**64, Kifissias Ave. & 3, Premetis Str.**

**Athens, 15125 Greece**

**Phone : (+30) 210 615 6000**

**Fax: (+30) 210 610 6800**

# "First Half 2019 Financial Results"

# Conference Call

Monday, 2nd September 2019, 17:00 (GR Time)

## *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 Half 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 on this conference call for INTRALOT's H1 2019 Financial Results. Mr. Sfatos, Group Deputy CEO, Mr. Tsagalakis, 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.

So regarding the agenda, we will briefly review the financial results of the year and after that the INTRALOT team will be at your disposal for the Q&A session. Mr. Nikolakopoulos may also answer part of the questions should you have any. This is the other Deputy CEO of the Group. And as always, I would like to remind you that this is only a summary of our results, so please refer to the IFRS report and to the management and discussion analysis available in our website for further details, if required.

Starting with our analysis and before proceeding to the briefing of the H1 financial results, allow me to start with a small update regarding the main areas of our focus and guidance we have given in the previous communications. First of all, on the liquidity front, our objective remains to maintain sufficient liquidity to cover all of our obligations. In accordance with this, we have said already that all our actions target at keeping our immediately available cash balance in the order of €75 million to €80 million.

This is the amount of cash at headquarters perimeter and operating entities excluding the cash that resides in partnerships. This figure as of 30th of June was slightly more than €80 million as shown in the management and discussion analysis Page #9. This amount does not yet incorporate the proceeds from the sale of our stake in the Hellenic Lotteries which is expected to be completed within the next few weeks. The inclusion of this amount and the overall cash reserves give us the comfort to have enough liquidity buffer, while at the same time giving us the necessary time to reap the fruits of our cost containment measures in the order of €10 million on an annualized continuing basis, as already communicated in the previous months.

As we have already said, these actions will start giving positive effects from now onwards, and we are on track of this. These actions will support our liquidity in the short and medium term before our new businesses start yielding additional revenues in the medium term both supporting our recurring liquidity levels moving forward.

The second point is the contribution of our flagship contract in Illinois. Let me remind you that this contract has started yielding revenues with a delay of almost 50 days in current year, which however in the period April to June was running in full. Excluding some one-off expenses which are normal in the start period of a new contract, Illinois yielded the expected profitability, giving us the confidence that this contract on an annualized basis will be in the order of $20 million, recovering the lost revenues from the lower scope OPAP contract compared to the previous one.

The third point relates to the proportionate EBITDA for the year, which was guided to reach €85 million to €90 million. Our current view is that this metric is expected to have a deviation of 8% to 10% primarily due to a small timing delay in part of an already signed contract with NLO in Netherlands, in full alignment, however, with a client initially planned to be rolled out in late Q4 this year, but finally will be rolled out in early 2020, as well as the settlement of a minimum state guarantee related to our previous agreement in Morocco. Some one-off expenses primarily related to the initial period of the contract in Illinois also will contribute to this deviation. Excluding these one-offs, we continue to forecast an annualized EBITDA for the U.S. business in the order of $50 million. The savings that have already started yielding the first positive results, but also prudent customer management, will be the counter measures to balance the ultimate potential cash flow deficit due to this deviation to the maximum possible extent.

Lastly, the guidance for a CAPEX of €55 million to €60 million still remains and at this stage we do not see any reason to deviate from this number. On a more qualitative financial issue, we have increased our credit facility in the U.S. with the Bank of America to $40 million in accordance with our commitment to have sufficient standby facilities to support our future growth in

U.S. should any opportunity arise that require more firepower than the cash flows already produced from the existing business without, however, any desire to increase our gross debt as already communicated many times in the past. So following this short reference on the guidance up-date, let me focus on the H1 2019 financial review.

In brief, Q2 2019 was positively affected by the full realization of the EBITDA expectations in relation to the landmark project of Illinois as well as an improved performance of our business in the Netherlands, enhancing the overall performance of H1 which was also positively affected by a better performance in our Chilean operations due to a jackpot in Q1. These positive effects only partly counter balanced the ripple effect of last year's developments still affecting the performance of H1 2019. So Q2 2019 continued to be impacted by the lower remuneration of the new OPAP contract due to its lower scope versus a year ago which started in August of last year and was having a substantial impact in the first half of current year. This shall not be the case in H2 2019, as the impact of the transition to the new era has been absorbed by the end of July.

Moreover, the discontinuation of the project with Loterie Nationale in Morocco, but also the minimum state guarantee settlement related to the previous agreement with our other client, MDJS had a negative impact on current year's H1 performance versus a year ago. Elaborating a bit more on the latter, this settlement relates to the previous agreement which will be in effect until the end of current year, meaning that we are having a similar handling for this year as well as was the case in the last 2 years, it's basis relates to the contracted minimum proceeds for the state which if missed requires to be compensated. However, the new agreement does not include such a provision. The FX headwinds in Argentina and Turkey further deteriorated the performance of H1 2019 compared to H1 2018.

In H1 specifics, moving on to Page #9, we see that the revenues posted a decrease of around €30 million in H1 2019 versus a year ago primarily coming from the markets of Bulgaria, Greece, Morocco, Argentina and Turkey. The Bulgarian deficit has been a result of a revised conservative payout strategy, in Greece the deficit refers to the new OPAP contract terms, in Morocco due to the discontinuation of Loterie Nationale contract. And in the last 2 countries, it has been primarily an effect of the macro-environment and FX headwinds.

Quantifying these effects, we have the shortfall of €43 million being counterbalanced, however, by a better performance in the U.S. by €11 million, mainly as a result of the Illinois contract start as well as the Netherlands and Chile performance closing the deficit further. Same trend for the GGR partly offset by a lower year-to-date payout contribution in Bulgaria and Argentina operations primarily and 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 the Loterie Nationale contract in Morocco not balancing however the lower OPAP contract.

Gross profit margin lower by 1.9 percentage points primarily due to the partly reallocation of resources from the OPAP contract towards the successful and efficient delivery of our products under our contracts pipeline. Moving further down to the EBITDA line, we see a deterioration of the EBITDA margin by 1.6 percentage points year-over-year, as a result of the abovementioned effects, but also impacted negatively by increased selling and administrative expenses in the U.S. mainly as a result of the Illinois contract 50 days before it started yielding revenues in Q1, but also due to some one-off expenses from the initial period of the same contract, as well as the settlement in Morocco for the minimum state guarantee related to the previous agreement. The latter has been the main reason for the EBITDA deterioration in Q2 compared to Q1, since the settlement was delayed due to the ongoing RFP process. Lastly, the increased marketing expenses in Turkey attributed mainly to the increasing competition in the online market further deteriorated EBITDA margin.

The combined effect of all these is a lower year-on-year EBITDA by €11.1 million or circa 16%. However, looking into the adjusted EBITDA, defined as proportionate EBITDA of fully consolidated entities plus EBITDA from equity investments in major associates, we see that it is fairly flat, primarily as a result of a stellar performance of Gamenet post Goldbet acquisition expected to continue its good performance showcasing the excellent prospects of our investment in Italy. The company has guided for this year an EBITDA to exceed €155 million for this year.

Below EBITDA, the increased depreciation and amortization due to the increased CAPEX in the last two years primarily in the U.S. market, as well as the IFRS 16 first time application contributed €9.4 million negative variance in the EBT line versus a year ago, while the better performance of the equity method consolidation associates, primarily Gamenet, counterbalanced the negative effect of the higher impairments for H1 period, driven mainly by INTELTEK's contract discontinuation post August 2019.

On a more positive tone, moving on to next page, on the bottom left of the slide, we see that the operating cash flows was improved substantially versus last year by circa €12 million on a continuing basis, excluding the discontinued operations of Azerbaijan and Poland, operating cash flow year-over-year is better by €20 million. The main reason behind this improvement has been the better working capital by nearly €25 million managing to fully counterbalance the negative EBITDA variance.

Diving deeper to the elements of the working capital, the non-existence in current year of a long due interest-bearing liability repayment, as well as the advance payment we received for our project in the Netherlands in Q2, 2019 have been the main contributors to this improvement. In line also with our guidance for this year, we see that the net CAPEX is reducing substantially year-over-year by €10 million, a trend that was expected to continue as our products are maturing and our big projects are delivered, and especially after the excess spending of previous year primarily in the U.S.

All in all, net debt movement presented in the next slide, increased by around €37 million versus 2018 closing, mainly impacted by the IFRS 16 adoption, the leftovers from our U.S. growth CAPEX coming mainly from Q1 expected however to remain at much lower levels in H2, and the impact of the excess dividend distributed post Azerbaijan sale that occurred at the end of previous year.

Last but not least, in Slide #12 second graph, we need to keep the fact that the U.S. business has already become the biggest contributor in our EBITDA, contributing in H1, 2019, 32% versus 28% in Q1 2019 a trend that is expected to continue moving forward.

And with this final statement, I would like to close the analysis and inform you that the INTRALOT team is at your disposal for any questions you may have. Thank you.

Q&A

OPERATOR: The first question comes from the line of Kogge Maxime with ODDO. Please go ahead.

KOGGE M: Yes, good afternoon, a few questions. First, you talked in previous course of delayed equipment sales in the U.S.? I think it was previously, you had said that you expected them for Q2 then you shifted to Q3. You have no more visibility on this point, so that would be my first question. The second question is about the Bilyoner contract in Turkey. You said also in the last quarter that once the municipal election is over, you would also have more visibility on the extension of this contract, so can you provide some guidance on this one? And the third question, may be can you provide the timing of the kick-off of the new contracts in Washington DC, in British Columbia, in Montana too? Thank you.

SFATOS C.: On your first question, on the Ohio machines, our expectation is for Q3. This is a project that is on track. The main development so far has been the passing in the legislative process. There was a small delay in the budget of the state, but eventually the budget was passed including this provision for the procurement of these machines in July. So that's the best visibility we can give you at the moment and we are in our plans for Q3.

KOGGE M: So that could be €6 million EBITDA or approximately….

SFATOS C.: Sorry I am not sure about the exact number. Have we disclosed this number?

KOGGE M: I think so.

CHRYSOS A: Sorry, this is confidential. So, you know, we cannot say it publicly.

KOGGE M: Okay and then your guidance doesn't take into account this amount, does it?

CHRYSOS A: No, no, the guidance we have given already, the €85 million to €90 million, we have given previously and the updated guidance what we give right now does not include such an amount, should any such amount come, it will be over and above from the guidance already given for the proportionate EBITDA of the year. So, it was not included initially. It is not included in the update. If it comes, it will be over and above.

SFATOS C.: Now on Bilyoner, the government agency has chosen a gradual approach renewing the license every quarter. What we know right now is that the license has been extended up to December, 1st…31, sorry, December, 31 of 2019, so they go with a step-by-step approach. That's what we can share at the moment.

KOGGE M: Okay.

SFATOS C: On D.C, we are expected to launch in January, 2020. And on Montana, it will be earlier, it will be within 2019.

KOGGE M: So January 2020, for British Columbia?

SFATOS C.: Which one? …

KOGGE M: British Columbia, January 2020?

NIKOLAKOPOULOS N.: British Columbia is going to start in 2020. And we are going to go live 2021, the whole project as planned. DC is going to be end of January 2020, and Montana within 2019.

KOGGE M: Okay. And did you provide some EBITDA associated to these 3 contracts or it's confidential?

SFATOS C.: No, not at the moment.

KOGGE M: Okay. Thank you.

OPERATOR: The next question comes from the line of El Madi, Reda with Houlihan Lokey. Please go ahead. Mr. Madi can you hear us?

EL MADI R: Hi, hello, thank you for taking my questions. What is the full impact of Illinois contract for the first 6 months?

CHRYSOS A: Which one?

EL MADI R: The EBITDA impact of Illinois contract for the first 6 months of 2019? You said it was delayed by 50 days. What was the impact, and if it was in line with the €20 million target for the full-year?

CHRYSOS A: It was \$6.1 million dollars in H1. So it’s around €5.3 million. But here we need to take into account that the contract was not yielding revenues for the first 50 days of current year, plus the fact that there were some initial one-off expenses over and above the normal course of business. So if incorporating…if adjusting, let's say, the EBITDA of this contract on an annualized recurring basis, it will reach the \$20 million as already guided a few times in the past already.

EL MADI R: Okay. Thank you very much.

CHRYSOS A: Welcome.

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

WOLFGANG F: Yes. Hi, just to confirm one more time your guidance effectively with respect to cash, you were looking to and you’ve managed to stay above the €80 million mark. Now I think, we're going to receive at some point in time the Hellenic cash, the cash from the sale of the Hellenic business. We'll also be paying coupon at some point. How do you see therefore maybe your cash profile in the second half of the year, in the next 2 quarters? Are you going to remain above your target level of 80? Or should we be foreseeing a sort of timing distortion one way or the other?

CHRYSOS A: Okay. The guidance that we have already given still remains, so I mean this was a guidance that we gave at the beginning of this year and this is still our position. So yes, we are targeting for the next 2 quarters towards the same level of cash reserves. So yes, the €75 million to €80 million still remains.

WOLFGANG F: Okay.

CHRYSOS A: It is going to be the proceeds from the sale of our stake in Hellenic lotteries and we have already said in the previous call that the effects of all the actions that we have undertaken internally in terms of the cost containments will start yielding from now onwards results. So all of these things will contribute to this level of cash we have already communicated then is still the same. So we're consistent, we are on track.

WOLFGANG F: Perfect. And then just quickly on the cost reduction measures. Is there any more detail that you can now share with us in terms of where you've managed to find those €10 million in cost reductions and should we be thinking of an incremental €2.5 million from say the third quarter onwards or is that something that is going to build up over the next-year?

SFATOS C: Well, as you can imagine, the first year would be more difficult. We are quite comfortable with the sources of these savings as we have identified them for this year and they will be higher and closer to the €10 million mark that we have already said on an annualized basis from next year on. And this year will not be…a substantial part of this savings will be already realized this year and it will show partially on Q3, as we have promised.

WOLFGANG F: But you can't yet show what these savings are from?

SFATOS C: The bulk of these savings will come from an improvement of our cost structure in the technology department mainly related with the development of new products as these products reach the higher levels of maturity their cost will be reduced. And also from a certain automation processes in the quality assurance and testing departments, which have been very consuming in terms of people effort, plus improvements in OPEX in various expenses that can be contained.

WOLFGANG F: Okay. Thank you very much.

SFATOS C: You are welcome.

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

OSSOWICZ P: Good afternoon, and thank you for taking my questions, I think just 2 or 3, if I may. First maybe starting with the U.S. you have helpfully disclosed that the impact of Illinois was 5.6. So that would suggest just comparing with your LTM December 2018 numbers that would suggest that there was about 10% decline in EBITDA in all other U.S. business. So just trying to get a sense of how do you…what contributed to this, and how do you see the U.S. ex-Illinois performing further given that you have a few renewals coming up over the next 1 to 2 years?

CHRYSOS A: So what was the last part of the question?

OSSOWICZ P: So I'm trying to understand because when you look at your U.S. business, and after losing the…I think Ohio contract in 2017, there was a decline, but the decline continued throughout 2018 and excluding Illinois, it seems like we've had another quarter of decline in the U.S. business ex-Illinois. So I'm just trying to understand obviously you have the benefit from Illinois, but are you seeing any headwinds with other contracts especially with your renewals coming up in the next few years.

CHRYSOS A: No we don't see any headwinds. I mean, all other contracts more or less perform identically; of course, there are some swings which relate to the existence or nonexistence of Jackpots. So this year, this quarter, as we have already said, was negatively affected by some one-off expenses primarily in the Illinois contract or related to the Illinois contract because some expenses related to travelling expenses that were increased due to the initial period of this contract that needed to be served in the best possible way. So we assume that these expenses are on one-offs.

So if excluding these one-offs, we do not see any other, let's say headwinds in other contracts, other than the normal course of business when we have or we have not jackpots. And the guidance that we have given for the U.S. business on a annualized recurring basis for our lottery contracts still remain at the $50 million that we have already shared in the past.

NIKOLAKOPOULOS N: If I may add on the coming 2, 3 years, we have no…with the exception of Vermont, which is a marginal in terms of business, I mean, impact contract, we do not have any own contracts coming up for renewal. On the contrary, we do have some business secured, as good as you know, we have said in the past, like the D.C. and the Montana, that are going to strengthen the business, in terms of revenue and EBITDA. And also we have some other, new lottery opportunities, and sports book opportunities like the New Hampshire that has issued an RFP for sports book, the Iowa Lottery that is going to issue an RFP. So we do not see any significant threat in terms of renewals and possibility of losing a contract in the U.S. in the coming business…in the coming year, sorry.

OSSOWICZ P: Okay. And just…thank you about that. And just following up on that question, you have I think the Ohio renewal starting this year. Are we going to see the financial impact of this renewed contracts, or we have you already seen it in H1 or this happens only later in the year?

NIKOLAKOPOULOS N: I'm not sure that I understand the question; can you please elaborate a little bit, what you mean the impact on the Ohio renewal?

OSSOWICZ P: All right. I'm just trying to understand what are the…Ohio contract was renewed at similar terms, resulting in similar EBITDA or at a…?

NIKOLAKOPOULOS N: The Ohio, we have a contract with Ohio Lottery until 2027. And from the beginning of the contract every 2-years there is…which is also, was also this year, there is an automatic renewal without changing of the terms, so all those years there is a process that every 2 years there is an automatic renewal, because this is exactly the legislation there. So there is no impact in terms of reducing margins and stuff like that.

OSSOWICZ P: Okay. That's very helpful. And my second question is about the liquidity. Obviously, you have stated on multiple occasions that liquidity is not really a concern at all. And then of course, you are receiving the dividends. But I'm just trying to reconcile that with the fact that you have upsized the RCF, I think that you also discussed with the banks, I think you mentioned the increasing borrowing capacity. I'm just trying to understand that if liquidity is so ample, why is there a need to add an underlying capacity at the moment?

SFATOS C: You mean about the U.S. specifically?

OSSOWICZ P: Yes. And the RCF?

CHRYSOS A: First of all the 2 RCFs currently are cancelled, I mean, with the Greek banks, so we…and as we have already said in the past, our target was to increase the available lines. And this is what we did with the Bank of America. You know in a region where it is not necessary, but as we speak, because the business is already producing solid cash flows, however, we need to have a fire power available should an opportunity arise and this is what we did. So this is why we focused our efforts in this specific region of the world, because there may be the need. But the overall strategy of not increasing our leverage still remains.

OSSOWICZ P: Okay. And so, given what you mentioned about the Greek RCF being cancelled, can you give us an update on how the negotiations with the banks are progressing?

SFATOS C: No, we cannot give you an update right now. Because we have said many times, that our primary concern is to remain on target with our goals and try to create the savings within our perimeters, first of all, not to increase our debt anymore. What you just asked about the U.S. RCF and was answered is that this is part of our strategy to increase our liquidity buffer. We're reversing the negative trend of cash burn, which was a primary concern for the company, for the shareholders, for the analysts. And we are increasing the liquidity buffer, because this has been a concern before the analysts and with the business, of course.

OSSOWICZ P: So…but the…are the Greek RCF still available?

SFATOS C: We are…

OSSOWICZ P: Or is that…?

SFATOS C: We said that the old covenants do not hold. And we are looking into a discussion on how to restore those under the proper terms, something that we can support and something that fits the agenda of the banks.

OSSOWICZ P: And is there a timing for this process?

SFATOS C: There's nothing that we can share at this point.

OSSOWICZ P: All right. Thank you.

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

COPE J: Hi, good afternoon. Just kind of getting back to the Bilyoner contract. I was wondering if you can kind of give us any kind of detail. I mean, have you have you been in discussions with the Turkish government in any way? Because I mean, with the Spor Toto license, I remember there was a delay there. And then, I think the market was taken a little bit off guard by you guys losing the contract. How could you kind of reassure us that this contract will be renewed in January?

NIKOLAKOPOULOS N: This is Nikolakopoulos. Yes, you are talking about the contract Bilyoner with the electronic agents, not the main contract with Spor Toto because this contract is something that has been concluded. The other thing is that as Mr. Sfatos said regarding the electronic agents, all of the electronic agents, no matter how or when their license was expired, because there is a timing difference month wise, they…the Turkish Government has decided to renew everyone until the 31st of December. It is our understanding, according to what the Turkish Government Spor Toto has convened to us that after this period, there's going to be a 10-year extension. But for the moment, what we are having for not only for Intralot, Bilyoner I mean, but for every electronic agent, is an extension until the end of the year.

COPE J: Did they give you any kind of rationale for why they would extend it, if they're guaranteeing, it's going to be what they’re telling you its going to be…or they are telling it's going to be extended for 10 years, why not just extend it for 10 years, why would they wait 3 months and then…

NIKOLAKOPOULOS N: There was no specific excuse on this. They said that they would like to see how the market is going to be, you know, transformed and then they are going to decide.

COPE J: Okay. And then just one more, now that you guys have sold Hellenic and Azerbaijan, are there any other assets being other than Gamenet that you considered noncore that you consider selling, and if so, you know, is there any kind of estimate on what proceeds of that sale would be?

SFATOS C: We have mentioned in the past that our strategy or disposals is to dispose these assets at the right price and as you have seen this was the strategy implemented for Hellenic Lotteries. So right now we are not in a hurry to make such disposals. In particular, the Gamenet asset as you have seen has had…and as we mentioned in this call had a stellar performance. They had given a guidance for €160 million EBITDA for 2019, up from €105 million EBITDA. The share price has had 25% increase in the last month, so we value this asset a lot and we are not in a hurry to liquefy it. So at the moment, we do not think that we need to…we are not under pressure to liquefy anymore assets.

COPE J: Okay. Thank you.

OPERATOR: The next question comes from the line of Mittal Simoni with Schroders. Please go ahead.

MITTAL S: Yes, hi. Thanks for taking my question. I had a question around the dividends. Can you provide some guidance as to what would be the cash inflow from dividends for this year and how much dividends are you expecting to pay to minorities this year just taking into the account the different asset sales that you have done so far and the loss of contracts?

CHRYSOS A: You mean for this year, the outflow?

MITTAL S: Yes.

CHRYSOS A: The outflow for this year…so it was for H1 it was €33 million, and the expectation for current year is in the order of €40 million to €42 million as already guided in our previous call this still remains, and the reason is that this dividend distribution is, you know, front-loaded in the year, this is why we do not expect a similar outflow for the year to go and after the disposal of the Azeri business and most probably due to the INTELTEK business for the years to come, the outflow in the years to come are expected to be in the order, again this is something that we have said in the past €25 million to €28 million. Now for this year regarding the dividends that we have received already is in the order of €30 million, and it is expected to be another €6 million to €7 million in the year to go primarily from our Bulgarian business.

MITTAL S: And have you provided any guidance on cash taxes for the year?

CHRYSOS A: No, we haven't.

MITTAL S: So should we expect that to be similar to last year just given your cash outflow from taxes was quite low in the first half.

CHRYSOS A: Hold on a second, let us take a few minutes in order you know, to reply on this taxes. Okay, in half two, it is going to be an almost identical figure, I mean, in our perimeter okay? So we are talking about the shareholders of the parent view not the consolidated figures. So it is around €3 million and it is expected to be another €3 million, so about €6 million full year, €6 million to €7 million expectation.

MITTAL S: Okay. Thank you. And just lastly with regards to the inventory purchases that you made, for what projects were they made for, please?

SFATOS C: Sorry, your line is not very clear. Can you repeat?

MITTAL S: Yes. So you made inventory purchases for…of about €4.4 million in the first half of this year. Can you just remind us what project this was related to?

CHRYSOS A: Oh, working capital you mean?

MITTAL S: Yes, it is on your cash flow statements and you know the chart.

CHRYSOS A: Okay. This line was including the terminals that we had procured for our contract in Turkey which finally these terminals were guided primarily towards the NLO contract and to a lesser extent to Peru so this is why…but still there is an amount in inventories related so this is it, it has not fully…it is not fully unwinded, it still includes some inventories from these projects which are not invoiced yet.

MITTAL S: Okay. Thank you.

OPERATOR: We have a follow up question from the line of Kogge Maxime with ODDO. Please go ahead.

KOGGE M: Yes, 2 quick questions to follow-up. First, when you sold your stake in Hellenic Lotteries, you said that the sale went with renegotiation of the contract. So can you provide the impact on your EBITDA associated with the sale on your Greece EBITDA, that's the first question. And the second question is on Argentina, what's your view on the current situation? How is your activity down there affected by the turmoil? And can you or you still able to obtain cash from Argentina given the capital controls are now frozen. Thank you.

SFATOS C: On Hellenic lotteries, we will be hearing more details after the deal has closed, it's on track. The impact for 2019 in terms of the contract will not be very significant, that's all I can say at the moment. More details when the deal closes, but overall, I have to say that our feeling is that was a very good deal and a very good agreement we have with OPAP on the terms of this transaction.

Now, on Argentina, you probably refer to the capital control situation, that's very recent, it's just…it was just imposed today…starting today. And we have to see how it's going to work, like every capital control situation, it's a restriction. But, there will be a mechanism through which given enough time and following the procedures, there will be an opportunity to move the cash in another country, but it's a very recent situation and we have to see how to deal with that, we don't expect any immediate or material impact on our cash position.

KOGGE M: Okay. Thank you.

OPERATOR: The next question comes from the line of Kawada Peter with Imperial Capital. Please go ahead.

KAWADA P: Hi, thanks for taking my call. Recently there have been a couple of negative articles in the Washington Post about the company and the award of sports betting contract in D.C. I just want to get your thoughts on those articles and whether you are worried about the sports betting contracts to get potentially rescinded by the D.C Council, if you could just comment on that?

SFATOS C: Yes. Thank you very much for given us the opportunity to respond to this, because the articles really we feel that misrepresent the situation there, and I would try to be a simple as possible on this one. We have been present in Washington D.C for 9 years now, and we have a record of results of who we are, what we do and how much growth we have brought the lottery under the existing scheme with the same partner, with the same structure, with the same people, even better technology now. So, I hope you will understand that we are drawn to a debate, we don't deserve to be in this debate, we have proven who we are, we didn't just appear and there is a doubt about who we are and what we can do.

So, I would say that these articles have more to do with the political situation than with the business itself. And we don't take sides, we are on nobody's side, we are just a company doing our job for the benefit of the State Lottery like we do elsewhere, very visible, very transparent, we are a very well known brand in the United States and worldwide. So, all these articles are trying to create some suspicion or some…that something is not clear or not transparent enough. The fact that a lottery chooses to renew a contract with its existing supplier is something quite common in the United States for all the known-reasons, same infrastructure, familiarity, no transition impact et cetera. These are elements of our business, which are very well known in our business. Plus we are the first supplier, who is pushing so hard for sports betting model based around the State Lottery. So, there is only reasons to be proud about this contract apart from its material impact and the future revenues and contributions of the EBITDA for us. But, overall, we have proven who we are and these articles have more to do with the political process in the district than who we are and the concerns about us.

KAWADA P: But, is it true that VSC Corp. is just a shell Corp and has no employees or does that…is that inaccurate?

SFATOS C: This partner, our partner is the same partner that we had for the past years. So, the role is exactly what is required by the legislation of the State. The job is done by the joint venture, this is the operational vehicle. There is nothing unknown or unclear about this. The operating vehicle is DC09. And it has employees and it has capacity and has delivered 500 million of net income for the State in the last 9 years. There is nothing unclear about that. I repeat there is political issues which we are not part of and we don't want to be part of.

KAWADA P: Okay. So, you are not worried about the contract getting…?

SFATOS C: Coming from a legislation point of view, we have been vetted for 9 months and this has been concluded with the highest legislative authority of vote in the Council. So, there is no legislative process to reverse that.

KAWADA P: Okay. Thank you.

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

SFATOS C: We would like to thank you all for attending this call and for all the questions and for your continued interest in our company and we would like to quote our Chairman and CEO in the closing statements about these results:
"The H1 results, although still observing the business impact of last year's negative development, reflect improvements in operating cash flows and liquidity by successfully implementing our three pillar strategy for operational improvements, new business and non-core asset disposals.

We successfully completed the delivery and transition to the LotosX new central system for our historic client OPAP in July and came to an agreement with OPAP for the disposal of our 16.5% participation in Hellenic Lotteries for a total consideration of €20 million. The renewal of our contract with the D.C Lottery to include sports betting and the award of a new sports betting contract in Morocco demonstrates INTRALOT'S readiness to tap fresh opportunities with cutting edge new technological solutions".

So with this statement, our Chairman and CEO, the financial team and the management would like to thank you and conclude this call.