Overview

We are a global leader in the supply of integrated gaming systems and services. We design, develop, operate and support customized software and hardware for the gaming industry and provide innovative technology and services to state and state-licensed lottery and gaming organizations worldwide. Since our establishment more than 20 years ago, we have developed innovative technological and operating know-how and experience, which are central to maintaining our existing customer relationships as well as winning new contracts. Our long-standing relationships with our customers give us valuable insight into their strategic and other business needs. We operate a diversified and stable portfolio in 57 jurisdictions worldwide. Our business activities range from the provision of customized gaming platforms to full management of end-to-end gaming operations either for our own or other licensed operations, depending upon the market in which we operate. Our games library includes more than 550 games, including lotteries, sports betting, Video Lottery Terminals (VLTs)/Amusement with Prizes machines (AWPs) and racing.

In the Twelve Months period Ended December 31, 2015, we had revenue of €1.914,9 million and EBITDA of €177,2 million on a fully consolidated basis for entities that we control, although we may have minority ownership in some such subsidiaries. In addition, in the Twelve Months Ended December 31, 2015, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 4,0%, 2,1%, 48,2%, 34,4% and 11,3% of total revenue, respectively.

Results of Operations of the Intralot Group

Comparison of the Twelve Months period Ended December 31, 2014 with the Twelve Months period Ended December 31, 2015

Overview

The following table sets forth our operating results for the Twelve Months period Ended December, 2015 and 2014.

Income Statement Information (€ in millions) (audited)	**Twelve Months ended December 31, 2014**	**2015**	**% change**
Revenue	1.853,1	1.914,9	3,3%
Less: Cost of sales	-1.582,9	-1.653,3	4,4%
Gross profit	**270,2**	**261,6**	**-3,2%**
Other operating income	18,6	24,9	33,9%
Selling expenses	-60,3	-66,4	10,1%
Administrative expenses	-119,9	-125,0	4,2%
Research and development expenses	-7,2	-6,1	-15,3%
Other operating expenses	-13,3	-10,0	-24,8%
EBIT	**88,1**	**79,0**	**-10,4%**
EBITDA	**175,4**	**177,2**	**1,0%**
Income/(expenses) from participations and investments	0,0	-0,2	n/a
Gain/(losses) from assets disposal, impairment and write-off	-1,5	-2,0	33,3%
Interest and similar charges	-70,8	-68,6	-3,1%
Interest and related income	12,5	18,0	44,0%
Exchange differences	10,6	3,6	-66,0%
Profit/(loss) equity method consolidation	-2,3	-4,1	78,3%
Operating profit/loss before tax	**36,6**	**25,7**	**-29,8%**
Less: taxes	-44,2	-46,4	5,0%
Net profit/loss from continuing operations	**-7,6**	**-20,7**	**172,4%**
Net Income Attributable to Owners of the Parent	**-49,5**	**-65,1**	**31,5%**

Sales Overview

Total revenue increased by €61,8 million, or 3,3%, from €1.853,1 million in the Twelve Months period Ended December 31, 2014 to €1.914,9 million in the Twelve Months period Ended December 31, 2015.

Revenue by Business Activity

The following table sets forth our revenue for each business activity for the Twelve Months period Ended December 31, 2015 and 2014.

Revenue by Business Activity (€ in millions) (unaudited)	**Twelve Months ended December 31,**		**% change**
	2014	**2015**	
Technology and support services	209,8	204,3	-2,7%
Management contracts	138,3	131,4	-5,0%
Licensed operations	1.505,0	1.579,2	+4,9%
Total	**1.853,1**	**1.914,9**	**+3,3%**

Revenue in our technology and support services line decreased by €5,6 million, or 2,7%, from €209,8 million in the Twelve Months period Ended December 31, 2014 to €204,3 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily due to:

- A decrease in our revenues from OPAP in Greece due to the renegotiation of the relative contract (effective from 01.04.2014) and the impact of the relative Romanian contract.

Revenue in our management contracts activity decreased by €6,9 million, or 5,0%, from €138,3 million in the Twelve Months period Ended December 31, 2014 to €131,4 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily due to:

- A decrease of €10.0m in our revenues from Romania in the Twelve Months period Ended December 31, 2015 compared to the corresponding period in 2014 due to gradual fall-off of the relative contracts in the country.

Revenue in our licensed operations activity increased by €74,2 million, or 4,9%, from €1.505,0 million in the Twelve Months period Ended December 31, 2014 to €1.579,2 million in the Twelve Months period Ended December 31, 2015. This increase was primarily due to:

- a revenue increase of €58.1 million in Jamaica mainly due to the growth in lottery revenues and the positive contribution of two new numerical games.

- a revenue increase of €35.4 million in Italy due to the performance of INTRALOT Gaming Machines related to AWPs, a market that the company entered in April 2013;

- a revenue increase of €25.9 million in Argentina, due to higher sales in the Salta State operation as a result of an increase in POS, the addition of one more game and due to favorable exchange rates;

- a revenue increase of €17.6 million in Peru, mainly due to the growth of the sports betting game that is in a growth phase;

- a revenue decrease of €28.8 in Australia, following the sale of INTRALOT Australia's lottery assets in the State of Victoria in February 2015 and

- a revenue decrease of €46.2m in Azerbaijan, that had a tough comparison with the Twelve Months period Ended December 31, 2014 during which the World Cup took place and negative FX rate changes.

Gross Profit

Gross profit decreased by €8,6 million, or 3,2%, from €270,2 million in the Twelve Months period Ended December 31, 2014 to €261,6 million in the Twelve Months period Ended December 31, 2015, resulting in a decrease of the gross profit margin to 13,6% in the Twelve Months period Ended December 31, 2015 from 14,6% in the Twelve Months period Ended December 31, 2014. The decrease in profit margin is mainly attributed to the renegotiation of the OPAP contract (effective from 01.04.2014), the end of our contracts in Romania by the end of year 2014 and by an increase of the payout.

Other Operating Income

Other operating income increased by €6,3 million, or 33,9%, from €18,6 million in the Twelve Months period Ended December 31, 2014 to €24,9 million in the Twelve Months period Ended December 31, 2015. This increase was primarily due to the growth of the instant ticket services in the US.

Selling Expenses

Selling expenses increased by €6,1 million, or 10,1%, from €60,3 million in the Twelve Months period Ended December 31, 2014 to €66,4 million in the Twelve Months period Ended December 31, 2015. This increase was primarily due to higher investment in selling and marketing initiatives to support the growth in revenue particularly in the online sport betting operations in Turkey.

Administrative Expenses

Administrative expenses increased by 5,1 million, or 4,2%, from €119,9 million in the Twelve Months period Ended December 31, 2014 to €125,0 million in the Twelve Months period Ended December 31, 2015. This increase was primarily driven the new business in US (Wyoming, Ohio and Georgia).

Research and Development Costs

Research and development expenses decreased by 1,1 million, or 15,3%, from €7,2 million in the Twelve Months period Ended December 31, 2014 to €6,1 million in the Twelve Months period Ended December 31, 2015.

Other Operating Expenses

Other operating expenses decreased by €3,3 million, or 24,8%, from €13,3 million in the Twelve Months period Ended December 31, 2014 to €10,0 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily due to the higher provisions and write-offs for doubtful receivables in the Twelve Months period Ended December 31, 2014, partially sett-off by the provision for onerous contracts in the Twelve Months period Ended December 31, 2015.

EBITDA

As a result of the above, EBITDA increased by €1,8 million, or 1,0%, from €175,4 million in the Twelve Months period Ended December 31, 2014 to €177,2 million in the Twelve Months period Ended December 31, 2015. EBITDA margin decreased from 9,5% in the Twelve Months period Ended December 31, 2014 to 9,3% in the Twelve Months period Ended December 31, 2015.

Income / (expenses) from participations and investments

Income / (expenses) on investments and securities increased by €0,2 million, from income €0,0 million in the Twelve Months period Ended December 31, 2014 to expenses €0,2 million in the Twelve Months period Ended December 31, 2015. This slight increase was primarily due to higher net losses from sale of participations and securities partially sett-off by higher dividends income in the Twelve Months period Ended December 31, 2015.

Gain/(losses) from assets disposal, impairment and write-off

Gain/(losses) from assets disposal, impairment and write-off increased by €0,5 million, from losses €1,5 million in the Twelve Months period Ended December 31, 2014 to losses €2,0 million in the Twelve Months period Ended December 31, 2015. This increase was primarily due to the higher impairment losses in the Twelve Months period Ended December 31, 2015, partially set-off by the gain from assets sale in Australia in the same period.

Interest and Similar Charges

Interest and similar charges decreased by €2,2 million, or 3,1%, from €70,8 million in the Twelve Months period Ended December 31, 2014 to €68,6 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily due to savings from bond buybacks and renegotiated letter of guarantees costs.

Interest and Related Income

Interest and related income increased by €5,5 million, or 44,0%, from €12,5 million in the Twelve Months period Ended December 31, 2014 to €18,0 million in the Twelve Months period Ended December 31, 2015, due to higher bank deposits interest income in the Twelve Months period Ended December 31, 2015, as well as by higher default interest income from ODIE settlement in the same period.

Profit/loss from equity method consolidations

In the Twelve Months period Ended December 31, 2015 we had a loss from equity method consolidations of €4,1 million from loss €2,3 million in the Twelve Months period Ended December 31, 2014, mainly derived from of our associate companies in Asia.

Operating Profit before Tax

As a result of the above and due to increased Depreciation and Amortization by €10,9m and lower Exchange differences by €6,9 million in the Twelve Months period Ended December 31, 2015 compared to the Twelve Months period Ended December 31, 2014, operating profit before tax decreased by €10,9 million, or 29,8%, from €36,6 million in the Twelve Months period Ended December 31, 2014 to €25,7 million in the Twelve Months period Ended December 31, 2015.

Taxes

Taxes increased by €2,2 million, or 5,0%, from €44,2 million in the Twelve Months period Ended December 31, 2014 to €46,4 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily attributed to the higher taxable profit in the Twelve Months period Ended December 31, 2015 as compared to the same period of 2014.

Net Profit/Loss (Continuing and Discontinuing Operations)

As a result of the above, net loss increased by €13,1 million, from loss of €7,6 million in the Twelve Months period Ended December 31, 2014 to losses of €20,7 million in the Twelve Months period Ended December 31, 2015.

Net Income Attributable to Owners of the Parent

After deducting minority interests, Net income attributable to the owners of the parent decreased by €15,6 million, from losses of €49,5 million in the Twelve Months period Ended December 31, 2014 to losses of €65,1 million in the Twelve Months period Ended December 31, 2015.

Net Cash Flows

Net Cash from Operating Activities

Net cash from operating activities comprises net profit before tax adjusted for working capital, cash taxes as well as certain non-cash items such as provisions and depreciation.

Cash inflows from operating activities decreased by €39,1 million, or 25,6%, from €152,9 million in the Twelve Months period Ended December 31, 2014 to €113,8 million in the Twelve Months period Ended December 31, 2015. This decrease was primarily driven by the following:

- net profit before taxation decreased by €10,8 million, or 29,5%, from €36,5 million in the Twelve Months period Ended December 31, 2014 to €25,7 million in the Twelve Months period Ended December 31, 2015 as described above;

- depreciation and amortization increased by 12,5% from €87,3 million in the Twelve Months period Ended December 31, 2014 to €98,2 million in the Twelve Months period Ended December 31, 2015.

- the effect of provisions on cash flow was positive €10,8 million in the Twelve Months period Ended December 31, 2014 and positive €9,6 million in the Twelve Months period Ended December 31, 2015.

- changes in our working capital, which led to a cash outflow of €42,0 million in the Twelve Months period Ended December 31, 2015, compared with a cash outflow of €0,6 million in the Twelve Months period Ended December 31, 2014;

    - In particular, there was a decrease of €1,2 million in inventories in the Twelve Months period Ended December 31, 2015, compared to an increase of €5,2 million in the Twelve Months period Ended December 31, 2014.

    - also there was an increase of €19,3 million in receivables in the Twelve Months period Ended December 31, 2015, compared to a decrease of €14,9 million in the Twelve Months period Ended December 31, 2014.

    - also there was a decrease of €23,9 million in payables towards our suppliers in the Twelve Months period Ended December 31, 2015 compared to a decrease of €10,3 million in the Twelve Months period Ended December 31, 2014.

- income tax paid slightly decreased by 2,8% from €29,0 million in the Twelve Months period Ended December 31, 2014 to €28,2 million in the Twelve Months period Ended December 31, 2015.

Net Cash from Investing Activities

Cash flow from investing activities generally consists of cash outflows for investments in tangible and intangible assets as well as interest and dividends received.

In the Twelve Months period Ended December 31, 2015, net cash outflows from investing activities was €59,8 million, which was an increase of €14,9 million, or 33,2%, from outflows of €44,9 million in the Twelve Months period ended December 31, 2014. This increase is attributed to an outflow of €5,3 million for (Purchases) / Sales of subsidiaries, associates, joint ventures and other investments in the Twelve Months period Ended December 31, 2015, compared to an inflow of €7,5 million in the respective period of 2014 due to the capital return form Hellenic Lotteries in 2015 partially set-off by Bit8 and Intralot Inc shares acquisitions, to an inflow of €2,1 million for proceeds from sales of tangible and intangible assets in the Twelve Months period Ended December 31, 2015, compared to an inflow of €0,3 million in the respective period of 2014 due to the assets sold in Australia in 2015, to an inflow of €12,3 million for interest received in the Twelve Months period Ended December 31, 2015, compared to an inflow of €13,6 million in the respective period of 2014, to an inflow of €1,9 million for dividends received in the Twelve Months period Ended December 31, 2015, compared to an inflow of €1,0 million in the respective period of 2014 due to the dividend received from Hellenic Lotteries in 2015 and to higher capital expenditures, as mentioned below.

Our capital expenditure in the Twelve Months period Ended December 31, 2015 reached €70,8 million while in in the Twelve Months period Ended December 31, 2014 reached €67,3 million. A substantial part of this increase is attributed to the new business in the US, product development costs, and one-off restructuring and relocation costs.

Net Cash from Financing Activities

Net cash from financing activities comprises net cash proceeds from financing arrangements as well as cash interest and the payment of dividends to our shareholders or to minority interests.

In the Twelve Months period Ended December 31, 2015, net cash outflows from financing activities was €182,3 million, compared to net cash inflows of €157,0 million in the Twelve Months period Ended December 31, 2014. This increase of net cash outflows from financing activities consisted of a €296,0 million increase in net cash outflows from financing arrangements mainly due to a drawdown of the syndicated facility in the Twelve months of 2014 and higher repurchases of the 2018 and 2021 Notes in the Twelve months of 2015, lower interest payments by €1,3 million in the Twelve months of 2015, as well as the higher dividends distribution, in the Twelve months of 2015, to minority interests amounting to €44,0 million, and finally outflows of €0,4 million for treasury shares purchases in the Twelve months of 2014.