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Intralot Leasing Netherlands B.V.

in Amsterdam

Annual Report 2017



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To the shareholders and management of
Intralot Leasing Netherlands B.V.
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Amsterdam, 28 September 2018

Subject: Annual report 2017

Dear shareholders and management,

Herewith we send you the annual report regarding the financial statements for the year 2017 of your company, which include the company balance sheet with a total of € 9.869.952 and the profit and loss account ending with a net result of € 1.194.367.

Accountant's compilation report

The financial statements of Intralot Leasing Netherlands B.V. at Amsterdam have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 31 December 2017 and the profit and loss account for the year then ended with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, "Compilation engagements", which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of Intralot Leasing Netherlands B.V.



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During this engagement we have complied with the relevant ethical requirements prescribed by the "Verordening Gedrags- en Beroepsregels Accountants" (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

R.F.G. Albers AA

GENERAL

Activities

The activities of Intralot Leasing Netherlands B.V. are mainly sale-and-lease back activities.

Board of directors

On 31 December 2017 the board of directors is formed by :

- Mr. B.H.M. Klasen
- Mr. K.E. Thorson
- Mr. V. Vasdaris

Appropriation of the 2017 net result

The net result over 2017 amounts to € 1.194.367 (The net result over 2016 amounted to € 2.114.446)

The appropriation of the net result is reported under Other Information of the financial statements.

Appropriation of the 2016 net result

The appropriation of the 2016 net result is, in accordance with the proposition from the Board of Directors, approved by the General Meeting. The 2016 net result has been added to the other reserves.

NET RESULT FOR THE PERIOD

Development of income and expenses

The result after taxation for 2017 amounts to € 1.194.366 compared to € 2.114.447 for 2016. The results for both years can be summarized as follows:

	2017		2016		Difference
	€	%	€	%	€
Net turnover	6.076.800	100,0	10.994.400	100,0	-4.917.600
Cost of sales	4.102.476	67,5	7.402.476	67,3	-3.300.000
Gross margin on turnover	1.974.324	32,5	3.591.924	32,7	-1.617.600
Costs					
Other operating expenses	171.304	2,7	227.817	2,1	-56.513
Operating result	1.803.020	29,8	3.364.107	30,6	-1.561.087
Financial income and expenses	-210.531	-3,5	-544.845	-5,0	334.314
Result from ordinary activities before taxation	1.592.489	26,3	2.819.262	25,6	-1.226.773
Taxation	-398.122	-6,6	-704.816	-6,4	306.694
Net result	1.194.367	19,7	2.114.446	19,2	-920.079

FINANCIAL POSITION

A summary of the balance sheet as of 31 December 2017 in comparison with prior year is as follows.

	31-12-2017		31-12-2016	
	€	€	€	€
Long term funds:				
Equity		7.439.007		6.244.640
Long term investments:				
Tangible fixed assets		2.006.214		6.108.690
Working capital		5.432.793		135.950

This amount is specified as follows:

Trade and other receivables	7.119.359		3.357.285	
Cash and cash equivalents	744.379		837.877	
		7.863.738		4.195.162
Less: Short term liabilities		2.430.945		4.059.212
Working capital		5.432.793		135.950

TAX POSITION

Tax unity

For purposes of corporation tax, the company forms a fiscal unity with its parent company Intralot Global Holdings B.V.

The corporate income tax of the subsidiary is accounted for in the annual accounts of the parent company.

Taxable result 2017

The taxable result for 2017 is calculated as follows:

	<u>2017</u>
	€
Result before taxation	<u>1.592.489</u>

Corporate income tax calculation

The corporate income tax due amounts to:

	<u>2017</u>
	€
25.0% of € 1.592.485	<u>398.122</u>

The corporate income tax due on the balance sheet has been processed via current-account Intralot Global Holdings B.V.

FINANCIAL REPORT 2017

REPORT OF THE MANAGING DIRECTORS

In accordance with article 2:396 part 7 of the Dutch Civil Code no report of the Managing Directors for 2017 has been prepared.

BALANCE SHEET AS AT 31 DECEMBER 2017

(after appropriation of result)

	31 December 2017		31 December 2016	
	€	€	€	€
ASSETS				
Fixed assets				
Tangible fixed assets	(1)			
Leased tangible fixed assets Ohio	-		3.300.000	
Leased tangible fixed assets Louisiana	2.006.214		2.808.690	
		2.006.214	2.808.690	6.108.690
Current assets				
Trade and other receivables	(2)			
Trade debtors	7.110.000		3.160.000	
Taxes and social securities	9.359		71.085	
Prepayments and accrued income	-		126.200	
		7.119.359	3.357.285	3.357.285
Cash and cash equivalents	(3)			
		744.379		837.877
		9.869.952	10.303.852	

	31 December 2017		31 December 2016	
	€	€	€	€
EQUITY AND LIABILITIES				
Shareholders' equity				
Issued share capital	10.000		10.000	
Other reserves	7.429.007		6.234.640	
		7.439.007	6.244.640	
Current liabilities (4)				
Current portion long term loan	-		1.097.380	
Trade creditors	63.139		52.563	
Payable to shareholders and associates	2.359.555		1.961.433	
Accruals and deferred income	8.251		947.836	
		2.430.945	4.059.212	
		9.869.952	10.303.852	

PROFIT & LOSS ACCOUNT FOR THE YEAR 2017

		2017		2016	
		€	€	€	€
Net turnover	(5,6)	6.076.800		10.994.400	
Cost of sales	(7)	4.102.476		7.402.476	
Gross margin			1.974.324		3.591.924
Costs					
Other operating expenses			171.304		227.817
Operating result			1.803.020		3.364.107
Financial income and expenses	(8)		-210.531		-544.845
Result before tax			1.592.489		2.819.262
Taxation	(9)		-398.122		-704.816
Result after tax			1.194.367		2.114.446

NOTES TO THE STATEMENTS

Relationship with parent company and principal activities

Intralot Leasing Netherlands B.V. (hereafter "the Company") is a private limited liability company under Dutch law. The Company is primarily involved in sale-and-lease back activities.

The sole shareholder is Intralot Global Holdings B.V., Amsterdam, the Netherlands.

Registered address

The registered and actual address of Intralot Leasing Netherlands B.V. (CoC file 85242461) is Nachtwachtlaan 20-24 in Amsterdam, the Netherlands.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

The financial statements of the company are presented in euros, which is the company's functional currency.

Comparative figures

Where necessary, the figures of the preceding year are changed for comparison purposes.

Translation of foreign currency

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Translation gains and losses are taken to the profit and loss account as expenditure. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at present value are translated into euros at the applicable exchange rates at the moment the present value is determined. Translation gains and losses are taken directly to equity as part of the revaluation reserve.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets

Tangible fixed assets, for which the company possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the profit and loss account during the term of the finance lease contract.

Assets that are taken out of service are stated at the lower of book value or net realisable value.

Assets available for sale are stated at the lower of their carrying amount and net realisable value.

Impairments

For tangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If it is not possible to determine the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset (or a cash flow generating unit) is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value. In case of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values. In addition an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset (or cash flow generating unit) is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

Trade and other receivables

Receivables are measured at initial recognition at fair value, plus transaction costs.

After initial recognition, the assets are measured at amortised cost using the effective interest method, less a provision for uncollectable debts. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value.

Liabilities

Current liabilities are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value. Accruals are valued at its face value.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Net turnover

Net turnover consists of income from the sale and delivery of goods and services, net of trade discounts and bonuses and relevant taxation on the turnover.

Gross margin on turnover/Gross margin

The gross margin on turnover consists of the net turnover, other operating income and depreciation of the leased tangible fixed assets.

Leasing

The company may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form.

Financial leases

If the company acts as lessee in a financial lease, the leased property (and the related liability) is recognised in the balance sheet at the start of the lease period at its fair value or, if lower, at the present value of the minimum lease payments. Both amounts are determined at the start of the lease. The interest rate applied for the calculation of present value is the implicit interest rate. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property. The accounting principles for the subsequent measurement of the leased property are described under the heading "Tangible fixed assets". If there is no reasonable certainty that the company will become the owner of a leased property at the end of the lease period, the property is depreciated over the shorter of the lease period or the economic life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges are allocated during the lease term to each period in such a way that this results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recorded as an expense in the period in which the conditions for payment are being met.

Operating leases

If the company acts as lessee in an operating lease, then the leased property is not capitalised. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

Financial result

Financial income and expenses comprise interest income and expenses on loans as accounted for in the current reporting period.

Taxation

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The corporate income tax at the subsidiary is calculated as if the subsidiary is independently liable to pay taxes. Deferred taxes recognised at the subsidiary are in fact deferred receivables and/or deferred liabilities towards the parent company.

NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2017

1. Tangible fixed assets

	Leased tangible fixed assets Ohio	Leased tangible fixed assets Louisiana	Total
	€	€	€
<i>Book value as at 1 January 2017</i>			
Acquisition costs	29.700.000	6.219.220	35.919.220
Accumulated depreciation	-26.400.000	-3.410.530	-29.810.530
	3.300.000	2.808.690	6.108.690
<i>Changes</i>			
Depreciation/Amortization	-3.300.000	-802.476	-4.102.476
<i>Book value as at 31 December 2017</i>			
Acquisition costs	29.700.000	6.219.220	35.919.220
Accumulated depreciation	-29.700.000	-4.213.006	-33.913.006
Carrying amount as of 31 December 2017	-	2.006.214	2.006.214
<i>Rate of depreciation</i>			
			%
Leased tangible fixed assets Ohio			20-30
Leased tangible fixed assets Louisiana			20-30

2. Trade and other receivables

	31-12-2017	31-12-2016
	€	€
Trade debtors		
Intercompany accounts receivable	7.110.000	3.160.000

	31-12-2017	31-12-2016
	€	€
Taxes and social securities		
VAT	9.359	71.085
	9.359	71.085

Prepayments and accrued income

Other receivables	-	126.200
	-	126.200

3. Cash and cash equivalents

Societe Generale	744.379	837.877
	744.379	837.877

All cash and cash equivalents are at the free disposal of the company.

Issued share capital

10.000 ordinary shares at a par value of € 1	10.000	10.000
	10.000	10.000

The statutory share capital amounts to € 50.000.

	2017	2016
	€	€
Other reserves		
Balance as at 1 January	6.234.640	4.120.194
Appropriation of the net result	1.194.367	2.114.446
Balance as at 31 December	7.429.007	6.234.640

Proposal for profit appropriation

The General Meeting will be asked to approve that the 2017 result amounting to € 1.194.367 is added to the other reserves.

The financial statements reflect this proposal.

4. Current liabilities

	31-12-2017	31-12-2016
	€	€
Trade creditors		
Trade creditors	47.629	32.141
Intercompany accounts payable	15.510	20.422
	63.139	52.563
 Payable to shareholders and associates		
Current account Intralot Global Holdings B.V.	2.359.555	1.961.433
No interest has been calculated.		
 Accruals and deferred income		
Other liabilities and accrued expenses	8.251	947.836

Off-balance sheet commitments

Contingent liabilities

Tax entity

The company constitutes a tax entity for corporate income tax with Intralot Global Holdings B.V.; consequently the company is severally liable for the resulting debts.

Litigations and claims

Intralot Leasing Netherlands B.V. is involved in a legal dispute regarding the lease periods of a sale-and-lease back contract. The total exposure of this disputes is € 4.7 million. The initial outcome by court was in favor of Intralot Leasing Netherlands B.V.. The defendant went into appeal. However, based on the contract terms and the initial decision of the court, Intralot Leasing Netherlands B.V did not provided for this claim as it's unlikely that the claim will not be in favor of the company. In addition a second sale-and-leaseback contract is also subject to a dispute, with a maximum exposure of € 0.8 million. Until now the counterparty did not went into a legal procedure.

NOTES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR 2017

5. Net turnover

The net turnover decreased in 2017 compared to 2016 with 44,7%.

	2017	2016
	€	€

6. Net turnover

Revenue from leased assets Ohio	4.740.000	9.480.000
Revenue from leased assets Louisiana	1.336.800	1.514.400
	6.076.800	10.994.400

7. Cost of sales

Depreciation on leased tangible fixed assets Ohio	3.300.000	6.600.000
Depreciation on leased tangible fixed assets Louisiana	802.476	802.476
	4.102.476	7.402.476

Staff

During the 2017 financial year the company has no employees, and hence incurred no wages, salaries, or related social securities, nor during the previous year.

Other operating expenses

Consultancy fee	750	750
Lawyers fee	109.154	158.199
On-charged costs	49.800	49.800
Audit fee	11.600	18.700
Freight charges	-	368
	171.304	227.817

8. Financial income and expenses

Interest and similar expenses	-210.531	-544.845

Interest and similar expenses

Interest financial lease obligation Ohio	-	90.391
Interest financial lease obligation Louisiana	38.420	153.518
Interest on debts to shareholder	-	114.151
Bank guarantee costs	170.844	184.800
Interest and bank charges	1.267	1.985
	210.531	544.845

	<u>2017</u>	<u>2016</u>
	€	€
9. Taxation		
Corporate income tax	<u>398.122</u>	<u>704.816</u>

Post balance sheet events

Intralot Leasing Netherlands B.V. has made a dividend payment to Intralot Global Holdings B.V. of € 7.1 million based on a shareholders decision in June 2018.

Signature directors

Amsterdam, 2018

B.H.M. Klasen

K.E. Thorson

V. Vasdaris

OTHER INFORMATION

Provisions in the Articles of Association governing the appropriation of profit

Under article 18 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of - or addition to - one or more general or special reserve funds.

Auditor's report

In accordance with Article 396, Part 9 Book 2 of the Dutch Civil Code the financial statements of Intralot Leasing Netherlands B.V. have not to be audited. Consequently an auditor's report has not been issued on these financial statements.