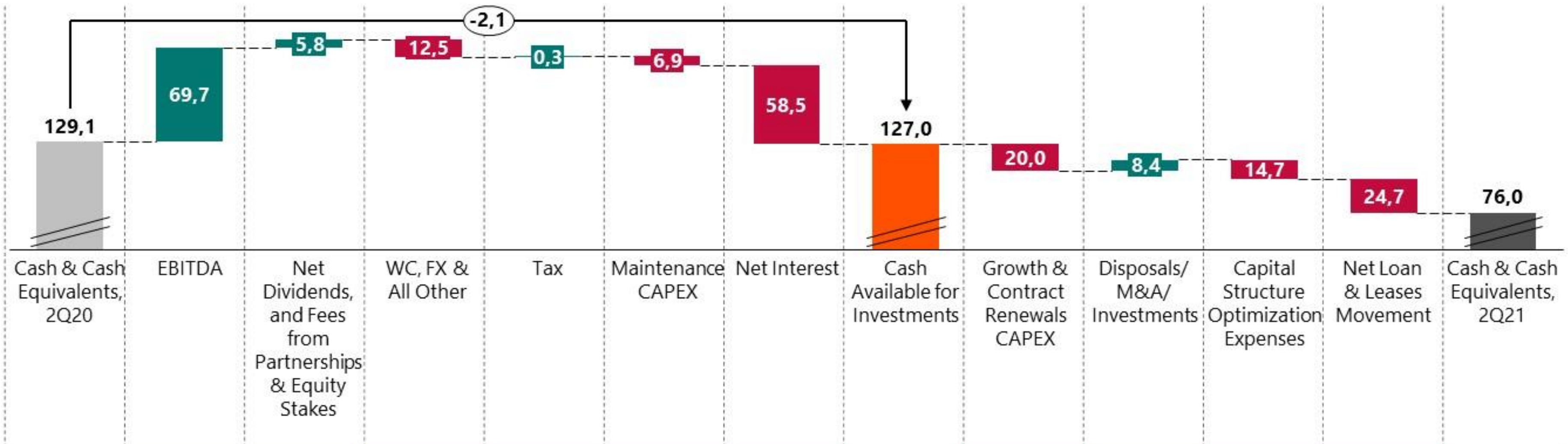
Shareholders of the Parent View	YoY Variances Explained 1	QoQ Variances Explained 2
EBITDA	▪ EBITDA positive variance driven primarily by strong y-o-y growth of US business and lower COVID-19 impact vs. prior year	▪ Positive variance driven mainly by the continued growth of US operations, decreased COVID-19 impact, as well as cost containments in HQ perimeter
Net Dividends, and Fees from Partnerships	▪ Negative variance from Taiwan dividend income in 2Q20 and dividend distribution towards our partner in Malta in the current quarter, offsetting the positive variance from Bilyoner dividend in 2Q21	▪ Lower dividend income QoQ, mainly due to timing of Bilyoner's dividend distribution
WC, FX & All Other	▪ WC positive variance vs. LY driven mainly by the inflows related to open receivables in Australia and USA coupled with positive inventories movements, counterbalancing the negative timing regarding payables in Morocco and USA. ▪ Negative FX variance vs. a year ago (mainly Morocco)	▪ QoQ positive WC variance is mainly due to favorable timing in payables movement in HQ perimeter ▪ Negative FX impact QoQ (mainly US and Morocco)
Tax	▪ Positive variance mainly due to the negative effect of the tax audit-related payments in Intralot SA in the previous year	▪ Negative swing mainly attributed to Income tax returns in 1Q21 following the appeals won for the tax audit outcome in Intralot SA
Maintenance CAPEX	▪ On par outflows with 2Q20	▪ Increased Maintenance CAPEX outflows vs. previous Q, mainly towards the US
Net Interest	▪ Higher interest payments attributed to the redemption fees and early coupons paid for the 2021 Notes Supplemental Indenture	▪ Variance stemming from coupon payments in 1Q21 offsetting the redemption fees and early coupons paid for the 2021 Notes Supplemental Indenture in 2Q21
Growth & Contract Renewals CAPEX	▪ Decreased capex in 2Q21 as a result of lower outflows in HQ perimeter and the US	▪ Slightly increased outflows in 2Q21 mainly towards our contracts in the US
Disposals/ M&A/ Investments	▪ Negative movement is driven by the deconsolidation of Brazil's cash, following the sale of our stake in Intralot do Brasil	▪ Driven by Peru disposal proceeds in 1Q21, in part offset by the outflow for collateralized bank deposits in the prior quarter
Capital Structure Optimization Expenses	▪ Higher outflows vs. LY	▪ Higher outflows vs. 1Q21
Net Loan & Leases Movement	▪ On par outflows with 2Q20	▪ Positive variance is driven by the repayment of the revolving facility in Intralot Global Holdings BV in 1Q21

Pro-Forma Cash Flow – Shareholders of the Parent View (2/2)

The following chart portrays the Shareholders of the Parent View of the Cash Flow Movement (Pro-Forma) for the last twelve months ended June 30, 2021, as well as the historical values of LTM 1Q21 and LTM 4Q20.

Pro-Forma Cash Flow – Shareholders of the Parent View, LTM 2Q21

€m



Historical Values	Cash & Cash Equivalents, 2Q20	EBITDA	Net Dividends, and Fees from Partnerships & Equity Stakes	WC, FX & All Other	Tax	Maintenance CAPEX	Net Interest	Cash Available for Investments	Growth & Contract Renewals CAPEX	Disposals/ M&A/ Investments	Capital Structure Optimization Expenses	Net Loan & Leases Movement	Cash & Cash Equivalents, 2Q21
LTM 1Q21	134,9	55,8	7,1	-11,9	-2,1	-6,8	-43,5	133,5	-25,4	8,6	-8,9	-25,0	82,8
LTM 4Q20	152,5	49,5	9,0	-9,7	-14,3	-7,3	-43,9	135,8	-27,5	-1,6	-6,1	-14,4	86,2

Major Contracts Overview & Update

Overview & LTM Contribution

Selected Entities/ Projects contribution in the twelve months ended June 30, 2021 after Intragroup eliminations.

Entity/ Project/ Description	Partnership	Contract type	Revenue Contribution	GGR Contribution	GP Contribution	EBITDA Contribution	Contract Expiry (w/o Renewals)[3]
12 Technology Contracts with State Lotteries[1]	DC only	Technology	38%	47%	46%	74%	2030
12 Technology Contracts with State Lotteries and 1 Licensed Operation	Yes	Technology/ Licensed Operations	10%	8%	11%	11%	2027
2 VLT Monitoring Contracts and 1 Technology Contract[2]		Technology	4%	5%	16%	12%	2027
Bilyoner	Yes	Management Contracts	7%	9%	22%	14%	2029
Intralot Maroc		Management Contract	4%	5%	11%	3%	2022
Maltco		Licensed Operations	24%	10%	8%	11%	2022
Subtotal *(% of LTM 1H21)*			**87%**	**84%**	**114%**	**125%**	
LTM 1H21 *(in million €)*			**396,8**	**321,8**	**102,3**	**93,8**	

[1] USA figures include also the Philippines and BCLC projects contribution.
[2] New Zealand Monitoring ends in 2025 while that in Victoria (Australia) ends in 2027; the Lottery West contract ends in 2022 (without considering extension options).
[3] If multiple contracts exist, the one with the longest maturity is displayed (without considering extension options).

Headquarters in Greece

Cost & Effort Allocation

In Greece, we provide technology support and support services for the operation of private gaming and the lottery through INTRALOT S.A., our parent company. Originally incorporated in Athens in 1992, we won our first domestic contract in 1993. We currently operate three contracts in Greece.

As the center of our Global operations, Greece is also home to our betting-trading center that controls our global fixed-odds betting activity, and significant research and development programs (Technology Hub), as well as our corporate headquarters which supports the wider INTRALOT ecosystem, employing approx. 540 employees at the end of June 30, 2021. As such, INTRALOT S.A. expenses serve the different projects, including among others the Greek projects, but the majority of the effort is distributed towards servicing and supporting the pipeline of won and upcoming contracts, as well as supporting INTRALOT's subsidiaries and R&D efforts.