64, Kifissias Ave. & 3, Premetis Str.
Athens, 15125 Greece
Phone : (+30) 210 615 6000
Fax: (+30) 210 610 6800

"First Quarter 2019 Financial Results"
Conference Call

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Conductors:

Mr. Chrysostomos Sfatos, Group Deputy CEO

Mr. Nikolaos Nikolakopoulos, Group Deputy CEO

Mr. Andreas Chrysos, Group CFO

Mr. Nikolaos Pavlakis, Group Tax & Accounting Director

Mr. Vassilios Sotiropoulos, Group Finance, Controlling & Budgeting Director

Mr. Michail Tsagalakis, Capital Markets Director

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES
TEL: +30 210 94 27 300FAX: + 30 210 94 27 330
web: www.choruscall.com

OPERATOR: Ladies and Gentlemen thank you for standing by. I am Konstantinos your Chorus Call operator.

Welcome and thank you for joining the Intralot conference call to present and discuss the First Quarter 2019 Financial Results.

At this time, I would like to turn the conference over to Mr. Andreas Chrysos Group CFO. Mr. Chrysos you may now proceed.

CHRYSOS A: Good afternoon, ladies and gentlemen, and welcome to this conference call for INTRALOT's Q1 2019 Financial Results. Mr. Sfatos and Mr. Nikolakopoulos, Group Deputy CEOs, Mr. Tsagkalakis, Head of Capital Markets as well as the technical teams responsible for the preparation of the financial statements material are next to me on this call. Regarding the agenda, we will briefly review the financial results of the year, the statement of our CEO will follow and after that, the INTRALOT team will be at your disposal for the Q&A session.

As always, we would like to remind you that this is only a summary of our results, so please refer to the IFRS report as well as to the management discussion analysis available in our website for further details if needed.

So starting with our presentation, Q1 2019 performance was in accordance with our expectations communicated already in our previous call. Compared to last year respective period, EBITDA overall was impacted by the continuation of the lower remuneration of the OPAP contracts due to its smaller scope primarily and to a lesser extent from the discontinuation of our

Russian business and of our businesses with SGLN in Morocco as well as from the FX headwinds in Argentina and Turkey.

Positive variance counterbalancing partly but not managing to recover all the loss of the OPAP contract have been primarily the introduction of the Illinois contract as well as the better performance of our Chilean operations.

Focusing on the Illinois contract, it is already performing as planned and expected to hit an annualized EBITDA in the order of €20 million recovering fully the negative impact of the new OPAP contract versus the old one. Although Q1 2019 performance was worse than a year ago, it is already evident that the things we have in our pipeline have started already contributing positive results, and this quarter was much better compared to Q4 2018, although the quarter's rationalization actions have not started yielding substantial results yet.

Having said that, the initiatives we have identified and are already being implemented are expected to have at least €10 million of annualized savings starting to have the first good signs of the strategy after H1 of this year.

In terms of cash balance, at the shareholders of the parent view, again we are in line with the guidance that we gave in our previous call. According to this and although there will be some swings, our target is to maintain this balance in the order of 75-80 million throughout the year. So although this cash balance at the end of Q1 was €56 million, currently it is already in the order of €80 million again after the collection of dividends from our partnerships. Last but not least, our CAPEX guidance for a level of €55 million to €60 million still remains and we are also on this…on track with this also.

In Q1 2019 specifics, so moving on to Page #9 and starting from the revenues line, we have a deficit of around €18 million in Q1 2019 versus a year ago, primarily coming from the markets of Bulgaria, Greece, Argentina and Turkey. The Bulgaria deficit has been a result of a revised payout strategy in Virtual games. In Greece, the deficit refers to the new OPAP contract terms and in the last 2 countries, it has been primarily an effect of the macro environment and the FX headwinds. The quantification of this effects yield a shortfall of €23.5 million being counterbalance however by better performance in the U.S. by nearly €5 million mainly as a result of the Illinois contract start. Same trend for the GGR with the U.S. performance managing to counterbalance the adverse effects of the macro environment in Argentina and Turkey and the discontinuation effect in Russia and in the SGLN contract in Morocco, not balancing however, the lower OPAP contract.

Gross profit margin lower by 1.5% primarily due to the partly reallocation of resources from the OPAP contract towards other projects yielding finally a lower EBITDA by 15% year-over-year. Comparing, however, with the last quarter of previous year, EBITDA has improved by more than 60% with the main driver being the absence of many negative items affecting the cost of Q4 2018 such as the performance reconciliation mechanism in Morocco and the OPAP termination expenses and to a lesser extent by top line…by better top line performance.

Moving on to the next page, on the bottom left of the slide; we see that the operating cash flow has been reduced versus last year by €16 million. Excluding the impact of the discontinued operations in Azerbaijan and Poland, the variance is lower by nearly €12 million with the main variance being the lower EBITDA by €5.5 million as well as the adverse working capital movement by circa €10 million primarily due to the timing of delayed receipts in Morocco but also in Illinois whose invoices were first collected in April, but also some inventories purchases supporting new projects as well as the repayments of suppliers coming from Q4 of last year.

On the other hand, lower tax payments by €3.5 million partly counterbalanced the above negative working capital movements. It is worth mentioning here however that both negative effects that affected the working capital have already or will be partly restored within this year since receivables in Morocco and Illinois have already been collected and the inventories will be utilized in signed contracts such as the Netherlands.

Compared to the last quarter of 2018, operating cash flow is lower by €8 million primarily attributed however to the negative trends in the working capital in current quarter versus the positive ones in last quarter of 2018. On the other hand, net CAPEX has returned to normal levels after the excess spending in Q4 2018 directed to the U.S. market primarily.

All-in-all, net debt movement presented in the next slide increased by around €32 million versus 2018 closing, half of which however, is attributed to the IFRS 16 adoption, as well as due to some leftovers in our U.S. growth CAPEX and the working capital items referred already. It is also worth mentioning as shown in Slide #12, second graph that the U.S. business along with the Turkish and Bulgarian one account for more than 75% of our EBITDA performance while the introduction of the Illinois contract in Q1 2019 has already started to increase the U.S. business contribution in our EBITDA since it was 25% in full year 2018 and it is already 28%, expected to be increased even more moving forward.

And with this final statement, I would like to pass over to Mr. Chris Sfatos for our CEO statement.

SFATOS C: Hello, ladies and gentlemen. I will read the statement from our Chairman and CEO, Mr. Sokratis Kokkalis in commenting the first quarter results. "The first quarter results reflect a big improvement compared to the last quarter of 2018 with quarter-on-quarter increase of EBITDA by more than 62% compared with the last quarter of 2018, although they still compare unfavorably with first quarter results of last year. The impact due mainly to the partial loss of the OPAP contract last year will be offset progressively by the successful launch of the Illinois lottery landmark project on February 18, 2019. Earlier this year, we launched a series of initiatives to implement the strategy of cost containment, organic growth and operational efficiencies. On the organic growth front, we have been very successful by signing a new flagship contract in Canada with British Columbia Lottery Corporation for a gaming engine, terminal software and hardware, as well as services for 5 years that can be extended for up to further 6 years. After an international competition, we also signed this week the renewal of our Sports Betting contract in Morocco for 8 plus 2 years, which includes a full product portfolio mix.

On the cost containment front, we have already taken measures of OPEX and CAPEX reductions that will lead in savings in excess of €10 million on a recurring annualized basis, while collection of dividends in the second quarter boost our immediately available liquidity.

Continuing positive news from advances in the sports betting legislative environment in the U.S., in the Districts of Columbia and Montana create immediate prospects for new revenue generation in the promising U.S. sports betting market. We are also very optimistic about Gamenet, our asset in Italy, which announced very strong growth in the first quarter of 2019.

We have recently reorganized our Technology division by creating two new, dedicated end-to-end sports betting and lottery divisions, focusing on the design and evolution of our next-generation platforms and portfolio offering and a customer focused solution delivery division to boost our operational efficiencies and strengthen our digital operations capabilities.

Finally, in the U.S., we have announced a new Board of Directors of our subsidiary INTRALOT Inc., with three new Non Executive Members that will strengthen our corporate governance structure with former Ambassador Tom Miller as Non-Executive Chairman of the Board, Francis Daniel Rappaport as Vice Chairman and Business Consultant, Nicholas Mitropoulos as member."

And now, we can start the Q&A session.

Q&A

OPERATOR: The first question comes from the line of Felix Wolfgang with Sarria. Please go ahead.

WOLFGANG F: Yes, hello. Thank you very much. Just following-up basically from what we were discussing on the last call about your liquidity forecast effectively through the year, would that be largely unchanged from where you are right now, given we are now quarter further?

CHRYSOS A: Yes. This is…yes we are in line with what we've said. So let me remind you that what we have said back then was that our target is to maintain the immediately available cash in the area of €80 million. So this amount…there will be, of course, some swings normally. So this amount on…at the end of March, it was €56 million, if you can refer on the MD&A in order to see this number. But currently, this is again back on track, it's close to €80 million because this €56 million was not including the dividends that we received during April and May from our partnerships. So returning this amount again, on the level that we have been announced and we are…is our target for this year. So yes, the answer is yes. We are on track.

WOLFGANG F: Would that be…where in particular where those dividends have come from now?

CHRYSOS A: So we have collected dividends from our partnerships in INTELTEK Turkey…

WOLFGANG F: Yes.

CHRYSOS A: From Gamenet, we had a capital return and dividend from South Korea, Peru as well, plus the collection of the sale in Poland Totolotek, plus the AzerInteltek, the sale… our portion from the AzerInteltek sale that we received through our dividend through our company in INTELTEK. So I think that's all.

WOLFGANG F: Okay, well. Thank you very much. And you were also referring at the time two plans that would result in significant cost savings from the second half of the year onwards without…

CHRYSOS A: Yes, hello. What is the question? Because the line was…

OPERATOR: I apologize. Yes, Wolfgang's line is down? So moving on to the next question. The next question comes from the line of Mezzadri, Nicola with Barclays. Please go ahead.

MEZZADRI, N: Hi, good afternoon. Just quick question, we've noticed, you know, your press release this morning about the appointment in your U.S., business. And I just wanted to ask if this is kind of preparation for development your U.S., corporate structure or if there are any plans to modify your U.S., presence or bringing new resources to chase I would say the U.S., market opportunity, which is, of course, very large? Thank you.

SFATOS C: As we have been saying for quite some time, the U.S. asset is a strategic asset for us. And we are taking a series of measures to strengthen the capabilities to address new market opportunities there. And the move of changing, I mean, this initiative to invite very senior people as non-executive members is, as we said are very serious move in the direction of strengthening corporate governance and inspiring more confidence to the markets about the quality of our asset. And this is coupled with other initiatives like strengthening the technical division there, and hiring new talent and streamlining the operations, and even finding savings there. So it's a plan to strengthen our operational capabilities and the entire quality of the company there.

OPERATOR: The next question comes from the line of Kandalam Jayanth with Lucror. Please go ahead.

KANDALAMA J: Yes, hi. Thanks for taking the questions. Actually, I had a few of them. Firstly, just to carry on from your statement on the U.S., operations. Just trying to understand either the business is strategic asset as you clearly mentioned, and you'd like to grow in that area. And I believe that you are also competing for a few projects out there. But to be truthful, I mean, if you look at your own balance sheet, unless there is some kind of an external support for the U.S., business, or U.S., business being put in a separate shell or something. How exactly is INTRALOT going to fund, I mean, given the current state of your finances, how are you exactly going to fund any expansion in the U.S., I mean, even U.S., for the matter at this point in time is not cash generating or maybe I'm mistaken, but I just need… trying to understand this U.S., angle, please?

SFATOS C: Well, first of all, as we mentioned, we just completed a very important investment last year at Illinois which is bringing very, very significant returns right now. And we also just signed a new contract with BCLC which is a contract for our U.S., subsidiary. So it will be executed through our U.S., subsidiary. And we are clearly in a position to finance regular CAPEX of the order of €50 million group wide, as we have said before. So we don't see actually a contradiction in our statements. The BCLC project is CAPEX free, and there may be other such opportunities, especially in projects in the online business and sports betting they are not expected to be as CAPEX heavy as the additional retail deployments. So it's not an extraordinary need of CAPEX that we anticipate in the U.S., going forward, plus there is forecast for significant cash flow generation in the U.S.

KANDALAMA J: Right.

SFATOS C: We have revolving credit facilities there with the Bank of America, and that's our plan. We don't foresee an investment of €100 million coming up, for example, if that's what you are asking?

KANDALAMA J: Right. Yes, partly that. But if you can just give us a little bit of more idea in terms of how cash flow generation is in U.S., because clearly U.S., and I mean, you clearly U.S., plus, and I believe Greece and Morocco to a degree have a substantial EBITDA contribution. So if you are just looking at the U.S., business, how much…how much actually, is it cash positive? And if you are talking about not needing too much of CAPEX, then just for the U.S., business out of this €15 million, how much is actually going to be the U.S., CAPEX?

CHRYSOS A: The U.S., CAPEX, you said?

KANDALAMA J: Yes.

CHRYSOS A: Okay. The U.S., CAPEX, first of all, let me remind you something that we've said also in our previous calls. Currently, we do not have any serious and CAPEX intensive renewals. So we have renewed our Ohio contract recently which is a big one, we have renewed our Arkansas contract recently, we have a clear time horizon for all our existing contracts of around 7.5 years. So we do not anticipate to have, let's say, substantial requirements for our CAPEX moving forward. Having said that, the maintenance CAPEX that our U.S., business requires in a normal course of business, let's say, will not exceed the €10 million, which obviously, will be… could be financed directly from our U.S., operation. I'm not talking about new things. I am talking about the maintenance CAPEX of our existing contracts. So we think that there is plenty of room with the cash flows that the company is already producing, as we speak, to be able to finance both the maintenance CAPEX, and may be something more should an opportunity arise in the future.

KANDALAMA J: Okay, that's helpful. What about working capital requirements like in the past, in the last one and a half year, you had significant working capital tied up with regard to the Illinois contract and only now, you are kind of unwinding that. So is there something that being a risk going forward, is there any contract which is going to take working capital quite significantly?

CHRYSOS A: No, there isn't.

KANDALAMA J: Okay and just one last question before I move back in the queue. You did mention an income from your partnership, but what exactly is the minority dividends you are expecting to pay in 2019, please, for the sake of our model?

CHRYSOS A: More or less in the order of €40 million as it is the case every year.

KANDALAMA J: Okay, thank you very much. Thank you.

OPERATOR: The next question comes from the line of Ossowicz Piotr with Ironshield Capital. Please go ahead.

OSSOWICZ P: Good afternoon, gentlemen. Thank you for taking my question. Just a couple, if I may. First, can you please give us an update on the discussions with your banks regarding the RCF?

SFATOS C: Well, as we have said in the previous call, we are not interested in raising extra debt. We do have the ongoing discussions. We don't have something to announce other than the renewal of our Bank of America facility, but we have several opportunities to raise debt, secured or unsecured, and we have declined such offers, because we don't want to increase our gross debt. And it will be important to find the savings instead of raising additional money. We feel that currently our liquidity will be sufficient without raising additional debt.

OSSOWICZ P: Okay, this is helpful to know, just moving on to the performance in the U.S., if I read it right, in your presentation on Page 12, you show €9 million EBITDA for the U.S., but if Illinois contributes €20 million per year, it's has been contributing for the Q1 that should be about $5 million, €4 million to €5 million say from Illinois. That would suggest that non-Illinois part of the U.S., contributed around say €5 million to €6 million of EBITDA. And this is obviously materially less than €7 million we saw in Q1 '18, and then say what we have seen throughout 2018. So is it that Illinois has not been contributing for the full quarter or the other businesses contributed less?

CHRYSOS A: Exactly, this has been the case. So let me remind you that Illinois started on the 18th of February. So it's in…however, the costs were running for the whole quarter. So it is a half quarter regarding the top line, but the full quarter regarding the costs and actually costs were quite increased because we have also some leftovers from last year. So this is not you know, a good quarter to measure the Illinois contract. Having said that, we remain consistent with what we have communicated already that with the Illinois contract in full, will have an EBITDA in the order of 50 million US dollars as we said already.

OSSOWICZ P: Sorry 15 or 20.

CHRYSOS A: 50, for the overall U.S., business. 20 is the…

OSSOWICZ P: For the overall, yes.

CHRYSOS A: Yes.

OSSOWICZ P: Okay, so €50 million for the overall U.S.

CHRYSOS A: Dollars.

OSSOWICZ P: Okay, $50 million for INTRALOT Inc.

CHRYSOS A: Correct.

OSSOWICZ P: Okay, perfect. And once we are talking about the U.S., can you just give us a little bit more color on how integrated those U.S., operations are into the overall INTRALOT operation. So in terms of, I mean, is it basically mostly focused on the contract and size or there's some dedicated offsetting and clearance mechanism for the U.S., or is it all done from Greece?

NIKOLAKOPOULOS N: The U.S., business is in terms of operations more or less autonomous, there are 460 people…close to 460 people there. There is …there are dedicated teams in every project and there is also a management team in Atlanta, where are the headquarters. Obviously, there are synergies with…and knowhow transfer from the headquarters here in Athens. But in general, we do operate with dedicated teams in every project there.

OSSOWICZ P: Right. But if this is autonomous, then I understand INTRALOT Inc., pays about $10 million to INTRALOT Operations Limited. So if it's autonomous then why does this payment need to happen?

NIKOLAKOPOULOS N: Can you please repeat the question, because I'm not hearing?

OSSOWICZ P: Sure. So I understand that there is a fee or that at least there was a payable from INTRALOT Inc. to INTRALOT Operations Limited, that is disclosed in INTRALOT Inc. standalone financials that's about, well, it's about 10 million, at least for 2016-2017, we haven't seen 2018 yet, I think. So I'm just trying to get a sense, like if the U.S., operations INTRALOT Inc. is autonomous, then why is there a payment of nearly a third of their EBITDA to INTRALOT?

NIKOLAKOPOULOS N: Yes, I understand, because there are some royalties and some leasing fees on the terminals, but this is not an operational thing.

OSSOWICZ P: Okay, got it. Alright, and maybe lastly on the on the U.S., can you please remind us what is the calendar for the…for your larger licenses to expire? So I appreciate you saying that there's no CAPEX disclosure this year, but should we…when should we expect higher CAPEX in…or renewal CAPEX in the years 2020, 2021, 2022 or later.

CHRYSOS A: As we have said, especially for 2021, we do not expect in our existing projects substantial CAPEX requirements. However, if an opportunity arise, either in other states or some new business activities in our existing contracts, we may have some slightly increased CAPEX, but we do not expect especially for the next 3 years to have material outflows for CAPEX.

NIKOLAKOPOULOS N: If I may, as Andreas Chrysos said before, after 2027 most of our contracts will not require significant, you know, new CAPEX. The issue is that, you know, BCLC, which is a contract that we have signed recently, practically there is no CAPEX outflow because it is a straight sale in the beginning and then, you know, services, royalties and various fees that…so this contract does not incorporate any CAPEX at all. There are some opportunities, especially in sports betting that, you know, we are after. You have probably heard about or read about DC and Montana. There we will see depending on the outcome the required CAPEX, but again it is not something significant like the previous years' like Illinois or in Ohio.

OSSOWICZ P: Okay, and just switching to Morocco, this new contract you have…well, congratulations on this by the way, what are the economics broadly speaking in terms of CAPEX if any and e-commerce compared to what we have seen historically?

NIKOLAKOPOULOS N: There is a commitment for investment in Morocco, as an incumbent we have some, you know, economies of scale. We have some CAPEX related items already in place in our warehouses, I mean, so the outflow, the outflow that we are projecting for the next couple of years is going to be in the magnitude of €10 million. I cannot give more details due to confidentiality, but more or less we do expect to remain EBITDA wise, at the same levels.

OSSOWICZ P: So you mean at the same level with respect to this particular contract because there was another contract in Morocco, which I understand expired.

NIKOLAKOPOULOS N: Yes, you'll know with the current one, I am talking about the current one.

OSSOWICZ P: The current one. Okay, perfect. Alright, thank you very much.

NIKOLAKOPOULOS N: This one more or less was, if I'm not mistaken, 75% or 78% of the overall business of Morocco. So the other local is a small portion.

OSSOWICZ P: Yes, understood. Alright, thank you very much.

OPERATOR: The next question comes from the line of Cope Jeffrey with Stifel. Please go ahead.

COPE J: Hi, good afternoon. Question in regards to the Ohio license, I believe a portion of this expires this month or next month in regards to the incent. I was wondering if you could just give us an idea of what the EBITDA impact of that will be.

NIKOLAKOPOULOS N: Let me make sure that I understand the question. What are the licenses that you see that you expect in Morocco, sorry in Ohio? We do have a contract until 2027. That is renewed every 2 years. I think this month was the end of the last period of 2 years and has been renewed.

COPE J: I think but the renewed contracts, did you not lose the warehousing portion of the…

NIKOLAKOPOULOS N: You're talking about the CSP, sorry. We are practically on a legal dispute there, it has not yet come to an outcome. But comparing to our overall business in Ohio, I would say that this is insignificant and to be more precise, close to €0.5 million EBITDA.

COPE J: Okay.

NIKOLAKOPOULOS N: We are still running it. But as I said, we are on a legal dispute.

COPE J: Okay. And then, just kind of staying on the U.S., I did see that you guys published the 2018 filings for INTRALOT Inc. On the last call, you mentioned that EBITDA for the full year for the U.S. Group was €29 million; it's kind of hard to kind of connect that with the INTRALOT Inc. filing. EBITDA, kind of from the filings looks like it's closer to kind of $19 million. I was wondering if you can tell us that, like, kind of bridge that gap between those 2 numbers. Is that all Philippines, or is there kind of add-backs that we're not seeing in the INTRALOT Inc. filings.

CHRYSOS A: Its intragroup transactions that on a Group level they are eliminated.

COPE J: Okay.

CHRYSOS A: So in the INTRALOT, U.S. files, you see the standalone EBITDA, and in the Group results, you see them, you know, having out the intragroup transactions. So this is the variant there.

COPE J: Okay. So the INTRALOT Inc. Group just the 12 U.S. kind of lottery contracts that will do 50 million EBITDA, that's not including Philippines, that's 100% U.S. business, is still that… that's a $50 million EBITDA business?

CHRYSOS A: This is the annualized Group contribution EBITDA of the U.S. with the full impact of the Illinois contract.

COPE J: Okay.

CHRYSOS A: We are not going to see this year. Because the Illinois contract had a delay at the beginning of this year. So the $50 million will be let's say the EBITDA of the U.S. next year. That lottery EBITDA, okay, excluding any additions we may have related to mainly to sports betting contract that will start. So this is the pure lottery EBITDA on an annualized bases with our existing contracts.

COPE J: Okay. So run rate $50 million, essentially.

CHRYSOS A: Almost correct.

COPE J: Okay. And then finally, on the last call, you also mentioned that there was some lot of Ohio terminal sales that we're going to be done this year, were those made in Q1? Or do we know…you have any kind of idea of when those will be?

NIKOLAKOPOULOS N: We are expecting those on Q3.

COPE J: Okay. And that is excluded from your $50 million?

CHRYSOS A: Yes, absolutely. Net of our terminals, the $50 million is net of terminals.

COPE J: Okay, all right. Perfect. Thank you.

CHRYSOS A: You are welcome.

OPERATOR: The next question comes from the line of Hassan Jahanzeb with Citadel. Please go ahead.

HASSAN J: Hi, guys, thanks for the call. Just had a couple of questions in different parts of business. The first one, I just wanted to see what is the latest update on the status of your Bilyoner operations?

NIKOLAKOPOULOS N: We have renewed the license until end of August. And after the Turkish, the Istanbul elections, at the end of the month, we have been asked by Spor Toto to have meetings in order to see, how we are going to proceed practical negotiations for the next years. This is not only for Bilyoner, but all the agents in Turkey, so practically after the elections and most probably within July, we will conclude what will be the terms and conditions and the duration of the new license.

HASSAN J: Okay. So you expect that to be concluded in July?

NIKOLAKOPOULOS N: Definitely, we are going to start the discussions within July, early July. And hopefully, we're going to conclude July. Now, you know, it is state, I don't know if it's going to take a part of August. But I presume within July, we will finish all the discussion and move forward with this.

HASSAN J: Got it. And then you mentioned that there's a number of cash inflows in the second quarter that's helping to keep the cash of the parent above that €75 million target. Could you just help bridge that gap? I mean, you mentioned a few sources, INTELTEK, the Gamenet dividend, et cetera. If you could just put some numbers around that that would be helpful?

CHRYSOS A: Okay. The collection of INTELTEK, it was included also the Azeri. It was in the order of €15 million. The dividend from

Gamenet, it was in the order of €4 million. The capital return and the dividend distribution from South Korea, it was €3 million. The dividend from Peru, it was €1.5 million. The Totolotek proceeds from the sale of Totolotek were in the order of €6 million. And I think this brings us more or less to the €30 million, €25 million sorry, from the €55 that were at the end of March to the €80 million that we said is our current balance.

HASSAN J: Understood. And just to be clear then the only other kind of…if I can call them one-off inflows, you should expect during the course of the year will be the distribution from INTELTEK when that is wound down sometime in Q3?

CHRYSOS A: Plus the dividends that we have on a recurring basis from Bulgaria. The Hellenic Lotteries not received yet. And that's it.

JAHANZEB HASSAN: Got it.

CHRYSOS A: Plus Argentina, correct. Plus Argentina.

HASSAN J: Right. And then, can you just confirm that, you know, the remaining €7.5 million of the… I think the Nomura term loan that has been repaid.

CHRYSOS A: Has been repaid, fully.

HASSAN J: Got it.

CHRYSOS A: So Nomura, it's fully repaid all of it, €15 million.

HASSAN J: Great. Thanks. Thanks a lot.

CHRYSOS A: You are welcome.

OPERATOR: The next question comes from the line of O'Sullivan Brian with NatWest Markets. Please go ahead.

O'SULLIVAN B: Hi, guys. Thanks for taking my questions. Quite a few have been answered already. And can you just maybe give me the split between your Op… between OPEX and the CAPEX? You see you've said you're… you've identified circa €10 million run rate savings? What is the split, please?

SFATOS C: The split between OPEX and CAPEX in this?

BRIAN O'SULLIVAN: Yes.

SFATOS C: It's…its more or less half-and-half.

O'SULLIVAN B: Okay. So based on that, and what you've guided already in terms of your full year profitability for the U.S. and other jurisdictions, now the time has moved on, what are you expecting in terms of proportional EBITDA for the year ahead, for 2019?

CHRYSOS A: The… okay, let's… give us a second. Maybe there's another question. We will get back in 3 minutes on this. Is there any other questions to be answered or?

OPERATOR: The next question comes from…we have a follow-up question from the line of Ossowicz Piotr with Ironshield Capital. Please go ahead.

OSSOWICZ P: Regarding Bilyoner in Turkey and when does this license expire and do you expect a renewal? And also on Turkey, you have previously announced the investment in the R&D Center in the country. So if you can give us any update on this as well.

NIKOLAKOPOULOS N: The first thing is that, that is the first part of the question. Turkey yes, we do expect to renew the license. We just wait to see the terms and conditions because you know there is increase in payout. So most probably this will be counterbalanced by the fees. The second thing about the Development Center in Turkey, for the time being, we have no plans for that because you can understand that this was announced when we're bidding for Spor Toto, the iddaa, the sports betting business, which we didn't win. So in that sense, it makes no sense to have this Development Center there. So we have frozen those discussions on this investment.

OSSOWICZ P: Okay. And when do you expect to see anything in Bilyoner?

NIKOLAKOPOULOS N: Most probably in July.

OSSOWICZ P: Okay. Alright. Thank you.

OPERATOR: The next question comes from the line of O'Sullivan Brian with NatWest Markets. Please go ahead.

O'SULLIVAN B: Hi, sorry. Yes, I was cut off in the middle of my questions there. So sorry. Just to confirm, you're going to come back before the end of the call with this, with your full year EBITDA guidance, is that right?

CHRYSOS A: It will be in the order of €85 million to €90 million.

O'SULLIVAN B: Of Proportionate EBITDA?

CHRYSOS A: Proportionate EBITDA, correct for this year.

O'SULLIVAN B: Okay.

CHRYSOS A: So, it's going to be an effect…a full effect of the lower OPAP contract, but with introduction of Illinois more or less it's going to be in the area of 85 to 90 million. And doesn't incorporate any upside we may have in the U.S., from the terminals that Mr. Nikolakopoulos mentioned previously. So this is net of terminals again. So if there is saving of the terminals, it's going to be better.

O'SULLIVAN B: Okay. So look, I mean, I appreciate the variable here is…now the Morocco's has been renewed which is great. The variable obviously Bilyoner… but given… what would you see so, if your full year is in the order €85 million to €90 million of proportion EBITDA. What is your run rate looking-forward? So Bilyoner obviously is the variable everything else though you should have reasonable visibility. I appreciate the U.S., didn't start to like whatever the 18th of February you said, and then there was couple of other moving parts to the year. But you know, on a run rate basis that you close to €200 million or higher?

CHRYSOS A: I would say €95 to €100 million, yes.

O'SULLIVAN B: Okay. And so… on that context and you basically are going to be free cash flow negative, let's face it, I mean, you know, even if you have revised down your CAPEX expectations, but you take into account some element of tax, you know, even a benign working capital, and then obviously a hefty interest bill. You know, your cap structure is looking reasonably unsustainable. So have your plans… both… you have mentioned you have no plans to incur any debt this year. But, ultimately you will have to address your capital structure, I suspect at some point in 2020. So can you give us a bit of a flavor of what you are thinking about, and along those lines, as well, obviously, your bonds are trading at a massive discounted levels, have you considered doing bond buybacks as one of those options?

SFATOS C: The question is about this year or going forward?

O'SULLIVAN B: Both.

SFATOS C: This year, we are fine. We can sustain the capital structure…we can pay all our coupons. We have calculated everything and we are fine. Going forward, we need to see how our plans, for cost reductions and for business growth will work out. But, I think, we will be ready for a… more detailed discussions after we have our Business Plan which we are working on. And will be available for our next discussion. But we anticipate significant business opportunities and growth in our business at lower cost.

CHRYSOS A: And let me remind you that, the CAPEX requirements moving forward will be much less. So even less than €55 million to €60 million, €55 million to €60 million is for this year when we have some leftovers from last year. So the real CAPEX requirements on a recurring basis on a normal course of business, let's say, is going to be less than 50. So you know, we already have our plans regarding the expenses reduction as Mr. Stafos said. So this is going to be €10 million, but you know, this is an exercise, you know, that will be continued. So if we wanted to make a quick calculation, assuming the CAPEX for €45 million to €50 million plus the interest expenses in the order of €45 million more or less annually, see so this makes an outflow of €90 million, plus the taxes on our perimeter is close to €5 million to €8 million, so this is around €100 million requirements with the expenses plus the continuous of this exercise we expect to be in a position, you know, to cover all of these obligations move forward. So this is more or less our target. We are not there yet, but you know, we are already on track.

O'SULLIVAN B: Okay. That is very helpful. And then, kind of lastly, then in terms of maybe to help you along that process, how many RFPs are you currently looking at or engaged, and you know, what kind of visibility do you have over potential new opportunities in the short to medium term?

NIKOLAKOPOULOS N: I don't have the exact number in front of me. But, as I told you, we are focusing first of all on 2 significant opportunities in the U.S., that we have now. The one is the DC which practically was announced in the media, also but we have a contract for the renewal of our lottery business introduction of iLottery and the sports betting, which is practically on the state council for approval. So we will know in the next, you know, 30-45 days. We do have also the opportunity in Montana to introduce sports betting while practically is a lottery was, you know, given a monopoly there. And there is also Mili Bianco which, you know, we are assessing the situation in Turkey, there are also few others, like the Atlantic lottery where there is, you know, terminals… self-service terminals associated software, and there are some other opportunities that, you know, we are looking, but those 3 that I told you are the most, let's say, imminent driving in terms that more or less we will know in the next 2 months.

O'SULLIVAN B: Okay. That's great. Thank you.

OPERATOR: The next question comes from the line of Clarke Ronan with Deutsche Bank. Please go ahead.

CLARKE R: Hi, there. Thanks for taking the question. Apologies if you have addressed this already, I joined the call a bit late. But, I was wondering about the Gamenet investments and whether the opportunity to monetize that has progressed at all. And, obviously Trilantic did settled down, I guess, that's helped liquidity and also maybe demonstrated that, it's doable pretty quickly. So I am just wondering if you accelerate it sounds lately…?

SFATOS C: Right now, we see great opportunity in the business itself. The current market prices… does not reflect that opportunity and the valuation that we have in mind. So if the market conditions improve that's one scenario, if they stay the same we don't anticipate and we don't plan to make any move at a discounted price compared to the real potential of the company. And, you know, what the numbers are there has been already great performance this year and great prospects for a stellar year 2019.

CLARKE R: Right. Okay, thank you.

SFATOS C: You' re welcome.

OPERATOR: The next question comes from the line of Sykes John with Nomura. Please go ahead.

SYKES J: Yes, hi. I wanted to just ask you a few you know, so let's take your comment about 2019, it sounds you know, it sounds like you should need all of the obligations. Just by my rough numbers, you will have some cash outflow around €30 million, okay, but you know, with the dividends coming on-stream with some repatriation from INTELTEK, you know, you should be able to balance that out. So in 2020, when CAPEX normalizes and your cash burn presumably is lower, okay, what…at that point what would be…I guess, at that point, you are talking about potentially looking at the 2021's refinancing that. And I guess the crux of my question is what at that point kind of what assets do you have available to raise funding if you needed, okay? And kind of what are you thinking in terms of you know, the plan, generally, at that point?

SFATOS C: We are still in the process of preparing for that discussion. So we would not like to comment about initiatives that we will take in 2020. But, I think all the… like a series of actions 9/10 actions that we have planned in the last 2 months we are executing, we are on track and things work out. Once we have the Business Plan; a detailed Business Plan what investors would like to see and will appreciate, I think it will be a much more fertile ground to have any discussion about the capital structure.

SYKES J: Okay. And just what about…what's your thinking with respect to kind of value of non-core assets that you could tap into for cash?

SFATOS C: You mean, for about asset disposals.

SYKES J: Yes, exactly.

SFATOS C: Well, we have…we have some actions already going on. I would not like to be more specific at this point because these are negotiations going on. But we will have some results there.

SYKES J: Okay, alright. Thank you.

SFATOS C: Well, we said that our strategy has 3 components, organic growth, cost savings and asset disposals, we are still on that strategy and we are on track.

SYKES J: Okay. Yes, because when I… assuming working capital is neutral by 2020, if you are on the 95 to 100 side of EBITDA, let's just say a lot of these things go well on the cash burn at that point is not very significant, not assuming any significant improvement in DC. So I guess, I'm, of course, you would… you do have the bond coming due… a year on the bond. So I hear you it's not a today issue, but it's going to become more of an issue to obviously early next year?

SFATOS C: Yes, not an issue. We are working to address the question with full armor.

SYKES J: Okay. Just one other thing on DC, you probably saw the post article that came out…

SFATOS C: Yes, 2 days ago?

SYKES J: I guess, well, sorry…

SFATOS C: You mean 2 days ago?

SYKES J: 2 days ago, exactly. You know obviously some political issues have been raised by one of the councilmen I think; I know there is this contract… yes, sorry.

NIKOLAKOPOULOS N: Yes, for the DC as I said before, we after…you know discussions and negotiation with the state, we are now at a point where a contract have been submitted for a hearing and you know voting, approval in the council. We stand there and we are expecting the decision of the council which as my point of view as I said before it is going to be between 30 and 45 days.

SYKES J: Right, right, okay. Now, this decision, isn't this more of a decision with respect to the terms of the contract but not so much pulling the contract?

NIKOLAKOPOULOS N: This is not on the terms. The terms have been agreed.

SYKES J: Okay.

NIKOLAKOPOULOS N: It is voting, that either is going to you know be voted and passed or not, but there is no discussion there about, you know, the terms and conditions.

SYKES J: Can you comment just what is the profitability of that contract?

NIKOLAKOPOULOS N: No, no that point we cannot.

SYKES J: Okay. Alright. Thank you very much. Appreciate it.

OPERATOR: We have a follow-up question from the line of Ossowicz Piotr with Ironshield Capital. Please go ahead.

OSSOWICZ P: Hi. Thank you. Just following up on the various questions regarding the… your cash flow generation. Historically, you have been receiving cash interest income, is that going to continue given the fact that now you probably have less cash in emerging markets that you are characterized by higher interest on cash balances or we should expect that there would be a couple of maybe on say 2… 4 million of cash interest coming in every year historically?

CHRYSOS A: So this cash primarily was coming from our Turkish contract in Inteltek. So you know our goal it was being consolidated in our group results. This was not you know a cash item that was coming you know, to the HQ perimeter. So having said that, if we don't know what will happen with the Inteltek contract finally because still it is an ongoing process, but you know even if this contract is not with us after August nothing will change in our cash position because these were amounts that were not in our perimeter anyway.

OSSOWICZ P: They were reported though historically and…

CHRYSOS A: Yes, we reported absolutely in the group consolidated cash, but here we have tried several times to, you know, to isolate or to differentiate the group numbers with numbers that are on the shareholders of the parent view I would call it attributable numbers and this was not part of the attributable numbers anyway although it was consolidated.

OSSOWICZ P: Alright, thank you.

OPERATOR: The next question comes from the line of Julien Martin with Aberdeen Asset Management. Please go ahead.

MARTIN J: Yes, hi. Quick question on the U.S., contracts. Can you say there are any closes in your various contracts that are linked to your solvency, any potential restructuring proceedings happening in Greece or any rating agencies notations that could force a termination if any of those events were going to happen?

SFATOS C: No, we don't see any threats. Actually, the good news that we can share is at this point we have renewed all our surety bonds which means that we have invested by the insurance companies and we have renewed all the surety bonds so we feel comfortable moving forward.

MARTIN J: Okay. And in terms of your Bank of America credit facility, I am sorry; I missed that but what is that for, can you say the size and which business is lending that too?

CHRYSOS A: It is a revolving facility, catering for any requirements meaning working capital requirements, any requirement that does not have a specific purpose. So it is a general type of fund. So it is either used you know, to finance any working capital needs or last year it was utilized in full in order, you know, to pay the requirements of the Illinois contract. Now, of course it has been reducing since this investment is over so it is repaid gradually. But no, there is no specific purpose it is for general purposes.

MARTIN J: Okay, and is that the INTRALOT S.A. level?

CHRYSOS A: No, no it is in INTRALOT Inc.

MARTIN J: Inc., right. Yes, and how much was the outstanding at the end of the first quarter?

CHRYSOS A: It was 15, hold on a second. It was €16 million but is gradually reducing.

MARTIN J: Okay. And lastly, on the 21, well, I guess, you know, refinancing exercise, where you are working on that right now. But I mean would you say the solutions you are looking for that would only look to address the 21 on its own or are you looking potentially to bring in the 24 bonds within a wide holistic refinancing exercise?

SFATOS C: It is premature to this discussion. As we have mentioned many times our focus is on the business right now to create the efficiencies, to stop the cash burn, to reverse the cash burn problem. And with the new Business Plan at hand very detailed we will be in a position to evaluate all the options in a couple of months' time.

MARTIN J: Okay. Thank you.

OPERATOR: The next question comes from the line of Deen Saqib with BNP Paribas. Please go ahead.

DEEN S: Hi, could you tell us events for Hellenic Lotteries? Is that asset that you are going to dispose off given limited scope there or is that something that's on the table?

SFATOS C: It is one of the options we have been exploring.

DEEN S: And if you would put a number on it, how much do you think you would sell that asset for?

SFATOS C: No, I do not want to enter this discussion, but for sure as, you know, we also have technology contract there which will be ongoing.

OPERATOR: Mr. Saqib, have you finished with your questions?

DEEN S: Yes, thank you.

OPERATOR: The next question comes from the line of Firooi with… Firooi Javier with Hudson. Please go ahead.

FIORI J: Yes, hello guys. My question is if there is any plan that you have to restore confidence from the capital market ahead of the disclosing of the Business Plan, where it is repurchasing bonds, are you seeing some cash given that the bonds are trending at €0.50 and this can affect the perception of the business as a solvent business at this point?

SFATOS C: At this point, we will not… we don't have such a plan, I mean; we don't have a plan to repurchase our bonds at this point. We have other plans to restore the confidence in the market which I think is happening, I mean, from our one-on-one discussion with our investors, we have reassuring messages.

OPERATOR: Mr. Javier, have you finished with your questions?

FIORI J: Yes, it is okay. Thanks.

OPERATOR: The next question comes from the line of Breen Brendan with JP Morgan. Please go ahead.

BREEN B: Hi, just one question from me. What will be your dividends to minorities' post Inteltek say like the full year run rates from 2020 onwards?

CHRYSOS A: It is going to be post Inteltek; it is going to be in the order of €25 million to €28 million.

BREEN B: Okay. Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

SFATOS C: Thank you very much. We look forward to the next call.