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"Third Quarter 2019 Financial Results" Conference Call

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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 Third 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 on this conference call for INTRALOT's Nine Month 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. Regarding the agenda, we will start with an update on the guidance topics we have been providing throughout the year, then briefly review the financial results and the main areas of focus for the 9-month period. And after that, the INTRALOT team will be at your disposal for the Q&A session.

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. So before proceeding with the briefing of the nine month financial results, we will provide a quick update on the main areas of our focus and guidance we have given in our previous communications.

Starting from the most important one, which is the liquidity, the completion of the sale of our stake in Hellenic Lotteries as well as the expected finalization of Gamenet disposal within December, in combination also with the disposal of our Polish business at the beginning of this year complete our program of non-core asset disposals as promised as part of our three-prong strategy.

What is equivalently important, however, is that these asset disposals were in line with our expectations about a fair pricing of the planned transactions, which was the main target communicated to the market at the beginning of this year when shaping this strategy. Having said that, these transactions combined will add up more than €100 million of immediately available cash in headquarters perimeter, exceeding by far the target we have set at the beginning of this year for a liquidity buffer of immediately available cash in the order of €75 million to €80 million throughout the year.

Apart from the above-mentioned proceeds stemming from the disposals activity, it is also important to refer to the operating cash flow improvement versus last year by around €15 million as a result of prudent cash flow management efforts, which supported also the liquidity levels.

For the nine month period, the immediately available cash amount was €85 million, as shown in the MD&A Page #10, and is expected to exceed €150 million by year-end, when the proceeds from Gamenet disposal will have been collected. This is the amount of cash at headquarters perimeter and operating entities excluding the cash that resides in partnerships.

This level of cash gives us the comfort to support our liquidity in the short to medium-term, ensure fulfilment of all our obligations and mainly support our new project schedule, but also provides us sufficient time to realize the effects of the second pillar of our strategy, which is the cost containment program we have started after Q1 of this year in the order of €10 million annualized savings.

On this front, we are now in a position to say that the first good signs of this target can be seen on the CAPEX spending, which is considerably lower by around €10 million compared against last year's respective period. The savings will be realized initially through the CAPEX spending and gradually through the headquarters controlled OPEX from 2020 onwards.

The third pillar of our strategy we communicated at the beginning of this year, related to the winning of new businesses, is also on track mainly through the signing of the new sports betting contracts with our existing clients in the U.S., the most recent of which is the extension of our contract with New Hampshire Lottery Commission to provide sports betting solution in the state. Part of these contract's benefit is expected to be realized within 2020, and we shall be able to share more feedback in the guidance we will give for next year's expectations. Having said that, our main focus on this front for the foreseeable future will be the markets of North America, namely the U.S. and Canada.

Another important point that we need to address is the performance of our flagship contract in Illinois, which is now contributing around \$4 million to \$5 million per quarter, more or less in line with our expectations. A third point relates to the proportionate EBITDA, which for the nine month period stands at €54 million, and our guidance for the six month period results was that this figure will be in the order of €75 million to €80 million for 2019. Our current view is that this will be in the order of €65 million.

The main variances come from the markets of Turkey and the U.S. More specifically, regarding Turkey, there was a structural change in the market. There are continuous uncertainties about the new online landscape with Bilyoner having a rough start. Within this competitive environment, we faced an increased OPEX spending mainly in the areas of marketing, but also on the technological front as to adjust to the needs of the new landscape and dynamics in the market. This relatively liquid situation is expected to become more predictable by the end of this year when the regulator reveals their final intentions about license renewals and fees. However, per our current view, this year is expected to have a deficit of around €5 million compared to the expectations we had in mid-year results.

In relation to the U.S. entity, we are working on curbing the excess operating expenses, mainly stemming from the two biggest contracts, Ohio and Illinois, as well as the preparations for the new sports betting era.

However, as part of next year's budget, the major initiative will be the formation of a strategy for the U.S.; similar to the one adopted in 2019 for headquarters for cost optimization initiatives. In relation to the CAPEX guidance, it still remains at a level of €55 million to €60 million.

One last important thing to mention is that the credit facility in the U.S. continues to be in a declining trend, standing at $13 million in September 2019 versus $15 million in June 2019, consistent with our commitment for a lower gross debt in evolution.

Although we shall be able to share more details for next year's targets in our call for the full year 2019 results, we would like to give a flavour of our areas of focus for next year operational wise. So apart from the focus we will give on the successful implementation of the new contracts in our pipeline, particular focus will be given on the CAPEX, which shall be decreased by €10 million to €15 million compared to current year's expected levels committed to our plans for a lighter investment model as part of our product's maturity, with the main focus to be given on better servicing our clients' needs.

In principle, however, a lower CAPEX will be the first major target for next year. Secondly, but equivalently important, will be the focus on OPEX optimization in several operations, such as the U.S., in which we think there is room for improvement on the cost side. So a similar program as the one we prepared for headquarters in 2019 is already being prepared and will be implemented for our other OPEX-heavy entities and primarily the U.S.

And with this brief, we will now focus on the nine month 2019 financial review. So in brief Q3, 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. On the contrary, against last year, but also against previous quarter, Q3 was negatively affected by Turkish operations both from the impact of the lost contract of INTELTEK from 28th of August onwards, but also from the dent at Bilyoner as already referred previously.

Apart from these effects, the performance of our Bulgarian entities attributed to the intense competition as well as our Argentinian companies due to the macro environment, but also our Moroccan subsidiary's performance due to the SGLN contract loss further contributed to the negative EBITDA variance versus respective period a year ago. Especially in Bulgaria, which traditionally is a very important market for us, the intense competition has created some pressure in our financials and we are currently in the process of designing a new model to support the business, cope with the particular market specifics efficiently, and return to growth trajectory.

In the nine months of 2019 specifics, while moving on to Page #9, we see that the GGR posted a decrease of around €11 million in the nine months 2019 versus a year ago, primarily coming from the markets of Greece, Morocco, Argentina and Turkey. Starting from Greece, the deficit of €11 million comes primarily from the new OPAP contract terms; Morocco lower by €2 million due to the discontinuation of the SGLN contract; Argentina lower by around €13 million, primarily an effect of the macro environment; while Turkey was lower by €4 million attributed both in FX headwinds but also on the effects mentioned already after the introduction of the new sports betting era.

On the other hand, the U.S. subsidiary, primarily through the introduction of the Illinois contract, counterbalanced the around €30 million deficit by €19 million; gross profit margin lower by 2.2 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 2.2 percentage points year-over-year as well as a result of the above-mentioned 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 revenue in Q1, but also due to the excess expenses mentioned already.

Lastly, the increased marketing expenses in Turkey attributed mainly to the increasing competition in the online market further deteriorated the EBITDA margin. All in all, the above effects drove to a lower year-over-year EBITDA by minus €19.3 million or around 20%.

Diving a bit deeper on this variance, the positive variances in the markets of the U.S. and the Netherlands by €7.1 million and €4.9 million, respectively, only partially managed to recover the deficits from Greece by €14.7 million, Turkey by €7.7 million, Morocco by €5.4 million and Argentina by €4.3 million.

At EBT level, apart from the EBITDA variance of €19.3 million, the rest variance of €13.7 million was primarily the effect from 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 contributing minus €14.6 million, since the worse net interest results by 4.7% due to the lower income from bank deposits, the worse FX results by €4.4 million and the higher impairments mainly due to INTELTEK's contract discontinuation post August of 2019 by €3.7 million were counterbalanced by the positive impact of the Hellenic Lotteries disposal and the bonds buybacks program by €8.2 million, as well as the share of profit from the equity method consolidation of associates by €5 million.

Moving on to the next page on the bottom left of the slide, we see that the operating cash flow was improved substantially, as already mentioned, versus last year by around €14.5 million and on a continuing basis, excluding the discontinued operations of Azerbaijan and Poland, operating cash flow year-over-year is better by €22.2 million. The main reason behind this improvement has been the better working capital by more than €36 million managing to fully counterbalance the negative EBITDA variance.

Diving deeper to the elements of working capital, the non-existent in current year of a long due interest-bearing liability repayment, the lower inventory purchases, the advanced payments we received for our projects in the Netherlands and in Canada, as well as the positive timing variance from the withholding tax payments in our Turkish entity, Bilyoner, have been the main contributors to this improvement. In line also with our guidance for the year, we see that the net CAPEX is reducing substantially year-over-year by around €20 million, a trend that we expect to continue and is a combined effect of the lower maintenance CAPEX as our products are maturing mentioned already, but also the lower CAPEX needs as our big projects are delivered and especially after the excess spending of previous year primarily in the U.S.

The result of the above-mentioned operational performance, but also investing activities, has led to a net debt movement presented in detail in Slide #11 increased by €18.7 million versus 2018 closing, mainly impacted by the IFRS 16 adoption, the leftovers from our U.S. growth CAPEX, but with a continuously declining trend Q-on-Q, and the impact of the excess dividend distributed post Azerbaijan sale that occurred at the end of previous year, plus some low scale inventory purchases for new projects.

All above variance affected negatively the net debt by €57 million, while the disposal of the Hellenic Lottery stake and our Polish business at the beginning of this year to a very large extent mitigated this deficit. What is more, the collection of the Gamenet sale funds expected within December will lead to net debt level considerable lower compared to the respective closing figure of last year.

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

Q&A

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

WOLFGANG F: Yes, hello, thank you very much for taking my questions. My first one would be regarding your EBITDA in your JVs. You've spoken briefly about Turkey and Bulgaria already, but could you tell us perhaps a little bit more about the EBITDA levels in those areas? I think there are 4 or 5 big ones remaining now with the company. If the level of EBITDA is now materially lower than it has been in the past?

CHRYSOS A: Okay. Regarding the…when we are talking about…you mean some further analysis on the EBITDA of the nine month period? Is this what you mean?

WOLFGANG F: Yes. I was looking at your EBITDA and sort of trying to subtract out the nine months EBITDA from a shareholder of the parent's perspective from your, what do you call it, your proportionate EBITDA and then subtracting the first six months of each, that leaves me with very little income with some €2.4 million or so for your JVs, for Eurofootball, T Acción, INTELTEK, Bilyoner, etc?

CHRYSOS A: Okay. The main variance in the EBITDA of Q3 versus Q2, this is something that we mentioned already, are the Turkish entities.

WOLFGANG F: Ok.

CHRYSOS A: So in the first 2 quarters of current year, the Turkish entities had an important contribution, which after the termination of the INTELTEK contract on the 28th of August plus the new dynamics in the market with Bilyoner had a serious impact on the Q-on-Q contribution of those 2 entities in the EBITDA line. So to give you a view, the Q-on-Q variance, negative variance, from these 2 entities were in the area of €6.5 million, I mean the Turkish entities. So this is the major variant compared. So if you're trying to reconcile Q-on-Q, the EBITDAs of the JVs, the major variance here are the Turkish entities.

WOLFGANG F: Okay. Thank you. And what is the new dynamic, please, about Bilyoner? And from INTELTEK, will there be any further costs now coming or is…was that it?

CHRYSOS A: Now regarding INTELTEK, we are at the final stage of completing the process post in the new era without the contracts, so there are no major expenses moving forward. I mean the major part has already been completed. And regarding Bilyoner, it's quite a liquid situation there. So we need to see what happens at the end of the year. We think that by then, we shall be able to share more views on that because currently, it's not clear for us as well. So I think we shall be able to share more information in the next call when we will present the full year of 2019 results. So we do not want to elaborate further there because we have no clear view, and we need to see what happens there.

WOLFGANG F: Okay, understood. My other question is maybe a bit more general or so, but forward-looking in the broadest sense, how do you…if you're now looking forward to maybe some 60…was it €65 million now for this year in terms of EBITDA?

CHRYSOS A: Yes.

WOLFGANG F: And how can you build a bridge from that to, I think the original sort of idea of, say, €90 million, €95 million for next year?

CHRYSOS A: The guidance at the beginning of this year was €85 million to €90 million. We had a deficit of around €20 million from this figure that we gave. The 2 major companies that contributed on this is a) the U.S. which we have already said a few things on that; the Bilyoner, which is, according to our view right now, is something that we did not know when we were providing the guidance mid this year. So I think that these two are the most important…and some smaller like the Bulgaria we mentioned already, but I think that the …you know… what you need to keep here are these 2 entities. So we need to see what happens with Bilyoner. I'm not talking about INTELTEK because INTELTEK more or less was known, so it was something that we were calculating when we were giving the guidance.

So it's primarily Bilyoner and the U.S. and another important thing that I think you need to keep here is that, especially for the U.S. after the turbulence we experienced this year with the introduction of a landmark project of Illinois plus the new era in Ohio, which also consumed some important… had some important expenses requirements, currently, we are in the process, and it is a strategy for us for next year, you know… to make some adjustments on the cost side. There are various areas.

Let me remind you that the U.S. is a €90 million OPEX-based business. So we think that there is room for improvement over there. And this is something that we are currently planning. And of course, we will be able to share more with the investment community when we give the guidance for 2020 expectations and targets.

WOLFGANG F: Right. Okay. And then last one, you've announced New Hampshire has a new contract that you've closed. I believe that was one of the 6 that you've announced over the last 12 months, roughly. How should we think about perhaps the closure and rollout of the other five?

CHRYSOS A: Sorry, but six is a number we cannot confirm. We have already mentioned the signing of the contracts with Washington D.C., which is currently being implemented. The second one is the Montana, which is another contract that we are going to have within H1 2020. The

New Mexico, of course, which is the first one that we signed, I think, at the end of last year. And the recent one is New Hampshire. These are the announcements that we have made regarding the U.S. So maybe you are referring to the Croatian contract as a fifth one, which, again, yes, this is on track, this is a contract that is being implemented. Maybe the Morocco one, which is, again, a contract that will go live at the beginning of 2020 with our client, La Marocaine des Jeux.

And last but not least, the one that we have in Canada with BCLC, it's in line with our commitment in our guidance that we will focus in North America. So we have the BCLC contract, which…this also is being implemented as we speak, and we are on track of this also. So I don't know if I covered your question, but these are more or less the developments on the business development and with new contracts already.

WOLFGANG F: And together, how much volume do you think of EBITDA do you think you can generate across the contracts? Maybe one by one...

CHRYSOS A: The thing is…okay, first of all, they're not going to be mature within 2020. So part of it is expected to have it…to have part of them are expected to go live and have part of the benefits in 2020. I think it would be…it's not a good timing to provide guidance on this. I think a better time to provide more guidance on the new contracts will be in the next call when we will provide the guidance for the 2020 figures. There we will be able to share some more numbers and expectations in 2020 because as you understand, currently, we're in the process of preparing our budget for next year. So everything it is liquid. So we do not wish at this point of time to provide guidance regarding these contracts. But next time, we will be able to share you know…more feedback.

WOLFGANG F: Okay. Thank you very much.

CHRYSOS A: You're welcome.

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

KANDALAM J: Thanks for taking my questions. Just wanted to go back to the question, which was posed earlier regarding the kind of bridge between 2019 and possibly 2020. In fact, let's say, that whatever the issues, which are caused by the Turkish market, you at this point in time, you have not given us quite, I mean, clarity, but at least it seems like 2020 might remain affected by that to a degree as well.

So just we're trying to understand that just by looking at the cost side, would it be fair to even think that a number close to €100 million EBITDA…I know you haven't made your budget, but is it fair to even think that €100 million EBITDA in the next year would be an achievable target? Or is it stretching yourself a bit too much from €65 million the number you've re-guided to, about €35 million is the variance, so...

CHRYSOS A: I think the EBITDA of €100 million for next year, it is feasible, but depends you know…on a number of factors that we need to implement. It's difficult, but it's doable, is the answer right now. But we will be able to provide more feedback in our next call. But a quick answer is that although it's difficult, it is doable.

KANDALAM J: Right. Thanks for that. But the reason I am asking is also to try to understand how your cash flow would be looking, you know, till now we've been only seeing a lot of cash burn and you've been doing some good work on the working capital front and I'm assuming that's going to sustain for the next year or so. But even so, I'm just...it's hard to actually try to see any free cash flow coming through organically, and you are just…and you just also mentioned that your disposal program...non-core disposal program is also kind of like complete.

So just trying to see how you are going to actually support organically all of this...all the business and the capital structure. And I understand that probably you might want to give a better guidance going forward, but it's just very little information to really work with at this point in time, especially where you see the bonds trading. So I don't know if you can give us some more clarity on refinancing or cash flows or something like that, but it would be great if you could throw some light on that.

SFATOS C: Okay, let us give some answer to these questions. The cash burn and the liquidity are very important issues, very high on our agenda. As you can see there is improvement in the operating cash flows and there is a huge improvement in the available cash, especially as we move to the end of the year when the Gamenet proceeds will arrive. So in terms of liquidity we have improved our position a lot, in terms of operating cash flows, we have improved and a lot of the maturing initiatives on the cost cutting side will also contribute in that direction. So this is an issue of high importance. You understand that we are coping with a situation in which we are trying to mitigate the losses of contract and to gain all this ground that we have lost from the contracts that we have lost. So that's the priority for us.

Also, we have announced that CAPEX and it was mentioned in the comments by the CFO, Mr. Chrysos, that we are aiming at much lower CAPEX figures this year and as we move forward into next year. So between a decrease in OPEX and decrease in CAPEX this will result in savings that will reduce and hopefully eliminate the cash burn.

SFATOS C: Now, about the capital…

KANDALAM J: Okay.

SFATOS C: Yes, we have said that…well, you have all seen that we have resisted raising new debt this year and that we are still committed towards the goal of deleveraging, net debt will be significantly lower at the end of the year. But in terms of how we address the overall capital structure we have committed to reveal our plan by March 2020 when the time the market expects full answers from us going forward. We have a lot of work in that direction, we are very conscious of the deadlines that we have to meet and we are confident that we will be able to meet those deadlines in presenting our plan.

KANDALAM J: Alright. Okay. Thank you very much.

OPERATOR: The next question comes from the line of Neill Ian with Alchemy Special Opportunities. Please go ahead.

NEILL I: Hi, guys. Can you just try and clear up what's going on in the U.S. for me, please? Because I think on the one hand, you said Illinois has ramped up as expected now delivering $4 million to $5 million per quarter, but also U.S. is underperforming because of costs getting out of hand. So that's obviously happening outside Illinois. So what's really going on?

SFATOS C: Hi, Neill, very good question. As you have all, I'm sure, aware there has been the delay of the sales of the machines in Ohio which is one reason why we are not meeting the target, plus increased expenses in the OPEX of H1. So in addition to these two factors which affect the results so far, we are now setting a priority in a cost review of our operating expenses in the United States. So we will be able to make a plan and deliver some results there. We have identified some opportunities, while we're working on boosting the business and maturing the sports betting opportunities there will be costs related to those opportunities, but there will be revenues coming in.

So we are addressing this issue again, by applying special measures to reduce the cost. Costs will be more predictable as of next year because major projects with capital intensive… capital expenditures, such as Illinois and Ohio are no longer in the pipeline. There are projects that are maturing. The project in Canada does not have this kind of CAPEX requirements. It is pure revenue that will be arriving. So these are going to be the factors that will assist us in meeting the full potential of the U.S. business.

NEILL I: Okay, thanks.

OPERATOR: The next question is from the line of Doerane Thomas with Oak Hill Advisors. Please go ahead.

DOERANE T: Hi, good afternoon. Thanks for taking my question. I have two questions. The first one on the U.S., you...coming back to what has just been mentioned right now that you're working on cutting the excess operating expense, I understand that some of them are the result of Illinois, but can you please explain on the nature of these extra costs, were they...were these one-off and also, can you...are you able to quantify them?

SFATOS C: There are a lot of them that are one-off. There are some others which are more systemic that have to do with the way we are providing the field support there and the day-to-day management. The ones that are one-off are in excess of €10 million this year. So that gives you an idea of the overruns that we had to deal with this year. These expenses will not be there the next year.

DOERANE T: And when you say this year, the €10 million, this is including Q4 I assume or it's just nine months?

SFATOS C: Yes. No, Q4 will be much better in the U.S., in terms of the OPEX.

DOERANE T: Okay. And then my second question is on INTELTEK. What is the current cash balance at the end of the quarter and do you expect any further cash distribution?

CHRYSOS A: Okay. Let us check because we do not have it by heart. If there is another question we will get back on this. Is there any other question?

DOERANE T: No, other question.

CHRYSOS A: Okay, let us follow the queue, and we will get back on this in a while.

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

KOGGE M: Yes, good afternoon. You did some bond buybacks targeting the 2024 issue in Q3 and in Q4. Can you give us potential budget for further buybacks? And why did you choose 2024 and not the 2021, given that the 2021 as your coupon, obviously buybacks would also make refinancing of the '21 easier.

SFATOS C: We have always said that we may do occasional buybacks and we repeat it in this statement today. We thought that the price was attractive, and that was a good use of our cash at this point, showing commitment to the company, reaping the benefit of the discount and contributing to the goal of deleveraging. That's the full answer.

KOGGE M: Okay. And if I calculate well, your EBITDA in Turkey was negative in the third quarter. So can you guide for a normalized pace of quarterly EBITDA in the country from Q4, possibly from 2020?

CHRYSOS A: 2020, it's too early. First of all the INTELTEK you know, is not going to be there. Regarding the Bilyoner, I think we have already provided some feedback that we need to see what happens at the end of the year. Correct, the EBITDA in the country for Q3 was slightly negative. So we expect a similar, more or less, trend for Q4. But again, we need to see what happens by the end of the year because you know, nothing is certain and bulletproof there. So we need to see.

KOGGE M: Okay. And finally, so is there some market opportunities in Greece for online and also in Rhode Island, I think, on sport betting, can you comment further, I mean, where you are...?

SFATOS C: Rhode Islands, sports betting, no. There is nothing in Rhode Island on sports betting.

KOGGE M: No?

SFATOS C: You're probably referring to something else. There is a hearing about the renewal of the lottery contract there. It's regarding Greece...

KOGGE M: In Rhode Island, yes, I think you are bidding for the renewal of the contract, which is currently with OGT along with Camelot, no?

SFATOS C: No. We are not bidding.

KOGGE M: Okay.

SFATOS C: Not bidding at the moment. And we are not part of the procedure. There are some hearings in the local committee. There is a proposal for a renewal of the contract there and some people are conducting a hearing about opening up the contract. We are not bidding there. Somebody else is bidding with Camelot and they have a lot of subcontractors there. But there is no tender at the moment. This is not an opportunity we are putting on the table.

Regarding Greece, yes, there was a new law that passed on online sports betting and it has been announced that we have an MoU with OTE to form a joint venture, which is in the process of formation. The licenses are not issued yet. There is a standstill period after the law was voted, expecting some approvals and the regulation from the gaming authority. But this is an opportunity that is maturing in 2020.

KOGGE M: Okay. Thank you.

CHRYSOS A: Now, getting back to the question previously regarding the balance in Turkey in INTELTEK. So as of end of September, the amounts of cash was €33 million…so U.S., $36.7 million plus 1.5 million in Turkish lira. So in euros, it is €34 million. However, during October, there was a big program of covering all the obligations with the network, so returning part of the cash that belongs to the retailers. As instructed at...in mid-year, we still remain on this view that at the end, meaning after finalizing all the process of repaying all liabilities in… to the network or the suppliers or the...or within the company, we expect to have a share of €5 million to €6 million returning back to us. This is something that we have said already… after the development of losing the contract, and it still remains. So around €5 million to €6 million will be the amount that will come to headquarters' perimeter after the repayment and the settlement of all obligations of the company.

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

O SULLIVAN B: Hi, guys. Thanks for taking my questions. So you say you've dropped the disclosure of profitability, revenue, EBITDA, cash et cetera, by region in your financial statements. I guess, just one point on that is, obviously, where your bonds are trading in the 50s or whatever, this is probably a time for...that investors are probably looking for more disclosure and not less. And maybe one of the key points and you referred to it a few times in your Q&A today was around the U.S. What was the U.S. EBITDA in Q3? And are you now anyway close to being at the 12-ish million dollar EBITDA on a run rate basis that you need to be...if you are to meet your prior guidance of $50 million a year?

CHRYSOS A: Okay. First of all, Brian, it's not that we provide less feedback. It's because it's a semi-annual, so the info that we have...we are providing is exactly the same as we do in every Q. So the nine month period is anyway a period that it's not, you know, the feedback that we are providing is not so much detailed. So replying to your question about the EBITDA of the U.S. in Q3, it was €7.2 million and it was…Euros, yes, Euros. And it was affected by the expenses that we have already mentioned.

O SULLIVAN B : But…and in terms of you know, where you are today at the start of December, end of November, I appreciate in the rear-view and over the course of the year, you've had a few additional expenditures that you had not foreseen, and what have you...you've mentioned already in this call, a lot of them are one-off in nature. I think you had mentioned something in the order of €10 million.

Are you now at a point in the U.S., where you need to be in the order of 12-ish million dollars, I think that's the guidance you've given, was $50 million, so you need to be at $12 million, $12.5 million a quarter to take your target for next year, so you were not trading at that level of profitability?

CHRYSOS A: No, as we are speaking we don't. And this is why we said that we are in the process of preparing a cost optimization program. Right now, we're not there yet, it's clear. So the deficit is going to be in the order of €10 million, as Mr. Sfatos said already. And we are heading towards a plan… a cost optimization plan that will bring us on track with the commitment that you just said, the $12.5 million business because it is a $12.5

million per Q business in the U.S., but we need to take some action first. But we are not there yet, correct.

SFATOS C: Brian, excuse me. Let me clarify something, because you made a very strong statement about us withholding information and being less transparent. The breakdown by country is on Slide 12 on the presentation, and we have not withheld any kind of data that we have previously provided. So everything is here, I want to make a point here because your point was very strong. So I want to clarify that you see and that you have the information that you need.

O SULLIVAN B: Okay, that's noted. I guess, just on that I mean, look, it would be great to have a bit more granular detail, I guess, going forward. You've got an awful lot of moving parts here between, obviously, the U.S., there are a couple of unforeseen events there, Turkey, Bulgaria and these are some of the countries underperforming. And then, of course, you've got several others that are outperforming. And I guess, we get great color on the calls every quarter, but maybe in more of a written format as going forward perhaps in the quarterly presentations or even in the reports it would be better maybe to get a bit more color. I wasn't...my apologies, I wasn't so much inferring you were kind of withholding information, I hadn't actually observed you...you leave it out every other quarter?

Lastly for me, just on the proportionate EBITDA guidance you've now given for the year for €65 million, does that exclude Gamenet which may be divested by year-end or does that include your contribution? And if so, how much is that worth?

CHRYSOS A: No, it does not include the Gamenet share. Proportionate does not include the share of associates anyway. Yes, you're talking...this is what you are referring to is the adjusted EBITDA. The proportionate EBITDA is the EBITDA of the companies multiplied by our participation in these companies. The adjusted EBITDA includes our proportion from the EBITDA of associates. So the proportionate EBITDA does not include Gamenet...

O SULLIVAN B: Or its dividends or anything. So going forward, we should have no impact whatsoever on proportionate EBITDA from your divestment of Gamenet?

CHRYSOS A: No.

O SULLIVAN B: In line with your current reporting, okay. That’s great. That’s everything from me.

OPERATOR: We have a follow-up question from the line of Wolfgang Felix with Sarria. Please go ahead.

WOLFGANG F: Yes, hi. Just looking to, hopefully be able to go back to Q2, one more time. You had reported there, I think, about €22 million of EBITDA by that time from the shareholder of the parent point of view. And then obviously, providing us with more granular detail by company or at least by region, you said that EBITDA...you've given us various EBITDA figures for Greece which I think was about minus €17 million for

Morocco, which was about €3 million the U.S. and so forth and so on. So eventually, adding it all up for the 2 prior...for those 2 quarters through H1, it seemed to be that the sum of the parts seem to be €8 million lower than the total EBITDA that you showed us from a shareholder of the parent's point of view. Can you remind me what that was mostly about, where that came from?

CHRYSOS A: How much you said?

WOLFGANG F: €8 million.

CHRYSOS A: Okay. The $6.5 million, as I already said comes from Turkey… okay, half of it almost €4 million comes from Turkey.

WOLFGANG F: From Turkey? Of a parent's point of view? I'm going back to the first half of 2019. If you would have said that EBITDA was €22 million from a parent's...from a shareholder parent's point of view. Then Turkey wouldn't necessarily have to count into that, would it or how would it? Maybe I'll ask that question separately...

CHRYSOS A: Sure. Yes, drop an email and we will get back. Apparently, it is not easy to find everything we have.

WOLFGANG F: Yes. Thank you. I will be in touch.

CHRYSOS A: Thank you.

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

KOGGE M: Yes. For the sake of clarity, can you update us on the status of the Washington D.C. contract? There was a lot of go and forth. So I understand now it's completely safe and it should start early next year, no?

SFATOS C: Yes, the contract has been unfrozen from the temporary order and our plan is to launch in Q1 of 2020. And the renewal of the lottery contract will be in effect according to the original dates. There was a plan to initiate the new contract earlier and that's when the TRO appeared. So that was re-amended and the contract will initiate...the new contract will initiate immediately after the expiration of the old contract in March. And in meanwhile, we will launch the sports betting. So that is on track.

KOGGE M: Okay. And there is also a lottery contractor for a renewal in Vermont, I think, is it also...

SFATOS C: Which one?

KOGGE M: In Vermont.

SFATOS C: What about Vermont? Hampshire…New Hampshire is the new contract of sports betting. Vermont does not have sports betting.

KOGGE M: And Vermont is being renewed, no, in the coming months, isn't it? The lottery contract.

SFATOS C: Vermont is a contract that will expire, but that's another story.

KOGGE M: Okay. So no news on this one at this stage?

SFATOS C: No news at this point.

KOGGE M: Okay.

OPERATOR: We have a follow-up question from the line of Neill Ian with Alchemy Special Opportunities. Please go ahead.

IAN NEILL: Hi, guys. Just to clarify something on the U.S., you gave some guidance around the Q3 EBITDA of €7.2 million, I think. Does that include the machine sales in Arkansas, and if so, how big a contributor was that?

SFATOS C: In Ohio, yes. No, this does not include.

NEILL I: Was that Ohio or Arkansas?

SFATOS C: Ohio. We are not in Kansas.

CHRYSOS A: Arkansas.

NEILL I: Arkansas, yes there was an equipment sale in Arkansas in 3Q '19, I think?

CHRYSOS A: No, it does not include...there was an equipment sale, but it was a small one…a small-scale one. The big one that we are expecting is in Ohio. And no, it is nothing there.

NEILL I: Okay, thanks.

OPERATOR: The next question comes from the line of Cowie Simon with Societe Generale. Please go ahead.

COWIE S: Good afternoon. Thanks for taking my call. One question it is on Q3 cash flow. I just noticed…it's a very basic cash flow number, but your funds from operation or essentially EBITDA less interest, less tax and other adjustments was negative for the first time that I've seen in many years. Clearly, obviously that's before working capital and asset sales and CAPEX, but that's unsustainable over the medium term. You're guiding to better results in the U.S. next year. But when can we expect something more solid on the cash flow front, I mean clearly the proceeds from Italy are coming in this quarter, but as you go into next year, I assume you'll want much more robust cash flow. Could you give us some sort of indications that, that is under control? Thank you.

CHRYSOS A: Yes, correct, you're right. I think Mr. Sfatos has already covered more or less this topic. So the program with the OPEX optimization, as we already said, plus our target for a lower CAPEX moving forward. We think that these 2 elements before the new business comes in, this is something that we do not incorporate because in 2020 we expect it to be relatively low, we believe that these elements will be sufficient to stop the cash burn. I think this is something that Mr. Sfatos has already said.

Correct, as you stated that the disposals do not provide sustainability moving forward, but we believe that with the adjustment that we will make on the operational front, plus the decreased CAPEX spending, these two will be sufficient, plus some revenue contribution, of course. But especially from the new projects in 2020 we do not expect them to be in a mature phase. However, they will contribute something as well. So we believe that all these ingredients will lead to a cash flow neutral position even in 2020.

COWIE S: Okay. Thank you. So is it fair to say that next year is all about the business and its performance and the cash generation, not about asset sales anymore, not about anything around contracts so much, you know, that's been...there's been a lot of noise around contract losses through this year, asset sales has helped mitigate that. Is next year all about the operating performance of the business?

SFATOS C: Correct.

COWIE S: Okay. Thank you very much.

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: We would like to close this call thanking everyone for participating, and just read the statement from our Group Chairman and CEO, Mr. Kokkalis, about the Q3 results: "Summarizing our strategy in third quarter, we continued progress on our strategy to mitigate the impact of contract losses by means of our three-prong strategy of cost reductions, winning new business and the disposal of non-core assets.

We are particularly satisfied about the award of the new U.S. sports betting contract for the lottery of New Hampshire, which is an important step for our growth strategy in the United States and for the successful sale of our stake in the Italian sports betting operator, Gamenet, for a total consideration of €78 million, that will offer a strong boost to our cash position and a reduction of our net debt in the financial year 2019 results."

And to this note, we thank everybody for your participation.