



Financial Statements and Supervisory and Auditors Committee's Report.

TECNO ACCION S.A.

December 31st, 2016 and 2017.

ANNUAL REPORT

To the Shareholders of

TECNO ACCIÓN S.A.:

In compliance with statutory rules and bylaws in force, we hereby submit the Annual Report and the Financial Statements for the fiscal year ended December 31, 2017.

Corporate Profile.

The main activity of Tecno Acción S.A. is the provision of services for the capture, concentration, transmission and processing of lottery game and horse-racing bets to the lotteries of the Provinces of Santa Cruz, Santiago del Estero, Salta, Río Negro, Catamarca, La Rioja, Tierra del Fuego, Neuquén, Corrientes and Jujuy and to Hipódromo Argentino de Palermo S.A.

Company's Economic Group.

As of December 31 2017, the Company's shareholders and their respective equity interests in its capital stock and votes are as follows: Intralot Global Holdings B.V. 50.00001%, Correón S.A. 12.50%, Compañía Gerenciadora de Inversiones S.A. 9.99999%, Da Silvano S.A. 2.50% and InverClub S.A. 25.00%.

Corporate Policy.

The main purpose of Tecno Acción S.A., during the fiscal year, was focused on consolidating the company's position in the national territory and maintaining a satisfactory performance. In addition, the Company has specially emphasized its quality of national manufacturer, owner of its own technology for data capture terminals.

In order to achieved the aforementioned, the Company focused on continuing the renegotiation of contracts with our clients and on the technological innovation so that the Company can provide the ultimate technological solutions to its clients. The Company is specialized in the provision of integral systems of capture of lottery bets, for its clients in Argentina and its potential customers within Latin America.

Likewise, the strategic alliance that Tecno Acción S.A. has established with Intralot Iberia SAU during the last years is still producing good results, which is reflected in the profits registered by Tecno Acción S.A. in the fiscal year ended December 31 2017, in the significant growth of Tecno Acción S.A. over these years and in the high-quality technology and management services provided by Tecno Acción S.A. to its clients, which rely on the technical support services rendered by Intralot Iberia SAU. Otherwise, with Intralot trademark on our side, customers and gamblers are much more confident in using tools created by a market leader with international support.

Relevant Events of the Fiscal Year.

Below, we mention the most significant achievements of the year under consideration:

The company, in its intention to expand its activities, analyzed other opportunities abroad always within the market of gambling automation.

As part of the effort of the Company to stay competitive in the national and international market, one of the key pillar is to continue developing the different world-class certifications which ensure us to develop standard of excellence in integral management. In this context, the Company has made all the necessary efforts to obtain the certifications with security control standards on international level.

With the aim of consolidating its leading role in the development of systems, Tecno Acción has decided to strengthen its areas of software and hardware development by incorporating new technologies and methodologies of development it said areas.

With the investments undertaken and the implementations of new games, the Company fulfilled its objectives of strengthening in the market position. Thus, Tecno Acción S.A. will carry new goals forward during next fiscal year, aimed at the Company's continuous growth.

Strategy and Prospects for the Fiscal Year 2018. During fiscal year 2018, we will continue working on meeting and respecting our contractual obligations and maintaining the quality of service provision to current clients as well the capture of new clients in new markets of the gambling industry and other opportunities within the ICT market.

Besides, we want to incorporate all the knowledge of our company and of Intralot in order to offer new products and services which improve the performance of the activity.

Additionally, the existing strategic alliance with Intralot Iberia SAU will be renewed and strengthened, since this alliance has benefited and will benefit Tecno Acción S.A. in the future.

On the other side, we will continue efforts to find business opportunities outside Argentina, enhancing our commercial alliance with Intralot. Besides, the Company will evaluate the possibility to expand into new technology business in other industries and highlight its competitive advantages and telecommunications, hardware and software knowledge.

Summary.

Equity Structure compared with the previous fiscal year.

	12/31/2017	12/31/2016
Current Assets	140.453.864	120.602.473
Non-current Assets	121.322.435	109.693.047
Total	261.776.299	230.295.520
Current Liabilities	92.598.106	106.414.681
Non-current Liabilities	6.822.092	4.616.490
Total	99.420.198	111.031.171
Shareholder's Equity	162.356.101	119.264.349
Total	261.776.299	230.295.520

Income Structure as compared to the previous fiscal year.

	12/31/2017	12/31/2016
Ordinary Operating Income	213.967.360	146.426.080
Financial and Holding Income	(2.009.257)	(4.084.868)
Other net income and expenses	813.835	5.512.990
Ordinary net Profit	212.771.938	147.854.202
Income tax	(75.468.816)	(53.642.839)
Net income	137.303.122	94.211.363

Structure of generation or use of funds compared with the previous fiscal year.

	12/31/2017	12/31/2016
Funds generated by operating activities	180.135.743	107.763.449
Funds applied to investment activities	(82.199.735)	(66.740.497)
Funds applied to financing activities	(101.658.323)	(41.434.330)
Total funds generated during the fiscal year	(3.722.316)	(411.378)

The main financial ratios of the Company as of December 31, 2017 presented in comparison with the previous fiscal year are featured below:

		12/31/2017	12/31/2016
Solvency	Assets / Liabilities	2.63	2.07
Indebtedness	Liabilities / (liabilities + shareholders' equity)	0.38	0.48
Current Liquidity	Current Assets / Current Liabilities	1.52	1.13
Immediate Liquidity	Cash and Banks / Current Liabilities	0.41	0.38
Equity ratio	Shareholders' equity / Assets	0.62	0.52
Fixed assets ratio	Non-current Assets / assets	0.46	0.48
Financial Leverage	Liabilities / Assets	0.38	0.48
Assets turnover ratio	Gross income / Assets	1.12	0.92

We want to thank especially our shareholders, clients, Intralot Iberia SAU and other suppliers for ratifying their trust in our Company and to our personnel for their efforts and devotion evidenced in the course of this year.

City of Buenos Aires, March 5th, 2018.

THE BOARD OF DIRECTORS.

TECNO ACCION S.A.

Legal domicile: Rivadavia 620, 7th floor.

City of Buenos Aires. Argentine Republic.

FISCAL YEAR No. 30.

INITIATED ON JANUARY 1st 2017.

FINANCIAL STATEMENTS AS OF DECEMBER 31st 2017

PRESENTED IN COMPARISON WITH PREVIOUS YEAR.

Main activity of the company: provision of services for the capture, concentration, transmission and processing of bets of gambling to lotteries

C.U.I.T.: 30-62738989-9

Date of entry in the Public Trade Registry:

-Social contract: April 6th 1989.

-Last modification of the Statute: February 21st 2017.

Registration number in the Public Trade Registry: 1.594.565.

Compliance date of the social term: April 5th, 2088.

Designation of the holding company: Intralot Global Holdings B.V.

Legal domicile of the holding company: Nachtwachtlaan 20-24, 1058 EA Amsterdam, Netherlands.

Main activity of the holding company: Investor.

Shares of the holding company on net equity: 50.00001% (Note 7).

Percentage of votes of the holding company: 50.00001%.

COMPOSITION OF SHARE CAPITAL (note 6).

<u>Number of shares</u>	<u>Type of shares</u>	Number of votes for each one:	<u>Subscribed, issued, integrated and registered:</u>
20.877.483	Nominal value \$1 each one	1	20.877.483
20.877.483			20.877.483

TECNO ACCION S.A.

Registration number in the Superintendency of Corporations (IGJ) 1.594.565

Balance sheet as of December 31st 2017 compared with previous fiscal year.

(numbers expressed in pesos according to Note 2.2)

ASSETS	12/31/2017	12/31/2016
<u>CURRENT ASSETS</u>		
Cash and Banks (note 4.a)	37.668.351	40.346.374
Transitory Investments (note 4.b)	-	1.044.293
Trade Receivables (note 4.c)	79.572.064	54.468.228
Other credits (Note 4.d)	23.213.449	24.743.578
Current assets TOTAL	140.453.864	120.602.473
<u>NON-CURRENT ASSETS</u>		
Other credits (note 4.d)	7.718.102	6.795.245
Fixed assets (annex I)	113.022.509	102.080.582
Intangibles assets (Annex II)	581.824	817.220
Non-current Assets TOTAL	121.322.435	109.693.047
TOTAL ASSETS	261.776.299	230.295.520

LIABILITIES	12/31/2017	12/31/2016
<u>CURRENT LIABILITIES</u>		
Accounts payable (note 4.e)	31.757.989	54.344.824
Loans (note 4.f)	4.350.585	10.961.690
Remunerations and social securities (note 4.g)	16.870.380	14.010.504
Tax charges (Note 4.h)	39.619.152	16.298.967
Other liabilities (note 4.h)	-	10.798.696
Current Liabilities TOTAL	92.598.106	106.414.681
<u>NON-CURRENT LIABILITIES</u>		
Accounts payable (note 4.e)	1.244.160	-
Loans (note 4.f)	27.940	122.001
Tax charges (note 4.h)	5.549.992	4.494.489
Non-current liabilities TOTAL	6.822.092	4.616.490
TOTAL LIABILITIES	99.420.198	111.031.171

NET EQUITY	12/31/2017	12/31/2016
According to respective status	162.356.101	119.264.349
TOTAL Liabilities and Net Equity	261.776.299	230.295.520

Notes 1 to 11 and complementary statements (annex I to V) which are annexed are integral part of this statement.

TECNO ACCION S.A.

Registration number in the Superintendency of Corporations (IGJ) 1.594.565

Income statement

for the fiscal year ended December 31st 2017

compared with previous fiscal year.

(numbers expressed in pesos according Note 2.2)

	12/31/2017	12/31/2016
Services provided (note 4.j)	525.359.659	411.157.284
Costs of services provided (annex V)	<u>(231.528.926)</u>	<u>(198.634.691)</u>
Gross profit	293.830.733	212.522.593
Marketing Costs (annex V)	(21.280.837)	(19.668.300)
Administrative costs (annex V)	(58.582.536)	(46.428.213)
Net financial and holding results (note 4.k)	(2.009.257)	(4.084.868)
Other net incomes and expenses (note 4.i)	<u>813.835</u>	<u>5.512.990</u>
Net profit before income tax	212.771.938	147.854.202
Income Tax (note 3)	(75.468.816)	(53.642.839)
Net profit for the year	137.303.122	94.211.363

Notes 1 to 11 and complementary statements (annex I to V) which are annexed are integral part of this statement.

TECNO ACCION S.A.

Registration number in the Superintendency of Corporations (IGJ) 1.594.565

Statements of changes in Net Equity

for the fiscal year ended December 31st 20167

compared with previous fiscal year.

(numbers expressed in pesos according Note 2.2).

	Owners Contribution		Acummulated Results			Total	
	Subscribed Capital	Total	Legal reserve	Non-assigned results	Total	at 12/31/2017	at 12/31/2016
Balance at the beginning of the year	20.877.483	20.877.483	4.175.496	94.211.370	98.386.866	119.264.349	77.565.163
Distribution of cash dividends (1)	-	-	-	(94.211.370)	(94.211.370)	(94.211.370)	(52.512.177)
Net income for the year	-	-	-	137.303.122	137.303.122	137.303.122	94.211.363
Balance at the end of the year	20.877.483	20.877.483	4.175.496	137.303.122	141.478.618	162.356.101	119.264.349

(1) Determined by Ordinary General Assembly of Shareholders of February 3rd 2017.

Notes 1 to 11 and complementary statements (annex I to V) which are annexed are integral part of this statement.

TECNO ACCION S.A.

Registration number in the Superintendency of Corporations (IGJ) 1.594.565

Cash flow Statement**for the fiscal year ended December 31st 2017****compared with previous year.**

(numbers expressed in pesos according Note 2.2).

	12/31/2017	12/31/2016
<u>Changes in cash (1)</u>		
Cash at beginning of year	41.390.667	41.802.045
Cash at end of year	37.668.351	41.390.667
Net decrease in cash	(3.722.316)	(411.378)
<u>Reasons of changes in cash. Operational activities.</u>		
Net income for the year	137.303.122	94.211.363
Income Tax accrued in the year	75.468.816	53.642.839
<u>Adjustments to reach net cash flow from operating activities</u>		
Depreciation of fixed assets	16.082.642	12.010.740
Amortization of intangibles assets	601.493	733.481
Net change in anticipation of contingencies	-	(1.690.744)
Retirement of fixed assets	54.809.070	120.957
Net change in anticipation of doubtful accounts	85.100	74.400
Net accrued interests and exchange rate differences	1.770.516	8.869.069
<u>Changes in operating assets and liabilities</u>		
Increase of service credits	(25.188.936)	(11.511.035)
Decrease (increase) of other credits	789.300	(19.717.307)
(Decrease) Increase in accounts payable	(22.553.432)	16.603.973
Increase in remunerations and social securities	2.859.876	5.332.940
Decrease in tax charges	(9.893.984)	(7.959.903)
(Decrease) Increase in other liabilities	(10.798.696)	3.256.759

Payment of Income Tax	(41.199.144)	(44.612.545)
Net cash flow from operating activities	<u>180.135.743</u>	<u>107.763.449</u>
<u>Investment Activities</u>		
Payment for purchases of fixed assets	(82.150.381)	(66.479.314)
Payment for purchases of intangible assets	(366.097)	(488.020)
Collection of money of fixed assets' sales	316.742	226.837
Net cash flow used in investment activities	<u>(82.199.736)</u>	<u>(66.740.497)</u>
<u>Financing Activities</u>		
Dividend payment	(94.211.370)	(52.512.177)
(Decrease) Increase of loans	(7.446.953)	11.077.847
Net cash flow used in financing activities	<u>(101.658.323)</u>	<u>(41.434.330)</u>
Decrease in net cash	<u>(3.722.316)</u>	<u>(411.378)</u>

Notes 1 to 11 and complementary statements (annex I to V) which are annexed are integral part of this statement.

TECNO ACCION S.A.

Registration number in the Superintendency of Corporations (IGJ) 1.594.565

Note to the Financial Statements

as of December 31st 2016

compared with previous year

(numbers expressed in pesos according Note 2.2).

Note 1. Company's Activity.

The main activity of Tecno Acción S.A. is the provision of services for the capture, concentration, transmission and processing of lottery game bets to the lotteries of the Provinces of Santa Cruz, Santiago del Estero, La Pampa, Río Negro, Catamarca, La Rioja, Tierra del Fuego, Neuquén, Corrientes and Jujuy and to Hipódromo Argentino de Palermo S.A. (hereinafter "H.A.P.S.A").

Note 2. Basis of presentation of financial statements.

Nota 2.1. Professional Accounting Standards.

The financial statements of the Company have been prepared according to the Argentine existing professional accounting standards in the City of Buenos Aires, Argentine Republic, inasmuch as said standards have been accepted by the Superintendency of Corporations (IGJ).

The expression Argentine existing professional accounting standards in the City of Buenos Aires refers to the accounting standards issued by the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E) and approved by the Professional of the City of Buenos Aires (C.P.C.E.C.A.B.A), with the exemption of the standards included in Technical Resolution (R.T.) No. 26 "Adoption of the International Financial Reporting Standards of the International Accounting Standards Board and the International Financial Reporting Standard for Small and Medium-sized Entities", R.T. No. 41 "Aspects of recognition and measuring for small entities" and R.T. No 42 "Aspects of recognition and measuring for medium-sized entities".

Note 2.2. Consideration of the effects of inflation.

The financial statements have been prepared in uniform currency recognizing in a comprehensive manner the effects of inflation until February 28th 2003. In virtue of National Decree 664/03, the Superintendency of Corporations does not accept financial statements adjusted for inflation starting from

March 1st 2003. According to the decision of F.A.C.P.C.E. through Resolution 287/03, the discontinuity of the re-expression of the financial statements would have been proper in order to reflect the changes in the purchasing power of the currency from October 1st 2003; however, the effects of such variations between February 28th 2003 and September 30th 2003 were not significant.

From the modification ordered by R.T. No 39 to the rules of unit of measurement of R.T. No 17, the need to re-express the financial statements in order to reflect the changes in the purchasing power of the currency is indicated by the existence or not of a context of inflation which leads to qualify the economy as highly inflationary. To the end of identifying the existence of an inflationary economic environment, the Interpretation No 8 provides a quantitative pattern which is a necessary condition to re-express the numbers of the financial statements, said pattern is that the cumulative inflation rate over three years, considering the Index of Internal Wholesale Prices (I.P.I.M) prepared by the National Institute of Statistics and Census (I.N.D.E.C) reaches or exceeds 100% among other factors.

As of December 31st 2017, the triennial inflation rate is not possible to calculate because the I.N.D.E.C has discontinued the issuance of I.P.I.M in October 2015 and since 2016 monthly variations are the only ones presented, not having an official series of such. However, considering other factors, the Directorate has evaluated that there are not characteristics defined by Argentine professional accounting standards to determine that there is a context of inflation which requires recognizing the changes in the purchasing power of the currency. Therefore, in the preparation of these financial statements the nominal currency has been remained as uniform since March 1st 2003.

However, the existence of significant variations in economy which impact Company's business such as those in the last fiscal years in wage costs, prices of main raw materials and exchange rate, loans rate and exchange rate equally may affect its property status and statements and thereby said variations should be taking into account in the interpretation of the information that the Company gives in the financial statements about its property status, result of operations and cash flows.

Nota 2.3. Criterion of accounting measurements.

Main criterion of measurements used for the preparation of the financial statements are as follows:

a) Cash and banks.

National currency: nominal value.

Foreign currency: translated at the exchange rate prevailing at each year-end for the settlements of transactions. The exchange rate differences were charged to the results of each fiscal year. See Annex IV.

b) Transitory Investments. Bonds: have been valued at their market value at the end of the period, less the estimated marketing costs.

c) Credits and debts (except deferred tax): At current value of the cash flows which will be generated, discounted to each year-end, using implied, explicit or market rates, as appropriate, valid at the time of each transaction, as long as the effects were significant.

This credits and debts include, where applicable, the accrued portion of the relevant financial results until the end of each fiscal year. The implicit financial components have been separated from the corresponding equity balance, when they were significant.

Credits and debts in foreign currency were translated at the exchange rate prevailing at each year-end for the settlements of transactions. The exchange rate differences were charged to the results of each fiscal year. See Annex IV.

Balances between related parties are valued at their nominal value (see note 7a).

Liabilities due to labor costs accrue in the fiscal year in which employees have provide services that cause such considerations.

d) Fixed Assets: These have been valued at their acquisition costs restated in constant currency according to Note 2.2., less the corresponding accrued depreciations, calculated in proportion to the assigned useful life.

Depreciations were calculated using the straight line method, and applying sufficient monthly rates to extinguish the values of assets at the end of its estimated useful life.

The board of directors of the Company review the residual accounting value of fixed assets with the objective of verifying if said assets have suffered some devaluation, when there are facts or changes in circumstances that indicate that the registered value of such may not be recoverable. If there is some indication and the values of books exceed the estimated recoverable amount, said assets shall be reduced to the limit of their recoverable value. The recoverable amount for fixed assets is equivalent to the net realization value or value in use, whichever is higher. The residual value of fixed assets, net of the allowance for obsolescence does not exceed its recoverable value.

e) Intangibles Assets:

Development expenses: have been valued at the effectively incurred expenses. These expenses are linearly amortized considering the period of validity of the corresponding contracts with provincial lotteries.

Software license: Have been valued at their restated acquisition cost, if appropriate, according to Note 2.2., net of the related accumulated depreciation at each year end.

Trademarks and patents: at their acquisition costs re-expressed as described in Note 2.2. Said trademarks and patents are not amortized because their indefinite useful life.

f) Provisions:

Deducted from assets

For doubtful accounts: it has been constituted to reduce the valuation of service credits and other current credits to its probable recoverable value.

g) Net equity accounts: balances are restated as described in Note 2.2, except the account "Subscribed Capital", which maintains its nominal value.

h) Income statements accounts: Incomes for services provided are allocated to the results according to their accrual, based on the month in which the draws are made.

The accounts that accumulate monetary transactions performed along each fiscal year are expressed in their nominal value.

Charges due to consumptions of non-monetary assets were calculated according to adjusted amounts of said assets, in accordance with Note 2.2.

Under the name "Financial and holding results, net", exchange rate differences, costs of doubtful accounts and interests generated by assets and liabilities in foreign currency are included, jointly with the remaining financial incomes and expenses.

i) Deferred Tax: it is recorded at its nominal value.

j) Income tax and minimum notional income tax: the company determines the Income tax payable applying a 35% current rate to taxable income estimated for each fiscal year. According to the current accounting standards, the Company determines the charge for the Income tax by the method of deferred tax which consist in the recognition (as credit or debt) of the tax effect of temporary differences between

accounting and tax valuation of assets and liabilities, determining the current rate of 35% established by Law, and its subsequent allocation to the results of the years in which the reversion is made. When accumulated tax loss exists likely to reduce future taxable profits, or the deferred tax resulting from temporary differences is an asset, said credits are recognized to the extent that the board of directors of the Company believe its use is probable.

In Note 3. to this financial statements, a detail of the evolution and composition of accounts of Income Tax and Deferred Tax is exposed.

Minimum notional income tax is complementary to Income tax since while the latter taxes the taxable income of each fiscal year, minimum notional income tax constitutes a minimum taxation that taxes the potential income of certain assets productive at the end of the fiscal year, at the rate of 1%, so that tax liability of the Company match with the higher of both taxes. However, if the minimum notional income tax exceeds the Income Tax inn a fiscal year, said excess could be counted as payment on account of any surplus of Income Tax on the Minimum notional income tax which could appear in any of the following ten fiscal years.

As of December 31st 2017 and 2016, the estimated amount for Income Tax was higher than the Minimum notional income tax and increased to \$74.007.309 and \$49.592.711 respectively and was allocated in the Income Statements as “Income Tax”.

Note 3. Income tax and Deferred Tax. The composition of “Income Tax” determined according to Technical Resolution No. 17 of the F.A.C.P.C.E. which is exposed in the financial statements of December 31st 2017 and 2016 is as follows:

	12/31/2017	12/31/2016
Income Tax	(74.007.309)	(49.592.711)
Deferred tax created by temporary differences	(1.461.507)	(4.050.128)
Income Tax Total	(75.468.816)	(53.642.839)

As of December 31st 2017 and 2016, the composition of assets and liabilities due to Deferred Tax at the end of each fiscal year is as follows:

Deferred tax liability, net	12/31/2017	12/31/2016
Fixed assets	(1.802.007)	(903.935)
Other credits and diverse	(3.650.679)	(3.062.059)

Accounts payable and provisions	(19.762)	(37.765)
Various	(25.582)	(32.764)
Total	(5.498.030)	(4.036.523)

Note 4. Detail of main headings.

The composition of the main headings of this balance sheet and the financial statement at the end of each fiscal year is as follows

<u>4.a Cash and banks</u>	12/31/2017	12/31/2016
Cash in national currency	6.473.937	6.360.265
Cash in foreign currency (annex IV)	4.162.755	4.036.108
Banks in national currency	13.398.396	10.782.732
Banks in foreign currency (annex IV)	13.633.263	19.167.269
Total	37.668.351	40.346.374

<u>4.b Investments</u>	12/31/2017	12/31/2016
Securities and bonds	-	1.044.293
Total	-	1.044.293

<u>4.c Service credits</u>	12/31/2017	12/31/2016
Receivables from services	78.907.198	54.629.371
Trade debtors	556.563	-
Balances with related parties (note 7)	365.662	21.816
Allowances for doubtful accounts (annex III)	(257.359)	(182.959)

<u>4.d Other credits</u>	12/31/2017	12/31/2016
Current		
Balances with related parties (note 7)	-	3.657.447
Balances with related parties in foreign currency (note 7 and annex IV)	564.283	5.342.639
Expenses paid in advance	4.147.352	3.275.417

Advances to suppliers	662.359	1.356.849
Advances to suppliers in foreign currency (annex IV)	4.121.447	4.513.205
Loans granted (annex IV)	8.298.456	-
Various	5.419.552	6.598.021
Total	23.213.449	24.743.578
Non-current	7.718.102	6.795.245
Expenses paid in advance	7.718.102	6.795.245

<u>4.e Accounts payable</u>	12/31/2017	12/31/2016
Current		
Suppliers in national currency	2.753.259	3.610.081
Suppliers in foreign currency (annex IV)	2.187.722	2.238.225
Debts with related parties in foreign currency (note 7 and annex IV)	19.971.702	45.279.024
Advances of clients of related parties (note 7)	2.280.960	-
Provisions for costs	4.564.346	3.217.494
Total	31.757.989	3.217.494
Non-current		
Advances of clients of related parties (note 7)	1.244.160	-
	1.244.160	

<u>4.f Loans</u>	12/31/2017	12/31/2016
Balances with related parties (note 7)	4.269.077	10.870.833
Finance leases (note 9)	81.508	90.857
Non-current		
Finance leases (note 9)	27.940	122.001

	27.940	122.001
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<u>4.g. Remunerations and social charges:</u>	12/31/2017	12/31/2016
Remunerations	5.001.605	4.285.154
Social charges	4.231.903	3.696.756
Provision for vacations	7.636.872	6.028.594
Total	16.870.380	14.010.504

<u>4.h Tax charges:</u>	12/31/2017	12/31/2016
Current		
Provision for Income tax	74.007.309	49.592.711
Credits for repayments and retention of income tax	(42.662.101)	(39.656.734)
Value-added tax payable	6.664.673	4.977.352
Moratorium Law 26.476 and payment facilitation plans	317.671	155.887
Various	1.291.600	1.229.751
Total	39.619.152	16.298.967
Non-current		
Net liability for deferred tax	5.498.030	4.036.523
Moratorium Law 26.476 and payment facilitation plans	51.962	457.966
Total	5.549.992	4.494.489

<u>4.i Other liabilities</u>	12/31/2017	12/31/2016
Balances with related parties (note 7)	-	10.798.696
	-	10.798.696

	Gain / (loss)	
4.j Service revenues	12/31/2017	12/31/2016
Service of capture and transmission of bets	525.359.659	411.157.284
Total	525.359.659	411.157.284

	12/31/2017	12/31/2016
<u>4.k Net financial and holding results</u>		
Result of transitory investments	(48.646)	3.577.683
Interest earnings	182.028	123.534
Lost interests	(741.787)	(2.768.487)
Exchange rate difference	(1.210.757)	(3.224.116)
Charges for bad debts	(85.100)	(74.400)
Devaluation of fixed assets	-	1.382.321
Various	(104.995)	(101.403)
Total	(2.009.257)	(4.084.868)

	Gain / (loss)	
<u>4.l Other incomes and expenditures</u>	12/31/2017	12/31/2016
Sale and retire of fixed assets	213.516	45.032
Various	600.319	5.467.958
Total	813.835	5.512.990

Note 5. Expiry dates and interest rates of credits, debts and provisions.

a. Classification of credits, debts and provisions balances in the following categories:

Credits. <u>Overdue.</u>	12/31/2017	12/31/2016
From 0 to 3 months	12.537.478	9.164.595
From 3 to 6 months	13.804.138	5.911.564
From 6 to 9 months	300.741	18.300
From 9 to 12 months	18.600	27.450

More than 12 months	349.659	593.239
Total	27.010.616	15.715.148

Credits. About to expire.	12/31/2017	12/31/2016
From 0 to 3 months	72.970.167	58.192.060
From 3 to 6 months	1.098.734	4.391.254
From 6 to 9 months	1.003.200	630.699
From 9 to 12 months	960.155	465.604
More than 12 months	7.718.102	6.795.245
Total	83.750.358	70.474.862
Without term limit		
Allowances for doubtful accounts	(257.359)	(182.959)
Total credits	110.503.615	86.007.051

Debts and provisions: <u>Overdue</u>	12/31/2017	12/31/2016
From 0 to 3 months	15.903.370	38.206.616
From 3 to 6 months	27.792	7.579.322
From 6 to 9 months	2.871	11.433.896
From 9 to 12 months	-	11.178.571
More than 12 months	4.334.783	3.790.236
Total	20.268.816	72.188.641

Debts and provisions. <u>About to expire</u>	12/31/2017	12/31/2016
From 0 to 3 months	38.652.152	23.996.396
From 3 to 6 months	32.153.116	10.106.272
From 6 to 9 months	782.079	61.686
From 9 to 12 months	741.943	61.686
More than 12 months	6.822.092	4.616.490
Total debts and provisions	99.420.198	111.031.171

b. Interest rates

As of December 31st 2017 and 2016, credits with shareholders bear an annual interest of 25%.

As of December 31st 2017 and 2016, credits with Tecno Accion Salta S.A. bear an annual interest of 18%.

As of December 31st 2017 and 2016, tax moratoriums bear a monthly interest of 0.75% and 1.9% respectively.

As of December 31st 2017 and 2016, finance lease bears an annual interest of 31.18%.

Note 6. Share Capital.

As of December 31st 2017, the share capital of the Company increased to \$20.877.483. Said share capital is subscribed, issued and registered in the Public Registry of Commerce.

Note 7. Balances and operations with Related parties.

As of December 31st 2017 and 2016, the Company's shareholders and their participation in share capital and their votes are as follows: Intralot Global Holdings B.V. 50.00001%, Inverclub S.A. 25.00%, Correon S.A. 12.50%, Compañía Gerenciadora de Inversiones S.A. 9.99999% and Da Silvano S.A. 2.50%.

a) At the end of each fiscal year, asset balances with related parties are as follows

	12/31/2017	12/31/2016
<u>Service credits</u>		
H.A.P.S.A.	365.662	21.816
Total	365.662	21.816

<u>Other Credits</u>	12/31/2017	12/31/2016
Intralot S.A.	564.283	342.446
Intralot Global Holdings BV	-	193.913
Intralot International Ltd	-	5.000.193
Compañía Gerenciadora de Inversiones S.A.:	-	674.041
Da Silvano S.A	-	176.288
Inverclub S.A	-	1.762.877
Correon S.A	-	850.328
Total	564.283	9.000.086

<u>Accounts payable</u>	12/31/2017	12/31/2016
Tecno Accion Salta S.A.	3.525.120	-
Intralot Iberia Holdings, S.A.U.	19.971.702	45.279.024
Total	23.496.822	45.279.024

<u>Loans</u>	12/31/2017	12/31/2016
Tecno Accion Salta S.A.	4.269.077	10.870.833
Total	4.269.077	10.870.833

<u>Other liabilities</u>	12/31/2017	12/31/2016
Intralot Global Holdings BV	-	10.798.696
Total	-	10.798.696

b) Transactions with related parties by the fiscal year ended December 31st 2017 and 2016 are as follows:

	Gain / (loss)	
<u>Income</u>	12/31/2017	12/31/2016
Tecno Accion Salta S.A.	1.955.061	1.649.132
H.A.P.S.A	414.470	106.905
Intralot S.A.	519.872	632.815
Intralot International Ltd.	-	5.031.090
Total	2.889.403	7.419.942

	Gain / (loss)	
<u>Interests</u>	12/31/2017	12/31/2016
Compañía Gerenciadora de Inversiones S.A.	15.486	24.041
Da Silvano S.A.	5.295	6.288
Inverclub S.A.	37.903	62.877
Correon S.A.	19.906	30.328
Tecno Accion Salta S.A.	(637.079)	(1.177.291)
Total	(559.299)	(1.053.757)

<u>Expenses</u>	Gain / (loss)	
	12/31/2017	12/31/2016
Intralot Iberia Holdings, S.A.U.	(50.654.484)	(42.253.122)
TOTAL	(50.654.484)	(42.253.122)

Note 8. Concentration of clients.

There is a client whose balance of service credits represents approximately 62% and 58% as of December 31st 2017 and 2016, respectively; and 55% of the services provided for fiscal year ended December 31st 2017 and 2016.

Note 9. Finance leases.

As of December 31st 2017, the Company has a financial lease contract which was made to acquire a vehicle to be used in its main activity. Following, the information required is detailed:

- Banco Galicia: the monthly agreed payments are \$6.792 with an average annual interest of 31.18%. Said agreement foresee a purchase option which could be performed by the lessee upon expiration of contract, for an equivalent value, according to contract, 3% of the value of the asset

As of December 31st 2017, the outstanding amount to be paid according to the current finance lease contract is \$109.448 which will be stated in "Current Loans" for \$81.508 and in "Non-current Loans" for \$27.940.

Note 10. Restrictions on unallocated results

According to the Business Company Law and Social Status, a legal reserve which reaches 20% of the share capital shall be maintained.

Note 11. Events subsequent to the closure date.

There are no events or transactions between the closure date of fiscal year and the issuance of the financial statement which can modify significantly the property and financial situation of the Company as of December 31st 2017, nor the result of the fiscal year ended in that date.

Composition and Evolution of the Fixed Assets for the fiscal year ended December 31st 2017 compared with previous fiscal year

(numbers expressed in pesos according Note 2.2)

Annex I

Main Account	Original Cost				Accumulated Depreciation				Total as of 12/31/2017	Total as of 12/31/2016
	At the beginning of fiscal year	Increases / transfers	cancellations	At the end of fiscal year	At the beginning of fiscal year	fiscal year	cancellations	At the end of fiscal year		
Lottery Machine	68.857.570	37.388.674	8.978.141	98.268.103	30.689.800	10.443.159	8.458.409	32.674.550	65.593.553	39.167.70
Lottery Equipment and operating system	39.224.682	7.673.594	268.115	46.650.161	24.431.670	4.757.379	30.544	29.158.505	17.491.656	14.813.012
Furniture and supplies	2.555.439	458.568	417.648	2.596.359	1.999.610	165.234	6.961	2.157.883	438.476	555.829
Vehicles	2.962.614	1.017.459	267.233	3.712.840	1.437.247	645.606	238.321	1.844.532	1.868.308	1.525.367
Tools	611.421	32.023	-	643.444	226.889	71.264	-	298.153	345.291	384.532
Computing materials	957.996	-	7.239	950.757	957.996	-	7.239	950.757	-	-
Materials and spare parts	45.199.540	16.221.765	35.214.493	26.206.812	-	-	-	-	26.206.812	45.199.540
Materials in transit	434.532	19.358.298	18.714.417	1.078.413	-	-	-	-	1.078.413	434.532
Total as of 12/31/2017	161.823.794	82.150.381	63.867.286	180.106.889	59.743.212	16.082.642	8.741.474	67.084.380	113.022.509	-
Total as of 12/31/2016	94.918.797	68.080.852	1.175.855	161.823.794	48.560.533	12.010.740	828.061	59.743.212	-	102.080.582

Composition and Evolution of intangibles assets for the fiscal year ended December 31st 2017 compared with previous fiscal year

(numbers expressed in pesos according Note 2.2)

Annex II

Main Account	Original Cost			Accumulated Depreciation			Resulting Net	
	At the beginning of fiscal year	Increases	At the end of fiscal year	At the beginning of fiscal year	fiscal year	At the end of fiscal year	Total as of 12/31/2017	Total as of 12/31/2016
Development expenses	5.870.525	-	5.780.525	5.758.942	111.583	5.870.525	-	11.583
Software licence	2.571.212	366.097	2.937.309	1.950.478	489.91	2.440.388	496.921	620.734
Trademarks and Patents	84.903	-	84.903	-	-	-	84.903	84.903
Total as of 12/31/2017	8.526.640	366.097	8.892.737	7.709.420	601.493	8.310.913	581.824	-
Total as of 12/31/2016	8.038.620	488.02	8.526.640	6.975.939	733.481	7.709.420	-	817.220

Allowances at December 31st 2017 compared with previous fiscal year

Annex III

Headings	Balances at the beginning of the year	Increases (1)	Decreases	Balances at 12/31/2017	Balances at 12/31/2016
<u>Deducted from net assets</u>					
Allowances for doubtful accounts	182.959	74.400	-	257.359	182.959
Total as of 12/31/2017	182.959	74.400	-	257.359	-
Total as of 12/31/2016	1.710.097	74.400	1.601.538	-	182.959

- 1) The amount of \$85.100 was charged to Net Financial Results (note 4.k). The difference of \$10.700 corresponds to operations with no impact on results.

Foreign Currency Assets and liabilities at December 31st 2017 compared with previous fiscal year

Annex IV

Concept	Currency	Quantity	Exchange rate	Legal tender as of 12/31/2017	Legal tender as of 12/31/2016
ASSETS					
-Cash and banks					
Cash	US\$	222.395	18.5490	4.125.206	4.010.552
	\$CHI	144.812	0.0303	4.388	3.758
	REA	11	5.6299	59	53
	EUR	1.100	22.2829	24.506	18.205
	DOM	3.550	0.3802	1.350	1.204
	MEX	620	0.9474	587	476
	TRY	285	4.9241	1.403	1.284
	NGN	10.770	0.0509	549	556
	HKD	70	2.3871	167	20
	Pounds	181	25.0708	4.540	-
-Banks	US\$	583.339	18.5490	10.820.348	19.167.224
	EUR	126.236	22.2829	2.812.915	45
Total				17.796.018	23.203.377
OTHER CREDITS					
Advances to suppliers	US\$	222.192	18.5490	4.121.447	4.340.302
Advances to suppliers	EUR	-	22.2829	-	172.903
Loans granted	US\$	447.380	18.5490	8.298.456	-
Trade debtors	US\$	24.977	18.5490	556.563	-
Related parties	EUR	-	22.2829	-	5.000.193
Related parties	US\$	30.421	18.5490	564.283	342.446
Total				13.540.749	9.855.844
Current Assets Total				31.336.767	33.059.221
Assets Total				31.336.767	33.059.221

LIABILITIES					
-Accounts payable					
Suppliers	US\$	117.943	18.549	2.187.722	2.238.225
Balances with related parties	EUR	896.279	22.283	19.971.702	45.279.024
Current Liabilities Total				22.159.424	47.517.249
Liabilities Total				22.159.424	47.517.249

U\$: US Dollars

Mex: Mexican pesos

\$CHI: Chilean pesos.

TRY: Turkish pounds

REA: Brazilian reals

NGN: Nigerian naira

EUR: Euros

HKD: Hong Kong dollar.

DOM: Dominican pesos

Annex V

Information required under Section No. 64 Paragraph I Subsection B of Law No. 19.550 for the fiscal year ended December 31st 2017 compared with previous fiscal year.

(numbers expressed in pesos according Note 2.2).

Main Account	Provided Services costs	Marketing costs	Administration costs	Totals as of 12/31/17	Totals as of 12/31/16
Rents	1.140.335	-	5.070.742	6.211.077	5.259.061
Intangibles Assets amortization	601.493	-	-	601.493	733.481
Technical Assistance	50.654.484	-	-	50.654.484	42.253.122
Data transmission and maintenance of systems of capture of bets	41.926.956	3.786.243	11.020.643	56.733.842	61.701.574
Depreciations of fixed assets	12.246.522	441.014	395.106	16.082.642	12.010.740
Various	-	2.733.391	-	2.733.391	6.461.327
Freights	3.300.413	-	-	3.300.413	1.811.137
Bank expenses	-	-	512.880	512.880	380.178
Office expenses	1.263.135	42.721	240.208	1.546.064	986.679
Professional fees	9.481	-	5.433.665	5.443.146	3.322.277
Consumables	11.089.147	-	-	11.089.147	11.042.974
Mobility and travel expenses	5.942.305	819.420	1.872.836	8.634.561	7.228.912
Insurances	487.121	-	177.108	664.229	439.532
Maintenance services and monitoring	1.663.201	229.349	524.191	2.416.741	2.504.452
Public services and rates	21.193.804	2.708.543	9.290.669	33.913.016	25.982.894
Salaries and social charges	76.290.529	10.520.156	24.044.488	110.855.173	82.612.864
Totals as of 12/31/2017	231.528.926	21.280.837	58.582.536	311.392.299	-
Totals as of 12/31/2016	198.634.691	19.668.300	46.428.213	-	264.731.204

SUPERVISORY COMMITTEE'S REPORT

To the shareholders of

TECNO ACCIÓN S.A.:

In our capacity as members of the Supervisory Committee, and in accordance with the provisions of Section 294, subsection 5 of the Business Companies Law, we have examined, to the extent provided in chapter II, the documents described in chapter I below. The preparation and issuance of the referred documents is the responsibility of the Company's Board of Directors in exercise of its exclusive duties. Our responsibility is to express an opinion on such documents based on our work done to the extent provided in chapter II.

I. EXAMINED DOCUMENTS.

- a) Balance Sheet as of December 31, 2017.
- b) Income statement for the fiscal year ended December 31, 2017.
- c) Statement of Changes in net Shareholders' Equity for the fiscal year ended December 31, 2017.
- d) Statement of Cash Flow for the fiscal year ended December 31, 2017.
- e) Notes 1 to 11 and Annexes I to V corresponding to the financial statements for the fiscal year ended December 31, 2017.
- f) Annual Report for the fiscal year ended December 31, 2017.
- g) Inventory for the fiscal year ended December 31, 2017.

II. SCOPE OF EXAMINATION.

Our examination was made in accordance with the standards applicable to statutory auditors currently in force provided by Technical Resolution No. 15 issued by the Argentine Bureau of Professional Associations of Economic Sciences (Federación Argentina de Consejos Profesionales de Ciencias Económicas). Such standards require statutory auditors to examine the financial statements in accordance with the auditing standards in force in the Republic of Argentina and include verifying whether they are consistent with the information concerning corporate decisions as disclosed in minutes, and evaluate the conformity of these decisions with the Law and the by-laws, insofar as concerns formal and documentary aspects.

To perform our professional task involving the documents detailed in items a) to e) of chapter I, we have considered the audit performed by the external auditors, Grant Thornton, who issued their report on March 5th, 2018. Our examination included verifying the planning of the audit, as well as the nature, scope and timing of the procedures applied and the results of the audit performed by such auditors.

Given that the Supervisory Committee does not have any management control duties, the scope of the examination did not span over the corporate criteria and decisions of the different areas of the Company such as administration, marketing and production, which matters are an exclusive responsibility of the Board of Directors.

An audit involves performing procedures to obtain audit evidences about information disclosed in the financial statements. The procedures selected depend on the auditor's professional judgment and include risk assessments concerning the existence of material misstatements in the financial statements, arising from mistakes, omissions or irregularities. When assessing these risk assessments, the auditor considers the Company's internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system in force.

In addition, an audit also includes the evaluation of the appropriateness of accounting policies and reasonableness of accounting estimates made by the Company's Board of Directors and Management as well as the general presentation of the financial statements.

With reference to the Annual Report for the fiscal year ended December 31, 2017 we have verified that such document includes the information required under Section 66 of the Business Companies Law No. 19.550, with the statements made therein as regards the economic framework in which the Company operated, the corporate management and the future events being the exclusive responsibility of the Board of Directors. In addition, as concerns the numerical financial data included in such document, as long as it is within our scope, we have verified that such information is consistent with the Company's supplementary accounting records and other relevant information

III. OPINION.

In our opinion, based on the examination made within the scope described in chapter II, the financial statements mentioned in paragraphs a) to e) of chapter I present fairly, in all material respects, the financial position of Tecno Acción S.A. as of December 31 2017, and the results of its operations, the changes in its Shareholders' equity, and its cash flows for the fiscal year then ended, in accordance with the professional accounting standards in force in the City of Buenos Aires, Republic of Argentina.

The Annual Report for the fiscal year ended December 31, 2017 includes the information required under Section 66 of the Business Companies Law No. 19.550, with the statements made therein as regards the economic framework in which the Company operated, the corporate management and the future events being the exclusive responsibility of the Board of Directors. As concerns the numerical financial data included in such documents, as long as it is within our scope, they are consistent with the Company's supplementary accounting records and other relevant documentation.

The financial statements mentioned in paragraphs a) to e) of chapter I and the relevant inventory are consistent with the Company's supplementary accounting records transcribed to the certified books, which, according to our criteria, had been kept, in all their formal respects, in accordance with the provisions of laws in force and the notes of which are consistent with the notes of the respective supplementary records.

In accordance with the requirements of Art. 145 of the Resolution 7/2005 of the Superintendency of Corporations (IGJ) of the City of Buenos Aires, we express that have examined guarantees constituted by the Board of Directors of the Company for the fiscal year ended December 31st 2017 with no further observations.

City of Buenos Aires, March 5th 2018.

Pedro Aladrén.
Supervisory Committee



INDEPENDENT AUDITORS REPORT.

Grant Thornton Argentina.

Corrientes Avenue 327, 3rd floor

C1043AAD. Buenos Aires. Argentina

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Email: post@gtar.com.ar, www.gtar.com.ar

Board of Directors of

TECNO ACCIÓN S.A.

C.U.I.T: 30-62738989-9

Legal domicile: Rivadavia 620 – 7th floor.

City of Buenos Aires.

I. FINANCIAL STATEMENTS AUDITED.

We have analyzed general balance sheet of TECNO ACCIÓN S.A. (hereinafter “the Company”) at December 31st 2017 and its corresponding income statements, evolution of net equity and cash flow for the fiscal year ended in said date as well as a summary of the significant accounting policies and other explanatory information included in notes 1 to 11 and annex I to V.

The numbers and other information corresponding to fiscal year ended in December 31st 2016 are integral part of the financial statements abovementioned and are presented with the aim that those are interpreted exclusively in relation with the numbers and the information of the current fiscal year.

II. Responsibility of the Directors in relation to the financial statements

The Board of Directors is responsible for the preparation and presentation reasonable of the annexed financial statements in accordance with the Argentine accounting standards and internal control that the Board of directors considers necessary for the preparation of the financial statements free from misstatements.

III. Responsibility of the auditor

Our responsibility consists of expressing an opinion on the annexed financial statements based on audit. We have performed our examination in accordance with audit standards established by Technical Resolution No. 37 of the Argentine Federation of Professional Councils in Economic Sciences. Said standards require compliance with ethics standards also as well as to plan and perform audit with the aim of obtaining a reasonable assurance that the financial statements are free from misstatements.

An audit includes applying procedures to obtain elements of judgement of numbers and information expressed in the financial statements. The selected procedures depend on the professional judgement of the auditor, who evaluates the risks of significant distortions in the financial statements originated in errors or irregularities. When assessing these risk assessments, the auditor considers the Company's internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system in force. In addition, an audit also includes the evaluation of the appropriateness of accounting policies and reasonableness of accounting estimates made by the Company's Board of Directors as well as the general presentation of the financial statements.

We consider that the elements of judgement we have obtained are a sufficient and appropriate base for our audit.

IV. OPINION

In our opinion, the financial statements mentioned in section I, reasonably present in all its significant aspects, the information on the property status of TECNO ACCIÓN S.A. at December 31st 2017, the results of operations, changes in net equity and cash flow for the fiscal year according to the current professional accounting standards in the city of Buenos Aires, Argentine Republic.

V. INFORMATION REQUIRED BY EXITING LEGAL PROVISIONS.

In compliance with existing legal provisions, we inform that:

- a) As of December 31st 2017, the debt accrued in concept of social security contributions in favor of the Argentine Integrated Social Security System that stem from accounting records of the Company, amount to \$2.833.000, not being required to that date.
- b) We have applied the procedures on prevention of money laundering derived from crime and terrorism financing provided by the corresponding professional standards issued by the Argentine Federation of Professional Councils in Economic Sciences of the City of Buenos Aires.

City of Buenos Aires, March 5th 2018

Adler, Hasebclever & Asociados S.R.L.

Certified Public Accountants.

C.P.C.E.C.A.B.A. – T. 1 – F.68

Christian Martin (Partner)

Certified Public Accountant (U.N.L.Z)

C.P.C.E.C.A.B.A – T. 271 – F. 80

Professional Council in Economic Sciences of the City of Buenos Aires.

Buenos Aires 03/05/2018. 01 0 T. 41. Legalization No. 253869. N: H 2167839.

We LEGALIZE, according to the powers granted, this PROFESSIONAL COUNCIL by the Laws 466 (art. 2 subsection d and j) and 20.488 (art. 21 subsection i) the professional performance on 03/05/2018 regarding BALANCE of date 12/31/2017 belonging to TENCO ACCION S.A. 30-62738989-9 to be presented before and we declare that the signature in this document corresponds to the signature of Dr. Martin Christian, registration No. CP T. 0271 F. 080 that the controls of existing registration have been made and formal control of said professional performance in accordance with Resolution C. 236/88 not involving in these controls the issuance of a technical judgement on his professional work and that signs in character of associate of Adler, Hasenclever & Asoc S.R. Soc. 2 T. 1 F. 68.

This legalization is not valid without seal and signature of the legalizations secretary.