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 57 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. Our games library includes more than 550 games, including lotteries, sports betting, Video Lottery Terminals (VLTs)/Amusement with Prizes machines (AWPs) and racing.

In the Twelve Months period Ended March 31, 2016, we had revenue of €1.326,6 million and EBITDA of €176,8 million on a fully consolidated and continuing basis for entities that we control, although we may have minority ownership in some such subsidiaries. In addition, in the Twelve Months Ended March 31, 2016, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 5,8%, 2,9%, 27,6%, 49,7% and 14% of total revenue, respectively.

Results of Operations of the Intralot Group

Comparison of the Three Months period Ended March 31, 2015 with the Three Months period Ended March 31, 2016

Overview

The following table sets forth our operating results for the Three Months period Ended March, 2016 and 2015.

Income Statement Information (€ in millions) (unaudited)	**Three Months ended March 31, 2015**	**2016**	**% change**
Revenue	347,7	335,2	-3,60%
Less: Cost of sales	-280,1	-270,2	-3,53%
Gross profit	**67,6**	**65,0**	**-3,85%**
Other operating income	4,9	6,3	28,57%
Selling expenses	-15,7	-14,7	-6,37%
Administrative expenses	-25,9	-24,4	-5,79%
Research and development expenses	-2,1	-1,8	-14,29%
Other operating expenses	-1,1	-0,7	-36,36%
EBIT	**27,7**	**29,7**	**7,22%**
EBITDA	**44,8**	**47,3**	**5,58%**
Income/(expenses) from participations and investments	-0,8	1,1	n/a
Gain/(loss) from assets disposal, impairment and write-off	0,7	-0,1	n/a
Interest and similar expenses	-17,8	-17,5	-1,69%
Interest and related income	3,8	3,3	-13,16%
Exchange differences	9,9	-3,8	n/a
Profit/(loss) equity method consolidation	-0,8	-0,9	12,50%
Operating profit/loss before tax	**22,7**	**11,8**	**-48,02%**
Less: taxes	-13,5	-9,4	-30,37%
Net profit/loss from continuing operations (a)	**9,2**	**2,4**	**-73,91%**
Net Profit / Loss from Discontinued Operations (b) [1]	-3,9	-3,3	-15,38%
Net Profit /Loss after taxes (Continuing and Discontinued Operations) (a) + (b)	**5,3**	**-0,9**	**n/a**

[1] The Group's activities in Italy are presented as discontinued operations pursuant to IFRS 5 (see note 2.19.A.VIII of Interim Financial Statements of 31/3/2016), following the agreement to merge Intralot's local operations with those of Gamenet.

Sales Overview

Total revenue decreased by €12,5 million, or 3,60%, from €347,7 million in the Three Months period Ended March 31, 2015 to €335,2 million in the Three Months period Ended March 31, 2016.

Revenue by Business Activity

The following table sets forth our revenue for each business activity for the Three Months period Ended March 31, 2016 and 2015.

Revenue by Business Activity (€ in millions) (unaudited)	Three Months ended March 31, 2015	2016	% change
Technology and support services	48,3	51,4	+6,4%
Management contracts	28,8	29,1	+1,0%
Licensed operations	270,6	254,7	-5,9%
Total	**347,7**	**335,2**	**-3,6%**

Revenue in our technology and support services line increased by €3,1 million, or 6,4%, from €48,3 million in the Three Months period Ended March 31, 2015 to €51,4 million in the Three Months period Ended March 31, 2016. This increase was primarily due to:

- An increase in our revenues in US partially counterbalanced by the revenues in Argentina and an IT contract in Malaysia.

Revenue in our management contracts activity increased by €0,3 million, or 1,0%, from €28,8 million in the Three Months period Ended March 31, 2015 to €29,1 million in the Three Months period Ended March 31, 2016. This increase was primarily due to:

- An increase in revenues in Russia and Morocco.

Revenue in our licensed operations activity decreased by €15,9 million, or 5,9%, from €270,6 million in the Three Months period Ended March 31, 2015 to €254,7 million in the Three Months period Ended March 31, 2016. This decrease was primarily due to:

- Lower revenues in Azerbaijan and Jamaica, partially counterbalanced by the improved performance of Bulgaria and Peru

Gross Profit

Gross profit decreased by €2,6 million, or 3,8%, from €67,6 million in the Three Months period Ended March 31, 2015 to €65,0 million in the Three Months period Ended March 31, 2016. The gross profit margin remained stable at 19,4% in the Three Months period Ended March 31, 2016 compared to the Three Months period Ended March 31, 2015, as margin expansion that took place in countries such as the US, Turkey and Argentina was counterbalanced by margin contraction mainly in Azerbaijan and Jamaica. Payout for the Group in the respective period increased by 2.6%.

Other Operating Income

Other operating income increased by €1,4 million, or 28,6%, from €4,9 million in the Three Months period Ended March 31, 2015 to €6,3 million in the Three Months period Ended March 31, 2016. The major driver of this increase was Turkey (€1.5m) and the growth in instant ticket services of our US operations (€0.7m).

Selling Expenses

Selling expenses decreased by €1,0 million, or 6,4%, from €15,7 million in the Three Months period Ended March 31, 2015 to €14,7 million in the Three Months period Ended March 31, 2016. This decrease was in line with the lower revenue in Azerbaijan in the Three Months period Ended March 31, 2016.

Administrative Expenses

Administrative expenses decreased by 1,5 million, or 5,8%, from €25,9 million in the Three Months period Ended March 31, 2015 to €24,4 million in the Three Months period Ended March 31, 2016. This decrease was primarily due to lower costs in Jamaica and Peru.

Research and Development Costs

Research and development expenses decreased by 0,3 million, or 14,3%, from €2,1 million in the Three Months period Ended March 31, 2015 to €1,8 million in the Three Months period Ended March 31, 2016.

Other Operating Expenses

Other operating expenses decreased by €0,4 million, or 36,4%, from €1,1 million in the Three Months period Ended March 31, 2015 to €0,7 million in the Three Months period Ended March 31, 2016. This decrease was primarily due to the one-off tax penalties in Romania charged in the Three Months period Ended March 31, 2015, as well as the non-recurring lottery license fees in Australia since the license sold in 2Q15, that were partially offset by the higher provisions and write-offs for doubtful receivables in the Three Months period Ended March 31, 2016.

EBITDA

As a result of the above, EBITDA increased by €2,5 million, or 5,6%, from €44,8 million in the Three Months period Ended March 31, 2015 to €47,3 million in the Three Months period Ended March 31, 2016, while EBITDA margin increased from 12,9% in the Three Months period Ended March 31, 2015 to 14,1% in the Three Months period Ended March 31, 2016.

Income / (expenses) from participations and investments

Income / (expenses) on investments and securities increased by €1,9 million, from expense €0,8 million in the Three Months period Ended March 31, 2015 to income €1,1 million in the Three Months period Ended March 31, 2016. This increase was primarily due to higher dividends income and lower loss from sale of participations and securities in the Three Months period Ended March 31, 2016.

Gain/(loss) from assets disposal, impairment and write-off

Gain/(loss) from assets disposal, impairment and write-off decreased by €0,8 million, from gain €0,7 million in the Three Months period Ended March 31, 2015 to loss €0,1 million in the Three Months period Ended March 31, 2016. This decrease was primarily due to the lower impairment loss in the Three Months period Ended March 31, 2016, as well as the one-off gain from assets sale in Australia in the Three Months period Ended March 31, 2015.

Interest and Similar Expenses

Interest and similar charges decreased by €0,3 million, or 1,7%, from €17,8 million in the Three Months period Ended March 31, 2015 to €17,5 million in the Three Months period Ended March 31, 2016. This decrease was primarily due to savings from bond buybacks.

Interest and Related Income

Interest and related income decreased by €0,5 million, or 13,2%, from €3,8 million in the Three Months period Ended March 31, 2015 to €3,3 million in the Three Months period Ended March 31, 2016, due to lower bank deposits interest income in the Three Months period Ended March 31, 2016.

Profit/loss from equity method consolidations

In the Three Months period Ended March 31, 2016 we had a loss from equity method consolidations of €0,9 million from loss €0,8 million in the Three Months period Ended March 31, 2015, mainly derived from of our associate companies in Asia.

Operating Profit before Tax

As a result of the above and due to Exchange differences from gain 9,9 million in the Three Months period Ended March 31, 2015 to loss 3,8 million the Three Months period Ended March 31, 2016 and increased Depreciation and Amortization by €0,5 million, operating profit before tax decreased by €10,9 million, or 48,02%, from €22,7 million in the Three Months period Ended March 31, 2015 to €11,8 million in the Three Months period Ended March 31, 2016.

Taxes

Taxes decreased by €4,1 million, or 30,4%, from €13,5 million in the Three Months period Ended March 31, 2015 to €9,4 million in the Three Months period Ended March 31, 2016. This decrease was primarily attributed to the lower taxable profits in Azerbaijan in the Three Months period Ended March 31, 2016 as well as due to one-off income tax charges in Romania in the Three Months period Ended March 31, 2015.

Net Profit/Loss from Continuing Operations (a)

As a result of the above, net profit from continuing operations decreased by €6,8 million, from profit of €9,2 million in the Three Months period Ended March 31, 2015 to profit of €2,4 million in the Three Months period Ended March 31, 2016.

Net Profit/Loss from Discontinued Operations (b)

Net loss from discontinued operations in Italy decreased by €0,6 million, from loss of €3,9 million in the Three Months period Ended March 31, 2015 to loss of €3,3 million in the Three Months period Ended March 31, 2016.

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

As a result of the above, Net income from total operations (continuing and discontinued) decreased by €6,2 million, from profit of €5,3 million in the Three Months period Ended March 31, 2015 to loss of €0,9 million in the Three Months period Ended March 31, 2016.

Net Income Attributable to Owners of the Parent

After deducting minority interests, Net income attributable to the owners of the parent decreased by €3,1 million, from loss of €8,9 million in the Three Months period Ended March 31, 2015 to loss of €12,0 million in the Three Months period Ended March 31, 2016.

Net Cash Flows from total operations (continuing and discontinued)

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 €14,9 million, or 56,7%, from €26,3 million in the Three Months period Ended March 31, 2015 to €41,2 million in the Twelve Months period Ended March 31, 2016. This decrease was primarily driven by the following:

- net profit before taxation from total operations (continuing and discontinued) decreased by €10,2 million, or 54,5%, from €18,7 million in the Three Months period Ended March 31, 2015 to €8,5 million in the Three Months period Ended March 31, 2016 as described above;

- depreciation and amortization increased by 10,8% from €22,3 million in the Three Months period Ended March 31, 2015 to €24,7 million in the Three Months period Ended March 31, 2016.

- the effect of provisions on cash flow was positive €1,1 million in the Three Months period Ended March 31, 2015 and positive €1,2 million in the Three Months period Ended March 31, 2016.

- changes in our working capital, which led to a cash outflow of €2,9 million in the Three Months period Ended March 31, 2016, compared with a cash outflow of €17,7 million in the Three Months period Ended March 31, 2015;

  - In particular, there was a decrease of €1,9 million in inventories in the Three Months period Ended March 31, 2016, compared to a decrease of €0,7 million in the Three Months period Ended March 31, 2015.

  - also there was an increase of €6,7 million in receivables in the Three Months period Ended March 31, 2016, compared to an increase of €2,4 million in the Three Months period Ended March 31, 2015.

  - also there was an increase of €1,9 million in payables towards our suppliers in the Three Months period Ended March 31, 2016 compared to a decrease of €16,0 million in the Three Months period Ended March 31, 2015.

- income tax paid increased by 65,9% from €4,7 million in the Three Months period Ended March 31, 2015 to €7,8 million in the Three Months period Ended March 31, 2016.

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 Three Months period Ended March 31, 2016, net cash outflows from investing activities was €10,4 million, which was a decrease of €0,3 million, or 2,8%, from outflows of €10,7 million in the Three Months period ended March 31, 2015. This decrease is attributed to an outflow of €1,0 million for (Purchases) / Sales of subsidiaries, associates, joint ventures and other investments in the Three Months period Ended March 31, 2016, compared to an outflow of €0,07 million in the respective period of 2015, to an inflow of €0,01 million for proceeds from sales of tangible and intangible assets in the Three Months period Ended March 31, 2016, compared to an inflow of €1,5 million in the respective period of 2015 due to the assets sold in Australia in 2015, to an inflow of €1,8 million for interest received in the Three Months period Ended March 31, 2016, compared to an inflow of €1,3 million in the respective period of 2015, to an inflow of €0 million for dividends received in the Three Months period Ended March 31, 2016, compared to an inflow of €0,06 million in the respective period of 2015 and to lower capital expenditures, as mentioned below.

Our capital expenditure in the Three Months period Ended March 31, 2016 reached €11,3 million while in in the Three Months period Ended March 31, 2015 reached €13,6 million. Major CAPEX items in the Three Months period Ended March 31, 2016 include investments in our US new business of €6.2m and R&D of €1.9m.

Net Cash from Financing Activities

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

In the Three Months period Ended March 31, 2016, net cash outflows from financing activities was €43,0 million, compared to net cash outflows of €45,4 million in the Three Months period Ended March 31, 2015. This decrease of net cash outflows from financing activities consisted of €0,9 million decrease in net cash outflows from financing arrangements mainly due to a repayment of the local facility in the US in the Three Months of 2015 and higher repurchases of the 2018 and 2021 Notes in the Three Months of 2015, lower interest payments by €2,3 million in the Three Months of 2016, as well as higher dividends distribution, in the Three Months of 2016, to minority interests amounting to €0,8 million.