INTRALOT Group

MANAGEMENT'S DISCUSSION & ANALYSIS

of our financial condition and results of operations
for the period 1/1-31/12/2019

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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 44 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.
In the twelve months period ended December 31, 2019, we had revenue of €720,6 million and EBITDA of €87,8 million on continuing basis for entities that we consolidate, though we have minority ownership in some of such subsidiaries. In addition, in the twelve months ended December 31, 2019, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 6,3%, 1,4%, 58,2%, 27,7% and 6,4% of total revenue, respectively.

Results of Operations of the INTRALOT Group

Comparison of the twelve months period ended December 31, 2018 with the nine months period ended December 31, 2019

Overview

Income Statement Information (€ in millions) (audited)	Twelve months ended December 31, 2018	Twelve months ended December 31, 2019	% change
Revenue	784,4	720,6	-8,1%
Less: Cost of sales	-626,4	-594,6	-5,1%
Gross profit	**158,0**	**126,0**	**-20,2%**
Other operating income	15,6	19,5	25,0%
Selling expenses	-35,8	-40,2	12,2%
Administrative expenses	-71,1	-78,6	10,6%
Research and development expenses	-3,7	-3,8	2,7%
Other operating expenses	-10,0	-17,8	78,0%
EBIT	**53,0**	**5,1**	**-90,4%**
EBITDA	**117,7**	**87,8**	**-25,4%**
Income/(expenses) from participations and investments	2,4	16,8	n/a
Gain/(loss) from assets disposal, impairment and write-off	-19,3	-30,7	-59,1%
Interest and similar expenses	-50,0	-52,7	5,4%
Interest and related income	8,1	4,6	-43,2%
Exchange differences	8,6	3,3	-61,6%
Profit/(loss) equity method consolidation	-17,5	-17,5	-
Gain/(loss) on net monetary position	-0,1	0,5	n/a
Operating profit/(loss) before tax	**-14,8**	**-70,6**	**n/a**
Less: taxes	-13,3	-19,2	-44,3%
Net profit/(loss) from continuing operations (a)	**-28,1**	**-89,8**	**n/a**
Net Profit / (loss) from Discontinued Operations (b) [1]	55,1	7,7	-86,0%

Net Profit /(Loss) after taxes (Continuing and Discontinued Operations) (a) + (b)	27,0	-82,1	n/a
Attributable to:			
Equity holders of parent			
-Profit/(loss) from continuing operations	-71,3	-111,9	-57,0%
-Profit/(loss) from discontinued operations [1]	45,7	7,7	-83,2%
	-25,6	-104,2	n/a
Non-Controlling Interest			
-Profit/(loss) from continuing operations	43,2	22,1	-48,8%
-Profit/(loss) from discontinued operations [1]	9,4	0,0	n/a
	52,6	22,1	-58,0%

[1] The activities of Group subsidiaries Azerinteltek AS (Azerbaijan) and Totolotek SA (Poland), as well as the operations of Gamenet Group SpA (Italy) are presented as discontinued operations pursuant to IFRS 5.

Sales Overview

Total revenue decreased by €63,8 million, or 8,1%, from €784,4 million in the twelve months period ended December 31, 2018 to €720,6 million in the twelve months period ended December 31, 2019. This decrease was mainly driven by decreased revenue in management contracts and licensed operations segments.

Revenue by Business Activity

The following table sets forth our revenue for each business activity for the twelve months period ended December 31, 2019 and 2018.

Revenue by Business Activity (€ in millions)	twelve months ended December 31,		% change
(audited)	2018	2019	
Licensed operations	491,2	442,8	-9,9%
Management contracts	90,3	69,5	-23,0%
Technology and support services	202,9	208,3	2,7%
Total	**784,4**	**720,6**	**-8,1%**

Revenue in our licensed operations activity line decreased by €48,4 million, or 9,9%, from €491,2 million in the twelve months period ended December 31, 2018 to €442,8 million in the twelve months period ended December 31, 2019. The decrease is attributed to **Bulgaria** (€-42,4 million), driven mainly by Eurofootball's Sports Betting performance as a result of a conservative payout strategy, and the change in the consolidation method of Eurofootball since December 2019 (Equity vs. Full previously) while numerical remained on par with last year, and Racing stood at slightly higher levels vs. last year, and **Argentina** with lower recorded revenue, in Euro terms, by €-9,0 million, as a result of the macro environment in the country, and more specifically the adverse FX movement (application of hyper-inflationary economy reporting standard[1]).

Revenue in our management contracts activity line decreased by €20,8 million, or 23,0%, from €90,3 million in the twelve months period ended December 31, 2018 to €69,5 million in the twelve months period ended December 31, 2019. The variance is mainly driven by the deficit, in Euro terms, from our **Turkish** operations (€-16,0 million) largely due to Inteltek's contract discontinuation post August 2019, as well as by a decline in Bilyoner's market share and revised commercial terms, following the transition to the new Sports Betting era in Turkey (nonetheless Bilyoner's growth in local currency is at +4,6% vs. +23,1% in 9M19). In the 4-month period of the new Sports Betting era, the market quadruplet y-o-y, with the online segment representing a c.85,0% of the total market. On top of that, performance in Euro terms was further impacted by the devaluation of the local currency (11,4% Euro appreciation versus a year ago – in YTD average terms). The deficit in our management contracts was further increased by our discontinued contract in **Russia** (€-1,7 million), and by **Morocco's** (€-3,1m or c.-11,3% y-o-y) performance mainly impacted by the decreased Numerical sales, following the discontinuation of the contract with one of the two lotteries (SGLN), in part mitigated by Sports Betting revenue increase, and the top line boost through the successful introduction of virtual football.

[1] Argentina 2019 and 2018 figures have been restated based on IAS 29 (Financial Reporting in Hyperinflationary Economies) so as to reflect current purchasing power. For further information, you may refer to the Annual Financial Report for the period ended 31 December 2019.

Revenue in our technology and support services line increased by €5,4 million, or 2,7%, from €202,9 million in the twelve months period ended December 31, 2018 to €208,3 million in the twelve months period ended December 31, 2019. The increase is mainly attributed to our **US** operations' increased revenue (€+20,7 million) mainly driven by the contribution of our new contract in Illinois (mid-February launch), an equipment sale in Arkansas (3Q19), and by a Powerball jackpot occurrence in 1Q19, fully absorbing the impact of the discontinued operations in South Carolina and Ohio cooperative services program (CSP), a significant Jackpot in Q4 2018, as well as last year's one-off equipment sale in Massachusetts (2Q18). Performance has also been boosted by a favorable USD movement (5,1% Euro depreciation versus a year ago — in YTD average terms). Additional boost was provided by **Netherlands'** top line (€+2,8 million), driven by improved Sports Betting performance, and Chile's marginal revenue increase (€+0,2 million), where the positive impact of the historical Q1 jackpot was offset by the social unrest in the country during Q4. Our improved performance in technology and support services was partially counterbalanced by lower sales in **Greece** (€-13,5 million), primarily driven by the transition to the new OPAP contract, after July '18, that has a smaller contract value due to its limited scope (vs. the previous contract), specifically in the field of numerical games, and the lower equipment sales, and **Argentina's** lower recorded sales in Euro terms (€-2,7 million) as a result of the macro environment in the country (application of hyper-inflationary economy reporting standard)[2].

Gross Gaming Revenue (GGR) by Business Activity

The following table sets forth our gross gaming revenue for each business activity for the twelve months period ended December 31, 2019 and 2018.

GGR by Business Activity (€ in millions) (audited)	**twelve months ended December 31,**		**% change**
	2018	**2019**	
Licensed operations	141,8	131,3	-7,4%
Management contracts	90,3	69,5	-23,0%
Technology and support services	202,9	208,3	2,7%
Total	**435,0**	**409,1**	**-6,0%**

Gross Gaming Revenue (GGR) from continuing operations decreased by 6,0% (€435,0 million to €409,1 million) year over year driven by the drop in the non-payout related GGR (€-15,5 million vs. 12M18), following mainly the top line contribution of our Management and Technology contracts, and the decrease in our payout related GGR (-7,4% y-o-y or €-10,3 million), following the lower top line performance of our licensed operations (-9,9% y-o-y on wagers[3]) being partially offset by the decreased YTD average Payout. 12M19 Average Payout Ratio[4] was down by 0,8pps vs. LY (70,6% vs. 71,4%) primarily due to Bulgaria's and Argentina's weighted contribution (payout and wagers driven for both countries, with Bulgaria's contribution being affected by the change in consolidation method of Eurofootball), in part offset by Malta's and Brazil's weighted contribution (payout and wagers driven).

Gross Profit Margin

The Gross profit margin in the 12 months period ended December 31, 2019 was 17,5%, from 20,1% in the twelve months period ended December 31, 2018, negatively affected mainly by the worsening margin of the B2B/ B2G contracts compared to the same period a year ago. Overall, Gross Profit decreased by 20,2% (or €32,0 million) compared to the 12M18 levels.

Other Operating Income

Other operating income increased by €3,9 million, or 25,0%, from €15,6 million in the twelve months period ended December 31, 2018 to €19,5 million in the twelve months period ended December 31, 2019. The major driver of this increase was the higher equipment lease income in USA.

[2] Argentina 2019 and 2018 figures have been restated based on IAS 29 (Financial Reporting in Hyperinflationary Economies) so as to reflect current purchasing power. For further information, you may refer to the Annual Financial Report for the period ended 31 December 2019.

[3] Licensed Operations Revenue include also a small portion of non-Payout related revenue, i.e. value-added services, which totaled €2,7 million and €2,9 million for 12M19 and 12M18 respectively, and €0,7 million and €0,2 million for 4Q19 and 4Q18 respectively.

[4] Payout ratio calculation excludes the IFRS 15 impact for payments to customers

Selling Expenses

Selling expenses increased by €4,4 million, or 12,2%, from €35,8 million in the twelve months period ended December 31, 2018 to €40,2 million in the twelve months period ended December 31, 2019. This increase was primarily due to higher training costs of the retailers' network for the roll out of the Illinois contract in USA, as well as higher advertising costs in Turkey.

Administrative Expenses

Administrative expenses increased by €7,5 million, or 10,6%, from €71,1 million in the twelve months period ended December 31, 2018 to €78,6 million in the twelve months period ended December 31, 2019. This increase was primarily due to higher costs in USA because of the Illinois contract launch.

Research and Development Expenses

Research and development expenses increased by 0,1 million or 2,7%, from €3,7 million in the twelve months period ended December 31, 2018 to €3,8 million in the twelve months period ended December 31, 2019.

Other Operating Expenses

Other operating expenses increased by 7,8 million, from €10,0 million in the twelve months period ended December 31, 2018 to €17,8 million in the twelve months period ended December 31, 2019. This increase was mainly due to the non-recurring provisions in 2019 for personnel redundancy allowances in Turkey following the Inteltek Internet AS contract expiration, as well as higher penalties in Morocco in 2019 (higher minimum state guarantee provisions for FY19 combined with the settlement of FY18's recorded in current period figures).

EBITDA

As a result of the above and the FX loss (€6,0 million[5]) from translation to EUR , EBITDA decreased by €29,9 million, or 25,4%, from €117,7 million in the twelve months period ended December 31, 2018 to €87,8 million in the twelve months period ended December 31, 2019 while EBITDA margin decreased from 15,0% in the twelve months period ended December 31, 2018 to 12,2% in the twelve months period ended December 31, 2019, mainly impacted by the worsening margins of the B2B/ B2G segment driven by OPAP's new contract scope and the refocus of HQ resources towards the successful and efficient delivery of our products under our contract's pipeline, Morocco's (SGLN contract discontinuation and increased minimum state guarantee – FY19 provisions and FY18 settlement recorded in the current period) and Turkey's (Inteltek contract discontinuation and Bilyoner's transition to the new Sports betting era) performance, offset in part by the Illinois contract start, and Netherland's improved performance.

Income / (expenses) from participations and investments

Income / (expenses) on participations and investments increased by €14,4 million, from €2,4 million in the twelve months period ended December 31, 2018 to €16,8 million in the twelve months period ended December 31, 2019, mainly due to the gain from 2024 Notes repurchase in 2019.

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

Gain/(loss) from assets disposal, impairment and write-off deteriorated by €11,4 million, from loss of €19,3 million in the twelve months period ended December 31, 2018 to loss of €30,7 million in the twelve months period ended December 31, 2019. This deterioration was primarily due to higher assets impairment losses in 2019, mainly because of the goodwill impairment provisions regarding Eurobet (Bulgaria), Inteltek (Turkey) and Bit8 (Malta).

Interest and Similar Expenses

Interest and similar expenses increased by €2,7 million, or 5,4%, from €50,0 million in the twelve months period ended December 31, 2018 to €52,7 million in the twelve months period ended December 31, 2019. This increase was primarily due to the first-time application in 2019 of IFRS 16 accounting for lease agreements, as well as higher interest expenses from US facility.

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[5] No CPI adjustment y-o-y

Interest and Related Income

Interest and related income decreased by €3,5 million, or 43,2% from €8,1 million in the twelve months period ended December 31, 2018 to €4,6 million in the twelve months period ended December 31, 2019, primarily due to lower interest income on bank deposits and debtors in 2019.

Profit/(loss) from equity method consolidation

In the twelve months period ended December 31, 2019 the loss from equity method consolidation was constant of €17,5 million.

Operating Profit before Tax

As a result of the above and due to exchange differences from a gain of €8,6 million in the twelve months period ended December 31, 2018 to a gain of €3,3 million in the twelve months period ended December 31, 2019 and increased depreciation and amortization by €18,0 million, operating profit before tax decreased by €55,8 million from a loss of €14,8 million in the twelve months period ended December 31, 2018 to a loss of €70,6 million in the twelve months period ended December 31, 2019.

Taxes

Taxes in the twelve months period ended December 31, 2019 amounted to €19,2 million, versus €13,3 million in the twelve months period ended December 31, 2018. This increase was primarily due to the positive impact of deferred taxation by €7,3 million in 2018, in contrast to the negative impact by €1,5 million in 2019, that were partially set-off by the decreased in 2019 current income tax burden by €3,0 million (mainly due to lower taxable income in Turkey and Argentina).

Net Profit/(Loss) from Continuing Operations (a)

As a result of the above, net profit/(loss) from continuing operations decreased by €67,6 million, from a loss of €28,1 million in the twelve months period ended December 31, 2018 to a loss of €89,8 million in the twelve months period ended December 31, 2019.

Net Profit/(Loss) from Discontinued Operations (b)

Net profit/(loss) from discontinued operations in Azerinteltek AS (Azerbaijan), Totolotek SA (Poland) and Gamenet Group SpA (Italy) decreased by €47,4 million, from a profit of €55,1 million in the twelve months period ended December 31, 2018 to a profit of €7,7 million in the twelve months period ended December 31, 2019.

Analysis of discontinued operations:

A) Azerbaijan

The management of the subsidiary Inteltek Internet AS (45%), parent of Azerinteltek AS, decided in mid-February 2018 to investigate the possibility of selling its 51% stake in Azerinteltek AS. At the end of October 2018, Inteltek Internet AS's management decided to sell 51% of Azerinteltek AS shares (nominal value AZN51.000) to Baltech Investment LLC, which owns 24,5% of Azerinteltek AS's share capital. On 15/11/2018 the final Share Purchase Agreement (SPA) was signed for a total consideration of approximately €19,5 million. The transfer of these shares was completed at the end of 2018.
Below are presented the results of discontinued operations of the Group in Azerbaijan for the period 1/1-31/12/2018 (in 2018 it was consolidated with the full consolidation method until 31/12/2018):

	1/1-31/12/2018
Sale proceeds	163,6
EBITDA	**25,0**
Profit/(loss) after tax	**15,1**
Gain/(loss) from disposal of discontinued operations	27,3
Corresponding tax	0,0
Profit/(loss) after tax from discontinued operations	**42,4**
Attributable to:	
Equity holders of parent	32,9
Non-Controlling Interest	9,5

B) Poland

On March 26, 2019 INTRALOT Group announced that it has reached an agreement with Merkur Sportwetten GmbH, a subsidiary of the Gauselmann Group based in Espelkamp, Germany to take over the renowned sports betting company Totolotek SA – an INTRALOT subsidiary in Poland. The transfer of Totolotek SA shares was completed at the end of April 2019 and the Group consolidated it by 30/4/2019. The final consideration for the disposal of Totolotek SA amounted to approximately €8,0 million, including the contingent consideration, in case of meeting certain terms and requirements within 2 years, amounting to approximately €1,8 million on a discounted basis (€2,0 million in future value). From the above consideration amount approximately €5,5 million was paid in the first six-months of 2019 and amount approximately €0,8 million in July 2019.

Below are presented the results of discontinued operations of the Group in Poland (Totolotek SA) for the period 1/1-30/4/2019 (in 2019 it was consolidated with the full consolidation method until 30/4/2019) and respectively for the period 1/1-31/12/2018:

	1/1-31/12/2018	1/1-30/4/2019
Sale proceeds	86,5	28,6
EBITDA	**-1,2**	**-1,8**
Profit/(loss) after tax	**-2,5**	**-2,1**
Gain/(loss) from disposal of discontinued operations	0,0	7,3
Corresponding tax	0,0	0,0
Profit/(loss) after tax from discontinued operations	**-2,5**	**5,3**
Attributable to:		
Equity holders of parent	-2,4	5,3
Non-Controlling Interest	-0,1	0,0

C) Italy

In October and in November 2019 INTRALOT announced that its subsidiary Intralot Italian Investments B.V. signed a share purchase agreement with the Italian company "Gamma Bidco S.r.l." (a company formed on behalf of funds managed by Apollo Management IX, L.P.) for the sale of its stake in Gamenet Group S.p.A. (6.000.000 shares or 20% of its share capital), for the amount of €78 million. The transaction was completed in mid-December 2019 following the necessary approvals by the relevant competition and regulatory authorities among with the payment of the above price. The selling price of Gamenet Group S.p.A. amounted to €78,0 million and it was paid in December 2019.

Below are presented the results of the Group's discontinued operations in Italy for the period 1/1-22/10/2019 (in 2019 were consolidated under the equity method until 22/10/2019), as well as for the period 1/1-31/12/2018:

	1/1-31/12/2018	1/1-22/10/2019
Sale proceeds	0,0	0,0
EBITDA	**0,0**	**-1,6**
Profit/(loss) after tax	**15,2**	**2,7**
Gain/(loss) from disposal of discontinued operations	0,0	-0,3
Corresponding tax	0,0	0,0
Profit/(loss) after tax from discontinued operations	**15,2**	**2,4**
Attributable to:		
Equity holders of parent	15,2	2,4
Non-Controlling Interest	0,0	0,0

Net Profit/(Loss) from Continuing and Discontinued Operations (a) + (b)

As a result of the above, net income from total operations (continuing and discontinued) decreased by €115,0 million, from a profit of €27,0 million in the twelve months period ended December 31, 2018 to a loss of €88,0 million in the twelve months period ended December 31, 2019.

Net Income Attributable to Owners of the Parent

After deducting non-controlling interests, total operations net loss attributable to the owners of the parent decreased by €84,5 million, from a loss of €25,6 million in the twelve months period ended December 31, 2018 to a loss of €110,1 million in the twelve months period ended December 31, 2019.

Net loss from continuing operations attributable to the owners of the parent decreased by €46,5 million, from a loss of €71,3 million in the twelve months period ended December 31, 2018 to a loss of €117,8 million in the twelve months period ended December 31, 2019.

Net Cash Flows from total operations (continuing and discontinued)

Cash Flow Statement (€ in millions)	**twelve months ended December 31,**	
(audited)	**2018**	**2019**
Operating activities		
Profit / (loss) before tax from continuing operations	-14,8	-70,6
Profit / (loss) before tax from discontinued operations	64,9	7,7
Profit / (loss) before Taxation	**50,1**	**-62,9**
Plus / Less adjustments for:		
Depreciation and Amortization	65,6	82,7
Provisions	22,2	32,9
Results (income, expenses, gain and loss) from Investing Activities	-33,7	-12,6
Interest and similar expenses	50,4	52,8
Interest and similar Income	-8,3	-4,6
(Gain) / loss on net monetary position	0,1	-0,5
Plus / Less adjustments for changes in working capital:		
Decrease / (increase) of Inventories	-10,3	-0,2
Decrease / (increase) of Receivable Accounts	1,2	0,9
(Decrease) / increase of Payable Accounts (except Banks)	-24,7	-12,8
Less: Income Tax Paid	24,0	14,4
Total inflows / (outflows) from operating activities (a)	**88,6**	**61,3**
Investing Activities		
(Purchases) / Sales of subsidiaries, associates, joint ventures and other investments	5,9	98,4
Purchases of tangible and intangible assets	-103,7	-55,3
Proceeds from sales of tangible and intangible assets	0,5	0,3
Interest received	5,6	4,5
Dividends received	8,0	10,1
Total inflows / (outflows) from investing activities (b)	**-83,7**	**58,0**
Financing Activities		
Repurchase of treasury shares	-8,6	0,0
Proceeds from loans	87,3	88,9
Repayment of loans	-53,7	-93,3
Bonds buy back	-5,0	-10,6
Repayments of lease liabilities	-8,1	-7,4
Interest and similar expenses paid	-48,8	-48,5
Dividends paid	-36,3	-41,7
Total inflows / (outflows) from financing activities (c)	**-73,2**	**-112,6**
Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)	**-68,3**	**6,7**
Cash and cash equivalents at the beginning of the period	**238,0**	**162,5**

Net foreign exchange difference	-7,2	1,9
Cash and cash equivalents at the end of the period from total operations	**162,5**	**171,1**

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 €27,3 million, or 30,8%, from €88,6 million in the twelve months period ended December 31, 2018 to €61,3 million in the twelve months period ended December 31, 2019. This decrease was primarily driven by the following:

- profit before taxation from total operations (continuing and discontinued) decreased by €113,0 million, from a profit of €50,1 million in the twelve months period ended December 31, 2018 to a loss of €62,9 million in the twelve months period ended December 31, 2019, due to the decrease by €57,2 million of profit before taxation from discontinued operations (profit €64,9 million from operations in Azerbaijan, Poland and Italy in 2018, versus profit €7,7 million from operations in Poland and Italy in 2019), as well as due to decrease by €55,8 million of profit before taxation from continuing operations as described above;
- depreciation and amortization from total operations increased by 26,1% from €65,6 million in the twelve months period ended December 31, 2018 to €82,7 million in the twelve months period ended December 31, 2019, due to increased capital expenditure during the last two years, as well as the IFRS 16 first time application;
- the effect of provisions on cash flow was positive €22,2 million in the twelve months period ended December 31, 2018 , versus a positive effect of €32,9 million in the twelve months period ended December 31, 2019, mainly due to higher impairment provisions of goodwill in 2019 because of the revoked gaming licenses in Eurobet Ltd (Bulgaria).
- the effect of results from investing activities on cash flow was negative €33,7 million in the twelve months period ended December 31, 2018, versus a negative effect of €12,6 million in the twelve months period ended December 31, 2019, mainly due to the higher gain (€17,6 million y-o-y) from investments disposals 2018 (highly contributed by Azerbaijan disposal gain of €28,6 million), the lower (€16,2 million y-o-y) investments impairments in 2018 (highly affected by the €16,0 million impairment reversal in Gamenet in 2018), as well as the lower (€1,9 million y-o-y) dividend income in 2019, partially set-off by the gain (€10,1 million) from 2024 Notes repurchases in 2019, as well as the lower (€4,8 million y-o-y) net losses from associates equity method consolidation;
- Net interest results were higher by €6,1 million in the twelve months period ended December 2019 (€48,2 million), as described above;
- changes in our working capital, which led to a cash outflow of €12,1 million in the twelve months period ended December 31, 2019, compared with a cash outflow of €33,8 million in the twelve months period ended December 31, 2018;
    - In particular, there was an increase of €0,2 million in inventories in the twelve months period ended December 31, 2019, compared to an increase of €10,3 million in the twelve months period ended December 31, 2018, mainly due to the roll out of new the projects under construction in America segment in early 2019;
    - also, there was a decrease of €0,9 million in receivables in the twelve months period ended December 31, 2019, compared to a decrease of €1,2 million in the twelve months period ended December 31, 2019, mainly due to the timing of revenue receipts in various projects;
    - also, there was a decrease of €12,8 million in payables towards our suppliers in the twelve months period ended December 31, 2019 compared to a decrease of €24,7 million in the twelve months period ended December 31, 2018, mainly due to the increased payments made in 2019 by Inteltek for agents deposits because of the contract non-renewal, compared to the repayment of a long due interest bearing liability of €13,0 million in 2018, as well as other suppliers payments related to new projects under construction in various segments in 2018; and
- income tax paid decreased from €24,0 million in the twelve months period ended December 31, 2018 to €14,4 million in the twelve months period ended December 31, 2019, mainly due to the positive effect of discontinued operations in Azerbaijan.

On a pro-forma basis, i.e., excluding the operating cash-flow contribution of our discontinued operations in Azerbaijan, Italy and Poland, there is a decrease of €13,9m in Cash inflows from operating activities (€62,6m in FY19 vs. €76,5 million in FY18 pro-forma).

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, 2019, net cash inflows from investing activities was €58,0 million, which was an increase of €141,7 million, from net outflows of €83,7 million in the twelve months period ended December 31, 2018. This increase is mainly attributable to higher net inflow of €92,5 million for (Purchases)/Sales of subsidiaries, associates, joint ventures and other investments in the twelve months period ended December 31, 2019 (mainly due to the net inflow of €79,9 from Gamenet disposal, €20,0 million from Hellenic Lotteries disposal, €5,1 million from Totolotek disposal and €2,3 million from Nanum JV share capital return, as well as the outflow of €5,8 million due to Eurofootball deconsolidation and €3,8 million due to cash restriction for an LG commitments), lower outflow of €48,2 million in 2019 for net capital expenditure, lower inflow of €1,1 million in 2019 for interest received from bank deposits and debtors, and higher inflow of €2,1 million in 2019 for dividends received.

Our capital expenditure in the twelve months period ended December 31, 2019 reached €55,3 million while in the twelve months period ended December 31, 2018 reached €103,7 million. Major capital expenditure items in the twelve months period ended December 31, 2019 include investments towards R&D and project pipeline delivery of €13,0 million, investments in our business in USA €25,1 million mainly towards the Illinois new contract, Ohio, Arkansas, Louisiana and DC Lottery contracts' renewals, and €9,2 million for Croatia and Morocco new contracts, as well as Bilyoner's new Sports Betting era transition CAPEX.

Maintenance capital expenditure during the twelve months period ended period December 31, 2019 was €9,1 million in comparison to €19,6 million in the twelve months period ended December 31, 2018 (excluding discontinued operations in Azerbaijan and Poland).

Net Cash from Financing Activities

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

In the twelve months period ended December 31, 2019, net cash outflows from financing activities was €112,6 million, compared to net cash outflows of €73,2 million in the twelve months period ended December 31, 2018. This increase of net cash outflows from financing activities consisted of €42,9 million y-o-y outflow in net cash flows from financing arrangements (mainly due to the net outflow of €30,0 million of Intralot Finance UK Ltd syndicated/term loans because of the €15,0 million drawdown in 2018 vs the repayment of €15,0 million in 2019, the net outflow of €5,6 million due to the higher Bonds repurchases in 2019, the net outflow of €8,2 million of local facilities and leasing arrangements mainly in USA), lower interest payments by €0,3 million in the twelve months period ended December 31, 2019, higher dividends distribution to minority interests by €5,4 million in the twelve months period ended December 31, 2019,, and the outflow of €8,6 million in the twelve months period ended December 31, 2018 for treasury shares repurchases.

Cash & Cash Equivalents

The following table sets forth our Cash & Cash Equivalents as of December 31, 2019 and December 31, 2018.

Cash & Cash Equivalents (€ in millions)	December 31, 2018	December 31, 2019	% change
Partnerships[1]	77,8	18,6	-76,1%
All other Operating Entities (with revenue contracts) & HQ	84,7	152,5	+80,0%
Total	**162,5**	**171,1**	**+5,3%**

[1] As Partnerships we define our Operations in Turkey (Inteltek & Bilyoner), Bulgaria (Eurofootball Group until 30/11/2019 & Eurobet Group), and Argentina

Cash and cash equivalents at the end of the FY19 period increased by €8,6 million vs. FY18. Of the Cash & Cash Equivalents at the end of December 31, 2019, €18,6 million are located in our partnerships, and the rest across all other Operating entities (with revenue contracts) and HQ, with an amount between €25,0 million and €30,0 million allotted as Working Capital in the operating entities (with revenue contracts).

Proportionate & Pro Forma Results of Operations of the INTRALOT Group

Proportionate Financial Metrics

Pro-Forma comparison of selected Proportionate Financial Metrics for the twelve months period ended December 31, 2018 with the twelve months period ended December 31, 2019

Proportionate Financial Metrics[1] – Pro Forma (€ in millions)	**twelve months ended December 31,**		**% change**
	2018	**2019**	
Proportionate Revenue	522,1	493,9	-5,4%
Proportionate GGR	331,5	321,1	-3,1%
Proportionate **EBITDA**	**78,5**	**59,2**	**-24,6%**
Adjusted EBITDA [2]	87,0	68,7	-21,0%
	December 31, 2018	**December 31, 2019**	
Proportionate Gross Debt [3]	775,6	762,9	-
Proportionate Cash & Cash Equivalents [3]	115,6	157,7	-

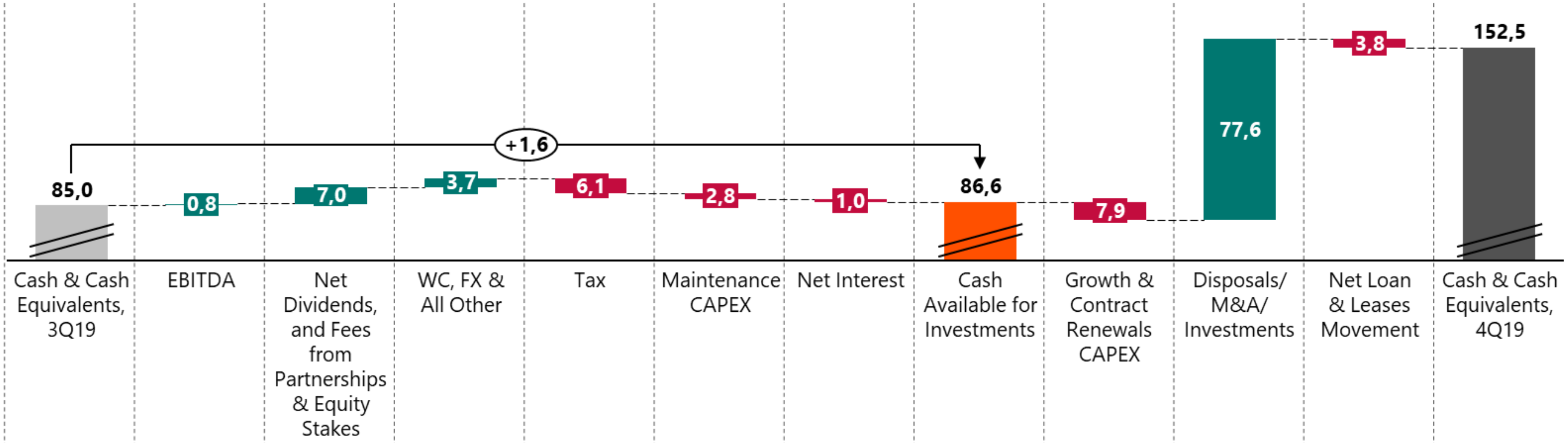
[1] The activities of Group subsidiaries Azerinteltek AS (Azerbaijan) and Totolotek S.A. (Poland) are presented as discontinued operations pursuant to IFRS 5.
[2] Calculated as Proportionate EBITDA of fully consolidated entities including EBITDA from equity investments in Peru, Greece, Bulgaria and Taiwan. Hellenic Lotteries SA proportionate EBITDA has been included up to the disposal of the investment on August 28th, 2019 (proforma calculation). Eurofootball Ltd proportionate EBITDA has been included since the 1/12/2019 (change of consolidation method date).
[3] 31/12/2018 figures have been adjusted to exclude balances of Group discontinued operations in Totolotek S.A. (Poland).

Pro-Forma Cash Flow – Shareholders of the Parent View (1/2)

The following chart portrays the Shareholders of the Parent View of the Cash Flow Movement (Pro-Forma) for the three-month period ended December 31, 2019, as well as the historical values of 4Q18 and 3Q19.

Pro-Forma Cash Flow – Shareholders of the Parent View, 4Q19

€m



Historical Values	Cash & Cash Equivalents, 3Q19	EBITDA	Net Dividends, and Fees from Partnerships & Equity Stakes	WC, FX & All Other	Tax	Maintenance CAPEX	Net Interest	Cash Available for Investments	Growth & Contract Renewals CAPEX	Disposals/ M&A/ Investments	Net Loan & Leases Movement	Cash & Cash Equivalents, 4Q19
1 4Q18	**91,5**	4,0	6,2	5,5	0,3	-2,7	-0,4	**104,4**	-34,7	0,0	15,0	**84,7**
2 3Q19	**80,3**	13,1	3,8	8,9	-2,9	-1,4	-22,0	**79,8**	-9,4	21,0	-6,4	**85,0**

The main variance (YoY and QoQ) drivers are portrayed in the table below

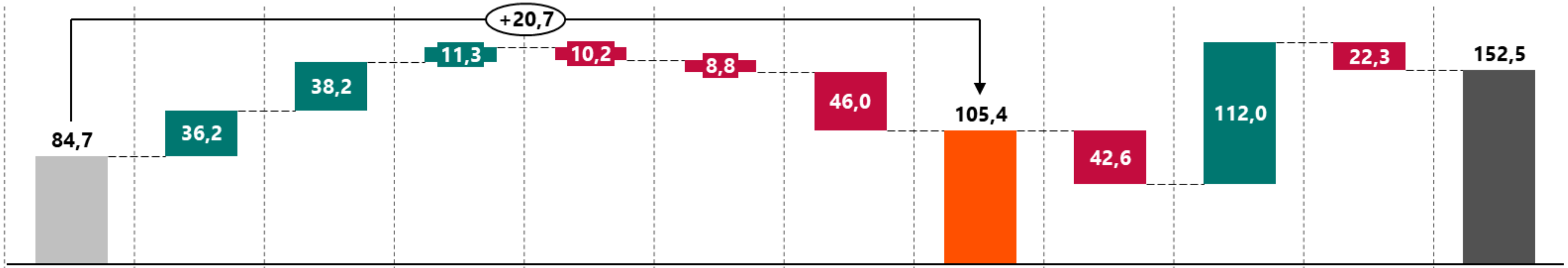
Shareholders of the Parent View	YoY Variances Explained 1	QoQ Variances Explained 2
EBITDA	▪ EBITDA shortfall driven mainly by Morocco's SGLN contract discontinuation in addition to the higher minimum state guarantees (FY19 provisions and FY18 settlement recorded in the current period)	▪ Negative variance driven mainly by Morocco's FY19 minimum state guarantee provisions (none in Q3), Maltco's higher payout in Q4 and Chile's impact from social unrest
Net Dividends, and Fees from Partnerships	▪ Positive variance driven by the dividend income and fees from Inteltek (in 4Q19; following contract discontinuation settlements) in part offset by Argentina (timing), Azerbaijan's prior year fees contribution, the lower contribution from Bulgaria, and Bilyoner's advance dividend distribution in 4Q18	▪ Positive variance driven largely by higher Inteltek contribution (following 4Q19 contract discontinuation settlements)
WC, FX & All Other	▪ WC slightly worse vs. 4Q18 following mainly our US operations due to the impact from inventory transfers to CAPEX (US projects) in the prior year and an unfavorable receivables timing variance in 4Q19, being in part offset by Morocco due to a favorable receivables timing, as well as due to FY19's minimum state guarantee provision (payable in 2020) ▪ Slightly better FX variance vs. a year ago	▪ QoQ WC deterioration following revenue receipts timing in various projects, the advance payment received for Canada in 3Q19, the S/W license installment receipt in Australia (in 3Q19), being in part offset by a positive timing regarding revenue receipts and FY19's minimum state guarantee provision (payable in 2020) in Morocco ▪ Slightly positive FX impact QoQ
Tax	▪ Negative tax variance, mainly due to higher Parent company tax payment (tax audit driven) and tax payments following Inteltek's dividend income	▪ Variance driven by Parent company's tax payments (tax audit driven) and tax payments following Inteltek's dividend income, in part offset by lower tax payments in Malta (timing)
Maintenance CAPEX	▪ Maintenance CAPEX at similar levels	▪ Maintenance CAPEX at similar levels
Net Interest	▪ Net Interest slightly higher due to US facility utilization	▪ Lower interest due to coupon payments timing (2 coupon payments in 3Q19 vs. none in 4Q19)
Growth & Contract Renewals CAPEX	▪ Favorable variance (vs. 4Q18) driven mainly by the decreased US investments' outflows vs. a year ago (driven by Illinois, and Ohio in LY)	▪ Decreased outflows in 4Q19 from our US operations (mainly DC), and towards Croatia's new contract, in part offset by higher Morocco's new contract outflows
Disposals/ M&A/ Investments	▪ Current period figure driven mainly by Gamenet stake disposal	▪ Mainly the sale of Hellenic Lotteries stake in 3Q19 vs. Gamenet stake sale in 4Q19
Net Loan & Leases Movement	▪ Variance driven by an adverse loan/leases movement from our US operations, and the bond buyback in 4Q19	▪ Variance driven mainly by a favorable loan/leases movement from our US operations in part offset by higher bond buyback in 4Q19 (vs. 3Q19)

Pro-Forma Cash Flow – Shareholders of the Parent View (2/2)

The following chart portrays the Shareholders of the Parent View of the Cash Flow Movement (Pro-Forma) for the last twelve months ended December 31, 2019, as well as the historical values of LTM 3Q19 and LTM 2Q19.

Pro-Forma Cash Flow – Shareholders of the Parent View, LTM 4Q19

€m



Historical Values	Cash & Cash Equivalents, 4Q18	EBITDA	Net Dividends, and Fees from Partnerships & Equity Stakes	WC, FX & All Other	Tax	Maintenance CAPEX	Net Interest	Cash Available for Investments	Growth & Contract Renewals CAPEX	Disposals/ M&A/ Investments	Net Loan & Leases Movement	Cash & Cash Equivalents, 4Q19
LTM 3Q19	**91,5**	39,5	37,5	13,0	-3,8	-8,6	-45,4	**123,7**	-69,4	34,3	-3,6	**85,0**
LTM 2Q19	**136,3**	37,0	39,8	-0,8	-2,8	-11,8	-45,8	**151,9**	-77,6	13,4	-7,4	**80,3**

Major Contracts Overview & Update[1]

Overview & LTM Contribution

Selected Entities/ Projects contribution in the twelve months ended December 31, 2019 after Intragroup eliminations.

Entity/ Project/ Description	Partnership	Contract type	Revenue Contribution	GGR Contribution	GP Contribution	EBITDA Contribution	Contract Expiry (w/o Renewals)[8]
12 Technology Contracts with State Lotteries[2]	DC only	Technology	16%	27%	15%	39%	2030
12 Technology Contracts with State Lotteries and 1 Licensed Operation	Yes	Technology/ Licensed Operations	7%	7%	9%	12%	2027
2 VLT Monitoring Contracts and 1 Technology Contract[3]		Technology	3%	5%	16%	16%	2027
Inteltek[4]	Yes	Management Contracts	3%	5%	11%	11%	August 2019 (Expired)
Bilyoner	Yes	Management Contracts	3%	6%	14%	5%	Apr 2020 - Renewable at the discretion of the Administration
Intralot Maroc[5]		Management Contracts	3%	6%	16%	-3%	2027
Eurofootball Group	Yes	Licensed Operations	31%	12%	18%	20%	Open Market License[6]
Eurobet Group	Yes	Licensed Operations	8%	5%	7%	7%	Licenses Discontinued[7]
Maltco		Licensed Operations	13%	9%	8%	14%	2022
Subtotal *(% of FY19)*			**87%**	**82%**	**114%**	**121%**	
FY19 *(in million €)*			**720,6**	**409,1**	**126,0**	**87,8**	

[1] *OPAP and HL contracts have been excluded from the summary of major contracts presented above given their immaterial levels on Group totals (vs. FY18)*
[2] *USA figures include also the Philippines project contribution*
[3] *New Zealand Monitoring ends in 2022 while that in Victoria (Australia) ends in 2027; the Lottery West contract ends in 2021 (without considering extension options)*
[4] *Inteltek's contract with the Turkish State Organization SporToto expired in late August 2019*
[5] *MDJS contract renewed up to December 2027 (without considering extension option). Contract with SGLN expired in December 2018*
[6] *Eurofootball's method of consolidation changed from Full to Equity in December 2019. In addition, the gaming licenses of Eurofootball have been temporarily suspended. For further details refer to the notes of the Annual Financial Report*
[7] *Eurobet's licenses discontinued within 1Q20. For further details refer to the notes of the Annual Financial Report*
[8] *If multiple contracts exist, the one with the longest maturity is displayed (without considering extension options)*

Headquarters in Greece

Cost & Effort Allocation

In Greece, we provide technology support and support services for the operation of private gaming and the lottery through INTRALOT S.A., our parent company. Originally incorporated in Athens in 1992, we won our first domestic contract in 1993. We currently operate three contracts in Greece.

As the center of our Global operations, Greece is also home to our betting-trading center that controls our global fixed-odds betting activity, and significant research and development programs (Technology Hub), as well as our corporate headquarters which supports the wider INTRALOT ecosystem, employing approx. 710 employees at the end of December 31, 2019. As such, INTRALOT S.A. expenses serve the different projects, including among others the Greek projects, but the majority of the effort is distributed towards servicing and supporting the pipeline of won and upcoming contracts, as well as supporting INTRALOT's subsidiaries and R&D efforts.