

Intralot Nederland B.V.

in Amsterdam

Annual Report 2017

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To the shareholders and management of  
Intralot Nederland B.V.  
Nachtwachtlaan 20-24  
1058 EA Amsterdam

Amsterdam, 3 September 2018

*Reference*  
*From*  
*Date*

Subject: Annual report 2017

Dear Board of directors,

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 € 9.884.751 and the profit and loss account ending with a net result of € 1.147.999.

## **ENGAGEMENT**

In accordance with your instructions we have audited the 2017 financial statements of Intralot Nederland B.V., Amsterdam. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are included, together with the management board's report and the other information, in the 2017 annual accounts attached to this report.

For the audit opinion we refer to page 24 of this report.

## **GENERAL**

### **Activities**

The activities of Intralot Nederland B.V. are mainly the hosting of the computer systems within its own data centre, but also installing and operating game terminals in approx. 4.500 points of sales throughout the Netherlands. Apart from the operation of the computer and software systems, Intralot is offering gaming operation services, technical help-desk services and also logistic services to all points of sales.

### **Board of directors**

The board of directors is formed by :

- Mr. E. Tsigiouras,
- Mr. A. Lamentowicz
- Mr. N. Nikolakopoulos

### **Appropriation of the 2017 net result**

The net result over 2017 amounts to € 1.147.999 (The net result over 2016 amounted to € 750.115)  
The appropriation of the net result is reported under Shareholders' equity 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.

## **FINANCIAL REPORT 2017**

## **REPORT OF THE MANAGING DIRECTORS**

### **General information**

The company's mission is to operate Intralot's innovative Gaming platforms on behalf of the two Dutch lotteries - De Nederlandse Staatsloterij and De Lotto (in 2016 merged to De Nederlandse Loterij).

The core and other activities are the hosting of the computer systems within its own data centre, but also installing and operating game terminals in approx. 4,500 points of sales throughout the Netherlands. Apart from the operation of the computer and software systems, Intralot is offering gaming operation services, technical help-desk services .

Intralot Nederland B.V. is a 100% subsidiary of Intralot Global Holdings B.V. (Amsterdam, The Netherlands) The Board consists of 3 members.

The internal organisation and staffing level consists of the following departments:

- Games and Systems Operations.
- Technical Help Desk and Retail Management Services.
- Finance.
- Human Resources.

The main objectives of the company's strategy in 2017 were: continuing and improving services to both lotteries, improving the internal organisation to be fit for the future.

### **Financial information**

Turnover during the year was EUR 15.8 million, and increased by EUR 0.3 million as compared to 2016.

The company incurred a net profit of EUR 1.1 million during the year ended 31 December 2017. This shows an improvement over 2017 of approximately EUR 0.3 million, which can be attributed to higher sales in comparison with last year and again a decrease in employee expenses. The company's negative shareholders' equity amounts to EUR 11.0 million and the intercompany liabilities amount to EUR 17.4 million. During the year, the company's cash flow has improved and invoices were paid in time.

Management constantly has assessed the adequacy of the company's financial resources through a review of the company's current financial projections, which includes operational results up till August 2018, trading cash flow forecasts, capital expenditure plans and the funding facilities available.

The company's operating performance for 2018 is to be expected much better than the 2017 results. Management will constantly try to improve the results by focussing on the budget and looking at new opportunities.

Furthermore, INTRALOT S.A., the parent company, guaranteed to continue to give financial support to the company for the coming twelve months. We therefore have a reasonable expectation that the company will be able to meet its financial obligations for the foreseeable future, and thus we continue to adopt the going concern basis of accounting in preparing the annual financial statements. We are not aware of any significant contingent liabilities not otherwise considered which could impact our conclusion.

### **Financial instruments**

The company is aware of the principal risks affecting the company. These include price and market risks, credit risks, cash flow risks, and liquidity risks.

#### Credit risk

Trade receivables are concentrated on two major clients in the lottery market. These receivables are based on service contracts with these customers. There are no long-term amounts outstanding.

#### Interest rate risk and cash-flow risk

The interest rate risk and cash-flow risk are minimised as all financing and cash flows are provided by INTRALOT S.A., the company's parent. Interest on the loan is variable, susceptible to movements in EURIBOR. The company has not hedged against fluctuations in EURIBOR as the ultimate market risk is borne by the parent. Furthermore the loan facility with Intralot Global Holding BV amounts € 20M.

#### Price risk

The business we are operating in and the products we make are very customized, therefore we do not have any price risk and do not expect them for the coming years.

#### Liquidity risk

Looking at the current liquidity position, cash flows, 2018 budget, and business plans for the coming year, management believes that the cash generated will be adequate to secure the continuity of the company's operations.

### **Environmental and personnel-related information**

In our Code of Conduct, which has been handed over to our staff members, the awareness of the environment is emphasised and we find it important to involve staff in the awareness. Intralot's policy regarding personnel affairs is to involve all staff in the daily business. We find it very important that all staff members have the possibility to develop themselves. Therefore we offer opportunities for courses and also we are stimulating internal job changes.

### **Information regarding aspects of corporate social responsibility**

INTRALOT S.A. is a long standing and active member of the World Lottery Association (WLA) and the European Lotteries Association (EL), and is committed to their initiatives for Responsible Gaming. To this end, INTRALOT S.A. has developed a Corporate Responsible Gaming Code of Conduct in full compliance with WLA's Responsible Gaming Principles and Framework and EL's European Responsible Gaming Standards. Consumer protection is part of our corporate responsibility strategy and we work hard to maintain the public trust by protecting and ensuring the integrity of our games, systems, and operations. Intralot Nederland B.V. is also complying with the ISAE-3402 (2014) standards.

### **Research and development**

No significant costs are made regarding research and development.

### **Other information**

Due to its nature, Intralot Nederland B.V. is fully equipped with the most modern computer systems. Intralot Nederland B.V. maintains the communication with the customers and suppliers of all kinds of systems and provides project management services through well-defined processes and controls, as agreed with the customers. A set of Key Performance Indicators ('KPI') are constantly measuring Intralot's performance in almost all areas of activities, and these KPI's are communicated on a monthly basis to the customers.

Periodical audits are in place, of which the two most important, the WLA and ISAE3402, occurring yearly.

Customers are entitled to perform also regular and ad-hoc audits, and for this purpose the customer auditors or appointed third parties are involved.

Prior to the launch of every new game, a formal audit is taking place in cooperation with the customers.

### **Outlook**

Investments:

Based on our 2018 budget and current knowledge, we will continue to invest in new equipment.

Financing:

For 2018 we expect EBITDA to further improve. Based on the current information we expect our revenues at the same level as in 2017, but we expecting much lower operational costs. We expect a positive cash flow as well, also as a result of increased revenues and lower operational costs.

Human Resources:

HR will continue their current policy. There are currently 31 FTE's.

Research and development:

R&D, in our case developing software for gaming purposes, is part of the operations performed by our HQ in Athens.

Circumstances on which the development of the turnover and profitability depends:

We are continuing to improve our services for existing clients and are negotiating new contracts in order to increase turnover and profitability leading to a more stable financial performance. Also the opening of the gaming market to be expected in 2019 will give new opportunities and will be a great challenge to us and for our lottery partner. Also Intralot is participating in new RFP's which were initiated/issued by NLO for the period after the end of the current contract.

Amsterdam, 3 September 2018

A. Lamentowicz



**BALANCE SHEET AS AT 31 DECEMBER 2017**

(after appropriation of result)

	31 December 2017		31 December 2016	
	€	€	€	€
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible fixed assets</b> (1)				
Development costs	1.831.416		2.634.249	
Software	507.472		693.413	
		2.338.888		3.327.662
<b>Tangible fixed assets</b> (2)				
Office equipment	374.013		441.231	
Fixed assets not in use	-		156.058	
		374.013		597.289
<b>Current assets</b>				
<b>Inventories</b>				
Finished goods and goods for resale		42.693		7.124
<b>Trade and other receivables</b> (3)				
Trade debtors	2.449.139		2.896.364	
Receivable from shareholders and associates	383.736		119.733	
Taxes and social securities	-		732.239	
Other receivables	32.408		31.908	
Prepayments and accrued income	2.370.033		3.051.299	
		5.235.316		6.831.543
<b>Cash and cash equivalents</b> (4)				
		1.893.841		2.279.660
		9.884.751		13.043.278

	31 December 2017		31 December 2016	
	€	€	€	€
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>		(5)		
Issued share capital	18.000		18.000	
Share premium reserve	72.500		72.500	
Legal and statutory reserves	1.716.632		2.634.254	
Other reserves	-12.781.833		-14.861.827	
		-10.974.701		-12.137.073
<b>Non-current liabilities</b>		(6)	16.553.776	16.697.079
<b>Current liabilities</b>		(7)	4.305.676	8.483.272
			9.884.751	13.043.278

**PROFIT & LOSS ACCOUNT FOR THE YEAR 2017**

		2017		2016	
		€	€	€	€
<b>Net turnover</b>	(8)		15.811.641		15.509.758
Other operating income	(9)		513.108		494.555
<b>Gross margin</b>			<u>16.324.749</u>		<u>16.004.313</u>
<b>Costs</b>					
Cost of outsourced work and other external charges	(10)	8.494.642		8.339.218	
Employee expenses	(11)	2.104.733		2.474.111	
Depreciation/Amortization	(12)	1.183.329		1.127.374	
Other operating expenses	(13)	1.524.297		1.515.423	
			<u>13.307.001</u>		<u>13.456.126</u>
<b>Operating result</b>			<u>3.017.748</u>		<u>2.548.187</u>
Financial income and expenses	(14)		-1.487.082		-1.549.369
<b>Result before tax</b>			<u>1.530.666</u>		<u>998.818</u>
Taxation			-382.667		-248.703
<b>Result after tax</b>			<u><u>1.147.999</u></u>		<u><u>750.115</u></u>

## **NOTES TO THE STATEMENTS**

### **Relationship with parent company and principal activities**

Intralot Nederland B.V. (hereafter "the Company") is a private limited liability company under Dutch law. The Company is primarily involved in the hosting of computer systems within its own data centre, but also installing and operating game terminals in approx. 4.500 points of sales throughout the Netherlands. Apart from the operation of the computer and software systems, Intralot is offering gaming operation services, technical help-desk services and also logistic services to all points of sales.

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

### **Registered address**

The registered and actual address of Intralot Nederland B.V. (CoC file 34300336) 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.

### **Going concern**

Intralot Nederland B.V. incurred a net profit of € 1.147.999 during the year ended 31 December 2017. As of that date, the company's intercompany liabilities amount to EUR 17.4M and the company has a negative shareholders' equity of EUR 11.0M. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

INTRALOT S.A. (ultimate parent) continues to provide financial support to Intralot Nederland B.V. by issuing a support letter and to enable them to continue as a going concern and to meet all their liabilities. Management is of the opinion that Intralot Nederland B.V. will continue its operations and therefore, the financial statements are prepared on the assumption of going concern.

## **Estimates**

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditures. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised or in future periods for which the revision has consequences.

## **Translation of foreign currency**

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

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates at balance sheet date. Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates at transaction date. The exchange differences are recognised in the profit and loss account as financial income or expenditure respectively.

## **PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES**

### **Intangible fixed assets**

Development costs are capitalised insofar as incurred for potentially profitable projects and are stated at cost of manufacture. These mainly comprise the salary costs of the research and production staff. After the completion of the development phase, the capitalised costs are amortised over the expected useful life, which amounts to 10 years; amortisation is calculated according to the straight-line method. The depreciation has started as from 19 April 2010. A legal reserve is formed for the capitalised development costs that have not yet been amortised. Software is determined to have an expected useful life of 5 years.

### **Tangible fixed assets**

Tangible fixed assets are valued at the cost of acquisition or production (less any investment grants) net of accumulated depreciation and accumulated impairment losses. Costs of major maintenance are recognised under cost when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit and loss account.

Depreciation is calculated on a straight-line basis over the expected useful economic lives of the tangible fixed assets, taking into account their residual value. Land and prepayments on tangible fixed assets are not depreciated. Changes in the expected depreciation method, useful life and/or residual value over time are treated as changes in accounting estimates. Expected useful economic lives for tangible fixed assets range from 5 to 10 years. All other tangible fixed assets have a useful life of 10 years.

## **Impairments**

For tangible and intangible 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 estimate 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).

## **Inventories**

The inventories are valued at cost.

## **Trade and other receivables**

The receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary.

## **Cash and cash equivalents**

Cash and cash equivalents are valued at nominal value.

## **Liabilities**

Recorded interest bearing loans and liabilities are valued at amortised cost

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

### Determination of the result

The result is calculated as the difference between turnover and all the costs attributable to it during the year under review. Turnover concerns income from goods and services supplied to third parties during the year under review, after deduction of turnover tax, discounts and similar costs. The costs are calculated with due regard for the applicable valuation principles stated previously.

### Net turnover

The net turnover consists of revenue from the sale of goods during the reporting period net of discounts, rebates and value added taxes.

### Employee benefits

#### *Pension scheme*

The main principle is that the pension charge to be recognised for the period under review is equal to the pension contributions payable to the pension fund for the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and that it is possible to reliably estimate the size of the commitments. The existence of non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and the other (explicit or implicit) commitments to staff. The provision is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

### Amortization/depreciation

Amortization on intangible fixed assets is calculated by using a fixed rate on the acquisition costs or costs of conversion.

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost or cost of conversion.

Gains and losses on disposal of (in)tangible fixed assets are recorded under amortization/depreciation.

### Financial result

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

## **Taxation**

The taxation on result comprises both taxes payable in the short-term and deferred tax liabilities. No taxes are deducted from profits if and insofar as said profits can be offset against losses from previous years. Taxes are deducted from losses if and insofar it is certain that these can be used to offset profits in previous years and that a tax rebate will be received in this respect. The taxes are calculated over the results, taking all tax credit facilities into account.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

At this moment, it is unsure if the company will have sufficient future taxable profits within the period as set in the Dutch law to utilise the taxable losses.

## **PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT**

According to Dutch Directive RJ 360.104, if the group company provides sole financing and cash support to the subsidiary, the subsidiary is exempt from disclosing a cash flow statement. INTRALOT S.A., the ultimate parent company to Intralot Nederland B.V., provides sole financing and cash support to Intralot Nederland B.V., and for this reason the company does not disclose a separate cash flow statement.

The comparative cash flow statement of INTRALOT S.A. is publicly disclosed.



NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2017

1. Intangible fixed assets

	Development costs	Software	Total
	€	€	€
<i>Book value as at 1 January 2017</i>			
Acquisition costs	7.741.410	1.184.854	8.926.264
Accumulated amortization	-5.107.161	-491.441	-5.598.602
	<u>2.634.249</u>	<u>693.413</u>	<u>3.327.662</u>
<i>Changes</i>			
Investments	-	14.651	14.651
Amortization	-802.838	-200.590	-1.003.428
Other changes / roundings	5	-2	3
	<u>-802.833</u>	<u>-185.941</u>	<u>-988.774</u>
<i>Book value as at 31 December 2017</i>			
Acquisition costs	7.741.410	1.199.505	8.940.915
Accumulated amortization	-5.909.994	-692.033	-6.602.027
	<u>1.831.416</u>	<u>507.472</u>	<u>2.338.888</u>

The capitalised development costs relates to the internally generated intangible fixed assets and relate to the development of a gaming platform for lotteries.

*Rate of amortization*

	%
Development costs	10
Software	20

## 2. Tangible fixed assets

	Office equipment	Fixed assets not in use	Total
	€	€	€
<i>Book value as at 1 January 2017</i>			
Acquisition costs	863.025	166.058	1.029.083
Accumulated depreciation	-421.794	-10.000	-431.794
	441.231	156.058	597.289
<i>Changes</i>			
Investments	132.065	-	132.065
Disposals	-22.802	-166.058	-188.860
Accumulated depreciation desinvestment	3.420	10.000	13.420
Depreciation/Amortization	-179.901	-	-179.901
	-67.218	-156.058	-223.276
<i>Book value as at 31 December 2017</i>			
Acquisition costs	972.288	-	972.288
Accumulated depreciation	-598.275	-	-598.275
Carrying amount as of 31 December 2017	374.013	-	374.013
<i>Rate of depreciation</i>			
			%
Office equipment			20
Fixed assets not in use			0

### 3. Trade and other receivables

	31-12-2017	31-12-2016
	€	€
<b>Trade debtors</b>		
Trade debtors	2.396.411	2.818.226
Intercompany accounts receivable	52.728	78.138
	<u>2.449.139</u>	<u>2.896.364</u>

The provision for doubtful accounts is included in the trade debtors.  
All receivables are due within one year. Intercompany accounts receivable from the group amount to EUR 52.728 (2016: EUR 78.138). These are not long term by nature, therefore, no credit risk is associated.

#### Receivable from shareholders and associates

Current account Intralot Global Holdings B.V.	383.736	119.733
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#### Taxes and social securities

Corporate income tax	-	732.239
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The income tax receivable relates to the CIT position with the head of the fiscal unity "Intralot Global Holdings B.V."

#### Other receivables

Current account Intralot Global Securities B.V.	32.408	31.908
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#### Prepayments and accrued income

Other receivables	1.738.927	2.338.600
Other prepayments	620.949	702.542
Deposits paid	10.157	10.157
	<u>2.370.033</u>	<u>3.051.299</u>

Other receivables relate to amounts yet to be invoiced to customers and are all due within one year.

	31-12-2017	31-12-2016
	€	€
<b>4. Cash and cash equivalents</b>		
ING Bank N.V.	17.000	18.351
Societe Generale	1.874.549	2.260.128
Cash	2.292	1.181
	1.893.841	2.279.660

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

#### 5. Shareholders' equity

	Issued share capital	Share premium reserve	Legal and statutory reserves	Other reserves	Total
	€	€	€	€	€
Balance as at 1 January 2017	18.000	72.500	2.634.254	-14.861.827	-12.137.073
Net result for the period	-	-	-	1.147.999	1.147.999
Addition legal reserve	-	-	-917.622	917.622	-
Other changes	-	-	-	14.373	14.373
Balance as at 31 December 2017	18.000	72.500	1.716.632	-12.781.833	-10.974.701

	31-12-2017	31-12-2016
	€	€
<b>Issued share capital</b>		
1.800 ordinary shares at a par value of € 100	18.000	18.000

The statutory share capital amounts to € 90.000.

#### Proposal for profit appropriation

According to legislation the 2017 result amounting to € 1.147.999 is added to the other reserves. The appropriation of the 2017 result has been incorporated in the financial statements.

**Intralot Nederland B.V.**  
**in Amsterdam**

	31-12-2017	31-12-2016
	€	€
<b>6. Non-current liabilities</b>		
Loans from group companies	16.373.776	16.517.079
Other liabilities	180.000	180.000
	16.553.776	16.697.079

**Loans from group companies**

Intralot Global Holdings B.V.	16.373.776	16.517.079
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On the loan facility with Intralot Global Holdings B.V. an average interest of 8% per annum is calculated. The maximum of the loan facility is EUR 20,000,000 and the termination date is 15th of November 2019. In 2018 the loan facility has been extended till 15 September 2024.

**Other liabilities**

Installments	180.000	180.000
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**7. Current liabilities**

Trade creditors	3.058.814	6.148.252
Taxes and social securities	563.994	712.055
Pension liabilities	13.276	6.021
Accruals and deferred income	669.592	1.616.944
	4.305.676	8.483.272

**Trade creditors**

Trade creditors	2.081.576	3.778.110
Intercompany accounts payable	977.238	2.370.142
	3.058.814	6.148.252

**Taxes and social securities**

VAT	501.527	646.630
Pay-roll tax	62.467	65.425
	563.994	712.055

	31-12-2017	31-12-2016
	€	€
<b>Accruals and deferred income</b>		
Holiday allowance	77.411	84.421
Other liabilities and accrued expenses	592.181	1.532.523
	669.592	1.616.944

### Off-balance sheet commitments

### Contingent liabilities

#### *Tax entity*

Intralot Nederland B.V. is part of the Dutch fiscal unity headed by Intralot Global Holdings B.V. Pursuant of the fiscal unity agreement, the Company is jointly and severally liable for the corporate income tax payable by the fiscal unity as a whole.

#### *Bank(er's) guarantee*

A bank guarantee has been issued to the landlord for an amount of EUR 600.000 fixed for the first five years of the lease term. After the first five years the amount of the bank guarantee will be decreased 4 times in 4 years with an equal amount of EUR 120.000 per year, first time 1 November 2014.

On May 28, 2008 a bank guarantee of EUR 10M has been issued to the lotteries (Staatsloterij and Lotto) by Intralot S.A. (ultimate parent company). The bankguarantee will be terminated on April 1, 2019.

### Long-term financial obligations

#### *Lease*

As of 1 May 2011, Intralot Nederland B.V. refinanced its leased software and hardware equipment for a period of 72 months for a total of EUR 21.601.932. This leasing agreement was extended as of 1 July 2012. The operating lease costs are recognised on a straight-line basis in the profit and loss account over the lease period.

The lease equipment obligation amounts for 1-5 years EUR 1.961.220.

### *Rental commitments buildings*

As of 1 November 2008, Intralot Nederland B.V. leases the 'Ringpark' building, Nachtwachtlaan 20, Amsterdam, for a period of 10 years. Intralot Nederland B.V. has the option of two extensions each for two years. The rent for 2018 amounts to EUR 318.000. The rent will be subject to indexation yearly. Intralot Nederland B.V. receives a rent free period of 10 months from the start of the rental contract consisting of the rental price. The rent-free period will be spread over a period of 10 years. Per year, Intralot Nederland B.V. receives a rent free period of one month which will apply to the last month of every lease year. Termination of the lease will be effected by notice of termination with effect from the end of a rental period, with a period of notice of at least one year.

The agreement has been extended from 1 April 2017 till 30 April 2019, the annual rental obligation is included in the category 1-5 years. The new rent amounts EUR 408.000 on a yearly basis.

The rental obligation <1 year amounts EUR 408.000 and 1-5 years EUR 145.556.

### *Guarantee given by the lottery companies*

The lotteries agreed with Intralot Nederland BV to provide a minimum guarantee fee amounting EUR 10.784.000. Also note that both parties can revise the agreed terms and conditions during the agreed period.

On the 6th of September 2017 Intralot and NLO signed an agreement in which they agreed about an extension of the current contract until the 19th of October 2019. Also it was agreed to increase the minimum guarantee amount from of the 1st of January 2017 with EUR 500.000 amounting to EUR 11.284.000.

## **Financial instruments**

### *Credit risk*

Trade receivables is concentrated at two major clients in the lottery market. These receivables are based on service contracts with these customers. There are no long-term amounts outstanding.

### *Interest rate risk and cash-flow risk*

The interest rate risk and cash-flow risk are minimised as all financing and cash flows are provided by INTRALOT S.A., the company's parent. Interest on the loan is variable, susceptible to movements in EURIBOR. The company has not hedged against fluctuations in EURIBOR as the ultimate market risk is borne by the parent. Furthermore the loan facility with Intralot Global Holding BV amounts € 20M.

### *Liquidity risk*

Looking at the current liquidity position, cash flows, 2018 budget, and business plans for the coming years, management believes that the cash generated will be adequate to secure the continuity of the company's operations, with support of the parent company.

Price risk

The business we are operating in and the products we make are very customized, therefore we do not have any price risk and do not expect them for the coming years.



**NOTES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR 2017**

**8. Net turnover**

The net turnover increased in 2017 compared to 2016 with 1,9%.

	2017	2016
	€	€
<b>9. Other operating income</b>		
Other operating income	513.108	494.555
<b>10. Cost of outsourced work and other external charges</b>		
Leasing	3.922.441	3.922.441
Maintenance	4.001.145	3.945.322
Other	571.056	471.455
	8.494.642	8.339.218
<b>11. Employee expenses</b>		
Wages and salaries	1.655.668	1.970.709
Social security charges	269.390	326.262
Employee benefits	179.675	177.140
	2.104.733	2.474.111

The wages and salaries includes a severance payment of EUR 30.000 (2016: EUR 40.846).

**Emoluments of directors and supervisory directors**

The following discloses the remuneration paid to directors of the company during the year:

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company and group companies amounted to EUR 112.575 (2016: EUR 113.600).

The emoluments granted by the company to the managing and supervisory directors include an amount of EUR nil (2016: EUR nil) regarding awarded option schemes.

The amount of loans, advances and guarantees granted by the company to the managing and supervisory directors totalled EUR nil (2016: EUR nil).

**Staff**

During the 2017 financial year, the average number of employees, converted into full-time equivalents, amounted to 33 (2016: 41).

**12. Depreciation/Amortization**

Intangible fixed assets	1.003.428	1.008.031
Tangible fixed assets	179.901	119.343
	1.183.329	1.127.374

	2017	2016
	€	€
<b>Amortization intangible fixed assets</b>		
Development costs	802.838	802.838
Software	200.590	205.193
Totaal	1.003.428	1.008.031
<b>Depreciation tangible fixed assets</b>		
Office equipment	179.901	119.343
<b>13. Other operating expenses</b>		
Other personnel expenses	176.698	190.301
Accommodation expenses	474.095	508.702
Company's own IT-costs	213.399	172.141
Office expenses	325	2.916
Audit fees	140.265	209.212
General expenses	519.515	432.151
	1.524.297	1.515.423

The fee for professional audit services rendered by Grant Thornton for the financial year 2017 is EUR 44.900.  
(Grant Thornton 2016: EUR 35.000).

**14. Financial income and expenses**

Interest and similar expenses	-1.487.082	-1.549.369
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**Accumulated tax losses**

At 31 December 2017, the company has accumulated tax losses of EUR 8.564.298 (2016: EUR 8.720.167) that are available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses since it may not be probable that future taxable profits will be available against which the losses can be utilised.

**Signature directors**

Amsterdam, 3 September 2018

A. Lamentowicz

## **OTHER INFORMATION**

### **Provisions in the Articles of Association governing the appropriation of profit**

Under article 17 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. The company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

To: the Shareholders and Board of Directors of  
Intralot Nederland B.V.

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## **INDEPENDENT AUDITOR'S REPORT**

### **A. Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements 2017 of Intralot Nederland B.V., Amsterdam, as set out on pages 3 to 24.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Intralot Nederland B.V. as at 31 December 2017 and of its result for year 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet on 31 December 2017;
2. the profit and loss account for the year 2017; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

#### **Basis for Our Opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Intralot Nederland B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **B. Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information, that consists of:

- the management board's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## **C. Description of responsibilities regarding the financial statements**

### **Responsibilities of management and the supervisory board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

**Our Responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 3 September 2018

Grant Thornton Accountants en Adviseurs B.V.

N.H.B. Jonker  
Registeraccountant