INTRALOT Group

# MANAGEMENT'S DISCUSSION & ANALYSIS

**of our financial condition and results of operations**
**for the period 1/1-31/03/2020**

## 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 three months period ended March 31, 2020, we had revenue of €102,0 million and EBITDA of €15,8 million on continuing basis for entities that we consolidate, though we have minority ownership in some of such subsidiaries. In addition, in the three months ended March 31, 2020, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 5,3%, 1,5%, 54,6%, 31,9% and 6,7% of total revenue, respectively.

## Results of Operations of the INTRALOT Group

**Comparison of the three months period ended March 31, 2019 with the three months period ended March 31, 2020**

### Overview

| **Income Statement Information** (€ in millions) | **Three months ended March 31,** | | **% change** |
|---|---|---|---|
| (unaudited) | **2019** | **2020** | |
| Revenue | 192,7 | 102,0 | -47,1% |
| Less: Cost of sales | -152,9 | -81,8 | -46,5% |
| **Gross profit** | **39,8** | **20,2** | **-49,3%** |
| Other operating income | 4,9 | 3,7 | -24,5% |
| Selling expenses | -10,8 | -6,8 | -37,0% |
| Administrative expenses | -19,9 | -18,5 | -7,0% |
| Research and development expenses | -1,1 | -0,7 | -36,4% |
| Other operating expenses | -0,6 | -0,5 | -16,7% |
| **EBIT** | **12,3** | **-2,6** | **n/a** |
| **EBITDA** | **31,8** | **15,8** | **-50,3%** |
| Income/(expenses) from participations and investments | 0,0 | 0,2 | 100,0% |
| Gain/(loss) from assets disposal, impairment and write-off | -2,3 | 0,1 | n/a |
| Interest and similar expenses | -13,2 | -12,7 | -3,8% |
| Interest and related income | 2,2 | 0,7 | -68,2% |
| Exchange differences | 3,7 | -0,5 | n/a |
| Profit/(loss) equity method consolidation | -0,9 | -0,2 | 77,8% |
| Gain/(loss) on net monetary position | 0,2 | 0,2 | 0,0% |
| **Operating profit/(loss) before tax** | **2,0** | **-14,8** | **n/a** |
| Less: taxes | -5,9 | -2,0 | -66,1% |
| **Net profit/(loss) from continuing operations (a)** | **-3,9** | **-16,8** | **n/a** |
| Net Profit / (loss) from Discontinued Operations (b) [1] | 1,0 | 0,0 | -100,0% |
| **Net Profit /(Loss) after taxes (Continuing and Discontinued Operations) (a) + (b)** | **-2,9** | **-16,8** | **n/a** |

| | | | |
|---|---|---|---|
| Attributable to: | | | |
| Equity holders of parent | | | |
| -Profit/(loss) from continuing operations | -13,3 | -17,6 | -32,3% |
| -Profit/(loss) from discontinued operations [1] | 1,1 | 0,0 | -100,0% |
| | **-12,2** | **-17,6** | **-44,3%** |
| Non-Controlling Interest | | | |
| -Profit/(loss) from continuing operations | 9,3 | 0,8 | -91,4% |
| -Profit/(loss) from discontinued operations [1] | 0,0 | 0,0 | 0,0% |
| | **9,3** | **0,8** | **-91,4%** |

[1] The activities of Group subsidiary Totolotek SA (Poland) and the associate company Gamenet Group SpA (Italy) are presented as discontinued operations pursuant to IFRS 5.

# Sales Overview

Total revenue decreased by €90,7 million, or 47,1%, from €192,7 million in the three months period ended March 31, 2019 to €102,0 million in the three months period ended March 31, 2020. 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 three months period ended March 31, 2020 and 2019.

| **Revenue by Business Activity** (€ in millions) (unaudited) | **three months ended March 31,** 2019 | 2020 | **% change** |
|---|---|---|---|
| Licensed operations | 119,1 | 41,6 | -65,1% |
| Management contracts | 24,0 | 8, | -66,3% |
| Technology and support services | 49,6 | 52,3 | 5,4% |
| **Total** | **192,7** | **102,0** | **-47,1%** |

Revenue in our licensed operations activity line decreased by €77,5 million, or 65,1%, from €119,1 million in the three months period ended March 31, 2019 to €41,6 million in the three months period ended March 31, 2020. The decrease is attributed to **Bulgaria** (€-71,4 million), driven by Eurofootball's change in consolidation method (full vs. equity method) and by the impact of the discontinued contracts of Eurobet from mid-February onwards, and **Malta** (€-4,6 million), with the variance attributable mainly to Covid-19 impact from mid-March 2020.

Revenue in our management contracts activity line decreased by €15,9 million, or 66,3%, from €24,0 million in the three months period ended March 31, 2019 to €8,1 million in the three months period ended March 31, 2020. The variance is mainly driven by the deficit from our **Turkish** operations (€-11,9 million) driven mainly by Inteltek's contract discontinuation post August 2019, as well as by a decline in Bilyoner's top line performance following the transition to the new Sports Betting era in Turkey (driven by a market share reduction and revised commercial terms), as well as the impact of the Covid-19. In 1Q20 the Sports Betting market expanded close to 3,5 times y-o-y (with the rate of expansion being lower compared to that of the first 4 months of the new era primarily due to the Covid-19 pandemic impact), with the online segment representing close to 85% of the market. Performance in Euro terms was further impacted by the devaluation of the local currency (10,3% Euro appreciation versus a year ago – in YTD average terms). The deficit in our management contracts was further increased by **Morocco's** (€-4,0 million or -58,0% y-o-y) performance mainly impacted by the revised commercial terms following the transition to the new contract, being further deteriorated by the Covid-19 impact in late 1Q20.

Revenue in our technology and support services line increased by €2.7 million, or 5,4%, from €49,6 million in the three months period ended March 31, 2019 to €52,3 million in the three months period ended March 31, 2020. The increase is mainly attributed to our **US** operations' increased revenue (€+5,1 million), mainly driven by the full quarter contribution of our new contract in Illinois in current period (project launched in mid-February 2019), and one-off revenue recognition in relation to our new project with BCLC in Canada, fully absorbing the Ohio CSP contract impact which expired in Jun-2019, the late 1Q20 Covid-19 impact, and a Powerball jackpot occurrence in 1Q19. Performance was also in part boosted by a favorable USD movement (3,5% Euro depreciation versus a year ago — in YTD average terms). Our improved performance in technology and support services was partially counterbalanced by **Chile's** lower performance in 1Q20 (€-1,9 million), largely because of a significant Lotto jackpot in 1Q19, and the recent social unrest in the country.

## Gross Gaming Revenue (GGR) by Business Activity

The following table sets forth our gross gaming revenue for each business activity for the three months period ended March 31, 2020 and 2019.

| **GGR by Business Activity** (€ in millions) | **three months ended March 31,** | | **% change** |
|---|---|---|---|
| (unaudited) | **2019** | **2020** | |
| Licensed operations | 35,5 | 16,6 | -53,2% |
| Management contracts | 24,0 | 8,1 | -66,3% |
| Technology and support services | 49,6 | 52,3 | 5,4% |
| **Total** | **109,1** | **76,9** | **-29,5%** |

Gross Gaming Revenue (GGR) from continuing operations decreased by 29,5% (€109,1 million to €76,9 million) year over year driven by the decrease in our payout related GGR (-53,8% y-o-y or €-18,7 million), due to the recent developments in Bulgaria (-65,3% y-o-y on wagers from licensed operations[1]). 1Q20 Average Payout Ratio[2] was down by 9,8pps vs. LY (60,7% vs. 70,5%) primarily due to Eurofootball's change of consolidation method (with significantly higher than average Payout ratio), and the drop in the non-payout related GGR (€-13,5 million vs. 1Q19), mainly due to the reduced top line contribution of our Management contracts.

## Gross Profit Margin

The Gross profit margin in the 3 months period ended March 31, 2020 was 19,8%, from 20,7% in the three months period ended March 31, 2019, negatively affected by the Gross Profit mix reshuffle following mainly the impact of the recent developments in Bulgaria as well as Inteltek's contract discontinuation, that is in part offset by US Gross Profit margin improvement. Overall, Gross Profit decreased by 49,3% (or €19,6 million) compared to 1Q19.

## Other Operating Income

Other operating income decreased by €1,2 million, or 24,5%, from €4,9 million in the  three months period ended March 31, 2019 to €3,7 million in the three months period ended March 31, 2020. The major driver of this decrease was the lower equipment lease income in USA, as well as lower income form uncollected winning and POS network support in Bulgaria and Argentina.

## Selling Expenses

Selling expenses decreased by €4,0 million, or 37,0%, from €10,8 million in the three months period ended March 31, 2019 to €6,8 million in the three months period ended March 31, 2020. This decrease was primarily due to higher costs in USA in 2019 regarding training costs of the retailers' network for the roll out of the Illinois contract, as well as lower advertising costs in 2020 in Turkey and Bulgaria.

## Administrative Expenses

Administrative expenses decreased by €1,4 million, or 7%, from €19,9 million in the three months period ended March 31, 2019 to €18,5 million in the three months period ended March 31, 2020. This decrease was primarily due to lower costs in Turkey and Bulgaria.

[1] Licensed Operations Revenue also include a small portion of non-Payout related revenue, i.e. value-added services, which totaled €0.5m and €0.7m for 1Q20 and 1Q19, respectively.

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

## Research and Development Expenses

Research and development expenses decreased by 0,4 million or 36,4%, from €1,1 million in the three months period ended March 31, 2019 to €0,7 million in the three months period ended March 31, 2020.

## Other Operating Expenses

Other operating expenses decreased by 0,1 million, from €0,6 million in the three months period ended March 31, 2019 to €0,5 million in the three months period ended March 31, 2020. This decrease was mainly due to the lower provisions for doubtful receivables and penalties in 2020.

## EBITDA

As a result of the above and the FX loss (€1,1 million[3]) from translation to EUR , EBITDA decreased by €16,0 million, or 50,3%, from €31,8 million in the three months period ended March 31, 2019 to €15,8 million in the three months period ended March 31, 2020 while EBITDA margin decreased from 16,5% in the three months period ended March 31, 2019 to 15,5% in the three months period ended March 31, 2020. The margin decline is primarily driven by Turkey's performance (Inteltek contract discontinuation and Bilyoner's lower top line), the recent developments in Bulgaria, and Morocco's new contract performance. The decrease was in part offset mainly by our US operations (Illinois full quarter contribution and BCLC one-offs).

## Income / (expenses) from participations and investments

Income / (expenses) on participations and investments increased by €0,2 million, from €0,0 million in the three months period ended March 31, 2019 to €0,2 million in the three months period ended March 31, 2020. This increase was primarily due to the higher by €1,0 million dividends income in 2020, that were partially set-off by the higher (€0,9 million) losses from sale of participations and investments in 2020 (mainly due to the loss of €0,6 million from Eurobet Ltd group loss of control).

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

Gain/(loss) from assets disposal, impairment and write-off improved by €2,4 million, from loss of €2,3 million in the three months period ended March 31, 2019 to gain of €0,1 million in the three months period ended March 31, 2020. This improvement was primarily due to higher provisions for assets impairment losses in 2019, mainly because of subsidiaries goodwill impairment provisions.

## Interest and Similar Expenses

Interest and similar expenses decreased by €0,5 million, or 3,8%, from €13,2 million in the three months period ended March 31,2019 to €12,7 million in the three months period ended March 31, 2020. This decrease was primarily due to the repayment / cancellation of Intralot Finance UK Ltd loan facilities in middle 2019.

## Interest and Related Income

Interest and related income decreased by €1,5 million, or 68,2% from €2,2 million in the three months period ended March 31, 2019 to €0,7 million in the three months period ended March 31, 2020, primarily due to lower interest income on bank deposits and debtors in 2020.

## Profit/(loss) from equity method consolidation

Profit/(loss) from equity method consolidation improved by €0,7million or 77,8 % from loss €0,9 million in the three months period ended March 31,2019 to loss €0,2 million in the three months period ended 2020, mainly deriving from Group associates in Asia.

## Operating Profit before Tax

As a result of the above and due to exchange differences from a gain of €3,7 million in the three months period ended March 31, 2019 to a loss of €0,5 million in the three months period ended March 31, 2020 and decreased depreciation and

[3] No CPI adjustment y-o-y; adjusting for inflation in Turkey and Argentina (proxy) there is no significant FX impact y-o-y.

amortization by €1,1 million, operating profit before tax decreased by €16,8 million from a gain of €2,0 million in the three months period ended March 31, 2019 to a loss of €14,8 million in the three months period ended March 31, 2020.

## Taxes

Taxes in the three months period ended March 31, 2020 amounted to €2,0 million, versus €5,9 million in the three months period ended March 31, 2019. This decrease was primarily due to the lower current income tax burden in 2020 (mainly due to lower taxable income in Turkey).

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

As a result of the above, net profit/(loss) from continuing operations decreased by €12,9 million, from a loss of €3,9 million in the three months period ended March 31, 2019 to a loss of €16,8 million in the three months period ended March 31, 2020.

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

Net profit/(loss) from discontinued operations in Totolotek SA (Poland) and Gamenet Group SpA (Italy) decreased by €1,0 million, from a profit of €1,0 million in the three months period ended March 31, 2019 to €0,0 million in the three months period ended March 31, 2020.

## Analysis of discontinued operations:

### A) 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 1/1-31/3/2019 (in 2019 it was consolidated with the full consolidation method until 30/4/2019):

| | 1/1-31/03/2019 |
|---|---|
| Sale proceeds | 21,5 |
| **EBITDA** | **-1,2** |
| **Profit/(loss) after tax** | **-1,4** |
| | |
| Gain/(loss) from disposal of discontinued operations | 0,0 |
| Corresponding tax | 0,0 |
| **Profit/(loss) after tax from discontinued operations** | **-1,4** |
| | |
| Attributable to: | |
| Equity holders of parent | -1,4 |
| Non-Controlling Interest | 0,0 |

### B) 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 mount 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 1/1-31/3/2019 (in 2019 were consolidated under the equity method until 22/10/2019):

| | 1/1-31/3/2019 |
|---|---|
| Sale proceeds | 0,0 |
| **EBITDA** | **0,0** |
| **Profit/(loss) after tax** | **2,5** |
| | |
| Gain/(loss) from disposal of discontinued operations | 0,0 |
| Corresponding tax | 0,0 |
| **Profit/(loss) after tax from discontinued operations** | **2,5** |
| | |
| Attributable to: | |
| Equity holders of parent | 2,5 |
| Non-Controlling Interest | 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 €13,9 million, from a loss of €2,9 million in the three months period ended March 31, 2019 to a loss of €16,8 million in the three months period ended March 31, 2020.

## Net Income Attributable to Owners of the Parent

After deducting non-controlling interests, total operations net loss attributable to the owners of the parent increased by €5,4 million, from a loss of €12,2 million in the three months period ended March 31, 2019 to a loss of €17,6 million in the three months period ended March 31, 2020.

Net loss from continuing operations attributable to the owners of the parent increased by €4,3 million, from a loss of €13,3 million in the three months period ended March 31, 2019 to a loss of €17,6 million in the three months period ended March 31, 2020.

## Net Cash Flows from total operations (continuing and discontinued)

| Cash Flow Statement (€ in millions) | three months ended March 31, | |
|---|---|---|
| (unaudited) | 2019 | 2020 |
| **Operating activities** | | |
| Profit / (loss) before tax from continuing operations | 2,0 | -14,8 |
| Profit / (loss) before tax from discontinued operations | 1,1 | 0,0 |
| **Profit / (loss) before Taxation** | **3,1** | **-14,8** |
| Plus / Less adjustments for: | | |
| Depreciation and Amortization | 19,6 | 18,4 |
| Provisions | 2,9 | 0,4 |
| Results (income, expenses, gain and loss) from Investing Activities | -5,5 | 0,4 |
| Interest and similar expenses | 13,3 | 12,7 |
| Interest and similar Income | -2,2 | -0,7 |
| (Gain) / loss on net monetary position | -0,2 | -0,2 |
| Plus / Less adjustments for changes in working capital: | | |
| Decrease / (increase) of Inventories | 0,8 | 1,0 |

| | | |
|---|---|---|
| Decrease / (increase) of Receivable Accounts | -9,0 | -0,2 |
| (Decrease) / increase of Payable Accounts (except Banks) | -3,2 | -2,0 |
| Less: Income Tax Paid | 0,0 | 5,5 |
| **Total inflows / (outflows) from operating activities (a)** | **19,6** | **9,5** |
| **Investing Activities** | | |
| (Purchases) / Sales of subsidiaries, associates, joint ventures and other investments | 0,7 | -1,2 |
| Purchases of tangible and intangible assets | -17,4 | -5,6 |
| Proceeds from sales of tangible and intangible assets | 0,0 | 0,0 |
| Interest received | 1,9 | 0,6 |
| Dividends received | 0,0 | 1,0 |
| **Total inflows / (outflows) from investing activities (b)** | **-14,8** | **-5,2** |
| **Financing Activities** | | |
| Proceeds from loans | 33,1 | 27,5 |
| Repayment of loans | -28,4 | -27,2 |
| Bonds buy back | 0,0 | 0,0 |
| Repayments of lease liabilities | -5,6 | -1,8 |
| Interest and similar expenses paid | -22,8 | -22,1 |
| Dividends paid | -9,2 | -7,9 |
| **Total inflows / (outflows) from financing activities (c)** | **-32,9** | **-31,5** |
| **Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)** | **-28,1** | **-27,2** |
| **Cash and cash equivalents at the beginning of the period** | **162,5** | **171,1** |
| Net foreign exchange difference | 0,2 | -1,9 |
| **Cash and cash equivalents at the end of the period from total operations** | **134,6** | **142,0** |
| Less: Cash and cash equivalents at the end of the period from discontinued operations | -0,9 | 0,0 |
| **Cash and cash equivalents at the end of the period from continuing operations** | **133,7** | **142,0** |

## 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 €10,1 million, or 51,5%, from €19,6 million in the three months period ended March 31, 2019 to €9,5 million in the three months period ended March 31, 2020. This decrease was primarily driven by the following:

- profit before taxation from total operations (continuing and discontinued) deteriorated by €17,9 million, from a profit of €3,1 million in the three months period ended March 31, 2019 to a loss of €14,8 million in the three months period ended March 31, 2020, due to the decrease by €1,1 million of profit before taxation from discontinued operations (profit €1,1 million from operations in Poland and Italy in 2019, versus no discontinued operations in 2020), as well as due to decrease by €16,8 million of profit before taxation from continuing operations as described above;
- depreciation and amortization from total operations decreased by 6,1% from €19,6 million in the three months period ended March 31, 2019 to €18,4 million in the three months period ended March 31, 2020, due to increased impairments, entities liquidation/change of consolidation method and discontinued operations in 2019;
- the effect of provisions on cash flow was positive €2,9 million in the three months period ended March 31, 2019 , versus a positive effect of €0,4 million in the three months period ended March 31, 2020, mainly due to higher impairment provisions of goodwill in 2019 because of the non-renewal of Spor Toto contract in Turkey (Inteltek).
- the effect of results from investing activities on cash flow was negative €5,5 million in the three months period ended March 31, 2019, versus a positive effect of €0,4 million in the three months period ended March 31, 2020, mainly due to the lower net FX gain (€4,3 million y-o-y) in 2020, the lower (€1,8 million y-o-y) net profit from associates equity method consolidation in 2020, as well as the higher (€0,6 million y-o-y) investments impairments in 2020 (due to the Eurobet consolidation method change), partially set-off by the higher (€1,0 million y-o-y) dividend income in 2020;

- Net interest results were higher by €0,9 million in the three months period ended March 2020 (€12,0 million), as described above;
- changes in our working capital, which led to a cash outflow of €1,2 million in the three months period ended March 31, 2020, compared with a cash outflow of €11,4 million in the three months period ended March 31, 2019;
  - In particular, there was a decrease of €1,0 million in inventories in the three months period ended March 31, 2020, compared to a decrease of €0,8 million in the three months period ended March 31, 2019, mainly due to the timing of roll out of new the projects under construction;
  - also, there was an increase of €0,2 million in receivables in the three months period ended March 31, 2020, compared to an increase of €9,0 million in the three months period ended March 31, 2019, mainly due to the timing of revenue receipts in various projects;
  - also, there was a decrease of €2,0 million in payables towards our suppliers in the three months period ended March 31, 2020 compared to a decrease of €3,2 million in the three months period ended March 31, 2019, mainly due to the timing of payments in various projects;
    and
- income tax paid increased from €0,0 million in the three months period ended March 31, 2019 to €5,5 million in the three months period ended March 31, 2020, mainly due to the negative effect of the tax audit in Intralot SA.

On a pro-forma basis, i.e., excluding the operating cash-flow contribution of our discontinued operations in Italy and Poland, there is a decrease of €11,2m in Cash inflows from operating activities (€9,5m in 1Q20 vs. €20,7 million in 1Q19 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 three months period ended March 31, 2020, net cash outflows from investing activities was €5,2 million, which was a decrease of €9,6 million, from net outflows of €14,8 million in the three months period ended March 31, 2019. This decrease is mainly attributable to lower net inflow of €1,9 million for (Purchases)/Sales of subsidiaries, associates, joint ventures and other investments in the three months period ended March 31, 2020 (mainly due to the outflow of €0,7 million in 2020 because of the Eurobet group consolidation method change, as well as the outflow of €0,3 million from financial assets disposals in 2020, compared to an inflow of €0,7 million from financial assets disposal and time deposits release in 2019), lower outflow of €11,8 million in 2020 for net capital expenditure, lower inflow of €1,3 million in 2020 for interest received from bank deposits and debtors, and higher inflow of €1,0 million in 2020 for dividends received.

Our capital expenditure in the three months period ended March 31, 2020 reached €5,6 million while in the three months period ended March 31, 2019 reached €17,4 million. Major capital expenditure items in the three months period ended March 31, 2020 include €3,1 million towards R&D and project pipeline delivery, and €0,9 million in the US, including outflows towards Montana and Washington DC contracts (Sports Betting driven).

Maintenance capital expenditure during the three months period ended period March 31, 2020 was €1,6 million in comparison to €3,1 million in the three months period ended March 31, 2019 (excluding discontinued operations in 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 three months period ended March 31, 2020, net cash outflows from financing activities was €31,5 million, compared to net cash outflows of €32,9 million in the three months period ended March 31, 2019. This decrease of net cash outflows from financing activities consisted of €0,6 million y-o-y outflow in net cash flows from financing arrangements (mainly due to the net inflow of €7,5 million of Intralot Finance UK Ltd term loan because of the €7,5 million repayment in 2019, the inflow of €8,0 million from Intralot Global Holdings BV revolving facility in 2020, and the net outflow of €16,0 million of local facilities and leasing arrangements mainly in USA), lower interest payments by €0,7 million in the three months period ended March 31, 2020, and lower dividends distribution to minority interests by €1,3 million in the three months period ended March 31, 2020.

## Cash & Cash Equivalents

The following table sets forth our Cash & Cash Equivalents as of March 31, 2020 and December 31, 2019.

| Cash & Cash Equivalents (€ in millions) | December 31, 2019 | March 31, 2020 | % change |
|---|---|---|---|
| Partnerships[1] | 18,6 | 7,1 | -61,8% |
| All other Operating Entities (with revenue contracts) & HQ | 152,5 | 134,9 | -11,5% |
| **Total** | **171,1** | **142,0** | **-17,0%** |

[1] As Partnerships we define our Operations in Turkey (Inteltek & Bilyoner), Bulgaria (Eurofootball Group until 30/11/2019 & Eurobet Group until 31/3/2020), and Argentina

Cash and cash equivalents at the end of the 1Q20 period decreased by €29,1 million vs. FY19. Of the Cash & Cash Equivalents at the end of March 31, 2020, €7,1 million are located in our partnerships, and the rest across all other Operating entities (with revenue contracts) and HQ, with an amount close to €25,0 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 March 31, 2019 with the twelve months period ended March 31, 2020

| Proportionate Financial Metrics[1] – Pro Forma (€ in millions) | twelve months ended March 31, | | % change |
|---|---|---|---|
| | 2019 | 2020 | |
| Proportionate Revenue | 128,4 | 82,4 | -35,8% |
| Proportionate GGR | 82,7 | 66,3 | -19,8% |
| Proportionate **EBITDA** | **21,2** | **12,9** | **-39,2%** |
| Adjusted EBITDA [2] | 23,8 | 13,7 | -42,4% |
| | December 31, 2019 | March 31, 2020 | |
| Proportionate Gross Debt | 762,9 | 751,7 | - |
| Proportionate Cash & Cash Equivalents | 157,7 | 135,5 | - |

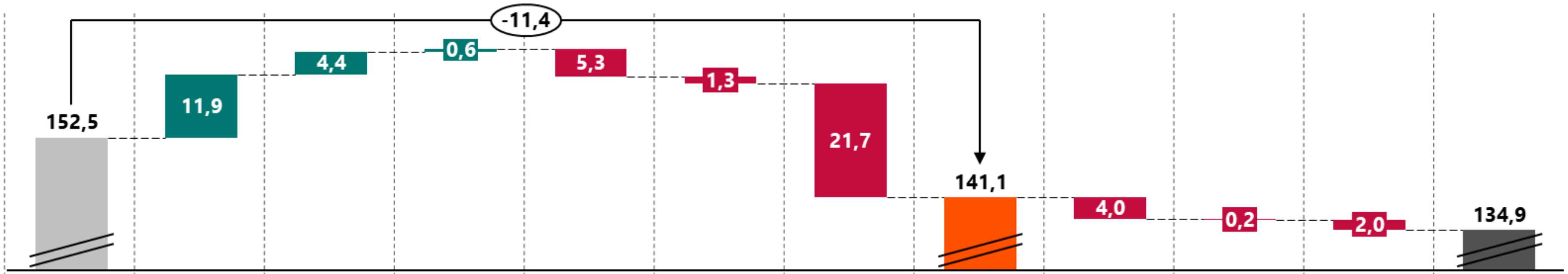
[1] The activities of Group subsidiary Totolotek S.A. (Poland) are presented as discontinued operations pursuant to IFRS 5.
[2] Calculated as Proportionate EBITDA of fully consolidated entities including EBITDA from equity investments in Peru, Greece and Taiwan.

## 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 March 31, 2020, as well as the historical values of 1Q19 and 4Q19.

### Pro-Forma Cash Flow – Shareholders of the Parent View, 1Q20

*€m*




| Historical Values | Cash & Cash Equivalents, 4Q19 | 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, 1Q20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 1Q19 | **84,7** | 12,4 | 6,6 | -8,5 | 0,7 | -2,7 | -22,1 | **71,1** | -14,1 | 0,0 | -1,1 | **55,9** |
| 2 4Q19 | **85,0** | 0,8 | 7,0 | 3,7 | -6,1 | -2,8 | -1,0 | **86,6** | -7,9 | 77,6 | -3,8 | **152,5** |

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

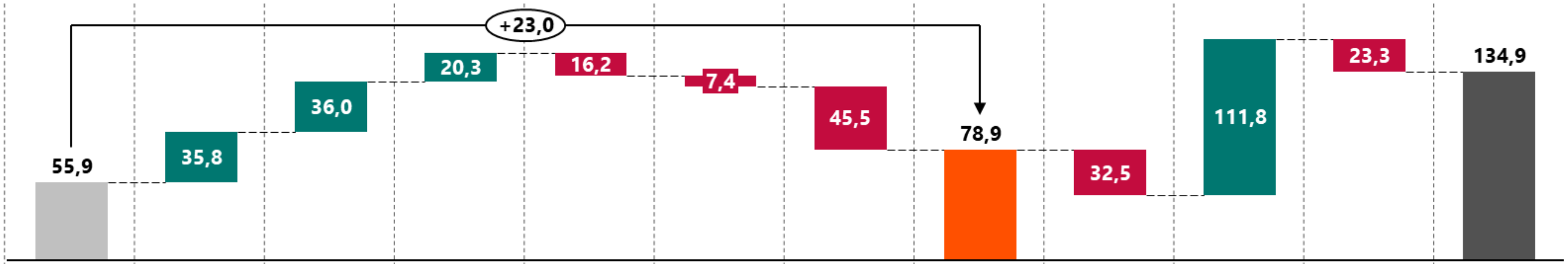
| Shareholders of the Parent View | YoY Variances Explained 1 | QoQ Variances Explained 2 |
|---|---|---|
| **EBITDA** | ▪ EBITDA shortfall driven mainly by Morocco's revised commercial terms (transition to the new contract), and Chile (1Q19 Jackpot & a recent social unrest), in part offset by our US operations (Illinois full quarter & Canada one-offs), the favorable variance from LY's negative EBITDA contribution of our discontinued operations in Poland, and a small favorable variance of HQ expenses (timing vs. LY) | ▪ Positive variance driven mainly by Morocco's FY19 minimum state guarantee provisions (in 4Q19 vs. none in 1Q20), by our US operations (boosted by Canada project one-offs), and Maltco's lower payout vs. 4Q19 |
| **Net Dividends, and Fees from Partnerships** | ▪ Negative variance driven largely by our Bulgarian operations (recent developments impact), followed by a negative variance from Turkey net dividend & fees primarily due to Inteltek's dividend receipt (settlement process) vs. a non-dividend receipt from Bilyoner (vs. 1Q19) | ▪ Negative variance driven largely by our Bulgarian operations, and the timing of Malta's dividend distribution towards our partner (1Q distribution as per LY), in part offset by higher Inteltek contributions vs. 4Q19 (because of settlement procedures) |
| **WC, FX & All Other** | ▪ WC significantly improved vs. 1Q19 driven mainly by a favorable receivable balances position in our US operations and an additional advance payment received for our project in the Netherlands (timing)<br>▪ Worse FX variance vs. a year ago (mainly Oceania, and Morocco) | ▪ QoQ small WC deterioration as the positive 4Q19 WC of Morocco (positive timing regarding revenue receipts and minimum state guarantee provision – to be paid in 2020) and the favorable timing of receipts across projects were partially offset by 1Q20 revenue receipts timing in various other projects (mainly US), and the advance payment received for our project in the Netherlands (timing)<br>▪ Worse FX impact QoQ (mainly Oceania, and Morocco) |
| **Tax** | ▪ Negative tax variance, largely due to Parent company tax payments (tax audit driven) | ▪ Positive variance due to lower tax payments due to Inteltek's dividend income, in part offset though by higher Parent company's tax payments (tax audit driven) |
| **Maintenance CAPEX** | ▪ Reduced Maintenance CAPEX outflows affected also by the Covid-19 pandemic | ▪ Reduced Maintenance CAPEX outflows affected also by the Covid-19 pandemic |
| **Net Interest** | ▪ Favorable variance mainly due to the positive impact from the bond buybacks in FY19, and the repayment / cancellation of other loan facilities in mid-19, in part offset by increased interest due to US facility utilization | ▪ Higher interest driven by coupon payments timing (2 coupon payments in 1Q20 vs. none in 4Q19) |
| **Growth & Contract Renewals CAPEX** | ▪ Favorable variance (vs. 1Q19) driven mainly by the completion of our prior years' investments in the US for Illinois and Ohio, as well as the lower outflows in general given the Covid-19 pandemic | ▪ Decreased outflows in 1Q20 mainly for Croatia's and Morocco's new contracts, as well as the lower outflows in general given the Covid-19 pandemic |
| **Disposals/ M&A/ Investments** | ▪ N/A | ▪ Mainly the impact from Gamenet stake sale in 4Q19 |
| **Net Loan & Leases Movement** | ▪ Variance driven by an adverse loan/leases movement from our US operations, in part offset by a drawn amount from our new revolving facility, and the impact of the partial repayment of Nomura loan in 1Q19 | ▪ Variance driven mainly by an adverse loan/leases movement from our US operations in part offset by a drawn amount from our new revolving facility, and the impact of bond buybacks in 4Q19 (vs. none in 1Q20) |

## 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 March 31, 2020, as well as the historical values of LTM 4Q19 and LTM 3Q19.

### Pro-Forma Cash Flow – Shareholders of the Parent View, LTM 1Q20

*€m*




| Historical Values | Cash & Cash Equivalents, 1Q19 | 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, 1Q20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LTM 4Q19** | **84,7** | 36,2 | 38,2 | 11,3 | -10,2 | -8,8 | -46,0 | **105,4** | -42,6 | 112,0 | -22,3 | **152,5** |
| **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** |

# Major Contracts Overview & Update

## Overview & LTM Contribution

Selected Entities/ Projects contribution in the twelve months ended March 31, 2020 after Intragroup eliminations.

| Entity/ Project/ Description | Partnership | Contract type | Revenue Contribution | GGR Contribution | GP Contribution | EBITDA Contribution | Contract Expiry (w/o Renewals)[6] |
|---|---|---|---|---|---|---|---|
| **12 Technology Contracts with State Lotteries[1]** | DC only | Technology | 19% | 31% | 19% | 49% | 2030 |
| **12 Technology Contracts with State Lotteries and 1 Licensed Operation** | Yes | Technology/ Licensed Operations | 7% | 8% | 11% | 14% | 2027 |
| **2 VLT Monitoring Contracts and 1 Technology Contract[2]** | | Technology | 4% | 6% | 19% | 21% | 2027 |
| **Inteltek[3]** | Yes | Management Contracts | 2% | 3% | 7% | 5% | August 2019 (Expired) |
| **Bilyoner** | Yes | Management Contracts | 3% | 6% | 14% | 4% | Aug 2020 - Renewable at the discretion of the Administration |
| **Intralot Maroc** | | Management Contracts | 3% | 5% | 16% | -7% | 2027 |
| **Eurofootball Group** | Yes | Licensed Operations | 25% | 9% | 15% | 17% | Open Market License[4] |
| **Eurobet Group** | Yes | Licensed Operations | 8% | 4% | 7% | 7% | Licenses Discontinued[5] |
| **Maltco** | | Licensed Operations | 15% | 9% | 9% | 16% | 2022 |
| **Subtotal** *(% of LTM 1Q20)* | | | **86%** | **81%** | **117%** | **126%** | |
| **LTM 1Q20** *(in million €)* | | | **629,9** | **377,0** | **106,4** | **71,8** | |

*[1] USA figures include also the Philippines and BCLC project contribution*
*[2] 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)*
*[3] Inteltek's contract with the Turkish State Organization SporToto expired in late August 2019*
*[4] 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 Interim Financial Report*
*[5] Eurobet's licenses discontinued within 1Q20. For further details refer to the notes of the Interim Financial Report*
*[6] 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. 720 employees at the end of March 31, 2020. 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.