## 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 54 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 June 30, 2016, we had revenue of €1.253,4 million and EBITDA of €173,3 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 June 30, 2016, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 6,7%, 2,7%, 32,8%, 44,0% and 13,8% of total revenue, respectively.

## Results of Operations of the Intralot Group

## Comparison of the six months period ended June 30, 2015 with the six months period ended June 30, 2016

### *Overview*

The following table sets forth our operating results for the six months period ended June, 2016 and 2015.

| **Income Statement Information** (€ in millions) (unaudited) | **six months ended June 30, 2015** | **2016** | **% change** |
|---|---|---|---|
| Revenue | 618,9 | 636,9 | 2,91% |
| Less: Cost of sales | -502,8 | -517,7 | 2,96% |
| **Gross profit** | **116,1** | **119,2** | **2,67%** |
| Other operating income | 12,4 | 10,2 | -17,74% |
| Selling expenses | -27,3 | -27,4 | 0,37% |
| Administrative expenses | -45,6 | -42,4 | -7,02% |
| Research and development expenses | -4,4 | -2,7 | -38,64% |
| Other operating expenses | -3,5 | -1,4 | -60,00% |
| **EBIT** | **47,7** | **55,5** | **16,35%** |
| **EBITDA** | **80,2** | **88,9** | **10,85%** |
| Income/(expenses) from participations and investments | 0,8 | -1,3 | n/a |
| Gain/(loss) from assets disposal, impairment and write-off | 0,2 | -1,8 | n/a |
| Interest and similar expenses | -34,7 | -34,1 | -1,73% |
| Interest and related income | 7,8 | 6,2 | -20,51% |
| Exchange differences | 5,8 | -3,1 | n/a |
| Profit/(loss) equity method consolidation | -1,9 | -1,8 | -5,26% |
| **Operating profit/loss before tax** | **25,7** | **19,6** | **-23,74%** |
| Less: taxes | -25,4 | -15,3 | -39,76% |
| **Net profit/loss from continuing operations (a)** | **0,3** | **4,3** | **n/a** |
| Net Profit / Loss from Discontinued Operations (b) [1] | -8,3 | 35,3 | n/a |
| **Net Profit /Loss after taxes (Continuing and Discontinued Operations) (a) + (b)** | **-8,0** | **39,6** | **n/a** |

[1] The Group's activities in Italy as well as those of Intralot de Peru SAC are presented as discontinued operations pursuant to IFRS 5 (see note 2.19.A.VIII of Interim Financial Statements of 30/6/2016), following the agreement to merge Intralot's local operations in Italy with those of Gamenet and the agreement with Nexus for the sale of 80% of Intralot de Peru SAC.

## Sales Overview

Total revenue increased by €18,0 million, or 2,91%, from €618,9 million in the six months period ended June 30, 2015 to €636,9 million in the six months period ended June 30, 2016. This increase was driven by increased revenue in our technology and support services line and management contracts segments.

## Revenue by Business Activity

The following table sets forth our revenue for each business activity for the six months period ended June 30, 2016 and 2015.

| **Revenue by Business Activity** (€ in millions) (unaudited) | **six months ended June 30,** | | **% change** |
|---|---|---|---|
| | **2015** | **2016** | |
| Technology and support services | 99,7 | 111,1 | +11,4% |
| Management contracts | 50,8 | 59,6 | +17,4% |
| Licensed operations | 468,4 | 466,2 | -0,5% |
| **Total** | **618,9** | **636,9** | **+2,9%** |

Revenue in our technology and support services line increased by €11.4 million, or 11.4%, from €99.7 million in the six months period ended June 30, 2015 to €111.1 million in the Six months period ended June 30, 2016. This increase was primarily due to an increase in our revenues in the United States by €19.3 million mainly due to the sale of multi-play self-service lottery terminals in Ohio in the first half of 2016, which was partially offset by €2.3 million lower revenues in Argentina (mainly due to a negative FX impact), €4.1 million lower revenues in Malaysia (due to one-off IT sales in the first half of 2015) and €4.3 million lower revenues from the Hellenic Lotteries (due to one-off sales of equipment in the first half of 2015).

Revenue in our management contracts activity line increased by €8.8 million, or 17.4%, from €50.8 million in the six months period ended June 30, 2015 to €59.6 million in the six months period ended June 30, 2016. This increase was primarily due to an increase in revenues of €7.1 million in Turkey (positively affected by the UEFA EURO 2016 Championship and the new Football Leagues that enriched the match program of the sports betting game) and increased revenues of €1.5 million in Morocco (positively affected by the UEFA EURO 2016 Championship, increasing sports betting revenues).

Revenue in our licensed operations activity line decreased by €2.2 million, or 0.5%, from €468.4 million in the six months period ended June 30, 2015 to €466.2 million in the six months period ended June 30, 2016. This decrease was primarily due to lower revenues of €45.2 million in Azerbaijan (where the local currency suffered severe devaluations in February and December, 2015), lower revenues of €10.2 million in Jamaica (mainly due to a negative foreign exchange impact), lower revenues of €6.4 million in our operations in the province of Salta in Argentina (mainly due to a negative foreign exchange impact) and lower revenues of €4.0 million in Brazil (negatively affected by the economic conditions in the country) partially offset by improved revenues of €55.9 million Bulgaria (positively affected by the UEFA EURO 2016 Championship, which increased sports betting sales), increased revenues of €5.6 million in Malta (positively affected by the UEFA EURO 2016 Championship, which increased sports betting sales) and increased revenues of €3.4 million in Cyprus (positively affected by the UEFA EURO 2016 Championship, which increased sports betting sales).

## Cost of Sales

Cost of sales increased by €14.9 million, or 3.0%, from €502.8 million in the six months ended June 30, 2015 to €517.7 million in the six months ended June 30, 2016. This increase, which was in line with the total revenue increase of 2.9%, was primarily due to an increase in payouts of 3.0%.

## Gross Profit

Gross profit increased by €3.1 million, or 2.7%, from €116.1 million in the six months period ended June 30, 2015 to €119.2 million in the six months period ended June 30, 2016. This increase was in line with the total revenue increase by 2.9% and the cost of sales increase of 3.0%. The gross profit margin remained stable at 18.7% in the six months period ended June 30, 2016 compared to the six months period ended June 30, 2015, as margin expansion that took place in countries such as the US and

Argentina was partially offset by margin contraction mainly in Bulgaria and Turkey. Payout for the Group in the respective period increased by 3.0%.

### *Other Operating Income*

Other operating income decreased by €2.2 million, or 17.7%, from €12.4 million in the six months period ended June 30, 2015 to €10.2 million in the six months period ended June 30, 2016. The major driver of this decrease was the non-recurring income in Australia due to the operations sale in the second quarter of 2015, partially offset by improved operations in Turkey and the growth in instant ticket services of our U.S. operations.

### *Selling Expenses*

Selling expenses increased by €0.1 million, or 0.4%, from €27.3 million in the six months period ended June 30, 2015 to €27.4 million in the six months period ended June 30, 2016. This increase was primarily due to higher advertising costs in Turkey partially offset by lower spending in Azerbaijan.

### *Administrative Expenses*

Administrative expenses decreased by 3.2 million, or 7.0%, from €45.6 million in the six months period ended June 30, 2015 to €42.4 million in the six months period ended June 30, 2016. This decrease was primarily due to lower costs in Jamaica, Brazil and Australia.

### *Research and Development Expenses*

Research and development expenses decreased by 1.7 million, or 38.6%, from €4.4 million in the six months period ended June 30, 2015 to €2.7 million in the six months period ended June 30, 2016. This decrease was primarily due to lower administrative R&D expenses in Greece.

### *Other Operating Expenses*

Other operating expenses decreased by €2.1 million, or 60.0%, from €3.5 million in the six months period ended June 30, 2015 to €1.4 million in the six months period ended June 30, 2016. This decrease was primarily due to the non-recurring lottery license fees in Australia since the license sold in the second quarter of 2015, as well as the one-off tax penalties in Romania charged in the six months period ended June 30, 2015, that were partially offset by the higher provisions and write-offs for doubtful receivables in the six months period ended June 30, 2016.

### *EBITDA*

As a result of the above, EBITDA increased by €8.7 million, or 10,9%, from €80.2 million in the six months period ended June 30, 2015 to €88.9 million in the six months period ended June 30, 2016. EBITDA margin increased from 13.0% in the six months period ended June 30, 2015 to 14.0% in the six months period ended June 30, 2016.

### *Income / (expenses) from participations and investments*

Income / (expenses) on participations and investments decreased by €2.1 million, from income of €0.8 million in the six months period ended June 30, 2015 to expenses of €1.3 million in the six months period ended June 30, 2016. This decrease was primarily due to lower dividends income and higher net loss from sale of participations and securities in the six months period ended June 30, 2016.

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

Gain/(loss) from assets disposal, impairment and write-off decreased by €2.0 million, from a gain €0.2 million in the six months period ended June 30, 2015 to a loss €1.8 million in the six months period ended June 30, 2016. This decrease was primarily due to the lower impairment loss in the six months period ended June 30, 2016, as well as the one-off gain from assets sale in Australia in the six months period ended June 30, 2015 compared to the one-off loss from the asset sale in Bulgaria in the six months period ended June 30, 2016.

### *Interest and Similar Expenses*

Interest and similar expenses decreased by €0.6 million, or 1.7%, from €34.7 million in the six months period ended June 30, 2015 to €34,1 million in the six months period ended June 30, 2016. This decrease was primarily due to savings from bond buybacks.

### *Interest and Related Income*

Interest and related income decreased by €1.6 million, or 20.5%, from €7.8 million in the six months period ended June 30, 2015 to €6.2 million in the six months period ended June 30, 2016, due to lower interest income on bank deposits in the six months period ended June 30, 2016.

### *Profit/(loss) from equity method consolidations*

In the six months period ended June 30, 2015 we had a net loss from equity method consolidations of €1.9 million from net loss €1.8 million in the six months period ended June 30, 2016, 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 a gain of €5.8 million in the six months period ended June 30, 2015 to a loss of €3.1 million in the six months period ended June 30, 2016 and increased depreciation and amortization by €1.0 million, operating profit before tax decreased by €6.1 million, or 23.7%, from €25.7 million in the six months period ended June 30, 2015 to €19.6 million in the six months period Ended June 30, 2016.

### *Taxes*

Taxes decreased by €10.1 million, or 39.8%, from €25.4 million in the six months period ended June 30, 2015 to €15.3 million in the six months period ended June 30, 2016. This decrease was primarily due to the lower taxable profits in Azerbaijan in the six months period ended June 30, 2016 as well as to one-off income tax charges in Romania in the six months period ended June 30, 2015.

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

As a result of the above, net profit/loss from continuing operations increased by €4.0 million, from a profit of €0.3 million in the six months period ended June 30, 2015 to a profit of €4.3 million in the six months period ended June 30, 2016.

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

Net profit /(loss) from discontinued operations in Italy and Peru increased by €43.6 million, from a loss of €8.3 million in the six months period ended June 30, 2015 to a profit of €35.3 million in the six months period ended June 30, 2016. In the six months period ended June 30, 2016 a non-recurring gain from Italian operations merger amounting to €45.2 million is included.

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

As a result of the above, net income from total operations (continuing and discontinued) increased by €47.6 million, from a loss of €8.0 million in the six months period ended June 30, 2015 to a profit of €39.6 million in the six months period ended June 30, 2016.

### *Net Income Attributable to Owners of the Parent*

After deducting minority interests, net income attributable to the owners of the parent increased by €50.4 million, from a loss of €31.0 million in the six months period ended June 30, 2015 to a profit of €19.4 million in the six months period ended June 30, 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 €44.5 million, or 106.7%, from €41.7 million in the six months period ended June 30, 2015 to €86.2 million in the six months period ended June 30, 2016. This decrease was primarily driven by the following:

- net profit before taxation from total operations (continuing and discontinued) increased by €38.3 million, or 217.6%, from €17.6 million in the six months period ended June 30, 2015 to €55.9 million in the six months period ended June 30, 2016 as described above;
- depreciation and amortization increased by 4.6% from €47.6 million in the six months period ended June 30, 2015 to €49.8 million in the six months period ended June 30, 2016.
- the effect of provisions on cash flow was positive €2.4 million in the six months period ended June 30, 2015 and positive €2.7 million in the six months period ended June 30, 2016.
- the effect of results from investing activities on cash flow was negative €6.0 million in the six months period ended June 30, 2015 and negative €37.2 million in the six months period ended June 30, 2016, including non-recurring gain from Italian operations merger amounting to €45.2 million.
- changes in our working capital, which led to a cash inflow of €1.3 million in the six months period ended June 30, 2016, compared with a cash outflow of €30.7 million in the six months period ended June 30, 2015;
  - In particular, there was an increase of €0.2 million in inventories in the six months period ended June 30, 2016, compared to a decrease of €1.6 million in the six months period ended June 30, 2015.
  - also there was an increase of €0.3 million in receivables in the six months period ended June 30, 2016, compared to an increase of €13.1 million in the six months period ended June 30, 2015.
  - also there was an increase of €1.8 million in payables towards our suppliers in the six months period ended June 30, 2016 compared to a decrease of €19.2 million in the six months period ended June 30, 2015; and
- income tax paid decreased by 9.1% from €16.5 million in the six months period ended June 30, 2015 to €15.0 million in the six months period ended June 30, 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 six months period ended June 30, 2016, net cash outflows from investing activities was €43.3 million, which was an increase of €28.7 million, or 196.6%, from outflows of €14.6 million in the six months period ended June 30, 2015. This increase is attributable to an outflow of €22.6 million for (Purchases) / Sales of subsidiaries, associates, joint ventures and other investments in the six months period ended June 30, 2016 mainly due to the Italian operations merger, compared to an inflow of €10.6 million in the respective period of 2015, to an inflow of €2.3 million for proceeds from sales of tangible and intangible assets in the six months period ended June 30, 2016 in connection with the assets sold in Bulgaria, compared to an inflow of €1.5 million in the respective period of 2015 in connection with the assets sold in Australia in 2015, to an inflow of €4.7 million for interest received in the six months period ended June 30, 2016, compared to an inflow of €7.4 million in the respective period of 2015, to an inflow of €1.0 million for dividends received in the six months period ended June 30, 2016, compared to an inflow of €1.9 million in the respective period of 2015 and to lower capital expenditures, as mentioned below.

Our capital expenditure in the six months period ended June 30, 2016 reached €28.7 million while in the six months period ended June 30, 2015 reached €36.0 million. Major capital expenditure items in the six months period ended June 30, 2016 include investments in our U.S. business of €9.7 million and research and development of €3.7 million.

### *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, 2016, net cash outflows from financing activities was €96.8 million, compared to net cash outflows of €98.6 million in the six months period ended June 30, 2015. This decrease of net cash outflows from financing activities consisted of €11.4 million increase in net cash inflows from financing arrangements mainly due to a repayment of the local facility in the US in the Six months of 2016 and higher repurchases of the 2018 and 2021 Notes in the six months of 2015 by €25.4 million, lower interest payments by €2.2 million in the six months of 2016 due to the 2018 & 2021 Notes repurchases, as well as higher dividends distribution, in the six months of 2016, to minority interests amounting to €8.3 million and the non-recurring capital return, in the six months of 2016, to minority interests amounting to €3.4 million.