INTRALOT Group

MANAGEMENT'S DISCUSSION & ANALYSIS

of our financial condition and results of operations
for the period 1/1-30/09/2019

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 47 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 September 30, 2019, we had revenue of €743,2 million and EBITDA of €98,4 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 September 30, 2019, our revenue from Turkey, Greece, Rest of Europe, the Americas and the Rest of the World represented 5,8%, 1,5%, 59,7%, 24,8% and 8,2% of total revenue, respectively.

Results of Operations of the INTRALOT Group

Comparison of the nine months period ended September 30, 2018 with the nine months period ended September 30, 2019

Overview

Income Statement Information (€ in millions) (unaudited)	nine months ended September 30, 2018	nine months ended September 30, 2019	% change
Revenue	596,7	555,6	-6,9%
Less: Cost of sales	-472,5	-452,3	-4,3%
Gross profit	**124,2**	**103,3**	**-16,8%**
Other operating income	10,9	13,5	23,9%
Selling expenses	-25,1	-30,2	20,3%
Administrative expenses	-52,2	-58,3	11,7%
Research and development expenses	-3,6	-3,0	-16,7%
Other operating expenses	-3,5	-8,5	n/a
EBIT	**50,7**	**16,8**	**-66,9%**
EBITDA	**98,1**	**78,8**	**-19,7%**
Income/(expenses) from participations and investments	2,6	10,8	n/a
Gain/(loss) from assets disposal, impairment and write-off	-0,3	-3,9	n/a
Interest and similar expenses	-37,9	-40,2	6,1%
Interest and related income	6,5	4,1	-36,9%
Exchange differences	10,6	6,2	-41,5%
Profit/(loss) equity method consolidation	-1,5	3,5	n/a
Gain/(loss) on net monetary position	0,0	0,4	n/a
Operating profit/(loss) before tax	**30,7**	**-2,3**	**n/a**
Less: taxes	-17,0	-15,3	-10,0%
Net profit/(loss) from continuing operations (a)	**13,7**	**-17,6**	**n/a**

Net Profit / (loss) from Discontinued Operations (b) [1]	8,2	5,3	-35,4%
Net Profit /(Loss) after taxes (Continuing and Discontinued Operations) (a) + (b)	**21,9**	**-12,3**	**n/a**
Attributable to:			
Equity holders of parent			
-Profit/(loss) from continuing operations	-13,3	-37,1	n/a
-Profit/(loss) from discontinued operations [1]	2,3	5,3	n/a
	-11,0	**-31,8**	**n/a**
Non-Controlling Interest			
-Profit/(loss) from continuing operations	27,0	19,5	-27,8%
-Profit/(loss) from discontinued operations [1]	5,9	0,0	n/a
	32,9	**19,5**	**-40,7%**
[1] The activities of Group subsidiaries Azerinteltek AS (Azerbaijan) and Totolotek SA (Poland) are presented as discontinued operations pursuant to IFRS 5.			
[2] Group's 2018 comparative figures of "Sale Proceeds", "Cost of Sales", "Gross Profit / (Loss)" and "Selling Expenses" are reclassified pursuant to IFRS 15.			

Sales Overview

Total revenue decreased by €41,1 million, or 6,9%, from €596,7 million in the nine months period ended September 30, 2018 to €555,6 million in the nine months period ended September 30, 2019. This decrease was mainly driven by decreased revenue in licensed operations and management contracts segments.

Revenue by Business Activity

The following table sets forth our revenue for each business activity for the nine months period ended September 30, 2019 and 2018.

Revenue by Business Activity (€ in millions)	**nine months ended September 30,**		**% change**
(unaudited)	**2018**	**2019**	
Licensed operations	377,6	339,6	-10,1%
Management contracts	65,4	58,2	-11,0%
Technology and support services	153,7	157,8	2,7%
Total	**596,7**	**555,6**	**-6,9%**

Revenue in our licensed operations activity line decreased by €38,0 million, or 10,1%, from €377,6 million in the nine months period ended September 30, 2018 to €339,6 million in the nine months period ended September 30, 2019. The decrease is attributed to Bulgaria (€-22,1 million), driven mainly by Sports Betting performance as a result of a conservative payout strategy, while Numerical and Racing performance remained on par with last year, and **Argentina** with lower recorded revenue, in Euro terms, by €-18,4 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 €7,2 million, or 11,0%, from €65,4 million in the nine months period ended September 30, 2018 to €58,2 million in the nine months period ended September 30, 2019. The variance is mainly driven by the deficit, in Euro terms, from our **Turkish** operations (€-3,8 million) mainly due to the devaluation of the local currency (15,1% Euro appreciation versus a year ago – in YTD average terms), as revenue in local currency grew by +5,1%. Revenue growth in local currency has been negatively impacted by 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 up by +23,1% vs. 39,9% in 1H19). In September 2019, the new Sports Betting market dynamics have resulted in the market to more than triple y-o-y, with the online segment representing more than 80% of the total market. The deficit in our management contracts was further increased by our discontinued contract in **Russia** (€-1,3 million), and by **Morocco's** (€-2,1m or c.-10,3% y-o-y) performance mainly impacted by the decreased Numerical sales, following the discontinuation of

[1] Argentina 2019 figures have been restated based on IAS 29 (Financial Reporting in Hyperinflationary Economies) so as to reflect current purchasing power. LY figures have not been restated based on IAS 21 (The Effects of Changes in Foreign Exchange Rates). For further information, you may refer to the Interim Financial Report for the period ended 30 September 2019.

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.

Revenue in our technology and support services line increased by €4,1 million, or 2,7%, from €153,7 million in the nine months period ended September 30, 2018 to €157,8 million in the nine months period ended September 30, 2019. The increase is mainly attributed to our **US** operations' (€+19,3 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), as well as last year's one-off equipment sale in Massachusetts (2Q18). Performance has also been positively affected by a favorable USD movement (5,9% Euro depreciation versus a year ago — in YTD average terms). Additional boost was provided by **Netherlands'** top line (€+2,7 million), driven by improved Sports Betting performance, and **Chile's** better performance (€+0,9 million), largely as a result of a significant Lotto jackpot in 1Q19. Our improved performance in technology and support services was partially counterbalanced by lower sales in **Greece** (€-10,6 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, while this impact was partially offset by higher equipment sales, and **Argentina's** lower recorded sales in Euro terms (€-7,0 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 nine months period ended September 30, 2019 and 2018.

GGR by Business Activity (€ in millions) (unaudited)	**nine months ended September 30,**		**% change**
	2018	**2019**	
Licensed operations	109,8	102,0	-7,1%
Management contracts	65,4	58,2	-11,0%
Technology and support services	153,7	157,8	2,7%
Total	**328,9**	**318,0**	**-3,3%**

Gross Gaming Revenue (GGR) from continuing operations decreased by 3,3% (€-10,9 million to €318,0 million) year over year driven by the drop in the non-payout related GGR (€-3,8 million vs. 9M18), following mainly the top line contribution of our Management and Technology contracts, and the decrease in our payout related GGR (-6,6% y-o-y or €-7,1 million), following the lower top line performance of our licensed operations (-10,0% y-o-y on wagers[3]) being significantly offset by the decreased YTD average Payout. 9M19 Average Payout Ratio[4] was down by 1.1pps vs. LY (70,2% vs. 71,3%) primarily due to Bulgaria's and Argentina's weighted contribution (payout and wagers driven for both countries), in part offset by Malta's weighted contribution (payout driven).

Gross Profit Margin

The Gross profit margin in the nine months period ended September 30, 2019 was 18,6%, from 20,8% in the nine months period ended September 30, 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 16,8% (or €-20,9 million) compared to the 9M18 levels.

Other Operating Income

Other operating income increased by €2,6 million, or 23,9%, from €10,9 million in the nine months period ended September 30, 2018 to €13,5 million in the nine months period ended September 30, 2019. The major driver of this increase was the higher equipment lease income in USA.

[2] Argentina 2019 figures have been restated based on IAS 29 (Financial Reporting in Hyperinflationary Economies) so as to reflect current purchasing power. LY figures have not been restated based on IAS 21 (The Effects of Changes in Foreign Exchange Rates). For further information, you may refer to the Interim Financial Report for the period ended 30 September 2019.
[3] Licensed Operations Revenue include also a small portion of non-Payout related revenue, i.e. value-added services, which totaled €2,0 million and €2,7 million for 9M19 and 9M18 respectively, and €0,5 million and €0,9 million for 3Q19 and 3Q18 respectively.
[4] Payout ratio calculation excludes the IFRS 15 impact for payments to customers

Selling Expenses

Selling expenses increased by €5,1 million, or 20,3%, from €25,1 million in the nine months period ended September 30, 2018 to €30,2 million in the nine months period ended September 30, 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 €6,1 million, or 11,7%, from €52,2 million in the nine months period ended September 30, 2018 to €58,3 million in the nine months period ended September 30, 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 decreased by 0,6 million or 16,7%, from €3,6 million in the nine months period ended September 30, 2018 to €3,0 million in the nine months period ended September 30, 2019.

Other Operating Expenses

Other operating expenses increased by 5,0 million, from €3,5 million in the nine months period ended September 30, 2018 to €8,5 million in the nine months period ended September 30, 2019. This increase was mainly due to the one-off provisions in 2019 for personnel dismissal allowances in Turkey following the Inteltek Internet AS contract expiration, as well as higher penalties in Morocco in 2019.

EBITDA

As a result of the above and the FX loss (€9,0 million[5]) from translation to EUR , EBITDA decreased by €19,3 million, or 19,7%, from €98,1 million in the nine months period ended September 30, 2018 to €78,8 million in the nine months period ended September 30, 2019 while EBITDA margin decreased from 16,4% in the nine months period ended September 30, 2018 to 14,2% in the nine months period ended September 30, 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, Morocco's and Turkey's 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 €8,2 million, from €2,6 million in the nine months period ended September 30, 2018 to €10,8 million in the nine months period ended September 30, 2019, mainly due to the gain from Hellenic Lotteries SA investment disposal, as well as the gain from 2024 Notes repurchase in 3Q2019.

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

Gain/(loss) from assets disposal, impairment and write-off deteriorated by €3,6 million, from loss of €0,3 million in the nine months period ended September 30, 2018 to loss of €3,9 million in the nine months period ended September 30, 2019. This deterioration was primarily due to higher assets impairment losses in 2019, mainly because of the goodwill impairment provision (€3,0 million) regarding Inteltek (Turkey).

Interest and Similar Expenses

Interest and similar expenses increased by €2,3 million, or 6,1%, from €37,9 million in the nine months period ended September 30, 2018 to €40,2 million in the nine months period ended September 30, 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.

Interest and Related Income

[5] No CPI adjustment y-o-y

Interest and related income decreased by €2,4 million, or 36,9% from €6,5 million in the nine months period ended September 30, 2018 to €4,1 million in the nine months period ended September 30, 2019, primarily due to lower interest income on bank deposits and debtors in 2019.

Profit/(loss) from equity method consolidation

In the nine months period ended September 30, 2019 we had a net profit from equity method consolidation of €3,5 million, compared to €-1,5 million in the nine months period ended September 30, 2018, mainly derived from of our associate companies in Italy, Peru and Asia.

Operating Profit before Tax

As a result of the above and due to exchange differences from a gain of €10,6 million in the nine months period ended September 30, 2018 to a gain of €6,2 million in the nine months period ended September 30, 2019 and increased depreciation and amortization by €14,6 million, operating profit before tax decreased by €33,0 million from a profit of €30,7 million in the nine months period ended September 30, 2018 to a loss of €2,3 million in the nine months period ended September 30, 2019.

Taxes

Taxes decreased by €1,7 million, or 10,0%, from €17,0 million in the nine months period ended September 30, 2018 to €15,3 million in the nine months period ended September 30, 2019. This increase was primarily due to the lower taxable 2019 profits in various jurisdictions.

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

As a result of the above, net profit/(loss) from continuing operations decreased by €31,3 million, from a profit of €13,7 million in the nine months period ended September 30, 2018 to a loss of €17,6 million in the nine months period ended September 30, 2019.

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

Net profit/(loss) from discontinued operations in Azerinteltek AS (Azerbaijan) and Totolotek SA (Poland) decreased by €2,9 million, from a profit of €8,2 million in the nine months period ended September 30, 2018 to a profit of €5,3 million in the nine months period ended September 30, 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 1/1-30/9/2018 (in 2018 it was consolidated with the full consolidation method until 31/12/2018):

	1/1-30/9/2018
Sale proceeds	121,3
EBITDA	**17,3**
Profit/(loss) after tax	**9,9**
Gain/(loss) from disposal of discontinued operations	0,0
Corresponding tax	0,0
Profit/(loss) after tax from discontinued operations	**9,9**
Attributable to:	
Equity holders of parent	3,9
Non-Controlling Interest	6,0

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 share purchase agreement has already been concluded and both parties are now awaiting merger clearance. With this acquisition, the German company will enter the Polish market and thus expand its presence in Europe. Soon Polish sports betting fans will be able to place their bets under the sign of the well-known MERKUR sun: Merkur Sportwetten GmbH. Totolotek has been firmly established in the Polish sports betting market for over 27 years and is one of the top three omnichannel betting companies in Poland. It markets its wide range of sports betting products through stationary trade at over 260 distribution points as well as online via its website and mobile app. Totolotek currently has 560 employees Since, 31/3/2019 the Group's above activities in Poland were classified as assets held for sale and discontinued operations pursuant to IFRS 5. 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 1/1-30/9/2018:

	1/1-30/9/2018	1/1-30/4/2019
Sale proceeds	64,5	28,6
EBITDA	**-0,5**	**-1,8**
Profit/(loss) after tax	**-1,7**	**-2,1**
Gain/(loss) from disposal of discontinued operations	0,0	7,4
Corresponding tax	0,0	0,0
Profit/(loss) after tax from discontinued operations	**-1,7**	**5,3**
Attributable to:		
Equity holders of parent	-1,6	5,3
Non-Controlling Interest	-0,1	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 €34,2 million, from a profit of €21,9 million in the nine months period ended September 30, 2018 to a loss of €12,3 million in the nine months period ended September 30, 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 €20,8 million, from a loss of €11,0 million in the nine months period ended September 30, 2018 to a loss of €31,8 million in the nine months period ended September 30, 2019.

Net loss from continuing operations attributable to the owners of the parent decreased by €23,8 million, from a loss of €13,3 million in the nine months period ended September 30, 2018 to a loss of €37,1 million in the nine months period ended September 30, 2019.

Net Cash Flows from total operations (continuing and discontinued)

Cash Flow Statement (€ in millions)	**nine months ended September 30,**	
(unaudited)	**2018**	**2019**
Operating activities		
Profit / (loss) before tax from continuing operations	30,7	-2,4

Profit / (loss) before tax from discontinued operations	15,6	5,3
Profit / (loss) before Taxation	**46,3**	**2,9**
Plus / Less adjustments for:	0,0	0,0
Depreciation and Amortization	48,1	62,0
Provisions	1,2	5,4
Results (income, expenses, gain and loss) from Investing Activities	-11,8	-27,9
Interest and similar expenses	38,2	40,3
Interest and similar Income	-6,7	-4,1
(Gain) / loss on net monetary position	0,0	-0,4
Plus / Less adjustments for changes in working capital:		
Decrease / (increase) of Inventories	-18,5	1,3
Decrease / (increase) of Receivable Accounts	11,5	-0,7
(Decrease) / increase of Payable Accounts (except Banks)	-27,3	4,1
Less: Income Tax Paid	20,7	8,2
Total inflows / (outflows) from operating activities (a)	**60,3**	**74,7**
Investing Activities		
(Purchases) / Sales of subsidiaries, associates, joint ventures and other investments	-3,6	28,3
Purchases of tangible and intangible assets	-65,4	-44,3
Proceeds from sales of tangible and intangible assets	0,4	0,2
Interest received	4,1	3,9
Dividends received	7,6	8,8
Total inflows / (outflows) from investing activities (b)	**-56,9**	**-3,1**
Financing Activities		
Repurchase of treasury shares	-8,6	0,0
Proceeds from loans	60,3	68,4
Repayment of loans	-45,4	-79,3
Bonds buy back	-5,0	-2,4
Repayments of lease liabilities	-4,2	-5,7
Interest and similar expenses paid	-48,0	-47,0
Dividends paid	-31,5	-36,4
Total inflows / (outflows) from financing activities (c)	**-82,4**	**-102,4**
Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)	**-79,0**	**-30,8**
Cash and cash equivalents at the beginning of the period	**238,0**	**162,5**
Net foreign exchange difference	-7,6	2,0
Cash and cash equivalents at the end of the period from total operations	**151,4**	**133,7**

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 increased by €14,4 million, or 23,9%, from €60,3 million in the nine months period ended September 30, 2018 to €74,7 million in the nine months period ended September 30, 2019. This increase was primarily driven by the following:

- profit before taxation from total operations (continuing and discontinued) decreased by €43,4 million, or 93,7%, from €46,3 million in the nine months period ended September 30, 2018 to €2,9 million in the nine months period ended September 30, 2019, mainly due to the decrease by €10,3 million of profit before taxation from discontinued operations (profit €15,6 million in the nine months period 2018 versus profit €5,3 million in the nine months period 2019), as well as due to decrease by €33,1 million of profit before taxation from continuing operations as described above;
- depreciation and amortization from total operations increased by 28,9% from €48,1 million in the nine months period ended September 30, 2018 to €62,0 million in the nine months period ended September 30, 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 €1,2 million in the nine months period ended September 30, 2018 and positive €5,4 million in the nine months period ended September 30, 2019, mainly due to 2019 impairment provision of goodwill in subsidiary Inteltek A.S of €3,0 million following the award of the license, that was completed in the first quarter of 2019, to another bidder.
- the effect of results from investing activities on cash flow was negative €11,8 million in the nine months period ended September 30, 2018 and negative €27,9 million in the nine months period ended September 30, 2019, mainly due to the gain (€6,8 million) from discontinued operations (Totolotek) disposal in 2019, the gain (€5,4 million) from Hellenic Lotteries SA investment disposal in 3Q19, the gain (€2,5 million) from 2024 Notes repurchase in 3Q2019, higher (€5,0 million y-o-y) net profit from associates, as well as lower (€3,5 million y-o-y) net FX gain in the nine months period 2019, partially set-off by lower €0,5 million dividend income in the nine months period 2019;
- Net interest results were higher by €4,7 million in the nine months period ended September 2019 (36,2 million), as described above.
- changes in our working capital, which led to a cash inflow of €4,7 million in the nine months period ended September 30, 2019, compared with a cash outflow of €34,3 million in the nine months period ended September 30, 2018;
    - In particular, there was an decrease of €1,3 million in inventories in the nine months period ended September 30, 2019, compared to an increase of €18,5 million in the nine months period ended September 30, 2018, mainly due to the roll out of new the projects under construction in America segment in late 2018 and in early 2019.
    - also, there was an increase of €0,7 million in receivables in the nine months period ended September 30, 2019, compared to a decrease of €11,5 million in the nine months period ended September 30, 2018, mainly due to the timing of revenue receipts in various projects.
    - also, there was an increase of €4,1 million in payables towards our suppliers in the nine months period ended September 30, 2019 compared to a decrease of €27,3 million in the nine months period ended September 30, 2018, mainly due to the increased deferred revenue from the Netherlands and Canadian projects under construction in 2019, compared to the repayment of a long due interest bearing liability of €13,0 million in 2Q18, as well as other suppliers payments related to new projects under construction in various segments in 2018; and
- income tax paid decreased from €20,7 million in the nine months period ended September 30, 2018 to €8,2 million in the nine months period ended September 30, 2019, mainly due to the positive effect of discontinued operations in Azerbaijan, as well as timing effect of prepaid taxes mechanism in EU.

On a pro-forma basis, i.e., excluding the operating cash-flow contribution of our discontinued operations in Azerbaijan, and Poland, there is an increase of €22,2m in Cash inflows from operating activities (€76,0m in 9M19 vs. €53,8 in 9M18 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 nine months period ended September 30, 2019, net cash outflows from investing activities was €3,1 million, which was a decrease of €54,0 million, or 94,7%, from outflows of €56,9 million in the nine months period ended September 30, 2018. This decrease is mainly attributable to higher net inflow of €31,9 million for (Purchases)/Sales of subsidiaries, associates, joint ventures and other investments in the nine months period ended September 30, 2019 (mainly due to the net inflow of €20,0 million from Hellenic Lotteries disposal, €5,1 million from Totolotek disposal and €2,3 million from Nanum JV share capital return), lower outflow of €20,9 million in 2019 for net capital expenditure, lower inflow of €0,2 million in 2019 for interest received from bank deposits and debtors, and higher inflow of €1,2 million in 2019 for dividends received.

Our capital expenditure in the nine months period ended September 30, 2019 reached €44,3 million while in the nine months period ended September 30, 2018 reached €65,4 million. Major capital expenditure items in the nine months period ended September 30, 2019 include investments in R&D of €8,6 million, investments in our business in USA €23,9 million mainly towards the Illinois new contract, Ohio, Arkansas, Louisiana and DC Lottery contracts' renewals, and €3,9 million for Croatia and Morocco new contracts.

Maintenance capital expenditure during the nine months period ended period September 30, 2019 was €6,2 million in comparison to €15,9 million in the nine months period ended September 30, 2018 (excluding discontinued operations in Azerbaijan and Totolotek).

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 nine months period ended September 30, 2019, net cash outflows from financing activities was €102,4 million, compared to net cash outflows of €82,4 million in the nine months period ended September 30, 2018. This increase of net cash outflows from financing activities consisted of €24,7 million 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 9M18 vs the repayment of €15,0 million in 9M19, the net inflow of €2,6 million due to the lower Bonds repurchases in 9M19, the net inflow of €2,4 million of local facilities and leasing arrangements mainly in USA and Poland), lower interest payments by €1,0 million in the nine months period ended 2019, higher dividends distribution in the nine months period ended September 30, 2019 to minority interests amounting to €4,9 million, and the outflow of €8,6 million in the nine months period ended September 30, 2018 for treasury shares repurchases.

Cash & Cash Equivalents

The following table sets forth our Cash & Cash Equivalents as of September 30, 2019 and December 31, 2018.

Cash & Cash Equivalents (€ in millions)	December 31, 2018	September 30, 2019	% change
Partnerships[1]	77,8	48,7	-37,4%
All other Operating Entities (with revenue contracts) & HQ	84,7	85,0	+0,4%
Total	**162,5**	**133,7**	**-17,7%**

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

Cash and cash equivalents at the end of the 3Q19 period decreased by €28,8 million vs. FY18. Of the Cash & Cash Equivalents at the end of September 30, 2019, €48,7 million are located in our partnerships, and the rest across all other Operating entities (with revenue contracts) and HQ (€85,0 million), 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 nine months period ended September 30, 2018 with the nine months period ended September 30, 2019

Proportionate Financial Metrics[1] – Pro Forma (€ in millions)	**nine months ended September 30,**		**% change**
	2018	**2019**	
Proportionate Revenue	393,8	378,2	-4,0%
Proportionate GGR	248,3	247,1	-0,5%
Proportionate **EBITDA**	**67,0**	**54,2**	**-19,1%**
Adjusted EBITDA [2]	86,2	85,9	-0,3%
	December 31, 2018	**September 30, 2019**	
Proportionate Gross Debt [3]	775,6	764,8	-
Proportionate Cash & Cash Equivalents [3]	115,6	104,0	-

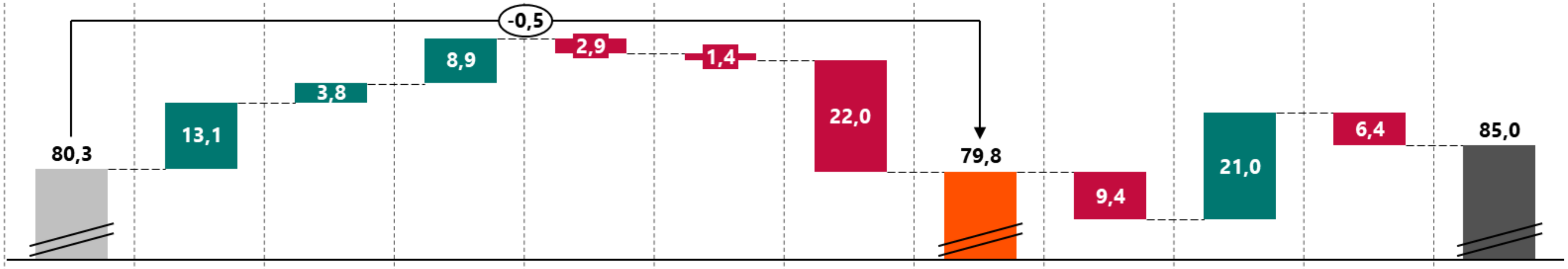
[1] The activities of Group subsidiaries Azerinteltek AS (Azerbaijan) and Totolotek S.A. (Poland) are presented as discontinued operations pursuant to IFRS 5.
[2] Calculated as Proportionate EBITDA of fully consolidated entities including EBITDA from equity investments in Italy, Peru, Greece and Taiwan. Hellenic Lotteries proportionate EBITDA has been included up to the disposal of the investment on August 28th, 2019 (proforma calculation).
[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 September 30, 2019, as well as the historical values of 3Q18 and 2Q19.

Pro-Forma Cash Flow – Shareholders of the Parent View, 3Q19

€m



Historical Values	Cash & Cash Equivalents, 2Q19	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, 3Q19
1 3Q18	**136,3**	10,7	6,2	-5,0	-1,9	-4,6	-22,4	**119,3**	-17,6	0,0	-10,2	**91,5**
2 2Q19	**55,9**	10,0	20,8	7,2	-2,0	-1,9	-0,8	**89,2**	-11,2	13,4	-11,1	**80,3**

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

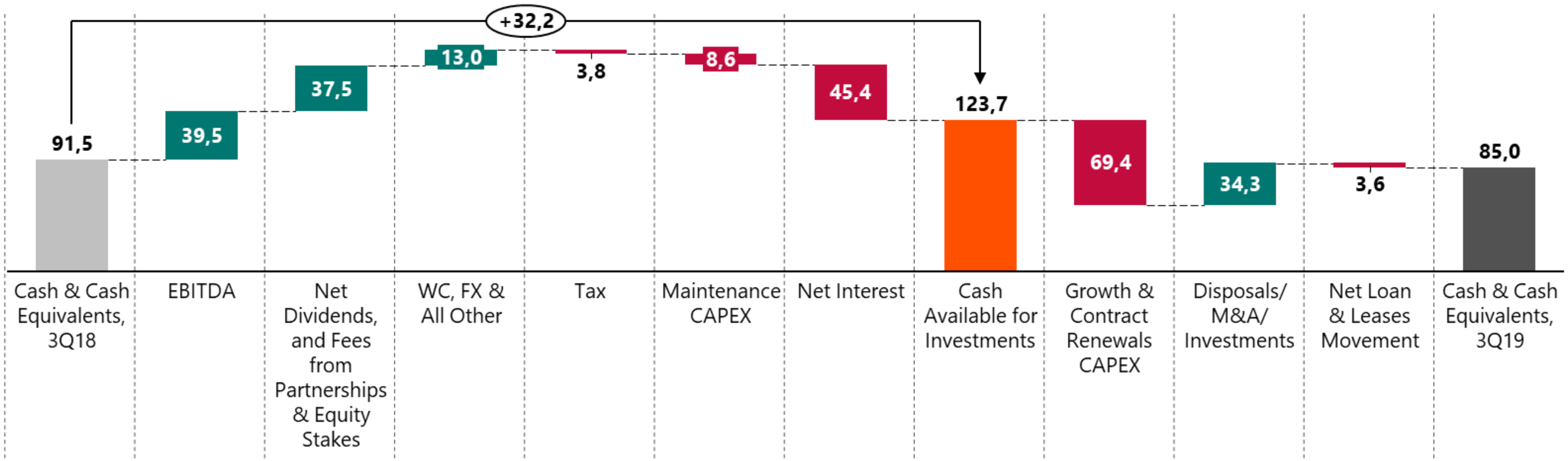
Shareholders of the Parent View	YoY Variances Explained 1	QoQ Variances Explained 2
EBITDA	▪ Illinois contract start in mid-February and the improved performance of our operations in Netherlands, fully absorbed OPAP's new contract scope and Morocco's SGLN contract discontinuation	▪ Positive variance driven mainly by the impact of Morocco's FY18 minimum state guarantee settlement and provisions for 2019 penalties recorded in 2Q19
Net Dividends, and Fees from Partnerships	▪ Negative variance driven by Bilyoner's pre-dividend distribution in 3Q18, a dividend income from our investment in Peru in 3Q18 (mostly timing), and the lower contribution from our Bulgarian and Argentinian (FX/ timing) operations	▪ Negative variance driven largely by the dividend income received from Inteltek and Gamenet in 2Q19
WC, FX & All Other	▪ Favorable WC variance driven by the lower inventory purchases in the US operations (yoy), coupled with an advance payment received for our project in Canada, and a S/W license installment receipt in Australia, in part offset by timing of revenue receipts in various projects ▪ Treasury shares purchases at €3.1 million in 2Q18 vs. none in 3Q19 ▪ Slightly worse FX variance vs. a year ago	▪ QoQ WC improvement following the advance payment received for Canada, coupled with a S/W license installment receipt in Australia, being in part offset by timing of revenue receipts in various projects and the impact of our advance payment received in 2Q19 for our project in Netherlands ▪ Positive FX impact QoQ
Tax	▪ Negative tax variance, mainly driven by our operations in Malta (timing)	▪ Variance driven mainly by the timing of taxes paid in our operations in Malta
Maintenance CAPEX	▪ Reduced Maintenance CAPEX needs vs. a year ago	▪ Maintenance CAPEX at similar levels
Net Interest	▪ Net Interest at similar levels vs. 3Q18	▪ Higher interest due to coupon payments timing (2 coupon payments in 3Q19 vs. none in 2Q19)
Growth & Contract Renewals CAPEX	▪ Favorable variance (vs. 3Q18) driven by the decreased US investments outflows vs. a year ago (Illinois, and Ohio in LY vs. DC, Louisiana, and Arkansas in CY) and the current period outflows towards Morocco and Croatia new contracts	▪ Decreasing leftover outflows in 3Q19 for Illinois and Ohio, in part offset by the CAPEX for Louisiana, DC, and the outflow for Morocco and Croatia new contracts
Disposals/ M&A/ Investments	▪ Current period figure including mainly the proceeds from our sale of stake in Hellenic Lotteries	▪ Mainly the sale of Hellenic Lotteries stake in 3Q19 vs. the received PP from Azerbaijan operation sale, Polish operation sale (net impact), and Nanum JV share capital return in 2Q19
Net Loan & Leases Movement	▪ Variance driven by a favorable loan/leases movement from our US operations, in part offset by the bond buyback in 3Q19	▪ Variance driven mainly by the remaining Nomura Loan balance repayment in 2Q19, in part offset by the bond buyback in 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 September 30, 2019, as well as the historical values of LTM 2Q19 and LTM 1Q19.

Pro-Forma Cash Flow – Shareholders of the Parent View, LTM 3Q19

€m



Historical Values	Cash & Cash Equivalents, 3Q18	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, 3Q19
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**
LTM 1Q19	**151,6**	42,9	36,5	-31,5	-4,5	-15,3	-45,8	**133,9**	-88,3	3,1	7,2	**55,9**

Major Contracts Overview & Update[1]

Overview & LTM Contribution

Selected Entities/ Projects contribution in the twelve months ended September 30, 2019 after Intragroup eliminations.

Entity/ Project/ Description	Partnership	Contract type	Revenue Contribution	GGR Contribution	GP Contribution	EBITDA Contribution	Contract Expiry (w/o Renewals)[6]
13 Technology Contracts with State Lotteries[2]	DC only	Technology	15%	26%	15%	36%	2030
12 Technology Contracts with State Lotteries and 1 Licensed Operation	Yes	Technology/ Licensed Operations	4%	5%	6%	7%	2024
2 VLT Monitoring Contracts and 1 Technology Contract[3]		Technology	3%	5%	14%	14%	2027
Inteltek[4]	Yes	Management Contracts	4%	7%	16%	14%	August 2019 (Expired)
Bilyoner	Yes	Management Contracts	4%	7%	15%	9%	2019 - Renewable at the discretion of the Administration
Intralot Maroc[5]		Management Contracts	3%	6%	16%	3%	2027
Eurofootball Group	Yes	Licensed Operations	33%	13%	20%	21%	Open Market License
Eurobet Group	Yes	Licensed Operations	8%	4%	6%	6%	Open Market License
Maltco		Licensed Operations	13%	9%	7%	12%	2022
Subtotal *(% of LTM 3Q19)*			**87%**	**82%**	**115%**	**122%**	
LTM 3Q19 *(in million €)*			**743,2**	**424,1**	**137,0**	**98,4**	

[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] 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 two 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. 700 employees at the end of September 30, 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.