# ANNUAL FINANCIAL REPORT 2017

FROM JANUARY 1ST TO DECEMBER 31ST 2017
ACCORDING TO ARTICLE 4 OF L. 3556/2007

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# I. Representation of the Members of the Board of Directors

(according to article 4, par. 2 of L. 3556/2007)

The members of the Board of Directors of ORGANIZATION OF FOOTBALL PROGNOSTICS S.A., of parent company (the "Company"):

1. Kamil Ziegler, Chairman,
2. Damian Cope, Chief Executive Officer,
3. Michal Houst, Board Member and Chief Financial Officer

notify and certify that as far as we know:

a) the attached financial statements (consolidated and separate) of the Group of OPAP S.A. (the "Group") for the period 01.01.2017 to 31.12.2017, which have been prepared in accordance with the applicable International Financial Reporting Standards, provide a true and fair view of the assets and liabilities, the equity and the results of the Group and the Company, as defined on paragraphs 3 to 6 of article 4 of the L. 3556/30.4.2007 and from authorization decisions by the Board of Directors of the Hellenic Capital Market Commission.
b) the Board of Directors' report provides a true and fair view of the financial position and the performance of the Group and the Company, including a description of the main risks and uncertainties, as defined on paragraphs 3 to 6 of article 4 of the L. 3556/30.4.2007 and from authorization decisions by the Board of Directors of the Hellenic Capital Market Commission.

Athens, 27 March 2018

| Chairman | Chief Executive Officer | Board Member and Chief Financial Officer |
|---|---|---|
| **Kamil Ziegler** | **Damian Cope** | **Michal Houst** |

# II. Board of Directors' Report for the period 1.1.2017 - 31.12.2017

(according to article 4 of L. 3556/2007)

The report of the Board of Directors of the Company concerns the year 2017 and was prepared in accordance with the articles 43a, 43bb, 107a and 136 of Law 2190/1920. According to the article 4 of Law 3556/2007 and the Hellenic Capital Market Commission Decision 8/754/14.04.2016 article 2 and the Company's Articles of Association, we submit you for the period 01.01.2017 - 31.12.2017, the annual Board of Directors report, which includes audited Consolidated and Separate Financial Statements, notes to the Financial Statements and audit report by the certified auditor.

The report describes the financial outcome of the Group respectively for the period 01.01.2017 to 31.12.2017 as well as significant events which took place in 2017, as well as the most significant events after the year end. The report also contains a description of the main risks and uncertainties and the expected course and development of the Group. Finally, the corporate governance, the dividend policy, the number and the nominal value of shares as well as the material transactions with the Company's and the Group's related parties are mentioned.

## 1. Financial progress and performances of year 2017

### Financial Performance

Basic Group financials are presented below:

| (Amounts in thousands of euro) | 01.01-31.12.2017 | 01.01-31.12.2016 | Δ % |
|---|---|---|---|
| Revenue (GGR) | 1,455,514 | 1,397,565 | 4.1% |
| GGR contribution and other levies and duties | 482,578 | 466,743 | 3.4% |
| Net gaming revenue (NGR) | 972,936 | 930,822 | 4.5% |
| Profit before interest, tax, depreciation and amortization (EBITDA) | 306,455 | 307,540 | (0.4%) |
| Profit before tax | 193,238 | 236,916 | (18.4%) |
| Profit for the period | 131,625 | 172,856 | (23.9%) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash inflows from operating activities | 244,925 | 94,301 | 159.7% |
| Cash outflows used in investing activities | (123,769) | (52,315) | 136.6% |
| Cash outflows used in financing activities | (148,578) | (70,158) | 111.8% |

Basic Company financials are presented below:

| (Amounts in thousands of euro) | 01.01-31.12.2017 | 01.01-31.12.2016 | Δ % |
|---|---|---|---|
| Revenue (GGR) | 1,201,589 | 1,152,655 | 4.2% |
| GGR contribution and other levies and duties | 416,874 | 402,819 | 3.5% |
| Net gaming revenue (NGR) | 784,715 | 749,836 | 4.7% |
| Profit before interest, tax, depreciation and amortization (EBITDA) | 259,971 | 273,892 | (5.1%) |
| Profit before tax | 180,687 | 233,914 | (22.8%) |
| Profit for the period | 125,563 | 172,088 | (27.0%) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash inflows from operating activities | 245,120 | 83,475 | 193.6% |
| Cash outflows used in investing activities | (79,590) | (161,196) | (50.6%) |
| Cash outflows used in financing activities | (136,691) | (87,961) | 55.4% |

## 2. Significant events during the year 2017 and their effect on the financial statements

### VLTs

#### Amendment of license terms

On November 2011, according to the ar. 39 of Law 4002/2011, was granted to OPAP S.A. permission to install and operate 35,000 VLT machines within the greek territory. The duration of the license was set at 10 years and the total price paid by OPAP S.A. amounted to € 560,000 th..

On November 2017, according to an amendment of the above law published in Government Gazette issue number 176, the number of VLT machines gets limited to 25,000 while the duration of the license extends from 10 to 18 years and starts from the commencement of the commercial operation of the first VLT machine. Under the terms of the applicable law, OPAP S.A. shall be obliged to put all VLT machines into commercial operation until 31 December 2019. After the above deadline, the number of non-operating VLT machines shall be deducted from the total number of VLT machines, for the benefit of the Greek State, unless the delayed installation and operation of these is due to the responsibility of the Supervisory and Control Committee. A new concession agreement has also been signed following the aforementioned low amendment.

#### Operating activities launch

The first Gaming Halls commenced their operating activities on 11.01.2017. Until 31.12.2017, in total, 10,007 VLT machines were operating in 278 Gaming Halls and 1,071 Opap Stores. The main target of the Company's Management is to multiply the number of VLT machines in operation during the upcoming year.

## Financing

### Amendment of OPAP S.A. bond loan terms

On 07.02.2017, the Company entered into an agreement with Piraeus Bank for the extension of the duration of the Bond Loan of € 75,000 th. with maturity date 03.04.2017, up to 03.04.2018.

According to the meeting of the Board of Directors dated 22.06.2017, OPAP S.A. resolved on the favorable amendment of the margin of interest rate of the bond loan agreements entered with Piraeus Bank and Eurobank. The above amendment was accepted by the respective banks and came into force starting from July 2017.

### OPAP S.A. bond loan issuance through public offer

OPAP S.A., according to the meeting of its Board of Directors dated 28.02.2017, resolved on the issuance of a common bond loan pursuant to L. 3156/2003 and C.L. 2190/1920, the placement of the bonds through a public offering and their admission for trading on the Regulated Market of the Athens Exchange under the Fixed Income Securities segment.

Following the completion of the Public Offer that took place between 15 and 17 March 2017, in accordance with article 8 par.1 of Law 3401/2005, as in force, and article 3 par. 5 of Decision 19/776/13.02.2017 of the Board of Directors of the Capital Markets Commission, the Company on 17.03.2017 announced that 200,000 common, bearer bonds with a nominal value of € 1,000 each have been allocated and as a result capital of an amount of € 200,000 th. has been raised. The total demand across the yield range from investors that participated in the Public Offer was € 421,000 th.. The final yield has been set at 3.50%, the bonds' interest rate at 3.50% and the offer price of the Bonds at € 1,000 each, namely 100% of the nominal value.

### Bond loan issuance of HORSE RACES S.A.

HORSE RACES S.A. according to the meeting of its Board of Directors dated 19.06.2017, resolved on the issuance of a common bond loan of € 5,000 th., divided in 5,000 bonds of € 1,000 each. OPAP INVESTMENT Ltd subscribed for the amount of € 4,900 th. and OPAP S.A. for the amount of € 100 th., on 25.07.2017, while the respective loan agreements were signed on 24.07.2017.

### Bond loan issuance of TORA DIRECT S.A.

TORA DIRECT S.A. according to the meeting of its Board of Directors dated 13.07.2017, resolved on the issuance of a common bond loan of € 5,000 th., divided in 5,000 bonds of € 1,000 each. OPAP S.A. subscribed for the amount of € 3,500 th. and OPAP INVESTMENT Ltd for the amount of € 1,500 th., on 29.08.2017, when the respective loan agreements were signed.

### Acquisition of treasury shares

Following the decision of OPAP S.A. Annual Shareholders General Meeting on 20.04.2015 regarding the acquisition of treasury shares, OPAP S.A. purchased from 08.02.2017 till 16.02.2017, 194,696 treasury shares, amounting to a total purchase value of € 1,585 thousand.

Overall, OPAP S.A. has acquired and holds a total of 1,182,501 treasury shares.

## Dividends

### Distribution of dividend for the year 2016

The Seventeenth (17th) Annual Ordinary Shareholders General Meeting of OPAP S.A. that took place on Thursday, 27.04.2017 at its headquarters, approved the distribution of earnings and decided upon the distribution of a total gross dividend of € 0.72 per share prior to the tax withhold for the fiscal year 2016. Since the amount of € 0.12 per share had already been distributed to the shareholders as interim dividend pursuant to the dated 30.08.2016 decision of the Company's Board of Directors, the remaining dividend for the fiscal year 2016 amounted to € 0.60 per share prior to the relevant tax withhold.

### Distribution of interim dividend for the year 2017

The Company's Board of Directors decided during its meeting on 11.09.2017 to distribute a gross amount of € 31,782 th. or € 0.10 per share excluding treasury shares, as interim dividend for the fiscal year 2017. The interim dividend of the amount of € 0.10 per share is subject to 15% withholding tax in accordance with Law 4387/2016, i.e. € 0.015 per share. Therefore the net payable amount to the shareholders following the abovementioned withholding tax amounted to € 0.085 per share.

### Distribution of part of retained earnings

The eleventh (11th) Extraordinary General Meeting of the Shareholders of OPAP S.A. which took place on 06.12.2017 at its headquarters, approved the distribution of part of the undistributed earnings of past years until the year ending on 31.12.2015. In particular, it decided upon the distribution of a total gross past years' undistributed earnings' dividend of € 0.70 per share and of a total gross amount of € 222,472 th..

## New contract with the agents

Since April 1st 2017 a new agency contract has been put in place between OPAP S.A. and its agents, thus setting the basis of the network's further development. The new framework includes commercial and operational changes as well as a new commission scheme based on Net Gaming Revenue. The contract along with the new commission structure aligns the interests of all parties involved and prescribes the same commission levels across all legacy games. Specifically, the new commission scheme prescribes a commission of 39% on NGR for the aforementioned interval of 2017, 37% for 2018 and 36% from 2019 onwards.

### Request for Arbitration against HORSE RACES S.A.

On 24.04.2015, HORSE RACES S.A. signed a concession agreement with the Hellenic Republic Asset Development Fund (HRADF) for the 20-year exclusive license to organise and conduct horse races mutual betting. The final approval was provided by the Greek Parliament on 23.10.2015 and the operations commenced on 08.01.2016.

The Hellenic Republic Asset Development Fund (HRADF) filed on 02.05.2017, a Request for Arbitration against HORSE RACES S.A., at the London Court of International Arbitration. The subject matter of the dispute relates to the existence or inexistence of HORSE RACES S.A. obligation to pay 10% interest (€2,250 th.) on the last instalment of the financial consideration (€20,250 th.) which HRADF assumes payable.

Management considers that this amount will not be charged against HORSE RACES S.A. and no provision has been raised.

### Increase in participation at NEUROSOFT S.A.

OPAP S.A. announced that its 100% subsidiary OPAP Investment Ltd signed on 07 June 2017, a Share Purchase Agreement for the acquisition of a 38.19% stake in NEUROSOFT S.A. for a total consideration of €34,200 th..

Upon transaction conclusion, following the relevant clearance by the competent competition authorities of Cyprus (Commission for the Protection of Competition) and the payment of the agreed price of € 34,200 th. on 02.08.2017, OPAP S.A. participates with 67.72% in NEUROSOFT S.A. share capital, takes the control of the Board of Directors and consequently, starting from 02.08.2017, the applicable consolidation method changes from equity method to full consolidation method.

### Sale of participation in GLORY TECHNOLOGY LTD

On 15.12.2017 OPAP S.A. proceeded to the sale of its participation of the associate GLORY TECHNOLOGY LTD for a symbolic price.

It should be mentioned that the Company purchased the 20% of GLORY TECHNOLOGY LTD shares during October of 2003 while by the end of 2012 the aforementioned investment had been fully impaired.

## 3. Main risks and uncertainties

We present the main risks and uncertainties to which Group may be exposed.

### Risk related to political and economic conditions, as well as market conditions and developments in Greece

On a macroeconomic level, the realization of the Third Economic Adjustment Program of the Greek economy, in conjunction with the positive growth rates that the Greek economy recorded in 2017 as well as the upgrade of Greece's credit rating by the three rating agencies, set the grounds for the return to an established course of sustainable growth. However, the completion of the Adjustment Programs continues to be subject to a series of conditions that may lead to negative effects for the Group's business activities, operational results and financial status.

The Group's activity is significantly affected by the disposable income, private consumption, which in turn are affected by the current economic conditions in Greece, such as the unemployment rate, interest rates, inflation rate, tax rate and the increase in GDP rate. Moreover, the economic recession, financial uncertainty and a number of the Group's customers potential interpretation that the economic conditions are deteriorating, could result in a decrease of the usage of the various gaming services that the Group offers to the public.

The return to economic stability depends greatly on the actions and decisions of the institutions both in the country and abroad, as well as from the assessment of the Greek economy from international creditors in the context of the adjustment programs.

Any further negative development in the economy would affect the normal operations. However, Management is continually adjusted to the situation and ensures that all necessary actions are taken, to maintain undisturbed activities.

### Change in regulatory requirements

The gaming sector in Greece is intensively regulated by the Hellenic Gaming Commission. The Greek authorities have the right to unilaterally alter the legislative and regulatory framework that governs the manner and modus operandi of the games that the Group offers.

The developments in the Greek regulatory framework, drive evolving regulatory challenges for the Group. Changes in the regulatory environment may have a substantial impact, through restricting betting activities or changing compliance costs and taxes.

OPAP consistently complies with regulatory standards, while understands and addresses changing regulatory requirements in an efficient and effective manner. Additionally, a potential failure on the Group's part to comply with the governing rules and the regulatory framework, as well as the enactment of new laws or/and further regulatory enforcement could have a negative impact on the Group's business activities. Additionally, restrictions on advertising can reduce the ability to reach new customers, thus impacting the implementation of the strategic objectives to focus on sustainable value increase.

OPAP is actively engaging and maintaining dialogue with authorities, regulators and other key stake holders, to continually monitor the changing regulatory/legal landscape and through appropriate policies, processes and controls for a rational and balanced gaming regulation.

## Tax Change risk

The Group's business activities and the sector in which it does business are subject to various taxes and charges, such as the special contribution regarding games which is calculated based on the gross gaming revenue, the tax on players' winnings and the income tax of legal entities.

The Company is exposed to the risk of changes to the existing gaming taxation status or the gaming tax rates, creating unexpected increased costs for the business and impacting the implementation of Group's strategic objectives for sustainable revenues and additional investments. The Company is seeking to promptly respond to any potential tax changes, by maintaining the required tax planning resources and developing contingency plans so as to implement the required mitigating actions and to minimize the overall impact.

## Market risk

Market risk arises from the possibility that changes in market prices such as exchange rates and interest rates affect the results of the Group and the Company or the value of financial instruments held. The management of market risk consists in the effort of the Group and the Company to control their exposure to acceptable limits.

## Currency risk

Currency risk is the risk that the fair values of the cash flows of a financial instrument fluctuate due to foreign currency changes. Group operates in Greece and Cyprus, and there are not any agreements with suppliers in currencies other than in euro. All revenues from games are in euro, transactions and costs are denominated or based in euro, subsequently, there is not any substantial foreign exchange risk. Additionally, the vast majority of Group's cost base is, either proportional to our revenues (i.e. payout to winners, agents commission) or to transactions with domestic companies (i.e. IT, marketing).

## Interest rate risk

The Group is exposed to interest rate risk principally in relation to outstanding debt. The existing debt facilities, as of 31.12.2017, stand at € 682,269 th. and € 636,513 th. for the Group and the Company respectively. The Group follows all market developments with regards to the Interest rate environment and acts accordingly. On 31.12.2017 the Group is exposed to Interest rate risk on € 386,198 th. of debt as the remaining €99,273 th. are hedged via an interest rate swap and € 196,798 th. are with fixed interest rate (bond loan).

## Capital Management

The primary objective of the Group and the Company, relating to capital management is to ensure and maintain strong credit ability and healthy capital ratios to support the business plans and maximize value for the benefit of shareholders. The Group has improved materially its capital structure, and maintains a healthy net debt/EBITDA ratio of 1.4x as of 31/12/2017. In addition, it retains an efficient cash conversion cycle thus optimizing the operating cash required in order to secure its daily operations, while diversifying its cash reserves so as to achieve flexible working capital management within the domestic capital control environment.

The Group manages the capital structure and makes the necessary adjustments to conform to changes in business and economic environment in which they operate. The Group and the Company in order to optimize the capital structure, may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares.

### Credit risk

The Group's exposure to credit risk arises mainly from agents' bad debts as well as from the debts of agents for which arrangements have been made. The main credit risk management policy is the establishment of credit limits per agent. Additionally, the Group is taking all necessary steps to mitigate credit risk exposure towards financial institutions. The Group is also exposed towards credit risk in respect of entities with which it has deposited funds or with which it has other contractual relationships. The Group manages credit risk exposure to its agents through various practices. Each agent is required to provide the Group with a warranty deposit as a guarantee. These deposits are aggregated and are available in the event of a default in payment by any agent. In addition, a maximum amount that an agent may owe during each settlement period has been imposed. If the amounts owed by an agent exceed the relevant limit during any settlement period, the agent's terminal is automatically blocked from accepting wagers.

### Liquidity risk

The Group manages liquidity risk by managing betting games' payout ratio and the proper design of each game. With the exception of fixed-odds sports betting games, all of the remaining games have a theoretical payout (relating to prizes normally attributed to winners) based on each game's mathematics. As the theoretical payout is calculated on a very large number of draws, small deviations can occur in some of the numerical games in shorter time frames. For example, Kino is a fixed odds game that statistically distributes approximately 69.5% of net receivables to the winners, with deviations mostly around 1%. The Group manages liquidity risk by limiting the size of player winnings. For example, Kino has a maximum prize of € 1,000 th.. Maximum winnings/column are also defined for Stihima, a fixed odds betting game in which winning depends on correctly guessing the results of sporting events, and other events that by their nature allow for wagering. For Stihima game a comprehensive risk management methodology is implemented at different stages of the sport-betting cycle, setting different limits and odds per sport, league and game while treating each event differently. At any given time, bets placed are tracked, received and accepted or not accepted. In addition, the trading team can also monitor any high bets placed and negotiate with the bettor so that the bet is within the approval limits. Finally, proper software is used to find, in real-time, suspicious betting patterns and cases for sure bets or arbitrage opportunities.

## Security risk

Reliability and transparency in relation to the operation of the games are ensured by several security measures designed to protect information technology system from breaches in security such as illegal retrieval and illegal storage of data and accidental or intentional destruction of data. Security measures cover data processing system, software applications, the integrity and availability of data and the operation of the on-line network. Additionally, all critical business applications that relate to game operation and availability are hosted in systems that guarantee high availability, including transferring to a Backup Computer System if deemed necessary. Moreover, a critical evaluation of all systems is conducted – whether they are directly related to game availability or not – so that they can be integrated into the Disaster Recovery Plan, if deemed necessary. All applications are integrated in a security backup creation system according to their significance.

## Risk of additional charges for OPAP CYPRUS LTD

In October 2017, the Attorney General delivered to the Auditor General and following his request, an opinion by which OPAP CYPRUS LTD supposedly does not pay to the Republic of Cyprus the amounts due under the Bilateral Treaty by making a new interpretation of the Bilateral Treaty, totally different from the interpretation given by the Republic of Cyprus throughout the duration of the Bilateral Treaty since 2003. The General Accountant of the Republic of Cyprus, who is authorized under the Bilateral Treaty to audit the accounts of OPAP CYPRUS LTD, took a different position from the Attorney General supporting the way OPAP CYPRUS LTD calculated its contributions to Republic of Cyprus. No claim has been made to-date against OPAP CYPRUS LTD and OPAP S.A. is convinced, that the interpretation of the Attorney General is unfounded.

## New draft law for licensing of games of chance in Cyprus

OPAP CYPRUS LTD operates in Cyprus on the basis of the 2003 bilateral treaty (“BT”) between the Republic of Cyprus and the Hellenic Republic. The BT can be terminated by either State by giving to the other State 12 months prior notice. The Republic of Cyprus on 30 December 2017 communicated to the European Commission, though the TRIS notification number 2017/676/CY, a draft law entitled “2017 law on certain gambling services” (“Draft Law”). According to the Draft Law, a special committee will run the concession process and submit a proposal to the Minister of Finance for the selection of the appropriate operator to be granted with the exclusive license regarding the offer of certain numeric games of chance in the Republic of Cyprus. This Committee shall first proceed to a suitability assessment of the current operator, i.e. OPAP CYPRUS LTD. If the existing operator is found not suitable for being granted an exclusive license, the Committee shall ask expression of interest from interest parties. The prospective operator will sign a concession agreement with Republic of Cyprus. The Draft law has not yet been voted by the House of Representatives of the Republic of Cyprus and the BT remains in full force and effect.

## 4. Company's strategy and Group's prospects for the year 2018

Driven by our 2020 vision to establish OPAP as a world-class gaming entertainment company, we have continued working on our eight strategic priorities that will help us generate, capture and sustain value for the community, for the market and for our operation. Exactly these strategic priorities act as the framework underpinning the delivery of our 2020 vision.

| | | | |
|---|---|---|---|
| 1<br>Embedding **Customer** Obsession | 2<br>Investing in our **Network** | 3<br>Developing our **People** | 4<br>Building a World class portfolio of **Products & Services** |
| 5<br>Leveraging the latest **Digital & Technology** Capabilities | 6<br>Committing to our **Communities** | 7<br>Expanding the power of our **Brand** | 8<br>Rebuilding healthy relationships with the **State, Regulator and other bodies** |

### 1. Embedding Customer Obsession

The first strategic priority is all about the Customer. OPAP is a consumer-facing business serving millions of customers. The Customer is at the centre of everything that we do. So, we intensify our actions to understand our customer better, increase our internal focus and continuously respond to changing customer behavior.

### 2. Investing In Our Network

Our Network consists the basis of our business activities. OPAP aims to develop its agencies to be the customer's local entertainment destination through significant investments in the agencies themselves, introducing a number of products and services. The Company also puts emphasis on the alignment of its interests with those of its agents and on the increase of the level of support that is provided to them.

### 3. Developing Our people

Our people are at the heart of everything we do; they bring life into the company. OPAP aims to build high-performing teams, attracting at the same time new talents to the Group, developing the existing people further through the expanded OPAP Academy program and creating stronger bonds between the Company and its people through a number of initiatives, including more regular two-way internal communications. communications.

### 4. Building a World-class Portfolio of Products & Services

Our aim is to offer a broad range of attractive, new and improved products and services for our customers and our network, while the digital field consists a great opportunity for our company. We launched a new class/set of new products (i.e. Virtual Sports, SSBTs, VLTs) and we continue our efforts ahead of the 2018 World Cup in Russia.

### 5. Leveraging the latest Digital & Technology Capabilities

The transformation of the Digital & Technology role within the Group consists one of our objectives; we continue investing on guaranteeing modern and optimum solutions, which will provide an improved level of control and flexibility to the ongoing delivery and improvement of OPAP's products for the customers, setting at the same time the basis for future strategy.

### 6. Committing to Our Communities

This strategic priority consists a key priority in order to further strengthen customer loyalty to OPAP brand. OPAP understands that it has an important role within the communities in which it operates both in Greece and Cyprus, targeting to the creation of long-term, meaningful benefit so as the company contributes to building a brighter future. OPAP operates displaying strong commitment for health, sports and employment.

In addition, OPAP focuses on stakeholders' engagement. Specifically, our people and customers participate in the CSR programs creating stronger bonds to them, a fact which contributes to building stronger communication with customers on both national and local level.

Last but not least, the Company adopts and develops the highest standards of integrity and responsibility which are part of an integrated Responsible Gaming strategy. The continuous improvement of the policies and procedures Group-wide, the substantial investment in training to help ongoing player protection and into educational campaigns promoting responsible gaming, as well as the international recognition by following clear KPI's consist the framework of this strategic pillar's approach.

### 7. Expanding the Power of Our Brand

The OPAP brand has a remarkable level of recognition both in Greece and Cyprus consisting one of our most important assets. By re-establishing our brand's identity and making the most of our powerful 'anthropaki' logo, the company can further extend the reach and impact of its brand, as well as strengthens its dedication to maintain a strong and consistent emotional connection with its customers.

### 8. Enhancing healthy relationships with the State, Regulator and other bodies

OPAP intends to an ongoing and effective cooperation with the Regulator and other significant public sectors in local and international level, maintaining an open dialogue and establishing a better mutual understanding for items of common interest.

## 5. Related Parties significant transactions

The amounts of expenses and income undertaken in 2017, and the balances of payables and receivables as at 31.12.2017 for the Group and the Company, arising from transactions between related parties are presented in the following tables:

**Company's transactions with related parties**
**(eliminated for consolidation purposes)**

| Company | Expenses | Income | Payables | Receivables |
|---|---|---|---|---|
| | (Amounts in thousands euro) | | | |
| OPAP SERVICES S.A. | 4,541 | 114 | 3,730 | 18,027 |
| OPAP SPORTS LTD | - | 500 | - | - |
| OPAP CYPRUS LTD | - | 29,244 | - | 7,075 |
| OPAP INVESTMENT LTD | - | - | - | 802 |
| HELLENIC LOTTERIES S.A. | - | 6,335 | - | 2,890 |
| HORSE RACES S.A. | 2 | 464 | - | 347 |
| TORA DIRECT S.A. | 238 | 141 | 136 | 3,532 |
| TORA WALLET S.A. | 93 | 9 | 93 | 82 |
| NEUROSOFT S.A. | 3,090 | - | 1,481 | - |

**Group's companies transactions with related companies**
**(not eliminated for consolidation purposes)**

| Company | Expenses | Income | Assets' Purchase | Payables | Receivables |
|---|---|---|---|---|---|
| | (Amounts in thousands euro) | | | | |
| Related companies | 6,795 | - | 476 | 600 | - |

**Transaction and balances with Board of Directors members and management personnel**

| (Amounts in thousands euro) | | GROUP | COMPANY |
|---|---|---|---|
| Category | Description | 01.01-31.12.2017 | 01.01-31.12.2017 |
| MANAGEMENT PERSONNEL | Salaries | 9,277 | 7,507 |
| | Other compensations | 327 | 224 |
| | Cost of social insurance | 969 | 632 |
| Total | | 10,573 | 8,363 |

| (Amounts in thousands euro) | | GROUP | COMPANY |
|---|---|---|---|
| Category | Description | 01.01-31.12.2017 | 01.01-31.12.2017 |
| BOARD OF DIRECTORS | Salaries | 805 | 347 |
| | Cost of social insurance | 76 | 62 |
| Total | | 881 | 409 |

| (Amounts in thousands euro) | GROUP | COMPANY |
|---|---|---|
| Liabilities from Bod' compensation & remuneration | 31.12.2017 | 31.12.2017 |
| BoD and key management personnel | 450 | 342 |
| Total | 450 | 342 |

From the above, the transactions and balances with the subsidiaries have been eliminated from the consolidated financial statements of Group.

## 6. Corporate Governance Statement

### Chairman's Statement on Corporate Governance

The Hellenic Corporate Governance Code (Code) issued by the Hellenic Council of Corporate Governance (ESED) in October 2013, which was adopted by the Company in 2014, continued to apply throughout the financial years 2015, 2016 and 2017. The Board takes seriously its responsibility for effective corporate governance and delivery of long-term shareholder and stakeholder reward and its decisions are taken in light of these considerations. I am pleased to report to you directly on OPAP's governance activities.

## OPAP and Governance

The Board believes that implementing and maintaining high governance standards underpin our business objectives and our drive to create and maximize shareholder value whilst managing the business effectively, responsibly and with integrity, so that we demonstrate accountability and maintain the trust of all our stakeholders. We are constantly seeking to develop our practices and governance framework to ensure that transparency and good governance permeate through the Group at all levels. In addition to compliance with the best practice advice from regulatory and governance bodies, the Board wishes to ensure that high ethical standards are reflected in business behavior and culture through OPAP's Group Code of Conduct, which was approved by the BoD in 2015 and amended in 2016. The Company's management and employees have acknowledged in writing that they have read and understood the Code and that they will adhere to and comply with its principles and provisions, as amended from time to time.

In May 2016, the Board of Directors approved the new Internal Rules and Regulations of the Company, which aim at regulating the organization and functioning of the Company to secure:

a) business integrity;
b) transparency of business activity;
c) control over management and how management decisions are made;
d) compliance with the legislation and the obligations deriving from the Concession Agreement.

Reports on employee compliance are subject to review by the Audit Committee. In addition, OPAP operates whistleblowing, illegal gaming and responsible gaming hotlines, the reports from which can be reviewed by the Audit Committee. We are committed as a Team to achieve our company's 2020 Vision and a key step in that direction is to shape one shared OPAP culture. At the end of last year, we successfully identified, with the active involvement of people from across our Group, our 4 core values: Fun, Dynamic, Passionate and Fair.

This process generated a dynamic communication and action plan of proposed activities to ensure that our values live and breathe throughout OPAP. One specific action is to have a dedicated Engagement Core Values Team whose mission is to ensure the implementation of specific actions.

## Composition of the Board

The current and future composition of the Board remains an issue to which I and the rest of the Board give our full attention. We remain mindful of the recommendations of the Code and it is our aim to comply with these recommendations without compromising the culture that drives the success of our business. In the context of its effort to achieve compliance with the Code's recommendation, the Board has separated the role of the Chairman from that of the Chief Executive Officer. Furthermore, to ensure transparency and responsiveness to its shareholders, there are two non-executive Vice Chairmen.

### Risk Assessment and Management

The Board monitors the level of risk through the Group's major risk assessment process which is facilitated by the Internal Audit with the cooperation of Risk Unit, presented to the Audit Committee and submitted to the Chairman of the Board and the CEO. We remain committed to building on and improving our understanding of the key risks facing the Group and its business operations and we constantly refine our tolerance of such risks.

### Board Evaluation

The Code recommends that listed companies should undertake an evaluation at least once every two years based on a predefined process. This year, the Board performed its annual evaluation internally.

### Diversity

OPAP S.A. is an equal opportunities employer who promotes an inclusive and diverse culture, and is committed to the promotion of equality through our workforce, players, retailers and society. The Company operates under a corporate diversity and inclusion principle adopted. The Board reiterates its view that facilitating and promoting diversity in its broadest sense has helped propel the Company's success to date. It remains its practice to ensure that the Company's Top executive roles, in particular, are open to fresh thinking and must include personnel from different global backgrounds who bring new ideas to the table. It is OPAP's policy to make decisions regarding recruitment and selection, remuneration, career development and training, transfers, promotion and succession planning based solely on merit – being the skills, experience, qualifications and potential of the individual connected to the job – without regard to gender, age, sexuality, family circumstances, marital status, disability, religion, political preference, trade unionism or any other classification protected by applicable law.

As at 31 December 2017:

- the Board members are male and 77% are of the following nationalities: Italian, Czech, French, Swiss, Cypriot, British,
- the Top Management (Chairman, CEO, Chief Officers) is comprised by male and female (78.6% and 21.4%, respectively) and 64.3% are non-Greek nationals, and
- 27.1% of Team Directors & Team Heads are female.

### Explanation on Non-conformities with the Code

The Board recognizes that the objective of the Code is to facilitate management's delivery of business success in a transparent and responsible manner. The Code does not impose a rigid set of rules and recognizes that certain actions and behaviors do not automatically imply poor organizational governance. The Board has authorized an explanation for the following areas:

- The BoD composition is considered satisfactory since it is comprised in its majority of non-executive directors from various industries, nationalities, and age groups.
- Two non-executive Vice Chairmen were appointed. The Audit Committee Chairman is independent non-executive member of recognized international standing in the area of auditing.
- The requirement for preapproval of appointment of an Executive BoD member as non-executive member in another non related company is covered partially through the process of special declarations of the BoD members and the Executive team. The specific requirement for periodical submission of special declarations is also included in the new Code of Conduct.
- The Remuneration & Nomination Committee (which derived from the extention of responsibilities of the pre-existing Remuneration Committee) is composed of Non-Executive Directors, who are independent from executive tasks, including the two Vice-Chairmen of the Board and is considered adequate to fulfill its purpose.

The Board has instructed me to confirm that, notwithstanding the foregoing disclosures, each Director's independence of thought and actions was assured and all decisions were taken to promote the success of OPAP as a whole.

### Statement of Compliance with the Code

The Corporate Governance Report on the following pages contains a summary of the Company's governance arrangements and the regulatory assurances required under the Code. Except as explained above, the Company has complied with the Code (that is the current legal requirements and additional optional best practices) throughout the year ended 31 December 2017.

Kamil Ziegler, Chairman of the BoD

# Corporate Governance Report

## Report of the Board

Company's shares are traded in the main market of Athens Exchange and is therefore required to produce a Corporate Governance Statement containing the information set out in this Report. This Report is prepared with reference to the Hellenic Corporate Governance Code (Code) in effect for the financial periods beginning on or after October 2013. This Report sets out how the Company has applied the main principles of the Code throughout the year ended 31 December 2017 and as at the date of this Report.

## A: Leadership

### A.1: THE ROLE OF THE BOARD

The Board of Directors is the supreme administrative body of the Company that mainly formulates the Company's strategy and growth policy, while supervising and controlling its management and administration of corporate affairs and the pursue of its corporate purpose.

The Board of Directors is competent to decide on every issue concerning the Company's assets management, administration, representation and its operations in general, taking all appropriate measures and decisions that assist the Company in achieving its objectives. Those issues which, according to the provisions of the law or the Articles of Association, fall within the exclusive competence of the General Meeting shall be outside the competence of the Board of Directors. The Board of Directors shall specifically have the authority to decide on the issuance of any kind of bonds, with the exception of those that by law fall under the exclusive competence of the General Meeting of shareholders. The Board of Directors can also decide on the issuance of bonds convertible into shares following decision of the General Meeting of the shareholders and the provision of authorization to the Board of Directors in accordance with the provisions of Company L. 2190/1920, as in force.

The schedule of 2017 matters for the Board's decision included the following:

- Significant business projects;
- Interest and capital expenditure projects;
- Final approval of annual budgets, business plans, organizational structure, advertising and sponsorships program;
- Approval of financial statements and shareholder communications;
- Treasury policies and changes to borrowing facilities or currency transactions ;
- Regulatory compliance issues and related policies;
- Significant transactions with related parties ;
- Review and approval of recommendations from the Committees of the Board;
- Protection of legal interests of the Company.

### Meetings

Board meetings are structured to allow open discussion. The Board meets a minimum of once per month and constitutes additional meetings (including by telephone, video-teleconference or written resolution) to consider specific matters which it has reserved to itself for decision. In 2018, there were eleven regular Board meetings (plus eleven additional meetings via rotation). There were eight Audit Committee meetings and five Remuneration Committee meetings.

The table below sets out the attendance by individual Directors at scheduled Board and Committee meetings during 2017.

| BoD member name | Position | BoD Presence | BoD Representation | Audit Committee | Remuneration & Nomination Committee |
|---|---|---|---|---|---|
| Kamil Ziegler | Executive Chairman | 10 | 1 | - | -- |
| Damian Cope | Chief Executive Officer | 11 | - | | - |
| Spyridon Fokas | A' Vice-Chairman –Non Executive | 8 | 3 | - | 5 |
| Pavel Saroch | B' Vice-Chairman– Non Executive (*) | 10 | 1 | - | 5 |
| Michal Houst | Member – Executive, CFO | 11 | - | - | - |
| Pavel Horak | Member – Non Executive (*) | 11 | - | - | 5 |
| Robert Chvátal | Member – Non Executive (**) | 10 | - | - | - |
| Christos Kopelouzos | Member – Non Executive | 10 | 1 | - | - |
| Dimitrakis Potamitis | Member – Independent Non Executive | 10 | 1 | 8 | - |
| Rudolf Jurcik | Member – Independent Non Executive | 11 | - | 8 | - |
| Igor Rusek | Member – Independent Non Executive | 10 | 1 | 8 | - |
| Marco Sala | Member – Non Executive | - | 11 | - | - |
| Georgios Melisanidis | Member – Non Executive | - | 11 | - | - |
| Konstantin Yanakov | Member– Non Executive (**) | - | 1 | - | - |

Notes:
In the year 2017, eleven (11) additional Meetings were held per rotation, in which all members participated.
(*) Starting from 02.03.2017, Mr. Pavel Horak was replaced by Mr. Pavel Saroch as B' Vice-Chairman.
(**) Starting from 02.03.2017, Mr. Robert Chvátal was elected as Member of the Board of Directors in replacement of Mr. Konstantin Yanakov, after his resignation.

### Directors' Insurance and Indemnities

The Directors benefit from the indemnity provision in the Company's Articles of Association. Each individual, who is an Officer of the Company and/or of any company within OPAP at any time on or after October 2013, benefits from a deed poll of indemnity in respect of the costs of defending claims against him or her and third party liabilities. Additionally, Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense.

## A.2: THE CHAIRMAN ROLE

There is a clear division of responsibilities between the Chairman and the CEO in the company's Articles of Association and Internal Rules and Regulations. Both roles were entrusted initially by the Board and the General Assembly to one person, but on 01.07.2016 the position and duties of the CEO were undertaken by Mr. Damian Cope, while Mr. Kamil Ziegler remained Executive Chairman of the Board of Directors.

The Chairman presides over meetings of the Board of Directors, organizes and directs its work, and reports on it to the ordinary Shareholders Assembly Meeting.

The Chairman's competences are indicatively outlined below:

- Chairing and ensuring that Board meetings constitute a forum where open debate and effective contribution from individual Directors are encouraged, with sufficient time allocated to key issues;
- Encouraging dialogue between the Company and its Shareholders and other stakeholders, and facilitating the Board's understanding of Shareholders' and other stakeholders' concerns;
- Overseeing the induction, information and support provided to directors; and
- Leading the annual performance evaluation of the Board and its Committees;
- Determining the items of the agenda (including items that may have been recommended by the Vice-Chairman or any other member of the BoD), scheduling meetings in a way that ensures that the majority of BoD members are present, and sending members the necessary material to assist debate and decision-making in due time;
- Ensuring that the BoD complies with its obligations towards Shareholders, the Company, the supervisory authorities, the law and the Articles of Association of the Company;
- Where a resolution of the BoD is issued, he may also represent and bind the Company.

## A.3: THE CEO/MANAGING DIRECTOR ROLE

The CEO, is vested with all powers necessary to act in all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose, in accordance with the rules set forth by the law and the Articles of Association of the Company, and subject to the relevant resolutions of the Shareholder Assembly and the Board of Directors.

The CEO, per his role, is also in charge of all Company departments, directs their work, makes the necessary decisions within the context of the framework governing the Company's operations, the approved projects and budgets, Board decisions as well as the Business and Strategic Plan.

The CEO's competences indicatively include:

- Supervising Company business and financial policy;
- Monitoring and assuming responsibility for the Company's financial results and profitability;

- Monitoring internal organization and taking appropriate measures to promote and make good use of the staff; proposing that the BoD approves the drafting of new regulations, organizational charts;
- Approving staff recruitment, as appropriate;
- Defining, in cooperation with the BoD and the Executive Management, the strategic targets of the Company;
- Setting the targets and KPIs, and monitoring the performance of the Company's Management;
- Having the power to delegate the day-to-day management of the business of the Company to each of the Officers of the Executive Committee, acting individually, jointly or as sub-committee;
- Having the power to acquire and dispose of businesses and to approve unbudgeted capital expenditure projects, subject, in each case, to a limit per transaction defined by the BoD;
- Having the power to represent and bind the company against third parties for the signing of payment orders, bank checks, payment of salaries, insurance contributions, payment of taxes and fees of any nature to the State; and
- Having the power to represent the company judicially and extrajudicially, and to sign every document from or addressed to the Company, to instruct advisers and to instigate legal proceedings on behalf of the Company in respect of matters for which no further collective Board authority is required by the law or the Articles of Association;
- In general, the CEO checks the day-to-day operations of the Company and supervises how each Unit performs its tasks.

If the Managing Director is absent or unable to perform his functions, he shall be replaced by a person appointed by decision of the Board of Directors upon the Managing Director's recommendation.

### A.4: NON-EXECUTIVE DIRECTORS

Non-executive members of the BoD do not perform executive or managerial duties, but contribute by helping the BoD as follows:

- Constructively challenging and helping in developing strategy proposals;
- If necessary, submitting reports individually or jointly, separately from the BoD reports, to the Shareholders' Assembly Meetings;
- When appointed by the BoD, participating in BoD Committees or any other working group or ad hoc committees formed from time to time, and performing the duties assigned to them in such committees;
- Providing international and operational experience, and knowledge and understanding of global financial issues, the sectors in which OPAP operates and challenges it faces;
- Managing conflicts of interest

## Curricula Vitae of the members of the Board of Directors

### Kamil Ziegler

### Executive Chairman

Mr. Kamil Ziegler is the Executive Chairman of OPAP S.A..

Born in Ceska Lipa in the Czech Republic. In 1984 Mr. Ziegler graduated from the University of Economics, Faculty of Trade, in Prague. In 1996 he graduated from the Southern Graduate School of Banking at the Southern Methodist University in Dallas, Texas.

He began his professional career at the State Bank of Czechoslovakia where he served in several top executive managerial positions: he worked as an Executive Director for Finance at Komercni banka, Prague, and then as a deputy CEO and Board member at Czech Savings Bank. Thereafter, he was appointed Chairman of the Board and CEO in the Czech state-owned Consolidation Bank. After that he served as Chairman of the Board and CEO in Raiffeisenbank Czech Republic. He also held the position of Executive Director for Finance and Board Member in the PPF Group. His last executive appointment was as the CEO and proxy holder in SAZKA sazkova kancelar, the largest Czech lottery organisation, where he is currently serving as a Board member.

Mr. Ziegler was also a member of the Board of Directors of many companies in the Czech Republic and Cyprus.

### Damian Cope

### Chief Executive Officer

Damian Cope was appointed Chief Executive and an Executive Board Member of OPAP S.A. with effect from July 2016.

Damian has over twenty years' experience in the gaming industry having held a number of senior roles across both retail and digital operations. Prior to joining OPAP Damian was Managing Director, International and Group Strategy Director of the leading UK bookmaker Ladbrokes Plc. At Ladbrokes Damian had responsibility for all non-UK, betting & gaming activities, across both retail and digital channels. This included regulated businesses in Spain, Belgium, Denmark, Ireland and Australia.

Damian was also a Board Director of Sportium Apuestas Deportivas, the Spanish sports betting JV with Cirsa Group. Previously Damian was Group Chief Information Officer and Managing Director, Ecommerce for the Gala Coral Group, the leading UK operator of betting, bingo and casino activities. He also held senior management positions at Rank Group Plc and Blue Square. Damian has a law degree from Bristol University, England.

### Spiridon Fokas

### A' Vice-Chairman, Non Executive Member

Born in Piraeus, where he completed his high school studies in Ionidios Exemplary High School.

In 1977 Mr. Fokas graduated from the Law School of the National and Kapodistrian University of Athens, whilst during 1977-1978 he undertook post-graduate studies in shipping law at the University College London.

As an Attorney-At-Law Mr. Fokas has been a member of the Piraeus Bar Association since 1980 and practices law specializing in the sectors of maritime and corporate law.

Mr. Fokas is a member of the Hellenic Maritime Law Association, whereas since 2005 he is a member of the Board of Directors and General Counsel of Aegean Marine Petroleum Network Inc., which is listed on the New York Stock Exchange.

### Pavel Saroch

### B' Vice-Chairman, Non Executive Member

Mr. Šaroch graduated from the University of Economics, Prague. Having specialized in investment banking and economic management of corporations since 1995, he has served in management positions with securities trading firms such as Ballmaier & Schultz CZ and Prague Securities. From 1999 to 2001, he was Member of the Board of Directors at I.F.B., which focuses on organizational and economic consultancy, management of private investment projects. In 2001, he was appointed Deputy Chairman of the Supervisory Board of ATLANTIK finanční trhy and subsequently became a member of the company's Board of Directors.

Mr. Šaroch is a member of the Boards of Directors of the parent company of KKCG investment group KKCG AG and of individual holding companies that belong to the Group. In KKCG a.s. he represents the position of the Chief Investment Officer.

Moreover he is a member of the board of directors of SAZKA Group a.s. and its subsidiary company SAZKA a.s..

### Pavel Horak

### Non Executive Member

Presently the Partner and the Chief Investment Officer of EMMA Capital. Mr. Pavel Horak is simultaneously representing EMMA Capital in the Board of Directors member of Sazka Group, a.s., the main investor in Emma Delta. Before joining EMMA Capital, Mr. Pavel Horak served in position of Chief Financial Officer of Home Credit Group since 2012 and previously Chief Financial Officer of PPF Group since 2006. Mr. Horak gained experience in financial management as an auditor at Deloitte & Touche, and later during his tenure as CFO of TV NOVA from 2001 to 2006. He is a graduate of the Faculty of Economics of the Masaryk University in Brno and the Faculty of Finance of the University of Economics in Prague.

### Michal Houst

### Executive Member

Mr. Houst began his professional career in JM Engineering as a financial manager, before moving to PPF Group as a financial analyst focusing on banking and consumer finance.

In 2010 he became chief banking analyst at PPF Russia, with the focus of his responsibilities on Nomos Bank contributing to its successful IPO and responsible for the preparation of the whole financial section. He was later appointed as a project manager, responsible for various development and restructuring projects within the Bank. In 2013 he joined EMMA Group holding the position of Investment Director, where he was one of the key individuals in the privatization of OPAP within the same year when he joined the company contributing to its successful restructuring.

### Christos Kopelouzos

### Non Executive Member

Born in Athens, Mr. Kopelouzos is currently Co-CEO of Copelouzos Group with business activities in the area of Natural Gas, Renewable Energy, Electricity Production and Trading, Real Estate, Concessions, Airports and Gaming. In 2002 he completed his studies at the City University/City Business School in the field of Investment & Financial Risk Management.

### Georgios Melisanidis

### Non Executive Member

Georgios Melisanidis is a Greek entrepreneur with investments in the shipping, oil trading and marine environmental services sectors. Mr. Melisanidis holds a Bachelor Degree in Maritime Studies from the Southampton Solent University.

### Marco Sala

### Non Executive Member

Marco Sala is Chief Executive Officer of International Game Technology PLC (“IGT”), and serves on its Board of Directors. He is responsible for overseeing the strategic direction of the Company, which is publicly traded on the New York Stock Exchange (NYSE:IGT). He works directly with the board and other senior management to establish long-range goals, strategies, plans, and policies. Prior to April 2015, Sala served as Chief Executive Officer of GTECH S.p.A. (formerly known as Lottomatica Group) since April 2009, and was responsible for overseeing all of the Company’s segments including the Americas, International, Italy, and Products and Services. He joined the Company as Co-General Manager in 2003, and since then, has served as a member of the Board of Directors.

In August 2006, he was appointed Managing Director with responsibility for the Company’s Italian Operations and other European activities. Previously, he was Chief Executive Officer of Buffetti, Italy's leading office equipment and supply retail chain. Prior to Buffetti, Sala served as Head of the Italian Business Directories Division for SEAT Pagine Gialle. He was later promoted to Head of Business Directories with responsibility for a number of international companies such as Thomson (Great Britain), Euredit (France), and Kompass (Italy).

Earlier in his career, he worked as Head of the Spare Parts Divisions at Magneti Marelli (a Fiat Group company) and soon after, he became Head of the Lubricants Divisions. Additionally, he held various marketing positions at Kraft Foods. Mr. Sala graduated from Bocconi University in Milan, majoring in Business and Economics.

**Robert Chvátal**

**Non Executive Member**

Born in 1968, Robert Chvatal graduated from Prague School of Economics and began his professional career in 1991 as a Brand Manager in Procter & Gamble.

Robert had responsibility for projects in market data analysis, advertising effectiveness analysis and new product introductions.

Since 1993 as Marketing Director Czech Republic and Slovakia in Lancaster/Coty (Reckitt-Benckiser Group) he was responsible for the full portfolio of cosmetics products in the Czech and Slovak markets.cosmetics.

In 1997 Robert left fast moving consumer business as he was appointed Chief Marketing Officer and member of the BoD of /T-Mobile Czech Republic where he was instrumental in shaping challenger strategy for the No.2 mobile operator. This entailed strategy development and execution, the segment management, as well as the integration of the company into international group structures.

In 2002 he took over the position as Chief Executive Officer, member of the BoD, member of the board of Slovak Telecom in T-Mobile Slovakia where he was fully responsible for Slovak subsidiary of T-Mobile.

From 2007 he became the Chief Executive Officer for T-Mobile Austria, where he was among others in charge of improving operational efficiency of Austrian business and developing dual – brand strategy after the acquisition of the competitor brand tele-ring.

In 2013, he joined lottery business by being appointed the CEO and a member of the BoD of Sazka a.s., responsible for establishing experienced Management team, introducing clear performance metrics across the company, introducing innovative product portfolio, exploiting potential of online gaming and enhancing business via brand extensions.

In 2017 Robert was appointed also CEO of Sazka Group a.s to lead one of Europeś largest lottery companies in its effort to innovate the sector and be consolidator of choice in this fascinating industry.

He is the vice-President of European Lotteries – the industry association – since 2015 and supervises knowledge sharing agenda of the organization.

### Konstantin Yanakov (resigned on 02.03.2017)

### Non Executive Member

Mr. Konstantin Yanakov has been Chief Financial Officer of ICT Group. Prior to joining ICT he held various positions at MDM Bank and was CFO of Polymetal since 2005. Mr. Yanakov is Non-Executive Director of Polymetal International PLC and Board member at Rigensis bank, Greek Organization of Football Prognostics SA (OPAP S.A.), O1 properties Limited, JSC NPF Future and Tiscali S.p.A. He graduated from Finance Academy with a degree in Global Economics and received a PhD in Economics from the Russian State University of Management. In 2007, Mr. Yanakov received an MBA from London Business School.

### Rudolf Jurcik

### Independent non Executive Member

Born in Prague, Czech Republic, Mr. Jurcik is a French citizen. He is married and has two children. Mr. Jurcik studied Ancient and Oriental Languages as well as History at Charles IV University in Prague. He is currently the Owner and Executive Director of the Prestige Oblige, Private Management & Consultants FZ LLC in Dubai. Previously, he served as the CEO of MAF Hospitality (Property) in Dubai and as President of the Oberoi International Group in New Delhi. He has also worked as a Special Advisor to the CEO of Air France Group in Paris and as Managing Director of Forte/Meridien Hotels in Paris.

Additionally, Mr. Jurcik has served as a Senior Vice President of Meridien, based in Athens. He has also worked as a French foreign trade Advisor and as a COO of the Casino Royal Evian in France.

### Dimitrakis Potamitis

### Independent Non Executive Member

Mr. Potamitis was born in Cyprus. He graduated from the Athens University of Economics and Business (former ASOEE).

His professional career began in 1968, as a junior auditor at PricewaterhouseCoopers International Limited (PwC). His main expertise was shipping and banking audits. Since 1982 and up until 2004, Mr. Potamitis was a PWC Partner in charge of Piraeus Office-Greece, while from 2004 up to 2008 he acted as a Consultant. From 2008 and up until today he is an Independent, Non-Executive Board Member of Aegean Baltic Bank S.A. and Chairman of the Audit Committee, as well as Member of the Remuneration Committee (from 2012) of the aforementioned bank.

Mr. Potamitis has also provided specialist consultancy and advisory services in matters related to the audit of the financial statements of companies in the shipping industry.

He is a Member of the Hellenic Institute of Public Accountants – Auditors.

In 2017, Mr. Potamitis was appointed as Chairman of the Audit Committee in Resolute Asset Management S.A., a specialist real estate asset management and non-performing loan servicing firm. Furthermore in 2018 Mr. Potamitis was appointment as a deputy member of the Quality Review Council of Hellenic

Accounting and Auditing Standards Oversight Board (HAASOB/ELTE), acting as a quality reviewer of the financial statements of listed companies.

### Igor Rusek

### Independent Non Executive Member

Dr. Igor Rusek graduated from the Faculty of Law at the University of Basel, Switzerland, where he undertook post-graduate studies in international private law. He has served for many years as a member of Boards of Directors of various international groups of companies and has managed for two decades in this capacity the organisation of internal audits, accounting standards and corporate governance under applicable international standards. From 1994 to 2001, he was Associate Attorney at ATAG Ernst & Young, auditing and consulting firm in Basel. In 2001 he was appointed Partner and Member of Executive Committee at ATAG. Meanwhile Dr. Rusek is CEO of ATAG PCS Ltd, a leading Swiss based European Advisory Company. He has the chair of ATAGs Compliance Audit Team and is mainly responsible for Audit and Tax Audit Procedures in companies which are administrated by ATAG, as well as their Corporate Governance.

### Corporate Secretary

### Eleni Kourlimpini

The current Corporate Secretary of the Company is Mrs. Eleni Kourlimpini, a Lawyer specialized in Corporate and Commercial Law. Prior to joining OPAP Mrs Kourlimpini has worked as an in house lawyer in MJMAILLIS GROUP and HCMC.

## B: Effectiveness

### B.1: BOARD COMPOSITION

The Board comprises of ten Non-Executive Directors and three Executive Directors, Kamil Ziegler, the Chairman of the Board, Damian Cope, CEO and Michal Houst, CFO. Information regarding the Directors and the Corporate Secretary serving at the date of this Report is set out on page 26. Additional biographical details are available at the Company's website.

### B.2: COMMITMENT

All Non-Executive Directors confirm that they are able to allocate sufficient time to meet the expectations of the role and the requirement to disclose any actual or potential conflicts of interest.

Non-executive members of the BoD do not perform executive or managerial duties, but contribute by helping the BoD as follows:

- Constructively challenging and helping in developing strategy proposals;

• If necessary, submitting reports individually or jointly, separately from the BoD reports, to the Shareholders' Assembly Meetings;
• When appointed by the BoD, participating in BoD Committees or any other working group or ad hoc committees formed from time to time, and performing the duties assigned to them in such committees;
• Providing international and operational experience, and knowledge and understanding of global financial issues, the sectors in which OPAP operates and challenges it faces;
• Managing conflicts of interest;

Further restrictions related with non-executive members of the BoD may be found in the Internal Rules and Regulations.

## B.3: INFORMATION AND SUPPORT

All members of the Board receive timely reports on items arising at meetings of the Board to enable due consideration of the items in advance of meetings. Directors unable to attend a particular meeting during the year had the opportunity to review and raise any issues on the relevant briefing papers.

Each Director has access to the advice and services of the Company Secretary and a procedure exists for Directors to take independent professional advice at the Company's expense in furtherance of their duties.

### Company Secretary

The Corporate Secretary ensures that the correct Board procedures are followed and proper records are maintained. All Directors have access to the Corporate Secretary.

## B.4: EVALUATION

### Performance Evaluation

The Board maintains an ongoing review of its procedures and its effectiveness and those of its Committees throughout the year. The Board of Directors is performing a self-assessment in respect to the achievement of the action program it has drafted within the framework of the annual report for the previous year. The performance of each committee is self-assessed by each committee on a yearly basis, based on its objectives specified at the beginning of each business year and in relation to whether such objectives were achieved or not. The Company considers the introduction of both qualitative and quantitative criteria for the assessment of the performance of both the Board of Directors and its committees.

The evaluation of the Chairman's performance was undertaken by the Remuneration and Nominiation Committee with input from the rest of the BoD members. The Chairman evaluates each Director's performance through one-to-one discussions with other Directors. The Remuneration and Nomination Committee also reviews the performance of the Executive Directors of the Board.

### B.5: DIRECTORS' RE-ELECTION

In accordance with Code recommendations, all the Directors are subject to election by shareholders at intervals of no more than four years. Such term of office shall be extended ipso jure until the election of new directors from the next ordinary General Meeting of shareholders in accordance with the more specific provisions of the Articles of Association. The members of the Board of Directors are unconditionally re-eligible and may be freely removed. Members of the Board of Directors are removed by the General Meeting of shareholders. The General Meeting may replace any of the elected members of the Board of Directors even before their term of office expires.

The members of the Board of Directors (BoD) serve for four (4) years. According to article 11 of the Company's Articles of Association (AoA) such term of office is extended ipso jure until the election of new directors from the next Ordinary Shareholders' General Meeting, in accordance with the more specific provisions of paragraphs 1, 2 and 3 of the same article.

The term of the current BoD started on 7.11.2013 (with the exception of Mr Cope who was appointed CEO on July 2016 and Mr. Robert Chvátal who was appointed on 02.03.2017) and is expiring on the date of the election of new BoD from the next Ordinary Shareholders' General Meeting of the Company.

## C: Accountability

### C.1: FINANCIAL AND BUSINESS REPORTING

The Board is responsible for the integrity of OPAP's consolidated and the Company's financial statements and recognizes its responsibility to present a fair, balanced and understandable assessment of OPAP's position and prospects.

The Board is satisfied that the financial statements and reports to regulators present a fair, balanced and understandable assessment of OPAP's position and prospects.

To assist with financial reporting and the preparation of standalone and consolidated financial statements, the Finance function has in place a series of accounting and treasury policies, practices and controls which are designed to ensure the identification and communication of changes in accounting standards, and reconciliation of core financial systems. The function consists of consolidation and financial accounting teams, and technical support which comprises of Senior Finance personnel who review external technical developments and accounting policy issues.

Throughout the year OPAP has had in place an ongoing process for evaluating the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out on page 81 under Accounting Policies.

Following the Audit Committee recommendation, the Board agrees an engagement letter with the Auditors in respect of the full and half-year results and the Auditors' statement on their work and reporting responsibilities.

Information on OPAP's business model and strategy for generating and preserving longer-term growth and delivering on the Company's stated objectives is set out in the Business Strategy section of the Annual Report on page 15.

An extra step involving an additional review of the Annual Report was added to the approval process so that the full Board, acting together, could confirm that the Annual Report was fair, balanced and understandable.

## C.2: RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk and control structure designed to manage the achievement of business objectives. It has overall responsibility for OPAP's system of internal control and for the effectiveness of such system. The system follows the guidance on Internal Control – Integrated Framework COSO (Committee of Sponsoring Organizations of the Treaelway Commission) and Risk Management and provides reasonable, but not absolute, assurance against material misstatement or losses.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Team helps OPAP Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Internal Audit Function reports functionally to the Audit Committee of OPAP Board of Directors and administratively to the Chairman of the Board. The Head of the Internal Audit Function is a person with sufficient qualifications and experience and is appointed by OPAP Board of Directors.

The Internal Audit Function is administratively independent from other OPAP Units and is staffed by personnel that:

- is exclusively, full time employed, without having executive or operational duties relating with any other activity of OPAP or the Group; and
- is not member of the Board or a Director who has other responsibilities than those of Internal Audit or relatives of the above up to the second degree by blood or by marriage.

The Internal Audit Function has the responsibilities provided by law and the applicable regulatory framework and reports to the Company's Board of Directors the results of the audits performed at least on a quarterly basis.

Internal Audit Function operates and organizes its works and responsibilities based on a risk based audit plan that is annually approved by the Audit Committee and according to the International Standards for the Professional Practice of Internal Auditing.
The Board maintains an ongoing process for evaluating the system of internal control and identifying and managing risk. Management is required to apply judgment in evaluating the material risks OPAP faces in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materializing, in identifying OPAP's ability to reduce the potential impact of risks on the business and in ensuring that the costs of operating particular controls are proportionate to the benefit.

OPAP's control environment is supported by the principles of Business Conduct which are included in the Internal Rules and Regulations, and a range of ISO policies and procedures on corporate, social and environmental responsibility and information security. Other key elements within the internal control structure are summarized as follows:

- **The Board and Management** – the Board approves the strategy and performs an advisory and supervisory role, with the day-to-day management of the Company being undertaken by the CEO supported by the CFO and the Executive management. The CEO and other Executives have clearly communicated OPAP's vision, strategy, operating model, values and business objectives across the Group;
- **Organizational Structure** – during the year ended 31 December 2017, the Company presented the new structure of the Executive Committee and the new organizational chart. Throughout the organization, the achievement of business objectives and the establishment of appropriate risk management and internal control systems and processes are embedded in the responsibilities of line managers;
- **Budgeting** – there is an annual planning process whereby operating budgets (opex and capex) for the following financial year are prepared and reviewed by the Board. Long-term business plans are also prepared and reviewed by the Board on an annual basis;
- **Management Reporting** – there is a comprehensive system of management reporting. The financial performance of operating units and OPAP as a whole are monitored against budget on a monthly basis and are updated by periodic forecasts. Area and functional executives also perform regular reviews with their management teams, which incorporate an assessment of key risks and opportunities at least on an annual basis;
- **Risk Management** – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Audit Committee reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. A summary of the most significant risks faced by

OPAP is included in the Business Strategy section on page 15 and details of OPAP's relationships and principal risks are set out on pages 10 to 17;

- **Business Units' Controls** – each business unit maintains a system of internal control and risk management which is appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorization processes, to ensure that all commitments on behalf of OPAP are entered into only after appropriate approval.
- **Compliance Controls –** the Group maintains a compliance program that includes an independent and anonymous responsible gaming hotline and a line for reporting illegal gaming sites, systematic reviews by KETHEA and the illegal gaming committee respectively, annual management reviews more specifically in Hellenic Lotteries and ISO systems compliance certification as well as specialized training in specific areas and functions of the business. The Code of Conduct of OPAP S.A. establishes a process for whistleblowing complaints, through which any violation of the Code of Conduct can be reported to the Compliance Officer by formal written or verbal complaint or anonymously. Compliance provides the Audit Committee with regular updates on the compliance controls of the Group and recommendations for continuous improvement; and
- **Monitoring –** the effectiveness of the system of internal control and risk management is monitored regularly through a combination of management review, self-assessment, independent review through quality assurance, environment, health & safety and regulatory audits, as well as independent internal and external audit. The results of internal and external audit reviews are reported to and considered by the Audit Committee, and actions are taken to address any significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of the system of internal control and risk management on behalf of the Board. Within 2016, the Company selected Metricstream governance, risk management and compliance software with the aim to automate internal audit and compliance audits. This was implemented during the first half of 2017.

The Board confirms that reviews the appropriateness and effectiveness of the system of internal control and risk management throughout the financial year and up to the date of approval of the Annual Report and Accounts have been satisfactorily completed.

# Report of the Audit Committee

## C.3: AUDIT COMMITTEE AND AUDITORS

### General

The Audit Committee was created by the Board of Directors of OPAP S.A., in October 2013.

As an independent body, the Audit Committee is able to oversee the affairs of OPAP S.A. ethically and with responsibility. This duty is its main role at present and in the future. The activities undertaken by the Committee include activities in different fields such as review of the financial information subject to regulation, control of market risks, oversight of management model, monitoring the independence of the statutory auditor and appraising the business of the Internal Audit division.

### Composition of Audit Committee

The Audit Committee consists of three independent and non-executive members. The Members of the Audit Committee were appointed to office for a term of four years, which may be renewed for further four years term. Final decision will be taken by the Shareholders in April 2018.

The Audit Committee members are the following:

1. Dimitris J. Potamitis – Chairman
2. Dr. Igor Rusek – Member
3. Rudolf Jurcik – Member

### Secretary of the Audit Committee

The Secretary of the Audit Committee is employee of Corporate Secretariat.

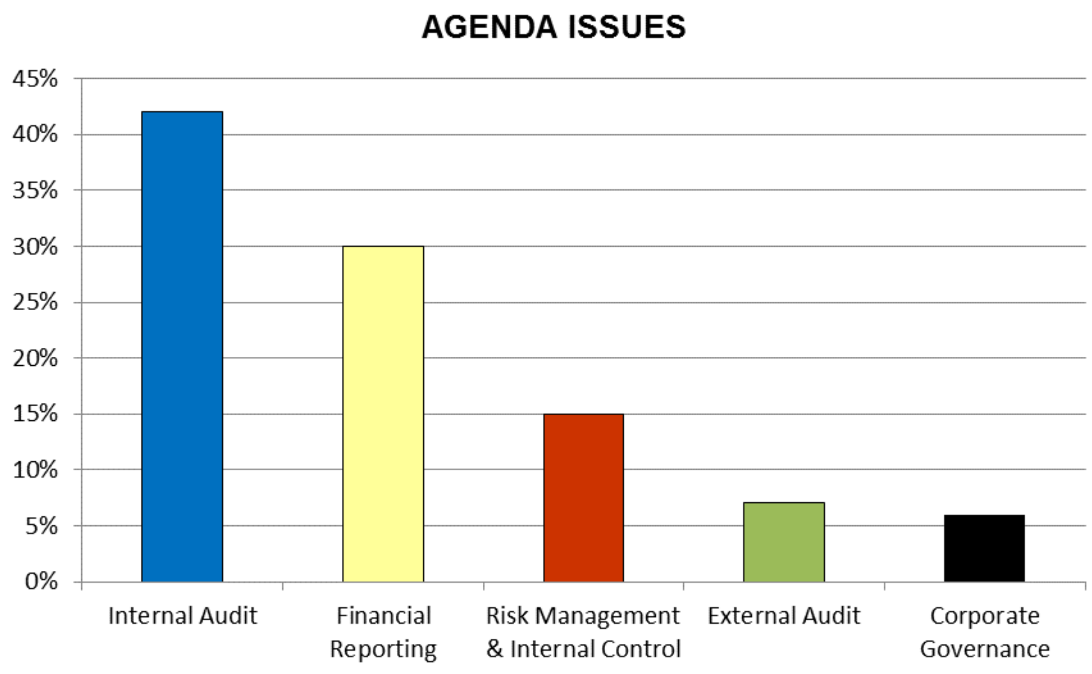
### Major duties of the Audit Committee

- To report on the annual, half-yearly and quarterly financial statements;
- To Inform the Board of Directors of the audited entity about the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of the financial information and what was the role of the audit committee in that process.
- To Monitor the financial reporting process and make recommendations or proposals to ensure its integrity.
- To report to the Board of Directors any change in accounting policies balance sheet risk and off balance sheet risk;
- To propose the appointment of statutory auditors to the Board of Directors, for subsequent referral to the General Meeting of Shareholders;

- To oversee internal audit services, to ensure the quality and risk management of the company and, where applicable, its internal audit unit, with regard to the financial information of the audited entity without infringing the independence of that entity. Also the Audit Committee shall report on the process of selection, appointment, reappointment, removal and remuneration of the Internal Audit Head and on Internal Audit division budget;
- To be fully aware of the Cos financial information reporting process and internal control systems;
- To review and monitor the independence of statutory auditors or audit firms.
- To be responsible for the selection process of statutory auditors or audit firms
- To liaise with the external auditors so as to receive information on any matters that could jeopardize the latter independence and any other matters relating to the financial auditing process.

### Audit Committee meetings in 2017

The Audit Committee met 8 times in 2017 at the premises of the Company. Notice of the meeting is given in writing including the agenda three days prior to the scheduled date.




### Audit Committee activities in 2017

- Presentation of KPMG Audit Planning and independent confirmation.
- Audit fees confirmation
- Whistleblowing procedure
- Internal Audit Plan

- Management Letter findings
- Overall assessment of Internal control made by Internal Audit
- Review of interim unaudited financial statements and quarterly accounts
- Compliance of Internal Audit Plan
- Meetings with Key Personnel (Procurement, Legal, AML and Compliance, GDPR, Credit Control etc.)
- Meetings with CSR, Consolidation, Credit Control Director and Chief Financial Officer
- External Auditors work done on significant matters
- Attendance with the Chairman of the Board of Directors
- Meeting with the Head of Investors relations
- Meeting with External Audit Partner
- Monthly meeting with Head of Internal Audit

### Conclusion

As a result of the above activities, we believe that the Audit Committee performed its role and responsibilities effectively. No unusual transaction, illegal payment, violation of law and regulation came to our attention that should affect the Consolidated Financial Statements. Furthermore, the Audit Committee believes that the Company has policies and controls to prevent and detect fraud and maintains an adequate internal control including controls over financial reporting.

Dimitris Potamitis

Audit Committee Chairman

## D: Remuneration

### D.1: THE LEVEL AND COMPONENTS OF REMUNERATION

The Company’s compensation plan is performance-driven and designed to promote OPAP’s innovative and entrepreneurial culture. Following the 2013 OPAP Group privatization, the Board set out to create a truly multinational Company and, as a result of this approach, people of various nationalities cooperate in every sector in which OPAP operates.

The level and components of remuneration across OPAP is designed to facilitate global mobility and diversity. Salary ranges are based on benchmarking and OPAP’s annual cash bonus structure, whereas long-term incentives and other benefits are offered.

Details on the Company’s remuneration policy and the Board of Directors’ compensation arrangements are set out below:

## BOARD MEMBERS' REMUNERATION REPORT

The Remuneration and Nomination Committee, as it was renamed by the 26.05.2016 Board of Directors' decision, is responsible for deciding on the fees that encourage good customer service, are fair to all our employees and are aligned with the interests of all of our shareholders.

The primary objective of the Remuneration & Nomination Committee is to assist the Board of Directors in carrying out its duties in the following areas:

- Ensuring that there are adequate procedures for the evaluation of the Chairman's remuneration, of non-executive Board Members, of executive Board Members, of the ones that directly report to the CEO, of the Board Committees and of the Board as a whole,
- Ensuring that the Company adopts, monitors and implements appropriate policies and remuneration procedures,
- Ensuring that disclosures regarding remunerations meet the disclosure objectives of the Board of Directors and of all relevant legal requirements,
- Reviewing succession plans of Board executives and executive officers on a regular basis to maintain an appropriate balance of skills, experience, expertise and diversity in the management of the Company, and providing advice to the Board accordingly andand
- Evaluating candidates and proposing new members for the Board of Directors.

Our management team is multinational and adaptable and thus the main principles of our philosophy regarding remuneration are the following:

- Simplicity
- Shareholder alignment
- Remuneration by performance

Remuneration regime

- Bonus schemes were adopted that build incentives via specific KPIs. Established criteria include quantitative benchmarking based on the overall company performance, taking into account key profitability metrics
- Qualitative criteria also apply, focusing on managerial skills, training & development of the working teams, project deliveries, external communication etc.

It is worth mentioning that bonuses and other variable remuneration arrangements is common practice for companies listed in the FTSE100 index. Research shows that 99% of executives working in index FTSE100 companies at the Executive Committee level and above has a ratio of variable to fixed remuneration in excess of 1:1, whereas that is not the case in our Company, which accepts as maximum a ratio of 1:1 only for the position of CEO.

### Long-term incentive scheme

The Board of Directors of the Company, following a recommendation of the Remuneration and Nomination Committee, on 28.3.2017, approved a Long term incentive scheme with distribution of part of the Company's net profits to Executive Members of the BoD and other Key Management Personnel of the Company. The program's duration is 3 years, for the period 2017-2019. The targets relate to a. the profitability of the Company for the 3 year period mentioned above and b. the Company's share price increase in Athens Exchange. Finally, the scheme defines that the maximum amount to be distributed to up to 30 beneficiaries is € 7,000 th..

### D.2: REMUNERATION COMMITTEE AND PROCEDURE

The Remuneration Committee is chaired by Pavel Saroch, and comprised by three members. All the committee members are non-executive and considered independent from executive tasks (Pavel Saroch, non-executive member and B' Vice-Chairman of the Board of Directors, Spiridon Fokas, non-executive member and A' Vice-Chairman of the Board of Directors, and Pavel Horak, non-executive member of the Board of Directors), but not independent according to the full set of criteria of the Code. Their recommendations and reports were submitted to the Board for approval.

We hope that this report achieves the aim of improved transparency and clarity under the new reporting requirements and that we can count on your support at the forthcoming AGM for both our Remuneration policy and the decision we have taken as a committee during the year.

Pavel Saroch,

Chairman of the Remuneration Committee

## E: Relations with Shareholders

### E.1: RELATIONS WITH SHAREHOLDERS

The Board is committed so as the Company to effectively communicate with its Shareholders. The Executive Directors and executives from the Investor Relations team meet regularly with shareholders, institutional investors and financial analysts to discuss matters relating to the Company's business strategy and current performance. The Chairman, the CEO and the CFO receive by the Investor Relations Division monthly and annual updates on share price developments, major buyers and sellers of shares, peer group analysis, investors' views and analysts' reports on the industry and on the Company specifically . Feedback on presentations and roadshow meetings with institutional investors is presented to the Executive Directors of the BoD and any other specifically interested Non-Executive directors. The investor relations program includes:

- Formal presentations of full year and half year results and quarterly interim management statements;
- Regular meetings between institutional investors and senior management to ensure that the investor community receives a balanced and complete view of OPAP's performance, the issues faced by OPAP and any issues of concern to the investors;
- Response to enquiries from institutional and from retail Shareholders through the Company's investor relations team; and
- A section dedicated to Shareholders on the Company's website.

Overall, the Investor Relations Division's main responsibilities are to:

- develop strategies & implement Investor Relation initiatives to target & attract investors and increase shareholders value;
- Enable effective two-way communication between OPAP and financial community to contribute achieving fair valuation;
- Filter Market Feedback to Management.

In 2017 the company participated in ten international investor events and roadshows related to either Gaming, Emerging Markets and/or Greece - South Eastern Europe. The frequency, duration and location of roadshow activity as well as the level of participation is determined in the beginning of the year.

The Investor Relation Team is fully dedicated to communicate with investors community, while the top management including Chairman, CEO, CFO and key directors, are available to discuss governance and strategy with major Shareholders and Institutional Investors should such a dialogue is needed.

### E.2: THE ANNUAL GENERAL MEETING

The AGM provides all Shareholders with an opportunity to vote on the resolutions put to them. The AGM is used as the main opportunity for the Directors to meet directly with private investors. It is attended by the Directors and all Shareholders present are given the opportunity to ask questions to the Chairman, the Chairs of Board Committees and the Board as a unit.

The Company makes available to the public all information related to the AGM in a way as to ensure easy and equal access for all. More specifically, the Company posts timely on its website the invitation, the

results of the voting and the decisions of the General Assembly. In addition, it informs about the minority rights of the shareholders, as provided in article 39 of Codified Law 2190/1920.
The Company's Articles of Association explicitly define the competences of the General Meeting and the way it is convened, as well as the issues of standard and exceptional quorum and majority.

On voting, each share has one vote. The results of the poll are released to the Stock Exchange and published on the Company's website shortly after the AGM. In the last three years, quorum of close to 70% was achieved.

## ST: Non-financial report – Sustainable development

### Our organization

OPAP adopts a holistic approach to Corporate Responsibility, where the accountability for responsible operation lies within each department and each employee, without being solely the responsibility of a specific department. Nevertheless, managing responsible operation issues overall, requires creation of appropriate organizational structures.

- Our Corporate Responsibility agenda is driven by the CEO, while at organizational level the Chief Customer Officer is responsible to identify the strategic risks, set standards and targets and review performance regarding Corporate Responsibility.
- At operational level, the Director of Corporate Responsibility Team, is responsible to cooperate with other departments in order to diffuse responsibilities, policies and practices, and has established a close collaboration with the Quality Management Systems Team.
- At the same time, we have appointed specific executives, responsible for key issues such as Compliance, who coordinate and implement relevant programs and activities.

### We operate based on internationally acknowledged best practices

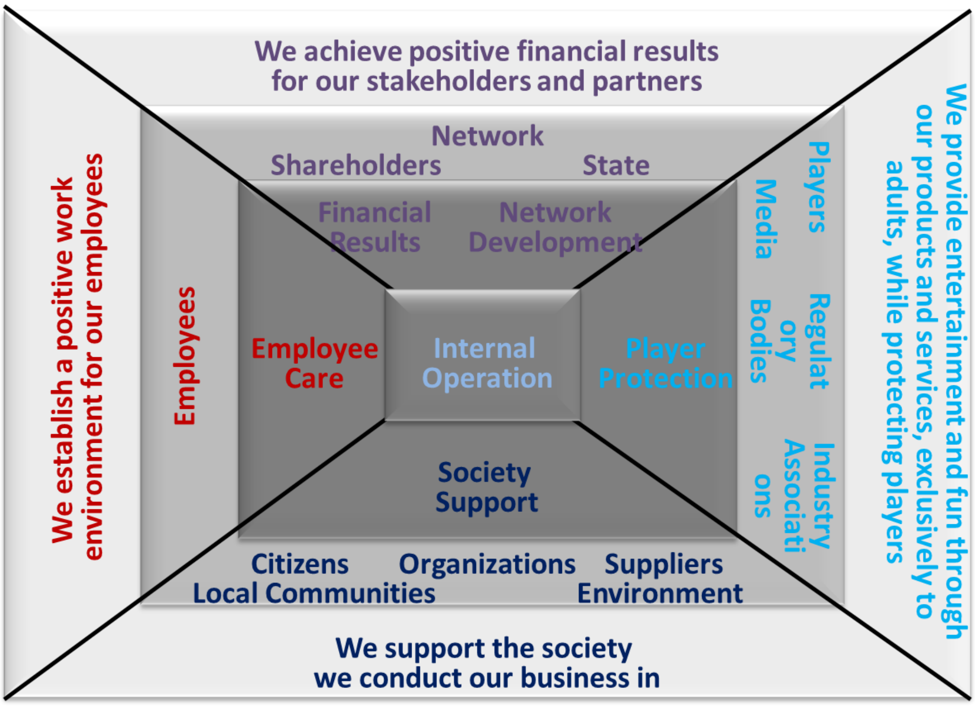
We are committed to pursuing operational effectiveness, customer satisfaction and continuous improvement, as well as maintaining our environmental and social responsibility. This is achieved through the effective implementation of an Integrated Management System for Quality, Environmental and Social Accountability management, certified according to:

- ISO 9001 Quality Management System, certified by Lloyd's Register Quality.
- ISO 14001 Environmental Management System, certified by Bureau Veritas.
- OHSAS 18001 Occupational Health & Safety System, certified by Bureau Veritas

## Our policies and material issues

Corporate Responsibility at OPAP is allocated at five main areas, as derived through an internal analysis and dialogue with our stakeholders, which compose our Corporate Responsibility framework to systematically organize and manage all Corporate Responsibility issues. In each one of the areas of Corporate Responsibility, we recognize the Material Aspects, as a result of a four-phase process, with the three main issues per area displayed below.

*Corporate Responsibility Framework*




We prioritize material issues on the basis of their relative importance to value creation. Below you may find some of our key material issues, on an indicative basis.

| Areas | Indicative Material Issues | | |
|---|---|---|---|
| Internal Operation | Compliance (Code of Conduct) | Corporate Governance | Anti-Corruption |
| Player Protection | Responsible Gaming | Responsible Communication | Customer Privacy |
| Employee Care | Work Positions | Equality and Fairness | Employee Satisfaction |
| Society Support | Supplier Assessment for Labour Practices | Donation and Support | Material Consumption |
| Financial Results / Network Building | Economic Transparency | Money Laundering | Network Compliance |

## Systems, policies and procedures

OPAP Group has established a series of Codes, Policies and Procedures, in the framework of its corporate governance, its compliance with the regulatory framework in which it operates and in the context of its Integrated Management System certifications (ISO 9001, ISO 14001, OHSAS 18001). Among the Policies applied are the following:

- Hellenic Code of Corporate Governance (adopted by the company)
- Code of Conduct
- Internal Rules and Regulations
- Anti-Money Laundering and Counter Terrorist Financing Policy
- Policy on Responsible Gaming
- Procurement Policy
- Environmental Policy
- Quality Policy
- Health & Safety Policy
- Social Accountability Policy
- Determination and Evaluation of Environmental Aspects
- Health & Safety Risk Identification and Evaluation
- Policy on CSR Strategy
- Policy on CSR Report Development
- Framework and Policy on Information Assets Security

## Player protection

We understand that responsible management of our business is imperative, due to the possible risks and consequences that might arise from excessive participation in games of chance. Responsible Gaming is considered to be the safe environment, in which consumers are provided with timely, accurate and sufficient information about the products, terms and conditions of their use, as well as the possible risks and consequences that might arise through irrational participation in games of chance. Responsible Gaming is a central element in our sustainability strategy, founded on the company's need to self-regulate and establish an environment, in which a fair, reliable and safe gaming experience is provided to those who choose to use the products and services it offers, for their own entertainment. Following closely the World Lottery Association (WLA) Responsible Gaming framework, we have designed and we implement a solid strategy and consequently a series of actions aiming to prevent minors and other vulnerable social groups from participating in games of chance and to protect the general public and players from excessive participation in our games. The Responsible Gaming framework for both OPAP S.A. and Hellenic Lotteries S.A. reflects the one adopted by the World Lottery Association (WLA) and consists of the following elements:


## SOCIETY SUPPORT

OPAP consistently supports the Greek community and economy. Focused on young generation, the company's Corporate Responsibility strategy is founded on the pillars of Health, Sports and Employment, serving substantial needs and implementing effective intervention programs. At the same time, OPAP continues to invest in supporting Sensitive Social Groups & Communities, responding to stand alone needs of Greek society

### Health: Upgrading Medical Conditions for our Children

Having as a key objective to improve the medical conditions for our children, OPAP implements since 2014 the ambitious work of renovating the two largest Children Hospitals in Greece, "Aghia Sophia" and "Panagioti & Aglaia Kyriakou" that serve children from across Greece. So far, OPAP has delivered a total of 19 renovation works, amongst which 13 fully renovated Nursing Units, of 7,480 square meters total area and 280 beds in capacity. In the delivered Nursing Units all the needed construction and decoration works have been completed, entirely upgrading them, thus, offering to children, parents, medical and nursing staff a pleasant therapeutic environment.

### Sports: Building the Future of Sports

As a living cell of Greek sports, OPAP implements the innovative "Sport Academies" program, investing in the future of sports and aiming to primarily create great people and secondarily great champions. So far the program's results are impressive. More specifically, 128 Amateur Academies and 12,000 young athletes in 51 Prefectures are supported, while full insurance coverage is provided for their sport activities and sport equipment for their training. Additionally, the training of the 700 coaches is enhanced, through seminars that help them to improve the technical and psychological support offered to children. Moreover 20,000 parents are supported by the program's scientific team, who guide them on psychological, pediatric and nutritional issues.

### Employment: Reinforcing the Greek Market

The “OPAP Forward” program has been designed to offer a unique prospect to fast growing Small-Medium Enterprises, to develop reaching their full potential and contribute in giving a boost to Greek economy and employment. In 2017 the 20 participating companies had access to valuable information as well as to an important network that will help them overcome their obstacles and difficulties, innovate and create new job positions.

In the first year of its roll- out, the program helped to create 111 new direct working positions and 2,236 new indirect job positions, through the establishment of new collaborations. The participating fast-growing companies have also increased their total turnover by 20%, which is translated to 25 million euros.

### Environmental Impact

Although OPAP S.A. is a services company without significant environmental impact, it implements an Environmental Management System certified to ISO14001, in order to ensure that it operates in an environmentally responsible way. In the context of this management system, OPAP:

- determines its environmental aspects and impact, as well as all applicable Environmental Legislation and the requirements of ISO14001,
- designs and implements policies and programs in order to effectively manage compliance and its environmental footprint, as well as minimize negative impact on the Environment,
- constantly evaluates its environmental performance and undertakes corrective or improvement actions.

## Employee Care

Aiming to best serve OPAP Group's rapid development, business efficiency and customer service excellence, the Group welcomes talents and recruits outstanding professionals who will become part of the team that will make OPAP a globally competitive Greek Company, so as to contribute even more to the Greek economy and our Society. At the same time, by investing in the training and development of all employees through constant training courses, the company safeguards the further developing and strengthening of talent so as to guarantee the achievement of the strategic objectives of the Company.

## Our results

Below a representative sample of key results is displayed below, which are part of the overall Corporate Responsibility results presented within the Integrated Report (financial and non-financial data), which will be issued by OPAP in 2018.

| Indicator | 2017 | 2016 | 2015 |
|---|---|---|---|
| PLAYER PROTECTION | | | |
| Employees informed about Responsible Gaming (%) | 100 | 100 | 100 |
| Agents informed about Responsible Gaming (%) | 100 | 100 | 100 |
| Calls made to player help-line (number) | 1,262 | 1,392 | 1,392 |
| SOCIETY SUPPORT | | | |
| Societal support activities (number) | 395 | 149 | 394 |
| Societal support spending (million €) | 27 | 28 | 36 |
| Electricity consumption (MWh) * | 3,956 | 5,054 | 4,960 |
| Water consumption (m3) ** | 7,840 | 9,501 | 10,404 |
| Paper consumption (tn)*** | 15 | 15 | 17 |
| NETWORK DEVELOPMENT | | | |
| OPAP Stores (number) | 4,367 | 4,527 | 4,599 |
| Gaming Halls | 278 | - | - |
| Additional POS & street vendors for HL products | 8,097 | 7,191 | 5,844 |
| EMPLOYEE CARE | | | |
| Employees (number) | 1,422 | 1,005 | 860 |
| Full-time employees (%) | 100 | 100 | 97 |
| Women in overall workforce (%) | 43 | 43 | 45 |
| Fatalities (number) | - | - | - |

**Athens (LA112, LA108 + 2 Training Centers) + Thessaloniki (Offices + owned building +1 Training Center)*
***Athens (LA112, LA108 + 2 Training Centers) + Thessaloniki (Offices + owned building)*
****Paper consumption refers to paper purchases*

## 7. Dividend policy – Distribution of net profit

In relation to dividend distribution, the Company’s Management, after taking into consideration the Company’s performance, its prospects and its investment plans, proposes the distribution of dividend of € 0.40 per share before withholding taxes (according to the applicable tax legislation) versus € 0.72 per share for the year 2016.

Furthermore, it must be noted that the Company’s Board of Directors, based on the results of the period ended on 30.06.2017, approved the distribution of interim dividend of € 0.10 per share. The record date was set for 28.09.2017. Also, the Extra-Ordinary General Meeting of the Company, held on 06.12.2017, approved the distribution of part of the past years undistributed earnings which represented a dividend of € 0.70 per share. Eligible to receive the past years' undistributed earnings' dividend were OPAP's registered shareholders on Friday, 12.12.2017 (record-date).

Based on the aforementioned information, the total dividend (versus the 2016 dividend) before applicable withholding taxes, will be as follows:

| | 2017 | 2016 |
|---|---|---|
| Interim dividend | 0.1000 | 0.1200 |
| Special dividend | 0.7000 | 0.5700 |
| Final dividend | 0.3000 | 0.6000 |
| Total dividend | **1.1000** | **1.2900** |

## 8. Number and par value of shares

All the shares issued by the company are common shares.

The total authorized number of common shares was 319,000,000 on 31.12.2017 with a par value of € 0.30 per share (€ 0.30 in 2016). All issued shares are fully paid.

There was no change in the share capital of the company during the period that ended on 31.12.2017.

## 9. Subsequent events after the end of fiscal year 2017 and until the announcement of the annual financial report

### Share Capital Increase of Tora Direct S.A

The extraordinary General Meeting of Tora Direct S.A. that took place on 18.12.2017, approved a Share Capital Increase of € 1,001 th., through the issuance of 1,390,000 new ordinary shares with a nominal value of € 0.72 each. The share capital increase was covered on 11.01.2018.

### Share capital increase of HORSE RACES S.A.

On 30.01.2018 the extraordinary General Meeting of HORSE RACES S.A. decided to increase the company's share capital by € 5,000 th. through the issuance of 500,000 new ordinary shares of € 10 nominal price each. The share capital increase was covered on 05.02.2018.

### TORA WALLET S.A. licensed as an Electronic Money Institution by the Bank of Greece

On 12.02.2018 the procedure for the licensing of TORA WALLET S.A. as an Electronic Money Institution by the Bank of Greece has been completed. This development marks the official commencement of TORA WALLET S.A.'s activities in the financial services sector through OPAP's agency network.

### Tax audit of OPAP S.A. for the year 2012

OPAP S.A. is subject to tax audit for the fiscal year 2012, since November 2017. Although the tax audit has not yet been finalized, it should be noted that no significant findings have been arisen.

### Loan restructuring OPAP S.A.

Within the framework to achieve more favorable borrowing terms, the Company proceeded in March 2018 with its loan portfolio restructuring. More specifically, it repaid, earlier and without extra cost, loans of an amount of € 215,000 th. which at the time bore interest rate of 3.9% (floating) and at the same time issued a new 5-year duration bond loan of € 250,000 th. which bears fixed interest of 3.1%.

## 10. Alternative Performance Indicators (API)

Group presents certain Alternative Performance Indicators besides from IFRSs arising from its financial statements, particularly the indicator "Net Debt/Earnings before interest, taxes, depreciation and amortization (EBITDA)". The indicator which is defined and calculated in detail below, is widely used in order to present the Group's profits in relation to its debt and how viable servicing its debt is. The Alternative Performance Indicators should not be considered as a substitute for other figures and have been calculated in accordance with the provisions of IFRS.

| (Amounts in thousands of euro) | 01.01-31.12.2017 | 01.01-31.12.2016 | Δ % |
|---|---|---|---|
| Profit before interest, tax, depreciation and amortization (EBITDA) / Revenue (GGR) | 21.1% | 22.0% | (4.3%) |
| Profit attributable to owners of the Company / Revenue (GGR) | 8.7% | 12.2% | (28.8%) |
| Net debt | 436,167 | 108,166 | 303% |
| Total debt / Total equity | 90.0% | 35.6% | 152.8% |
| Net debt / Profit before interest, tax, depreciation and amortization (EBITDA) last twelve months | 1.4 | 0.4 | 304.7% |

#### Earnings before interest, taxes, depreciation and amortization (EBITDA) as a % of GGR

Calculated as the ratio of earnings before tax, depreciation and amortization (EBITDA) over GGR in the year.

#### Profit attributable to owners of the Company as a % of GGR

Calculated as the ratio of net profit for the year over GGR for the year.

#### Net Debt

Calculated as the sum of short-term borrowings plus Long-term Loans at the end of the year/period minus the "Cash and cash equivalents" balance at the end of the year.

#### Total Debt/Equity

Calculated as the ratio of the sum of short-term loan plus the sum of Long-term loans at the end of the year over equity at the end of the year.

#### Net Debt /Earnings before interest, taxes, depreciation and amortization (EBITDA)

Calculated as the ratio of Net Debt (see above) over earnings before interest, tax and amortization in the last fiscal year.

# ANNEX

## EXPLANATORY REPORT TO THE ORDINARY GENERAL MEETING OF OPAP S.A. SHAREHOLDERS PURSUANT TO ARTICLE 4 PAR. 7-8 OF LAW 3556/2007

The present explanatory report of the company's Board of Directors to the Ordinary General Meeting of OPAP S.A. Shareholders consists of detailed information pursuant to the provisions of art. 4, par. 7 and 8 of L. 3556/2007.

### 1. Company's Share Capital Structure

The company's Share Capital mounts up to the sum of ninety five million seven hundred thousand (€ 95,700,000), divided to three hundred and nineteen million (319,000,000) nominal common and outstanding voting shares, with nominal value of thirty cents of euro (€ 0.30) each.

The company's Share Capital has not changed during the fiscal period from 1.1.2017 until 31.12.2017.

All shares are admitted to trading at the Athens Stock Exchange Market.

The rights of the Shareholders of OPAP S.A. which stem from the company's share are equivalent to the percentage of their equity investment in the paid-up share capital.

Each share provides all rights and obligations required by the Law and the Statutes and more specifically:

- Participation and voting right to the General Meeting of OPAP S.A.
- The right of being entitled to receive dividend out of annual profits or out of company liquidation, as well as the right on the company's assets in the event of liquidation. Every shareholder listed in the company's share register at the ex-dividend date is entitled to a dividend. The date and the way of the collection of the dividend's distribution are announced by the company through the Media, pursuant to L. 3556/2007 and the relevant decisions of the Exchange Commission. Within five (5) years starting from the year when distribution is approved by the General Meeting, the right of the collection of the dividend is lapsed and the amount not collected is prescribed to the Hellenic Public Sector.
- The right of pre-emption to any share capital increase of the company holding cash and the assumption of new shares.
- The General Meeting of the Company's Shareholders retains all the functions and authorities during the company's liquidation (pursuant to article 46 of its Statutes). The liability of the company's shareholders is limited to the nominal value of shares held.
- The right to receive copies of financial statements and reports of the auditors and the Board of Directors.

## 2. Restrictions on the transfer of shares of the Company

According to the Law, the Company transfers its shares and this transfer is not subject to restrictions by the Statute.

## 3. Significant direct and indirect holdings according the provisions of Law 3556/2007

The shareholders (natural persons or legal entities) that according to their notification made up until 31.12.2017 hold directly or indirectly a percentage of shares of more of 5% of its total shares with the respective voting rights, are listed below:

| Name | Percentage |
|---|---|
| Emma Delta Hellenic Holdings Limited | 33.00% |
| Investors | 67.00% |

## 4. Shareholders of any shares with special auditing rights

There are no shares offering to the shareholders special auditing rights in the Company.

## 5. Restrictions of voting rights

According to the provisions of the company's Statutes, there are no restrictions of shareholders voting rights.

## 6. Agreements of shareholders, acknowledged by the company, involving restrictions on transfer of shares or exercising of voting rights

The company does not acknowledge the existence of agreements among its shareholders which conclude to restrictions on transfer of shares or exercising of voting rights.

## 7. Regulations concerning appointment or replacement of members of the Board of Directors and amendment of the Statutes

The regulations of the company's statutes regarding the appointment and replacement of BoD members and the modification of provisions of Statutes do not differentiate from the ones provided in the Codified L. 2190/1920 as amended and currently in force.

## 8. Competence of the Board of Directors or some of its members regarding issue of new shares or purchase of own shares

According to the Article 8 of the company's Statutes, upon decision of the General Assembly, which is subject to publicity formulations of Article 7b of the codified L. 2190/1920 as currently in force, the Board of Directors can be given the right, upon the Board's decision taken by, at least, a majority of two third (2/3) of its members, to increase the share capital partially or totally by issuing new shares, up to the amount of the paid-up capital the date that the Board of Directors was granted the authority in question. The Board of Directors' authority can be renewed by the General Assembly for a period of time that will not exceed the five-year period for each renewal. No such decision has been made by the General Assembly of the Shareholders.

According to the same article of the Statutes, upon decision of the General Assembly, a program of shares disposal can be established for the members of the Board of Directors and the company's personnel, as well as for the associated companies, in the form of optional right of shares acquisition, with the terms and conditions of paragraph 13, Article 13 of the codified law 2190/1920 as currently in force. No such decision has been made by the General Assembly of the Shareholders.

According to the provisions of Article 16 of the codified L. 2190/1920 as currently in force, the companies listed on the Athens Exchange may acquire own shares, upon decision of the General Assembly of their shareholders, which provides the terms and the conditions of provided acquisitions and, in particular, the maximum number of shares that can be acquired and the duration of this approval. Their acquisition takes place under the Board of Directors responsibility, under the conditions mentioned in the law. No controversy provision exists in the company's Statutes. The Annual Ordinary General Assembly of the Company's Shareholders that was held on 27.04.2017 decided and set the details for the acquisition by the Company of treasury shares, through the Athens Exchange, up to a percentage of 5% of the total paid up share capital of the Company, namely up to 15,950,000 shares. The acquisition of treasury shares shall be made provided that on a case by case basis are considered to be at the Company's own benefit, preferential to other available investment options and as long as the Company's cash flow allows for such acquisitions and for purposes provided for by Regulation 2273/2003 and Decision No. 1/503/13.03.2009 by the Capital Market Commission. The proposed program for the acquisition of treasury shares shall be completed within twenty four months as from the date of the decision of the General Assembly, namely the latest by 26.04.2019, and will be implemented at a maximum acquisition price of 13.00 euros per share and a minimum acquisition price equal to the nominal value price of each share, i.e. 0.30 euros per share. During 2015 and 2016 and 2017, the Company acquired 406,542 and 581,263 and 194,696 treasury shares, respectively.

## 9. Important agreements signed by the company, that are put into force, modified or expire in case of change of company control following a public offering and the results of these agreements

There are no agreements that are put into force, modified or expire in case of change of company control following a public offering.

## 10. Each agreement signed among the company and the members of the Board of Directors or its personnel, which provides for compensation in the event of resignation or dismissals without just cause or termination of service or employment due to public offering

The Company has not entered into any agreements with the members of the Board of Directors or its personnel to compensate these persons, in case they are forced to resign or dismissed unfairly or their services or employment are terminated due to public offer for the acquisition of its shares.

Athens, 27 March 2018

**Kamil Ziegler**

**Chairman**

# III. Annual Financial Statements

The attached Financial Statements as of 31.12.2017 of the Group and the Company were approved by the Board of Directors of OPAP S.A. on 26.03.2018 and have been posted at the Company's website www.opap.gr as well as in the website of Athens Stock Exchange. The attached financial statements will remain at the disposal of investors at least five years from the date of their announcement.

It is noted that the published attached financial information arise from the Financial Statements, which aim to provide the reader with a general information about the financial status and results of the Group and the Company but they do not present a comprehensive view of the financial position and results of financial performance and cash flows of the Company and the Group, in accordance with the International Financial Reporting Standards (IFRS).

The auditors of the consolidated and separate financial statements of OPAP S.A. for the years ended on 31.12.2017 and 31.12.2016 is the auditing firm KPMG Certified Auditors S.A..

# Independent Auditor’s Report

# (Translated from the original in Greek)

To the Shareholders of
GREEK ORGANIZATION OF FOOTBALL PROGNOSTICS S.A.

## Report on the Audit of the Separate and Consolidated Financial Statements

### Opinion

We have audited the Separate and Consolidated Financial Statements of GREEK ORGANIZATION OF FOOTBALL PROGNOSTICS S.A. (the “Company”) which comprise the Separate and Consolidated Statement of Financial Position as at 31 December 2017, the Separate and Consolidated Statements of Profit or Loss and Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the Separate and Consolidated Financial Statements present fairly, in all material respects, the financial position of GREEK ORGANIZATION OF FOOTBALL PROGNOSTICS S.A. as at 31 December 2017 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and comply with the regulatory requirements of C.L. 2190/1920.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* and the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Greece and we have fulfilled our other ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters, that, in our professional judgment, were of most significance in our audit of the Separate and Consolidated Financial Statements of the current period. These matters and the relevant significant assessed risks of material misstatement were addressed in the context of our audit of the Separate and Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Revenue Recognition – Gross Gaming Revenue**

   Refer to significant accounting policies note 8.4 Revenue Recognition

| **Key audit matter** | **How the matter was addressed in our audit** |
|---|---|
| The revenue streams of the Group and the Company are computed on highly complex IT systems, with a number of different bases for calculating revenue, which are largely based on automated processes in regulated environments. There is a huge number of transactions each year, all requiring a correct IT outcome which is dependent mainly on the service organizations which have developed specific IT platforms for this purpose. There is a risk that each system is not configured correctly from the outset such that revenue is calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorized changes are made to any of these systems. Revenues are the basis for the calculations of commission expenses and various liabilities related to games.<br><br>Due to the quantum of the revenue from each stream and associated systems and processes, the recognition of revenue for the games was deemed a key audit matter. | Our audit procedures in relation to this matter included, amongst others the receipt and review of ISAE 3402 Reports on the description, design and operating effectiveness of controls at the service organizations and the performance of complementary controls at the Group and Company. Furthermore, IT audit specialists assisted the Group audit team in assessing the effectiveness of the controls in place in relation to the IT systems and additionally performing audit procedures to test the accuracy of the revenue processed by these systems. We also performed substantive analytical procedures over the significant revenue streams and we tested the year end income cut off on a sample basis. |

2. **Impairment on Intangible assets and goodwill**

   Refer to significant accounting policies note 8.8 Impairment of non financial assets and 12.1 Intangible assets and 12.4 Goodwill

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group has intangible assets EUR 1 163 867 thousand and Goodwill of EUR 54 676 thousand. The Company has intangible assets of EUR 1 001 442.<br><br>At the end of each reporting period, the Group and the Company assess whether there is any indication that an asset may be impaired. If any such indication exists, the Group and the Company perform an impairment test in order to estimate the asset's recoverable amount. If the asset's recoverable amount is less than its carrying amount, the asset is written down with the difference recorded to the income statement. In addition, irrespective of whether there is any indication of impairment, the Company and the Group perform an impairment test for intangible assets that are not yet available for use, as well as for goodwill.<br><br>The impairment test is a complex process requiring significant management judgment and is based on key assumptions about future profitability and cash flows, selecting appropriate the discount and long-term growth rates.<br><br>Due to the subjectivity involved in the key assumptions used by management in the impairment review, and the inherent uncertainty of those assumptions, the ultimate recoverability of goodwill, and intangible assets was considered as a key audit matter. | Our audit procedures in relation to the impairment assessment of intangible assets and goodwill included, amongst others, the agreement of the future cash flows assumptions to Board-approved forecasts, the assessment of management's historical budgeting accuracy and the challenge of short-term growth rates used in the forecasts by reference to current performance and plans. We used our internal valuation specialists to independently calculate appropriate discount rates for comparison with those used by management. We carried out sensitivity analysis on management's assumptions to challenge the key assumptions, as well as to reflect reasonably possible alternative future scenarios. In addition we assessed the adequacy of the relevant disclosures in the financial statements. |

**3. Impairment of investments in Subsidiaries**

Refer to notes 8.8 Impairment of non-financial assets and 12.5 Investment in Subsidiaries

| Key audit matter | How the matter was addressed in our audit |
| --- | --- |
| At 31 December 2017, the Company had investments in subsidiaries of EUR 281 945 thousand, which are accounted for at cost less impairment.<br><br>If there is any indication that an asset may be impaired, the Company performs an impairment test in order to estimate the asset's recoverable amount. If the asset's recoverable amount is less than its carrying amount, the asset is written down with the difference recorded to the income statement.<br><br>The impairment test is a complex process requiring significant management judgment and is based on key assumptions about future profitability and cash flows, taking into account the environment in which the Company's investments operate which are effected from the regulatory framework, selecting appropriate discount and long-term growth rates.<br><br>Due to the subjectivity involved in the key assumptions used by management in the impairment review, and the inherent uncertainty of those assumptions, and the significant balance of the investment in subsidiaries in the Company's financial statements, the impairment of investments in subsidiaries was considered as a key audit matter. | Our audit procedures in relation to the impairment of investment in subsidiaries included, amongst others, the examination of whether there are indications of impairment for each investment in subsidiary. In the cases where an indication of impairment was required, when calculating the recoverable amount of the investments in subsidiaries, we tested the model used by the management for the calculation of the value in use and we agreed the future cash flows of the subsidiaries to Board-approved forecasts. We assessed management's historical budgeting accuracy and the challenge of short-term growth rates used in the forecasts of the Company by reference to current performance and plans. We used our internal valuation specialists to independently calculate appropriate discount rates for comparison with those used by management and compare with market. We carried out sensitivity analysis on management's assumptions to challenge the key assumptions, as well as to reflect reasonably possible alternative future scenarios. In addition we assessed the adequacy of the relevant disclosures in the financial statements. |

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors' Report, for which reference is made in the "Report on Other Legal and Regulatory Requirements" and the Declarations of the Members of the Board of Directors included in the Annual Report as required by the L. 3556/2007 but does not include the Separate and Consolidated Financial Statements and our Auditors' Report thereon.

Our opinion on the Separate and Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Separate and Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Separate and Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these Separate and Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and the relative regulatory requirements of C.L. 2190/1920 and for such internal control as Management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Separate and Consolidated Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Separate and Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs which have been incorporated in Greek legislation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Separate and Consolidated Financial Statements.

As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Separate and Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

— audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the Separate and Consolidated Financial Statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities included in the Company's Consolidated Financial Statements in order to express an opinion on these Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of these consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.]

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Separate and Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### 1. Board of Directors' Report

Management is responsible for the preparation of the Board of Directors' Report [and the Corporate Governance Statement that is included in this report [for listed entities]. Pursuant to the provisions of paragraph 5 of Article 2 (part B) of Law 4336/2015, we note that:

(a) The Board of Directors' Report includes a Corporate Governance Statement which provides (or does not provide) the information set by Article 43bb of C.L. 2190/1920.

(b) In our opinion, the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of Article 43a and 107A and of paragraph 1 (cases c and d) of article 43bb of C.L. 2190/1920 and its contents correspond with the Separate and Consolidated Financial Statements for the year ended 31 December 2017.

(c) Based on the knowledge acquired during our audit, relating to the Company and its environment, we have not identified any material misstatements in the Board of Directors' Report.

### 2. Additional Report to the Audit Committee

Our audit opinion on the Separate and Consolidated Financial Statements is consistent with the Additional Report to the Audit Committee of the Company dated 27 March 2018, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

## 3. Provision of non-Audit Services

We have not provided to the Company and its subsidiaries any prohibited non-audit services (NASs) referred to in article 5 par. 1 of Regulation (EU) 537/2014. We also remained independent of the audited entity in conducting the audit.

The non-audit services that we have provided to the Company and its subsidiaries during the year ended 31 December 2017 are disclosed in the Note 12.40 of the Separate and Consolidated Financial Statements.

## 4. Appointment of Auditor

We were appointed for the first time as Certified Auditors of the Company based on the decision of the Annual General Shareholders' Meeting dated 11 May 2011. From then onwards we were reappointed as Certified Auditors of the Company based on the decision of the Annual General Shareholders' Meeting dated 22 May 2014 and our appointment has been renewed uninterruptedly for a total period of
4 years based on the annual decisions of the General Shareholders' Meeting.

Athens, 27 March 2018

KPMG Certified Auditors AE

AM SOEL 114

Nikolaos Vouniseas, Certified Auditor Accountant
AM SOEL 18701

# 1. Statement of Financial Position

## As of 31 December 2017 and for the year then ended

(Amounts in thousands of euro)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **ASSETS** | | | | | |
| **Non - current assets** | | | | | |
| Intangible assets | 12.1 | 1,163,867 | 1,216,858 | 1,001,442 | 1,041,090 |
| Property, plant & equipment | 12.2 | 109,298 | 67,583 | 86,994 | 45,196 |
| Investment property | 12.3 | 922 | 940 | 922 | 940 |
| Goodwill | 12.4 | 54,676 | 14,183 | - | - |
| Investments in subsidiaries | 12.5 | | - | 281,945 | 280,604 |
| Investments in associates | 12.6 | - | 12,175 | - | - |
| Long – term receivables | 12.11 | 2 | 13 | 2 | 13 |
| Other non - current assets | 12.7 | 22,553 | 6,384 | 40,225 | 21,263 |
| Deferred tax asset | 12.8 | 5,209 | 12,154 | - | - |
| **Total non - current assets** | | **1,356,527** | **1,330,291** | **1,411,530** | **1,389,107** |
| **Current assets** | | | | | |
| Cash and cash equivalents | 12.9 | 246,102 | 273,523 | 94,270 | 65,433 |
| Inventories | 12.10 | 7,920 | 12,469 | 1,927 | 2,350 |
| Trade receivables | 12.11 | 127,829 | 80,634 | 54,360 | 33,667 |
| Other current assets | 12.12 | 58,532 | 70,757 | 29,896 | 50,198 |
| **Total current assets** | | **440,383** | **437,384** | **180,454** | **151,648** |
| **TOTAL ASSETS** | | **1,796,910** | **1,767,675** | **1,591,984** | **1,540,755** |
| **EQUITY & LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 12.13 | 95,700 | 95,700 | 95,700 | 95,700 |
| Reserves | 12.14 | 33,034 | 32,417 | 31,900 | 31,900 |
| Treasury shares | 12.15 | (9,039) | (7,454) | (9,039) | (7,454) |
| Retained earnings | | 595,075 | 914,614 | 598,462 | 917,975 |
| **Equity attributable to owners of the Company** | | **714,770** | **1,035,277** | **717,023** | **1,038,121** |
| Non-controlling interests | 12.16 | 43,397 | 36,954 | - | - |
| **Total equity** | | **758,167** | **1,072,231** | **717,023** | **1,038,121** |
| **Non-current liabilities** | | | | | |
| Loans | 12.17 | 513,098 | 263,000 | 467,342 | 208,000 |
| Deferred tax liability | 12.8 | - | - | 9,252 | 3,962 |
| Employee benefit plans | 12.18 | 3,084 | 1,507 | 2,735 | 1,355 |
| Provisions | 12.19 | 31,187 | 34,049 | 29,773 | 32,673 |
| Other non-current liabilities | 12.20 | 9,354 | 6,699 | 7,590 | 5,306 |
| **Total non-current liabilities** | | **556,722** | **305,254** | **516,693** | **251,296** |
| **Current liabilities** | | | | | |
| Loans | 12.17 | 169,171 | 118,689 | 169,171 | 118,689 |
| Trade payables | 12.21 | 173,860 | 149,283 | 77,005 | 65,100 |
| Tax liabilities | 12.22 | 89,771 | 55,495 | 78,409 | 43,960 |
| Other current liabilities | 12.23 | 49,218 | 66,722 | 33,683 | 23,590 |
| **Total current liabilities** | | **482,020** | **390,189** | **358,268** | **251,338** |
| **Total liabilities** | | **1,038,743** | **695,443** | **874,961** | **502,634** |
| **TOTAL EQUITY & LIABILITIES** | | **1,796,910** | **1,767,675** | **1,591,984** | **1,540,755** |

**The attached notes on pages 71 to 140 form an integral part of financial statements.**

# 2. Income Statement

**As of 31 December 2017 and for the year then ended**

(Amounts in thousands of euro except for per share amounts)

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 01.01-31.12.2017 | 01.01-31.12.2016 | 01.01-31.12.2017 | 01.01-31.12.2016 |
| Amounts wagered | | 4,422,902 | 4,229,974 | 3,684,005 | 3,521,958 |
| **Income Statement is as follows:** | | | | | |
| **Revenue (GGR)** | | **1,455,514** | **1,397,565** | **1,201,589** | **1,152,655** |
| GGR contribution and other levies and duties | 12.25 | (482,578) | (466,743) | (416,874) | (402,819) |
| **Net gaming revenue (NGR)** | | **972,936** | **930,822** | **784,715** | **749,836** |
| Agents' commission | 12.26 | (369,924) | (358,375) | (302,659) | (292,830) |
| Other NGR related commission | 12.27 | (38,270) | (26,273) | (21,740) | (9,912) |
| Other operating income | 12.28 | 119,636 | 108,462 | 38,012 | 43,453 |
| Other operating cost | 12.29 | (91,731) | (84,586) | - | - |
| | | **592,647** | **570,051** | **498,328** | **490,547** |
| **Operating expenses** | | **(286,192)** | **(262,511)** | **(238,358)** | **(216,655)** |
| Payroll expenses | 12.30 | (63,781) | (56,199) | (55,294) | (49,038) |
| Marketing expenses | 12.31 | (67,431) | (65,921) | (47,485) | (46,745) |
| Other operating expenses | 12.32 | (154,980) | (140,391) | (135,579) | (120,871) |
| **Profit before interest, tax, depreciation and amortization (EBITDA)** | | **306,455** | **307,540** | **259,971** | **273,892** |
| Depreciation, amortization and impairment | 12.1 & 12.2 & 12.3 | (91,885) | (58,286) | (66,631) | (36,684) |
| **Results from operating activities** | | **214,570** | **249,254** | **193,339** | **237,208** |
| Finance income | 12.33 | 2,934 | 3,641 | 1,412 | 784 |
| Finance costs | 12.33 | (23,998) | (16,928) | (20,656) | (13,181) |
| Other finance income / (cost) | 12.34 & 12.6 | (267) | 950 | 6,592 | 9,103 |
| **Profit before tax** | | **193,238** | **236,916** | **180,687** | **233,914** |
| Income tax expense | 12.35 | (61,613) | (64,060) | (55,125) | (61,826) |
| **Profit for the period** | | **131,625** | **172,856** | **125,563** | **172,088** |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 126,210 | 170,236 | 125,563 | 172,088 |
| Non-controlling interests | 12.16 | 5,415 | 2,620 | - | - |
| **Profit after tax** | | **131,625** | **172,856** | **125,563** | **172,088** |
| **Basic and diluted earnings (after tax) per share in €** | **12.36** | **0.3971** | **0.5344** | **0.3950** | **0.5403** |

**The attached notes on pages 71 to 140 form an integral part of financial statements.**

# 3. Statement of Profit or Loss and other Comprehensive Income

**As of 31 December 2017 and for the year then ended**

(Amounts in thousands of euro except for per share amounts)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 01.01-31.12.2017 | 01.01-31.12.2016 | 01.01-31.12.2017 | 01.01-31.12.2016 |
| **Profit for the period** | | **131,625** | **172,856** | **125,563** | **172,088** |
| **Other comprehensive income - items that will not be reclassified to profit or loss** | | | | | |
| Actuarial gains/(losses) | 12.18 | 255 | (253) | 29 | (247) |
| Related tax | | (74) | 73 | (8) | 71 |
| **Total items that will not be reclassified to profit or loss** | | **181** | **(179)** | **20** | **(175)** |
| **Other comprehensive income - items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Loss from valuation of hedging derivatives | | (214) | - | (214) | - |
| Attributable income tax | | 62 | - | 62 | - |
| **Total items that may be reclassified to profit or loss** | | **(152)** | **-** | **(152)** | **-** |
| **Other comprehensive income net of tax** | | **29** | **(179)** | **(131)** | **(175)** |
| **Total comprehensive income net of tax** | | **131,655** | **172,677** | **125,431** | **171,913** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 126,188 | 170,057 | 125,431 | 171,913 |
| Non-controlling interests | | 5,467 | 2,620 | - | - |
| **Total comprehensive income net of tax** | | **131,655** | **172,677** | **125,431** | **171,913** |

**The attached notes on pages 71 to 140 form an integral part of financial statements**.

# 4. Statement of Changes in Equity

## 4.1. Consolidated Statement of Changes in Equity

**As of 31 December 2017 and for the year then ended**

(Amounts in thousands of euro)

| GROUP | Share capital | Reserves | Treasury shares | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 1 January 2016** | 95,700 | 48,773 | (2,719) | 1,020,068 | 1,161,822 | 41,005 | 1,202,827 |
| Profit for the year | - | - | - | 170,236 | 170,236 | 2,620 | **172,856** |
| Other comprehensive loss | - | - | - | (180) | (180) | - | **(179)** |
| **Total comprehensive income** | **-** | **-** | **-** | **170,057** | **170,057** | **2,620** | **172,677** |
| **Transactions with owners of the Company** | | | | | | | |
| Transfer between reserves | - | (16,574) | - | 16,574 | - | - | **-** |
| Acquisition of treasury shares | - | - | (4,735) | - | (4,735) | - | **(4,735)** |
| Reserves of subsidiaries | - | 218 | - | (218) | - | - | **-** |
| Share capital increase expenses of subsidiaries | - | - | - | (529) | (529) | (73) | **(601)** |
| Share capital decrease of subsidiary | - | - | - | - | - | (6,598) | **(6,598)** |
| Long-term bonus incentive scheme | - | - | - | 1,768 | 1,768 | - | **1,768** |
| Dividends paid | - | - | - | (293,106) | (293,106) | - | **(293,106)** |
| **Total transactions with owners of the Company** | - | (16,356) | (4,735) | (275,511) | (296,602) | (6,671) | (303,273) |
| **Balance as of 31 December 2016** | 95,700 | 32,417 | (7,454) | 914,614 | 1,035,277 | 36,954 | 1,072,231 |
| **Balance as of 1 January 2017** | 95,700 | 32,417 | (7,454) | 914,614 | 1,035,277 | 36,954 | 1,072,231 |
| Profit for the year | - | - | - | 126,210 | 126,210 | 5,415 | **131,625** |
| Other comprehensive income/(loss) | - | - | - | (22) | (22) | 51 | **29** |
| **Total comprehensive income** | **-** | **-** | **-** | **126,188** | **126,188** | **5,467** | **131,655** |
| **Transactions with owners of the Company** | | | | | | | |
| Acquisition of treasury shares (Note 12.15) | - | - | (1,585) | - | (1,585) | - | **(1,585)** |
| Share capital increase expenses of subsidiaries | - | - | - | (165) | (165) | - | **(165)** |
| Reserves of subsidiaries (Note 12.14) | - | 617 | - | (617) | - | - | **-** |
| Dividends paid | - | - | - | (444,944) | (444,944) | (1,698) | **(446,643)** |
| **Total transactions with owners of the Company** | - | 617 | (1,585) | (445,727) | (446,695) | (1,698) | (448,393) |
| **Changes in ownership interests** | | | | | | | |
| Acquisition of subsidiaries with non controlling interests (Note 12.4) | - | - | - | - | - | 2,675 | **2,675** |
| **Total changes in ownership interests** | - | - | - | - | - | 2,675 | 2,675 |
| **Balance as of 31 December 2017** | 95,700 | 33,034 | (9,039) | 595,075 | 714,770 | 43,397 | 758,168 |

## 4.2. Separate Statement of Changes in Equity

### As of 31 December 2017 and for the year then ended

(Amounts in thousands of euro)

| COMPANY | Share capital | Reserves | Treasury shares | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance as of 1 January 2016** | **95,700** | **48,474** | **(2,719)** | **1,020,827** | **1,162,282** |
| Profit for the year | - | - | - | 172,088 | **172,088** |
| Other comprehensive loss | - | - | - | (175) | **(175)** |
| **Total comprehensive income** | **-** | **-** | **-** | **171,913** | **171,913** |
| Transfer between reserves | - | (16,574) | - | 16,574 | **-** |
| Acquisition of treasury shares (Note 12.15) | - | - | (4,735) | - | **(4,735)** |
| Long-term bonus incentive scheme | - | - | - | 1,768 | **1,768** |
| Dividends paid | - | - | - | (293,106) | **(293,106)** |
| **Balance as of 31 December 2016** | **95,700** | **31,900** | **(7,454)** | **917,975** | **1,038,121** |
| **Balance as of 1 January 2017** | **95,700** | **31,900** | **(7,454)** | **917,975** | **1,038,121** |
| Profit for the year | - | - | - | 125,563 | **125,563** |
| Other comprehensive loss | - | - | - | (131) | **(131)** |
| **Total comprehensive income** | **-** | **-** | **-** | **125,431** | **125,431** |
| Acquisition of treasury shares (Note 12.15) | - | - | (1,585) | - | **(1,585)** |
| Dividends paid | - | - | - | (444,944) | **(444,944)** |
| **Balance as of 31 December 2017** | **95,700** | **31,900** | **(9,039)** | **598,462** | **717,023** |

**The attached notes on pages 71 to 140 form an integral part of financial statements.**

# 5. Cash Flow Statement

## As of 31 December 2017 and for the year then ended

(Amounts in thousand of euro)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 01.01-31.12.2017 | 01.01-31.12.2016 | 01.01-31.12.2017 | 01.01-31.12.2016 |
| OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 193,238 | 236,916 | 180,687 | 233,914 |
| **Adjustments for:** | | | | | |
| Depreciation & Amortization | 12.1 & 12.2 & 12.3 | 89,142 | 58,286 | 66,631 | 36,684 |
| Net finance costs | | 21,083 | 13,199 | 12,671 | 3,206 |
| Employee benefit plans | 12.18 | 1,516 | 3,112 | 1,413 | 2,807 |
| Provisions for bad debts | | 1,554 | 72 | 1,162 | (149) |
| Other provisions | | (1,884) | (11,788) | (1,923) | (11,692) |
| Impairment losses on tangible & intangible assets | 12.1 | 2,742 | 29 | - | - |
| Exchange differences | | (19) | 88 | (19) | 88 |
| Impairment of investment in subsidiary | 12.5 | - | - | 13,659 | 12,000 |
| Reversal of impairment loss on remeasurement of associates | | - | (350) | - | - |
| Share of (profit)/loss from associates | 12.6 | 267 | (600) | - | - |
| Profit from investing activities | | (47) | (705) | (28) | (642) |
| Other non-cash items | | - | - | 2,755 | 2,869 |
| **Total** | | **307,593** | **298,260** | **277,008** | **279,084** |
| **Changes in Working capital** | | | | | |
| Decrease / (increase) in inventories | | 5,155 | 789 | 423 | (2,071) |
| Increase in receivables | | (63,274) | (66,996) | (43,714) | (41,746) |
| Increase / (decrease) in payables (except banks) | | 14,994 | 22,060 | 20,857 | (3,505) |
| Increase / (decrease) in taxes payable | | 33,861 | (27,735) | 34,650 | (29,018) |
| **Total** | | **298,330** | **226,379** | **289,225** | **202,745** |
| Interest paid | | (21,992) | (15,140) | (18,440) | (11,469) |
| Income taxes paid | | (31,412) | (116,937) | (25,665) | (107,801) |
| **Net cash from operating activities** | | **244,925** | **94,301** | **245,120** | **83,475** |
| INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of tangible & intangible assets | | 125 | 684 | 45 | 677 |
| Acquisition of subsidiary, net of cash acquired | 12.4 | (31,583) | (695) | - | - |
| Loan repayments from third parties | | 1,564 | - | - | - |
| Share capital increase in subsidiaries | 12.5 | - | - | (15,000) | (145,000) |
| Loans granted to third parties | | - | (12,700) | - | - |
| Loans granted to Group companies | | - | - | (3,600) | - |
| Purchase of intangible assets | 12.1 | (38,667) | (18,596) | (15,560) | (5,821) |
| Purchase of property, plant and equipment & investment property | 12.2 & 12.3 | (57,614) | (24,269) | (53,219) | (20,640) |
| Dividends received | 12.34 | - | - | 6,592 | 9,103 |
| Interest received | | 2,406 | 3,261 | 1,151 | 485 |
| **Net cash used in investing activities** | | **(123,769)** | **(52,315)** | **(79,590)** | **(161,196)** |
| FINANCING ACTIVITIES | | | | | |
| Proceeds from loans & borrowings | 12.17 | 350,000 | 276,689 | 350,000 | 221,689 |
| Payments of loans & borrowings | 12.17 | (46,041) | (42,097) | (36,018) | (12,097) |
| Transaction costs related to loans & borrowings | | (4,726) | - | (4,726) | - |
| Acquisition of treasury shares | 12.15 | (1,585) | (4,735) | (1,585) | (4,735) |
| Share capital expenses of subsidiaries | | (165) | (599) | - | - |
| Return of share capital of subsidiary | | - | (6,598) | - | - |
| Dividends paid | | (446,060) | (292,819) | (444,362) | (292,819) |
| **Net cash used in financing activities** | | **(148,578)** | **(70,158)** | **(136,691)** | **(87,961)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(27,421)** | **(28,172)** | **28,838** | **(165,682)** |
| Cash and cash equivalents at the beginning of the year | 12.9 | 273,523 | 301,695 | 65,433 | 231,115 |
| **Cash and cash equivalents at the end of the year** | | **246,102** | **273,523** | **94,270** | **65,433** |

**The attached notes on pages 71 to 140 form an integral part of financial statements.**

# 6. Information about the Company and the Group

## 6.1. General information

OPAP S.A. was established as a private legal entity in 1958. It was reorganized as a société anonyme in 1999 domiciled in Greece and its accounting as such began in 2000. OPAP's registered offices and principal place of business, is 112 Athinon Avenue, 104 42 Athens, Greece. OPAP's shares are listed in the Athens Stock Exchange.

The Group, beyond the parent company, includes the companies which OPAP S.A., either directly or indirectly controls (see note 9).

The Group's financial statements are consolidated using the full consolidation method from SAZKA Group a.s..

The Financial Statements for the year that ended on 31.12.2017 (including the comparatives for the year that ended on 31 December 2016) were approved by the Board of Directors on 26.03.2018 and are subjected to approval by the General Meeting.

## 6.2. Nature of operations

On 13.10.2000, the Company acquired from the Hellenic Republic the 20-year exclusive right to conduct, manage, organise and operate by any appropriate means or measures provided by modern technology certain numerical lottery and sports betting games (and any variations of these games) and the Company paid € 322,817 thousand. The Company also acquired the exclusive right to operate and manage any new sports betting games in Greece as well as a right of first refusal to operate any new games permitted by law. The number of games was progressively increased over time and includes at present 13 games. The Company's exclusive right has been extended by a period of 10 years, *i.e.*, until 12.10.2030.

Therefore, the Company currently holds the exclusive right to conduct, manage, organise and operate by any appropriate means six numerical lottery games (JOKER, LOTTO, PROTO, EXTRA 5, SUPER 3 and KINO) and three sports and other betting games (PROPO, PROPOGOAL and STIHIMA [which includes MONITOR GAMES and GO LUCKY]), two new lottery games (BINGO and SUPER 4) and "Prognostika Agonon Basket", "Prognostika Agonon Omadikon Athlimaton" (these last four games have not been launched yet).

The above numerical lotteries and sports betting games are also operated in Cyprus through Company's subsidiaries, OPAP CYPRUS and OPAP SPORTS LTD, respectively.

### VLTs License

On November 2011, according to the ar. 39 of Law 4002/2011, was granted to OPAP S.A. permission to install and operate 35,000 VLT machines within the Greek territory. The duration of the license was set at 10 years and the total price paid by OPAP S.A. amounted to € 560,000 th..

On November 2017, according to an amendment of the above law published in Government Gazette issue number 176, the number of VLT machines gets limited to 25,000 while the duration of the license extends from 10 to 18 years and starts from the commencement of the commercial operation of the first VLT machine. Under the terms of the applicable law, OPAP S.A. shall be obliged to put all VLT machines into commercial operation until 31 December 2019. After the above deadline, the number of non-operating VLT machines shall be deducted from the total number of VLT machines, for the benefit of the Greek State, unless the delayed installation and operation of these is due to the responsibility of the Supervisory and Control Committee. A new concession agreement has also been signed following the aforementioned low amendment.

### Hellenic Lotteries

OPAP S.A., through a wholly-owned subsidiary, was the leader of a consortium consisting of OPAP Investment Limited, Lottomatica Giochi e Partecipazioni S.r.l., Intralot Lotteries Limited and Scientific Games Global Gaming S.a r.l. that was declared the provisional winner of the tender for an exclusive license to produce, operate, circulate and manage the state lotteries and Instant Scratch games in Greece from 30.07.2013 for a period of 12 years, which includes the National Ticket, the Popular Ticket, the European Ticket, the Instant State Ticket or Scratch Ticket, the State Housing Ticket and the New Year's Eve Ticket. The Consortium has paid a € 190,000 th. fee. In addition, the Consortium will also pay 30.0% of the GGR generated from the Greek State Lotteries (with the exception of the New Year's Lottery) to the Greek State; however such amount is not to be less than € 30,000 th. in the first year of operation and € 50,000 th. on per year for each of the following 11 years (for a total of € 580,000 th. for the duration of the Lottery Concession). OPAP INVESTMENT LTD holds 67.0% of the paid-up share capital of HELLENIC LOTTERIES S.A..

### Horse Races

On 22.12.2014 Horse Races S.A was established. Its purpose of business is the exercise of the 20-year exclusive right to organize and conduct terrestrial and online mutual horseracing betting in Greece, according to the terms and conditions of the 24.04.2015 Concession Agreement with the Hellenic Republic Asset Development Fund, the general legislative and regulatory framework, as well as the general regulatory framework. The total cost of the aforementioned exclusive right amounted to € 40,501 th..

## Other Group Operations

### TORA DIRECT S.A.

On 19.11.2014, OPAP INVESTMENT LTD, a 100% subsidiary of OPAP S.A acquired the 90% of TORA DIRECT S.A (ex PAYZONE HELLAS S.A.) share capital and on 24.08.2015 proceeded to the acquisition of the remaining non-controlling 10% for a total consideration of € 9,135 th. TORA DIRECT S.A. provides transaction services via electronic means, intangible talk time selling services as well as bill payments services.

### TORA WALLET S.A.

On 01.09.2016, the company TORA WALLET S.A. was established and its principal activity is the provision of electronic money services and payment services. TORA WALLET S.A. is a 100% subsidiary of OPAP INVESTMENT LTD (a 100% subsidiary of OPAP S.A.). The licencing procedure got completed on 12.02.2018. This development marks the official commencement of its activities.

### NEUROSOFT S.A.

On 02.08.2017 was completed the acquisition of an additional percentage (28.19%) of NEUROSOFT S.A. by OPAP INVESTMENT LTD (100% subsidiary of OPAP S.A.), leading to a total participation percentage of 67.72%.

NEUROSOFT S.A. is a software company specializing in the design, production, adaptation and maintenance of integrated information systems and is listed in Milan Stock Exchange.

## Distribution Network

OPAP Group activities are offered through a wide online and land-based sales' network. Within Greece, there are 12,742 points of sales for the distribution of OPAP S.A., HELLENIC LOTTERIES S.A. and HORSE RACES S.A. products. Scratch tickets and passive lotteries (products of HELLENIC LOTTERIES S.A.), apart from agents, are also distributed through street vendors, mini-markets and wholesalers. In Cyprus, there are 202 shops, consisting of OPAP CYPRUS LTD and OPAP SPORTS LTD shops.

## Three-Member Supervisory Committee of OPAP S.A. (art. 28 par.3A, L.4002/2011)

The Three member Supervisory Committee of OPAP S.A., which is defined by article 28 par.3A of Law 4002/2001, is established by decision of the HGC. One of its members is among HGC's appointed members and the other two members are selected in accordance with the conditions, requirements and procedures provided for in the Regulation on the Conduct and Control of Games. The Three-member Supervisory Committee attends OPAP S.A's. board meetings to ensure that OPAP S.A. and its agents comply with the legislation in force and observe OPAP S.A's. contractual obligations towards the Greek State. The Three member Supervisory Committee specifically monitors OPAP S.A's. conduct to ensure compliance with the terms of the Gaming Concession, the exclusive right to conduct, manage, organise and operate the games specified therein, the VLT License and the gaming legislation, the protection of consumers against addiction and crime related to games of chance, the protection of minors and other vulnerable groups, the reliability of the games and the payment to players of their winnings, the protection of personal data and the payment of the taxes and contributions due to the Greek State. OPAP S.A's. Board of Directors (or the persons to whom the relevant decision-making powers have been delegated) makes available to the Three member Supervisory Committee any draft recommendations, decisions or other documents relevant to the Committee's responsibilities, prior to any decision being taken. OPAP S.A. is obliged to refrain from adopting any decision for which the Three member Supervisory Committee has expressed its disagreement. The Three member Supervisory Committee will immediately inform HGC, if it considers that OPAP S.A. is about to breach its contractual obligations towards the Greek State or the legislation in force. HGC is authorised to rule on any disagreement between OPAP and the Three Member Supervisory Committee.

# 7. Basis of preparation

The separate financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee.

The financial statements have been prepared under the historical cost principle and the principle of the going concern.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.2 "Important accounting decisions, estimations and assumptions".

The accounting policies adopted in preparing the financial statements for the year that ended on 31.12.2017 are the same as those followed in the preparation of financial statements for the year that ended on 31.12.2016 and described in these.

All amounts presented in the financial statements are in thousands of euro unless otherwise stated.

Any differences between the amounts included in the financial statements and the respective amounts included in the notes are attributed to roundings.

## 7.1. New Standards, amendments to standards and interpretations

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years.

### Standards and Interpretations effective for the current financial period

***Amendment to International Accounting Standard 7: Disclosure Initiative***

Based on the amendment of IAS 7 a company is requested to provide disclosures that helps users of financial statements to evaluate changes in those liabilities whose cash flows are classified as financing activities in the cash flow statement.

The adoption of this standard had resulted to the addition of the above amendment at the financial statements of the Group and the Company.

***International Accounting Standard 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses***

On 19.1.2016 the International Accounting Standards Board issued an amendment to IAS 12 with which the following were clarified:

• Unrealized losses on debt instruments measured at fair value for accounting purposes and at cost for tax purposes may give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the asset by sale or by use.

• The recoverability of a deferred tax asset is assessed in combination with other deferred tax assets. However, if tax law offsets specific types of losses only against a particular type of income, the relative deferred tax asset shall be assessed in combination with other deferred tax assets of the same type.

• During the deferred tax asset recoverability assessment, an entity compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences.

• The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The adoption of this standard had no effect at the financial statements of the Group and the Company.

***IFRS 12 Improvements to International Accounting Standards (Cycle 2014-2016)***

As part of the annual improvements project, the International Accounting Standards Board issued, on 08.12.2016, non-urgent but necessary amendments to various standards.

The adoption of this improvement had no effect at the financial statements of the Group and the Company.

## Standards and Interpretations effective for subsequent periods

***Improvements to International Accounting Standards (Cycle 2014-2016)** (effective for annual periods beginning on or after January 1, 2018)*

As part of the annual improvements project, the International Accounting Standards Board issued non-urgent but necessary amendments to IFRS 1 and IAS 28.

The Group and the Company are evaluating the impact of the adoption of the above improvements at the financial statements.

***International Financial Reporting Standard 9 "Financial Instruments"**: (effective for annual periods beginning on or after January 1, 2018)*

IFRS 9 replaces the provisions of IAS 39 relating to classification and measurement of financial assets and financial liabilities and also includes an expected credit loss model which replaces the model on realized credit losses that is applied today. It also introduces an approach for hedge accounting based on principles and addresses inconsistencies and weaknesses in the current model of IAS 39.

Pursuant to the provisions of the new standard, financial instruments are classified and measured based on the context of the business model in which they are held and the characteristics of contractual cash flows. On the basis of management's current estimate, the Group and the Company do not expect the first-time and ongoing application of the standard to have any material impact on the financial statements. The majority of the financial assets held by the Group include debt instruments. Based on the provision of the new standard, debt instruments are classified and measured on the basis of the business model within which they are held and their contractual cash flow characteristics. The business model and cash flow characteristics test introduced by IFRS 9 will not affect the classification and measurement of the majority of debt instruments of the Group, which will continue to be measured at amortized cost. The new provisions on the accounting of impairment losses will lead to expected losses having to be expensed earlier in some cases. Application of the simplified approach also for financial assets with a significant financing component, and impairment losses on the contract assets to be recognized for the first time as of January 1, 2018 in accordance with IFRS 15, will lead to a minor increase in impairment losses. Ongoing effects can therefore only be attributed to changed business developments, changes in business models and services offered.

***International Financial Reporting Standard 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after January 1, 2018)*

The purpose of the standard is to provide a single, comprehensible revenue recognition model to all contracts with customers in order to improve comparability between companies in the same industry, different sectors and different markets. It contains the principles to be applied by an entity to determine the amount of revenues and the timing of their recognition. The basic principle is that an entity would recognize revenue in a way that depicts the transfer of goods or services to customers at the amount that it expects to be entitled in exchange for these goods or services.

The new standard will be applied by the Group and the Company from January 1, 2018. When applying IFRS 15 for the first time, the Group shall apply the standard in full for the year 2018 and in respect of prior periods, will recognize the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at January 1, 2018, as an adjustment to the opening balance of equity on January 1, 2018 (the cumulative catch-up transition method). Prior-year comparatives will not be restated; instead, Group will provide an explanation of the reasons for the changes in the statement of financial position and the income statement, as a result of applying IFRS 15 for the first time. Regarding the financial statements of the Group, on the basis of management's current estimate, the first-time and ongoing application of the standard is expected to have minor impact.

***Amendment to International Financial Reporting Standard 2 "Share-based Payment": Classification and Measurement of Share-based Payment Transactions*** *(Effective for annual periods beginning on or after 1.1.2018)*

On 20.6.2016 the International Accounting Standards Board issued an amendment to IFRS 2 with which the following were clarified:

• in estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions shall follow the same approach as for equity-settled share-based payments,

•where tax law requires an entity to withhold a specified amount of tax (that constitutes a tax obligation of the employee) that relates to share-based payments and shall be remitted to the tax authority, such an arrangement shall be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature,

• if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification.

The amendment above is not expected to have an impact at the financial statements. The amendment has not yet been adopted by the European Union.

***Amendment to International Financial Reporting Standard 4 "Insurance Contracts"*** *(Effective for annual periods beginning on or after 1.1.2018)*

On 12.9.2016 the International Accounting Standards Board issued an amendment to IFRS 4 with which:

• It provides insurers, whose activities are predominantly connected with insurance, with a temporary exemption from application of IFRS 9 and

•following full adoption of IFRS 9, it gives all entities with insurance contracts the option to present changes in fair value on qualifying designated financial assets in other comprehensive income instead of profit or loss.

The amendment above is not applicable to the financial statements of the Group and the Company. The amendment has not yet been adopted by the European Union.

***International Accounting Standard 40 "Investment Property": Transfers of Investment Property*** *(Effective for annual periods beginning on or after 1.1.2018)*

The International Accounting Standards Board issued an amendment to IAS 40 with which it clarified that an entity shall reclass a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property does not provide evidence of a change in use. In addition, the examples of evidence of a change in use were expanded to include assets under construction and not only transfers of completed properties. The Group and the Company are evaluating the impact of adoption of IAS 40 at the financial statements. This standard has not yet been adopted by the European Union.

***IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"*** *(Effective for annual periods beginning on or after 1.1.2018)*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation clarified that the date of the transaction, for the purpose of determination of exchange rate to use on initial recognition of the asset, the income or expense, is the date of initial recognition of the non-monetary asset or liability (i.e. advance consideration). Additionally, if there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The interpretation is not expected to have an effect at the financial statements of the Group and the Company. The interpretation has not yet been adopted by the European Union.

***IFRIC 23 "Uncertainty over income tax treatments"*** *(effective for annual periods beginning on or after 1 January 2019)*

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is not expected to have an effect at the financial statements of the Group and the Company. The interpretation has not yet been adopted by the European Union.

***International Financial Reporting Standard 16 "Leases"*** *(Effective for annual periods beginning on or after 1.1.2019)*

The new standard significantly differentiates the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors. In particular, under the new requirements, the classification of leases as either operating or finance is eliminated. A lessee is required to recognize, for all leases with term of more than 12 months, the right-of-use asset as well as the corresponding obligation to pay the lease payments. The above treatment is not required when the asset is of low value.

The Group and the Company are evaluating the impact of adoption of IFRS 16 at the financial statements. This standard has not yet been adopted by the European Union.

***International Financial Reporting Standard 17 "Insurance contracts"*** *(Effective for annual periods beginning on or after 1.1.2021)*

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

This standard is not applicable at the financial statements of the Group and the Company.

***Amendment to International Financial Reporting Standard 10 "Consolidated Financial Statements" and to International Accounting Standard 28 "Investments in Associates and Joint Ventures"*** *(the date of compulsory application has not yet determined)*

Amendments settle in an inconsistency between the provisions of IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and an associate or joint venture. The main effect of the changes is that it is recognized the entire gain or loss of a transaction that includes an activity (either in the form of a subsidiary or not). Partial profit or loss is recognized when the transaction includes assets that do not constitute an activity, even if these assets are in the form of a subsidiary.

The amendments above are not expected to have an effect at the financial statements of the Group and the Company. The amendments have not yet been adopted by the European Union.

## 7.2. Important accounting decisions, estimations and assumptions

The preparation of the financial statements requires management to make estimations and judgments that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual events could differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate or judgement shall be recognized prospectively.

### 7.2.1. Judgements

In the process of applying the entity's accounting policies, judgments, apart from those involving estimations, made by the Management that have the most significant effect on the amounts recognized in the financial statements. Mainly judgements relate to:

- **recoverability of accounts receivable**

Management examines annually the recoverability of the amounts included in accounts receivable, in combination with external information (such as creditability databases, lawyers, etc.) in order to estimate the recoverability of accounts receivable.

### 7.2.2. Estimates and assumptions

Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The company evaluates such estimates and assumptions on ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as our forecasts as to how these might change in the future. Also at note 8, "Summary of Significant Accounting Policies", are mentioned the accounting policies that have been selected from acceptable alternatives and are included Management's estimates and assumptions.

#### Retirement benefit costs

(see note: 8.17)

### Estimated impairment of goodwill and other intangible assets

(see notes: 8.7 and 8.8)

### Income taxes

(see note: 8.14)

### Provisions

(see note: 8.15)

### Contingencies

(see note 8.15)

### Useful life of depreciated assets

(see note: 8.5 and 8.6)

### Impairment of investments

(see note: 8.1)

# 8. Summary of accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. It should be noted, as aforementioned in paragraph 7.2, that accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on Management's best knowledge of current events and actions, actual events may ultimately differ from those estimates.

## 8.1. Basis of consolidation and investments in associates

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the full acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the income statement. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.
Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and the fair value of any other participation previously held in the subsidiary acquired over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognized for non-controlling interest and the fair value of any other participation previously held in the subsidiary acquired the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Non-controlling interest reflects the portion of profit or loss and net assets attributable to equity interests that are not owned by the Group. If the loss of a subsidiary, that concern in non-controlling interest, exceeds the non-controlling interest in the equity of subsidiary, the excess sum is shared out in the shareholders of parent company apart from the sum for which the non-controlling has an obligation and it is capable to make up this loss.
In the Company's separate financial statements, investments in subsidiaries are account for at cost less impairment, if any.
All subsidiaries of Group have as balance date on 31 December.

Intra-group transactions, balances and unrealised gains/losses on transactions between group companies are eliminated.

### Associates

Associates are those entities in which the Group has significant influence upon, but not control over their financial and operating strategy, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in which the Group has significant influence are accounted for using the equity method of accounting. Under this method the investment is initially recognized at cost, and is adjusted to recognize the investor's share of the profit or loss after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. Gains or losses from transactions with associates are eliminated to the extent of the interest in the associate. Dividends received from associates are eliminated against the carrying value of the investment. The associate's value is adjusted for any accumulated impairment loss. When the Group's share of losses exceeds the carrying amount of the investment, the carrying value of the investment is reduced to nil and recognition of further losses is discontinued, except to the extent the Group has created obligations or has made payments on behalf of the associate.

## 8.2. Foreign currency translation

OPAP's consolidated financial statements are presented in euro (€), which is also the functional currency of the parent company and the currency of presentation for the Company and all its subsidiaries.

Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognised in the statement of comprehensive income under financial income or finance costs except when deferred in other comprehensive income as qualifying net investment hedges.

## 8.3. Operating segments

Segment information is presented based on the internal management reports and information provided to the chief operating decision makers, as required by IFRS 8. An operating segment represents a separate category of games or other services offered by Group entities. Information for operating segments that do not constitute reportable segments is combined and disclosed in the "Other" category.

## 8.4. Income and expense recognition

Revenue is recognised when it is probable that future economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received and is shown net of value-added tax, returns, discounts and after eliminating sales within the Group. The amount of revenue is considered to be reliably measurable when all contingencies relating to the sale have been resolved.

### Revenues from games

Gaming revenue of the Group and the Company consists of commissions, fixed percentage of winnings or similar revenue and is accounted for in accordance with IAS 18 "Revenue". Gaming revenue is reported net after deduction of player winnings.

Revenue attributable to gaming transactions in which the Company assumes an open position against the player are reported net after deduction of player winnings which are calculated according to the outcome of the game. Additionally, revenue which refers to events of future accounting periods is considered as deferred revenue and is recognized in the Income Statement of the period in which the event is completed. Amounts wagered do not represent the Group's statutory revenue measure and comprise the gross takings received or are receivable by the end of the year in respect of all games apart from VLTs. The latter do not present amounts wagered but directly revenue (GGR).

### Other operating income

Other operating income includes:

- **Revenue from commissions**

The New Year's Eve Lottery is issued once a year and the draw is held on New Year's Eve. Net revenues from this Lottery are attributed to the Greek State. Hellenic Lotteries S.A. produces, operates, distributes, promotes and manages it and receives a 17% management fee on amounts wagered. The fee included all Company costs related to the operations of the New Year's Eve Lottery. This commission is recognized once a year, during December.

- Other revenues

Other revenues include gain from sale of fixed assets, rental income and revenues from other services such as for example from prepaid phone and internet cards.

### Interest income

Interest income is recognized using the effective interest method that is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When a receivable is impaired, the Group reduces the carrying amount to the amount expected to be recovered, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income:

Dividend income is recognized to the income statement at the date of distribution approval by the Annual General Meeting of shareholders.

Expenses:

Expenses are recognized in the statement of comprehensive income on accrual basis. Interest expenses are recognized on accrual basis.

## 8.5. Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment in value. The acquisition cost includes all the directly attributable expenses for the acquisition of the assets. Subsequently, they are valued at undepreciated cost less any impairment.
Subsequent expenditure is added to the carrying value of property, plant and equipment or is booked as a separate fixed asset only if it is probable that future economic benefits will flow to the Group and their cost can be accurately and reliably measured. The repair and maintenance cost is presented in the Income Statement when such is realized.
Upon sale of property, plant and equipment, any difference between the proceeds and the book value is presented as profit or loss in the Income Statement. Expenditure on repairs and maintenance is presented as an expense in the period they occur.
Depreciation of property, plant and equipment (other than Land which is not depreciated) is calculated using the straight line method over their useful life, as follows:

| | |
|---|---|
| Land | - |
| Buildings | 20 years |
| Plant & Machinery | 3-9 years |
| Vehicles | 6.5 years |
| Furniture and other equipment | 5 years |

The residual values and useful economic life of property, plant and equipment are subject to reassessment at each reporting date. When there are objective indications that the book value of property, plant and equipment exceeds their recoverable amount, the difference (impairment) is immediately presented as expense in the Income Statement.

Assets up to a value of € 1.5 are amortized during the year. Property, plant and equipment is annually tested for impairment.

## 8.6. Intangible assets

Intangible assets include software and concession rights.

**Software:** Software licenses are recognized at historical and subsequently they are carried at cost less accumulated amortization. Depreciation is calculated using the straight line method during the assets' useful life that range from 1 to 3 years.

**Rights:** The exclusive rights granted by the Hellenic Republic to Group companies are initially recognized at cost or estimate and subsequently at amortized cost decreased with any impairment (Refer to note 8.8, for the impairment test procedures).

Extensions to existing exclusive rights and new licenses of new video lotteries on an exclusive basis, are treated as separate assets and are amortized over on a straight line basis.

Intangible assets up to a value of € 1.5 are amortized during the year of acquisition.

## 8.7. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and the acquisition date fair value of any previous equity interest held over the fair value of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment (refer to note 8.8, for a description of impairment testing procedures). The carrying amount of goodwill is compared to the recoverable amount which is the greatest between the value in use and the fair value less costs to sell. Any impairment is recognized as an expense and cannot be subsequently reversed.

## 8.8. Impairment of non-financial assets

The Group's goodwill, assets with an indefinite useful life and intangible assets that have not yet come in force are not depreciated and are tested for impairment, when there are facts and objective indications that their carrying amount is not recoverable. Assets that are depreciated are subject to an impairment review when there is evidence that their value will not be recoverable. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. An impairment loss is recognized when the carrying amount of these assets (cash generating unit - CGU) is greater than its recoverable amount. Fair value less costs of disposal is the amount received from the sale of an asset at an arm's length transaction in which participating parties have full knowledge and participate voluntarily, after deducting any additional direct cost for the sale of the asset, while value in use is the present value of estimated future cash flows that are expected to flow into the company from the use of the asset and from its disposal at the end of its estimated useful life.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist and therefore the recognized impairment is reversed.

## 8.9. Leases

The Group enters into agreements that are not those of the legal type of a lease but pertain to the transfer of the right to use assets (property, plant and equipment) as against certain payments.

The consideration of whether an agreement contains an element of lease is made at the inception of the agreement, taking into account all the available data and particular circumstances. After the inception of the agreement, there is conducted its revaluation concerning whether it still contains an element of a lease in case any of the below mentioned happen:

a) there is a change in the conditions of the leases apart from cases when the leases is simply prolonged or renewed,

b) there is exercised the right to renew the leases or a prolongation of the leases is decided apart from the cases when the terms of prolongation and renewal were initially included in the leasing period,

c) there is a change in the extent to which the realization depends on the defined assets and

d) there is a material change in the assets.

### The Group as the lessee

The ownership of a leased asset is transferred to the lessee in case all the risks and rewards of ownership of the leased assets have been transferred to the lessee irrespective of the legal type of the agreement. At the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent accounting treatment of assets acquired through finance leases is that the leased land and buildings are revalued at fair value. The leased assets are depreciated over the shorter period between the term of the lease and the useful life unless it is almost certain that the lessee will assume the property of the asset upon the termination of the contract. If the lease transfers the ownership of the asset upon the termination of the contract or if there is the option of purchase at a lower price, then the depreciable period is the asset's useful life. Lease payments are distinguished in the amount referring to interest repayment and capital repayment. The distinction is made in order to achieve a fixed repayment schedule. Interest payments are charged to the income statement.

All the remaining leases are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### The Group as the lessor

The leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initially, the lease payment income less cost of services is charged to the income on a straight-line basis over the period of the lease. The costs, including depreciation, incurred for the acquisition of lease payments income, are charged to the expenses.

## 8.10. Financial assets

Financial assets include cash and other financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets, other than hedging instruments, can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at each reporting date at which a choice of classification or accounting treatment is available.

Regular way purchase or sale of financial assets is recognised on their settlement date. All financial assets that are not classified as at fair value through profit or loss are initially recognised at fair value, plus transaction costs.

The Company determines whether a contract contains an embedded derivative in its agreement. The embedded derivative is separated from the host contract and accounted for as a derivative when the analysis shows that the economic characteristics and risks of the derivative are not closely related to the host contract.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Company assesses at each balance sheet date whether a financial asset or Group of financial assets is impaired.

### i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortization process. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Trade receivables are provided against when objective evidence is received that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

### ii) Derivative financial instruments

Derivative financial instruments include interest rate swaps. For hedge accounting purposes, hedges are classified as a cash flow hedge, where the exposure to variability in cash flows associated with a specifically identified risk which may be directly related to the recognized asset or liability is being hedged. When hedge accounting is applied, at the inception of the hedge there is formal documentation which includes identification of the hedging instrument, the hedged item, the hedging relationship, the nature of the risk being hedged and the risk strategy. In a cash flow hedge, the portion of the gain or loss arising from the fair value movement on the hedging instrument that is determined to be effective is recognized directly in other comprehensive income and the ineffective portion is recognized in the income statement.

### iii) Fair value

The fair values of financial assets that are traded in active markets are defined by their prices (Fair Value hierarchy Level I). For non-traded assets, fair values are defined with the use of valuation techniques such as analysis of recent transactions, comparative items that are traded (Fair Value hierarchy Level II) and discounted cash flows (Fair Value hierarchy Level III). The securities that are not traded in an active market that have been classified in the category financial assets available for sale, and whose fair value cannot be determined in an accurate and reliable way, are valued at their acquisition cost. The Company does not hold financial instruments at fair value other than derivatives.

## 8.11. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the yearly weighted average cost formula. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When there is any subsequent increase of the net realizable value of inventories that have been previously written-down, the amount of the write-down is reversed.

## 8.12. Cash and cash equivalents

Cash and cash equivalents include cash at bank accounts and in hand as well as short term highly liquid investments such as money market instruments and bank deposits with an original maturity of three months or less. Restricted cash is also included in Cash and Cash Equivalents. Restricted cash is cash not available for immediate use. Such cash cannot be used by a Company until a certain point or event in the future.

## 8.13. Equity

Share capital is determined using the nominal value of shares that have been issued. Ordinary shares are classified as equity.

Any excess of the fair value of the consideration received over the par value of the shares issued is recognized as share premium in shareholders' equity. Share capital issuance costs, net of related tax, are reflected as a deduction from share premium.

Treasury shares consist of Company's own equity shares, which are reacquired and not cancelled. Treasury shares do not reduce the number of shares issued but reduce the number of shares in circulation. Treasury shares are recognized at cost as a deduction from equity.

No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own share capital. Expenses related to the issuance of shares for the purchase of companies are included in the acquisition cost of the company acquired.

## 8.14. Current and deferred income tax

Income tax for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is measured on the taxable income for the year using enacted or substantively enacted tax rates at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in conjunction with goodwill.

No deferred tax is recognised from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss. No deferred taxes are recognised to temporary differences associated with shares in subsidiaries and joint ventures if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a part of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity. Deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. The Group recognises previously unrecognised deferred tax asset are reassessed at each balance sheet date to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## 8.15. Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Timing or amount of the outflow may still be uncertain. No provisions are recognized for future operating losses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the entity settles the obligation and it is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision. The expense relating to a provision is presented in the income statement, net of the amount recognised for a reimbursement. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount pre-tax rate reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost in the income statement.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised unless assumed in the course of a business combination. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. Contingent liabilities are not recognized in the financial statements but are disclosed, except if the probability that there will be an outflow of resources that embody economic benefits is minimum.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets are not recognized in the financial statements but are disclosed provided that the inflow of economic benefits is probable.

## 8.16. Financial liabilities

The Group’s financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument and derecognised when the obligation under the liability is discharged or cancelled or expires.

All interest related charges are recognised as an expense in “Finance cost” in the income statement.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade payables and other liabilities are recognised initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortization process.

Where an existing financial liability is exchanged by another or the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as extinguishment of the original liability and recognition of a new liability. Any difference in the respective carrying amounts is recognised in the income statement.

The bank loans are recorded in liabilities at fair value on the date the funds are released and are presented net of direct issue costs on loans. The direct issue costs on loans carried at amortized cost. The difference between the funds released (net of direct issue costs on loans) and the total borrowed amount, is recognized in installments during the loan using the effective interest method. Interest expenses are recognized when paid and the balance sheet date to the extent such expenses are accrued and not paid. The loans are divided into long term (mature in more than one year) and short term (mature in one year or less).

## 8.17. Retirement benefits costs

The parent company, its subsidiaries HELLENIC LOTTERIES S.A., OPAP SERVICES S.A., TORA DIRECT S.A., HORSE RACES S.A., TORA WALLET S.A. and NEUROSOFT S.A. in Greece, pay contributions to employee benefit plans after leaving the service in accordance with the laws and practices of the Group. These programs are separated into defined benefit plans and defined contribution plans.

### Defined benefit plans

As defined benefit plan is a benefit plan to an employee after leaving the service, in which benefits are determined by certain parameters such as age, years of service or salary. At defined benefit plan, the value of the liability is equal to the present value of defined benefit payable at the balance sheet date less the fair value of plan assets and of past services cost. The defined benefit liability and the related expense is estimated annually by independent actuaries using the projected credit unit method. The present value of the liability is determined by discounting the estimated future cash flows to the interest rate of high quality corporate bonds or government bonds in the same currency as the liability with proportional liability duration, or interest rate that takes into account the risk and duration of the liability, where the market depth for such bonds is weak. The costs of liability are recognized in income during the rendering of insured services. The expenses for defined benefit plans, as estimated, are recognized in the income statement and are included in the account “Staff Costs”. Additionally, based on the requirements of IAS 19 (Amendment) the actuarial profits/(losses) are recognised in the statement of comprehensive income.

### Defined contribution plans

A defined contribution plan is where the entity pays fixed contributions into a separate entity and no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in current or prior years. The contributions are recognized as employee benefit expense on an accrual basis. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Long-term incentive scheme

The Board of Directors of the Company, following a recommendation of the Remuneration and Nomination Committee, on 28.03.2017, approved a Long term incentive scheme with distribution of part of the Company's net profits to Executive Members of the BoD and other Key Management Personnel of the Company. The program's duration is 3 years, for the period 2017-2019. The targets relate to a. the profitability of the Company for the 3 year period mentioned above and b. the Company's share price increase in Athens Exchange.

## 8.18. Investment property

In this category the Group classifies property held for long-term rental yields which is not occupied by the Group companies. These investments are initially recognized at their cost, increased by the expenses related to the acquisition transaction. After the initial recognition they are valued at their cost less the accumulated depreciation and the possible accumulated losses from the reduction of their value. Expenses for the maintenance and repairing of the invested upon property, plant and equipment, are recognized in the income statement. For the calculation of depreciation, their useful life has been defined equal to that of owned occupied property.

# 9. Structure of the Group

The structure of OPAP Group as of 31.12.2017 is the following:

| Company's Name | % of investment | Country Of Incorporation | Consolidation Method | Principal Activities |
|---|---|---|---|---|
| OPAP S.A. | Parent company | Greece | | Numerical lottery games and sports betting |
| HELLENIC LOTTERIES S.A. | 67% | Greece | Full consolidation | Lotteries |
| OPAP CYPRUS LTD | 100% | Cyprus | Full consolidation | Numerical lottery games |
| OPAP SPORTS LTD | 100% | Cyprus | Full consolidation | Sports betting company |
| OPAP INTERNATIONAL LTD | 100% | Cyprus | Full consolidation | Holding company |
| OPAP SERVICES S.A. | 100% | Greece | Full consolidation | Sports events – Promotion – Services |
| OPAP INVESTMENT LTD | 100% | Cyprus | Full consolidation | Holding company |
| TORA DIRECT S.A. (ex PAYZONE HELLAS S.A.) | 100% | Greece | Full consolidation | Services for electronic transactions - Mobile Top-ups - Utility and Bill Payments |
| HORSE RACES S.A. | 100% | Greece | Full consolidation | Mutual Betting on Horse Races |
| TORA WALLET S.A. | 100% | Greece | Full consolidation | eMoney Institution |
| NEUROSOFT S.A. | 67.72% | Greece | Full consolidation | Software |

On 24.03.2017, the extraordinary General Meeting of OPAP SERVICES S.A., 100% subsidiary of OPAP S.A., decided to increase the company's share capital by issuing 15,000,000 new ordinary shares of € 1.00 nominal price each.

On 15.12.2017 OPAP S.A. proceeded to the sale of its participation of the associate GLORY TECHNOLOGY LTD for a symbolic price.
It should be mentioned that the Company purchased the 20% of GLORY TECHNOLOGY LTD shares during October of 2003 while by the end of 2012 the aforementioned investment had been fully impaired.

On 18.12.2017, the extraordinary General Meeting of TORA DIRECT S.A., 100% subsidiary of OPAP INVESTMENT LTD., decided to increase the company's share capital by issuing 1,390,000 new ordinary shares of € 0.72 nominal price each. The share capital increase was covered on 11.01.2018.

All subsidiaries report their financial statements on the same date as the Company does.

# 10. Dividend distribution

Dividend distribution to the shareholders of the parent company and the Group is recognized as a liability named “Other current liabilities”, at the date at which the distribution is approved of by the Shareholders’ General Meeting.

# 11. Operating segments

For management information purposes and decision making, the Group is structured in operating segments as presented below:

**As of 31 December 2017 and for the year then ended**

| GROUP 01.01-31.12.2017 | Lotteries | Sports Betting | Instant & Passives | VLTs | Telecommunication & eMoney services | Other | Total |
|---|---|---|---|---|---|---|---|
| **Revenue (GGR)** | **817,989** | **421,058** | **158,916** | **57,550** | **-** | **-** | **1,455,514** |
| GGR contribution and other levies and duties | (272,085) | (145,395) | (47,833) | (17,265) | - | - | (482,578) |
| **Net gaming revenue (NGR)** | **545,904** | **275,663** | **111,083** | **40,285** | **-** | **-** | **972,936** |
| Agents' commission | (207,067) | (106,277) | (41,404) | (13,793) | - | (1,382) | (369,924) |
| Other NGR related commission | (1,107) | (14,210) | (14,894) | (8,059) | - | - | (38,270) |
| Other operating income | - | 699 | 36 | - | 82,905 | 35,996 | 119,636 |
| Other operating cost | - | - | - | - | (75,757) | (15,974) | (91,731) |
| | **337,730** | **155,876** | **54,820** | **18,433** | **7,148** | **18,640** | **592,647** |
| **Operating expenses** | **(146,720)** | **(87,501)** | **(19,577)** | **(10,381)** | **(7,850)** | **(14,163)** | **(286,192)** |
| Depreciation, amortization and impairment | (21,393) | (29,139) | (3,900) | (33,744) | (180) | (3,529) | (91,885) |
| **Results from operating activities** | **169,617** | **39,235** | **31,343** | **(25,691)** | **(882)** | **948** | **214,570** |

| GROUP 01.01-31.12.2016 | Lotteries | Sports Betting | Instant & Passives | VLTs | Telecommunication & eMoney services | Other | Total |
|---|---|---|---|---|---|---|---|
| **Revenue (GGR)** | **841,297** | **397,215** | **159,054** | **-** | **-** | **-** | **1,397,565** |
| GGR contribution and other levies and duties | (281,637) | (137,323) | (47,783) | - | - | - | (466,743) |
| **Net gaming revenue (NGR)** | **559,660** | **259,892** | **111,271** | **-** | **-** | **-** | **930,822** |
| Agents' commission | (212,850) | (102,212) | (41,911) | - | - | (1,401) | (358,375) |
| Other NGR related commission | (1,070) | (10,539) | (14,664) | - | - | - | (26,273) |
| Other operating income | 3 | 796 | 50 | - | 89,013 | 18,600 | 108,462 |
| Other operating cost | - | - | - | - | (81,019) | (3,566) | (84,586) |
| | **345,742** | **147,936** | **54,746** | **-** | **7,994** | **13,632** | **570,051** |
| **Operating expenses** | **(150,442)** | **(74,925)** | **(19,129)** | **-** | **(8,558)** | **(9,457)** | **(262,511)** |
| Depreciation and amortization | (24,639) | (14,528) | (15,833) | - | (199) | (3,087) | (58,286) |
| **Results from operating activities** | **170,661** | **58,484** | **19,783** | **-** | **(763)** | **1,088** | **249,254** |

## Geographical Segments

Group's operations are in Greece and Cyprus. Greece is the country of incorporation of the Company and of the subsidiaries OPAP SERVICES S.A., HELLENIC LOTTERIES S.A., HORSE RACES S.A., TORA DIRECT S.A., TORA WALLET S.A. and NEUROSOFT S.A..

| For the period that ended on 31 December 2017 | Greece | Cyprus | Intercompany Transactions | Total |
|---|---|---|---|---|
| Amounts wagered | 4,170,505 | 252,397 | - | **4,422,902** |
| Revenue (GGR) and Other operating income | 1,529,206 | 84,464 | (38,520) | **1,575,150** |
| Net gaming revenue (NGR) | 903,165 | 69,771 | - | **972,936** |
| Segment Assets | 1,943,580 | 301,295 | (447,965) | **1,796,910** |
| Segment Liabilities | 1,053,848 | 29,601 | (44,706) | **1,038,743** |

| For the period that ended on 31 December 2016 | Greece | Cyprus | Intercompany Transactions | Total |
|---|---|---|---|---|
| Amounts wagered | 4,001,928 | 228,047 | - | **4,229,974** |
| Revenue (GGR) and Other operating income | 1,463,184 | 76,391 | (33,548) | **1,506,027** |
| Net gaming revenue (NGR) | 867,751 | 63,071 | - | **930,822** |
| Segment Assets | 1,902,581 | 294,847 | (429,754) | **1,767,675** |
| Segment Liabilities | 700,863 | 27,400 | (32,820) | **695,443** |

# 12. Notes on the financial statements

## 12.1. Intangible assets

Intangible assets refer to software, concession rights and customer relationships and analyzed as follows:

| GROUP | Software | Rights of games | Development costs | Customer relationships | Total |
|---|---|---|---|---|---|
| Year that ended on 31 December 2016 | | | | | |
| **Opening net book amount (1 January 2016)** | **17,021** | **1,203,639** | **-** | **2,327** | **1,222,987** |
| Additions | 6,443 | 32,401 | - | - | **38,844** |
| Amortization charge | (12,168) | (32,546) | - | (259) | **(44,973)** |
| **Net book amount (31 December 2016)** | **11,296** | **1,203,494** | **-** | **2,068** | **1,216,858** |
| Year that ended on 31 December 2017 | | | | | |
| **Opening net book amount (1 January 2017)** | **11,296** | **1,203,494** | **-** | **2,068** | **1,216,858** |
| Additions | 16,429 | - | 1,988 | - | **18,417** |
| Acquisitions through business combinations | 78 | - | 4,037 | - | **4,115** |
| Transfer from tangible assets | 710 | - | - | - | **710** |
| Amortization charge | (6,521) | (66,395) | (316) | (259) | **(73,491)** |
| Impairment | - | (14,856) | - | - | **(14,856)** |
| Impairment reversal | - | 12,114 | - | - | **12,114** |
| **Net book amount (31 December 2017)** | **21,991** | **1,134,357** | **5,709** | **1,810** | **1,163,867** |

| COMPANY | Software | Rights of games | Total |
|---|---|---|---|
| Year that ended on 31 December 2016 | | | |
| **Opening net book amount (1 January 2016)** | **16,278** | **1,046,949** | **1,063,227** |
| Additions | 5,821 | - | **5,821** |
| Amortization charge | (11,816) | (16,141) | **(27,957)** |
| **Net book amount (31 December 2016)** | **10,282** | **1,030,808** | **1,041,090** |
| Year that ended on 31 December 2017 | | | |
| **Opening net book amount (1 January 2017)** | **10,282** | **1,030,808** | **1,041,090** |
| Additions | 15,560 | - | **15,560** |
| Transfer from tangible assets | 710 | - | **710** |
| Amortization charge | (5,929) | (49,990) | **(55,919)** |
| **Net book amount (31 December 2017)** | **20,623** | **980,818** | **1,001,442** |

The opening balance for "rights of games" includes an amount of € 300,000 which constitutes a prepayment against the Company's GGR contribution to the Hellenic Republic for the period from 12.10.2020 to 12.10.2030. The future value of this prepayment, as prescribed in the relevant 2013 amendment to the supplementary Act of 12.12.2011 between the Hellenic State and OPAP S.A., amounts to € 1,831,200.

Group additions within fiscal year 2017 mainly refer to software for Virtual Games of € 3,691 and software for VLTs of € 4,009. Additionally, an amount of € 608 concerns the upgrade of OPAP S.A. corporate website and the portal used for internal communication with the agents, € 2,460 are related to the cost for the new platform of PAME STIHIMA and € 747 refer to the upgrade of HORSE RACES S.A. platform. Finally, in "development costs", is included the capitalization of NEUROSOFT S.A. payroll costs amounting to € 1,475 for the development and production of software available for sale and € 513 of Tora Wallet S.A. for the development and production of software for own use. Amount of € 4,037 in the same category, is related to the NBV of the assets the Group acquired at NEUROSOFT S.A. full acquisition.

Within 2016, the additions of intangible assets were mainly related to the remaining cost of the 20-year exclusive right to organize and conduct mutual race bet resulting from the concession agreement (€ 32.401) between the Greek State and HORSE RACES S.A..

The impairment of intangible assets of € 14,856 refers to the 20-year exclusive right to organize and conduct mutual race bet of HORSE RACES S.A.. The impairment amount resulted by discounting future free cash flows arising from the continuous use of it up to its expiration date at 2035.

The discount rate used was the Weighted Average Cost of Capital which is the average cost of capital for the projects and activities of HORSE RACES S.A.. The approach of using Weighted Average Cost of Capital is based on the fact that the plans of HORSE RACES S.A. is simultaneously funded by loans and equity. Regardless of the taxes, the cost of the loan corresponds to the interest rate. However, given for granted the taxes paid by HORSE RACES S.A., the cost of debt is attributable to the after tax cost of debt. The capital cost is the opportunity cost of the capital investment in a particular company rather than in others with the same risk, for which the creditors and shareholders expect to be compensated. The Weighted Average Cost of Capital is the discount rate that converts the expected future cash flows to present value and was equal to 9.7%.

In the model of the discounted cash flows are included the free cash flows of the twenty year license of HORSE RACES S.A.. The growth rate of flows was on average at 2%.

The budgeted earnings before tax, depreciation and amortization are based on expected future benefits taking into account empirical characteristics adapted to the expected growth rate. For budgeted losses before interest, tax, depreciation and amortization (EBITDA) was calculated an average decrease of 36% for 2018. HORSE RACES S.A. is expected to be profitable from 2020 and onwards and for budgeted earnings before interest, tax, depreciation and amortization (EBITDA) has been calculated an average increase of 34% from 2020 to 2025 and then an average increase of 3% from 2026 to 2035 when the license expires.

The reversal of impairment by € 12,114 refers to HELLENIC LOTTERIES S.A. 12 year license which originally cost €190,000. In 2015 it was impaired by € 15,021. The impairment reversal amount resulted by discounting future free cash flows arising from the continuous use of it up to its expiration date at 2026 as in 2015 and as at HORSE RACES S.A. case. The Weighted Average Cost of Capital used to convert the expected future cash flows to present value was equal to 9.7%. For budgeted earnings before interest, taxes, depreciation and amortization (EBITDA) was calculated an average increase of 1.9% for 2018 and the average growth rate of flows up to 2026, when the license expires, was calculated at 1.4%.

The impairment expense of HORSE RACES S.A. licence as well as the impairment reversal income from HELLENIC LOTTERIES S.A. is included in the Income Statement and presented at the line Depreciation and Amortization.

The intangible assets of the Group and the Company have not been pledged.

## 12.2. Property, plant and equipment

| GROUP | Land | Buildings | Machinery | Vehicles | Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| Year that ended on 31 December 2016 | | | | | | | |
| **Opening net book amount (1 January 2016)** | **8,811** | **11,663** | **3,196** | **192** | **31,484** | **892** | **56,238** |
| Additions | - | 9,187 | 1,222 | 14 | 13,846 | - | **24,269** |
| Transfers from investment properties | 139 | 1,018 | - | - | - | - | **1,157** |
| Disposal | (21) | - | (20,318) | (42) | (1,349) | - | **(21,729)** |
| Impairment charge | - | - | - | - | (29) | - | **(29)** |
| Depreciation charge | - | (1,513) | (2,672) | (39) | (9,049) | - | **(13,273)** |
| Depreciation transfers from investment properties | - | (740) | - | - | - | - | **(740)** |
| Disposals depreciation | - | - | 20,317 | 41 | 1,333 | - | **21,690** |
| **Net book amount (31 December 2016)** | **8,929** | **19,615** | **1,746** | **166** | **36,236** | **892** | **67,583** |
| Year that ended on 31 December 2017 | | | | | | | |
| **Opening net book amount (1 January 2017)** | **8,929** | **19,615** | **1,746** | **166** | **36,236** | **892** | **67,583** |
| Additions | - | 579 | 47,424 | - | 9,609 | - | **57,612** |
| Acquisitions through business combinations | - | 288 | 29 | 18 | 202 | - | **537** |
| Transfer from construction in progress | - | - | 2,976 | - | (2,085) | (892) | **-** |
| Transfer to intangible assets | - | - | - | - | (710) | - | **(710)** |
| Disposals | - | - | (449) | (27) | (435) | - | **(911)** |
| Depreciation charge | - | (2,674) | (1,887) | (40) | (11,028) | - | **(15,630)** |
| Disposals depreciation | - | - | 436 | 12 | 367 | - | **816** |
| **Net book amount (31 December 2017)** | **8,929** | **17,808** | **50,275** | **129** | **32,157** | **-** | **109,298** |

| COMPANY | Land | Buildings | Machinery | Vehicles | Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Year that ended on 31 December 2016** | | | | | | | |
| **Opening net book amount (1 January 2016)** | **8,811** | **11,654** | **3,113** | **113** | **8,279** | **892** | **32,861** |
| Additions | - | 8,783 | 837 | 13 | 11,006 | - | **20,640** |
| Transfers from investment properties | 139 | 1,018 | - | - | - | - | **1,157** |
| Disposals | (21) | - | (20,317) | (15) | (986) | - | **(21,339)** |
| Depreciation charge | - | (1,486) | (2,614) | (26) | (4,560) | - | **(8,686)** |
| Depreciation transfers from investment properties | - | (740) | - | - | - | - | **(740)** |
| Depreciation disposals | - | - | 20,317 | 15 | 972 | - | **21,304** |
| **Net book amount (31 December 2016)** | **8,929** | **19,228** | **1,336** | **100** | **14,712** | **892** | **45,196** |
| **Year that ended on 31 December 2017** | | | | | | | |
| **Opening net book amount (1 January 2017)** | **8,929** | **19,228** | **1,336** | **100** | **14,712** | **892** | **45,196** |
| Additions | - | 356 | 47,258 | - | 5,603 | - | **53,217** |
| Transfer from construction in progress | - | - | 2,976 | - | (2,085) | (892) | **-** |
| Transfer to intangible assets | - | - | - | - | (710) | - | **(710)** |
| Disposals | - | - | (448) | - | (371) | - | **(820)** |
| Depreciation charge | - | (2,612) | (1,788) | (26) | (6,267) | - | **(10,693)** |
| Depreciation disposals | - | - | 436 | - | 367 | - | **803** |
| **Net book amount (31 December 2017)** | **8,929** | **16,972** | **49,770** | **75** | **11,248** | **-** | **86,994** |

Group 2017 'machinery' additions include, among others:

a. devices such as terminals, printers, monitors etc. of € 31,955 purchased within the framework of OPAP's IT transformation project
b. expenses of € 9,875 related to SSBTs purchases and
c. expenses of € 4,710 relating to the purchase of i-links for the installation of the VLTs in OPAP's network.

Company 2017 'equipment' additions include, mainly, the acquisition of peripherals for VLTs of € 1,949, Virtual Games of € 1,370 and SSBTs of € 337.

At Group level additions of 'equipment' include, mainly, the purchase of telecommunication equipment for OPAP's network.

The additions of the year 2016 mainly concerned improvement works of owned and leased premises located at Athinon Avenue 112 and 108, Athens, respectively.

Construction in progress for 2016 concerned other equipment relative to VLT machines which was transferred in 2017 in “equipment” and “machinery”.

Property, plant & equipment of the Group and the Company have not been pledged.

## 12.3. Investment property

According to the demands of IAS 40, Investment property is shown below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Balance 1 January** | **940** | **1,398** | **940** | **1,398** |
| Transfer to own used assets | - | (1,157) | - | (1,157) |
| Depreciation for the period | (19) | (41) | (19) | (41) |
| Depreciation transfer to own used assets | - | 740 | - | 740 |
| Additions | 1 | - | 1 | - |
| **Balance 31 December** | **922** | **940** | **922** | **940** |
| Acquisition cost | 2,014 | 2,013 | 2,014 | 2,013 |
| Accumulated depreciation | (1,092) | (1,072) | (1,092) | (1,072) |
| **Net book amount** | **922** | **940** | **922** | **940** |

The net book amount as of 31.12.2017 relates to property located on Panepistimiou 25 street (5th floor), Athens.

The income the Company received from leasing these investment properties amounted to € 250 for the year 2017.

The useful life of the buildings is estimated at 20 years and the straight-line method of depreciation is used. According to the Company’s estimates, the fair value of the property does not differ substantially from its book value.

## 12.4. Goodwill

Goodwill acquired through business combinations is analyzed as follows:

| | GROUP | |
|---|---|---|
| | **31.12.2017** | **31.12.2016** |
| OPAP SPORTS LTD | 8,435 | 8,435 |
| TORA DIRECT S.A. | 5,749 | 5,749 |
| NEUROSOFT S.A. | 40,493 | - |
| **Σύνολο** | **54,676** | **14,183** |

Goodwill is subject to impairment testing from independent valuators at each reporting date. The recoverable amount of the above Group companies was determined using the value in use method. The value in use was determined based on the projected cash flows derived from five year business plan approved by management, which then were projected to infinity.

The basic assumptions used in determining the value in use from the independent valuators were as follows:

**OPAP SPORTS LTD**

| Impairment study assumptions | 31.12.2017 | 31.12.2016 |
|---|---|---|
| WACC | 8.39% | 11.31% |
| % Increase of flows | 2.22% | 0.50% |
| Tax rate | 12.50% | 12.50% |
| Period of net cash flows | 5 years | 5 years |

**TORA DIRECT S.A.**

| Impairment study assumptions | 31.12.2017 | 31.12.2016 |
|---|---|---|
| WACC | 9.83% | 12.18% |
| % Increase of flows | 1.04% | 0.50% |
| Tax rate | 29.00% | 29.00% |
| Period of net cash flows | 5 years | 5 years |

The sensitivity analysis on the above assumptions, notably to a change of half point in the discount interest rate (WACC) or the growth rate of cash flows, did not show deviations that would point the need to change the carrying value of the above subsidiaries' goodwill.

**NEUROSOFT S.A.**

On 02.08.2017 the Group, through its subsidiary OPAP INVESTMENT LTD, acquired 38.19% of NEUROSOFT S.A.. Upon transaction conclusion, the Group increased its participation from 29.53% to 67.72% and consequently, the consolidation method changes from equity method to full consolidation method.

Neurosoft S.A. is already providing the Group with a number of services that are directly supporting the delivery of its key technology transformation initiatives. This investment will therefore further strengthen the relationship between the two companies and will consequently provide additional benefits and efficiencies, together with a closer collaboration with Neurosoft S.A. experienced software development team.

During the period from 02.08.2017 to 31.12.2017, NEUROSOFT S.A. contributed to the group earnings before interest, tax, depreciation and amortization (EBITDA) € 687 and to profit before tax € 278.

**Redemption fee**

The purchase price of 38.19% stake amounted to € 34,197. It should be noted that in the Share Purchase Agreement there is a possible price, the amount of which will be finalized depending on the final result of some future events in the following months.

**Acquisition costs**

Acquisition costs are not significant, so they will not be analysed.

**Assets and liabilities at acquisition**

At the following table are presented the assets and liabilities of the acquired company at acquisition date.

| | |
|---|---|
| Property, plant & equipment | 537 |
| Intangible assets | 4,115 |
| Other non - current assets | 116 |
| Inventories | 674 |
| Trade receivables | 2,965 |
| Cash and cash equivalents | 2,613 |
| Other current assets | 804 |
| Deferred tax liability | (1,112) |
| Employee benefit plans | (312) |
| Trade payables & other current liabilities | (982) |
| Tax liabilities | (353) |
| Loans | (779) |
| **Net assets** | **8,287** |

The techniques used or to be used for the fair value valuation of the acquired significant assets and liabilities are the same as those used by the Group and are presented on pages 81 to 94 of the annual financial statements.

**Goodwill**

The goodwill from NEUROSOFT S.A. acquisition has been recognized on a provisional basis as follows:

| | |
|---|---|
| Consideration transferred (for the 38.19% of the shares) | 34,197 |
| NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Neurosoft | 2,675 |
| Fair value of previously held equity interest (29.53%) | 11,908 |
| Fair Value of identifiable net assets | (8,287) |
| **Goodwill** | **40,493** |

The final amount of goodwill is expected to be defined within 12 months from NEUROSOFT S.A. acquisition.

## 12.5 Investments in subsidiaries

The subsidiaries of the Company included in its financial statements are the following:

| Consolidated subsidiary | % of investment | Acquisition cost 2017 | Acquisition cost 2016 | Country of incorporation | Principal activities | Consolidation basis |
|---|---|---|---|---|---|---|
| OPAP CYPRUS LTD | 100% | 1,704 | 1,704 | Cyprus | Numerical lottery games | Full consolidation |
| OPAP INTERNATIONAL LTD | 100% | 11,499 | 11,499 | Cyprus | Holding Company | Full consolidation |
| OPAP SERVICES S.A. | 100% | 43,000 | 28,000 | Greece | Services | Full consolidation |
| OPAP SPORTS LTD | 100% | 16,900 | 16,900 | Cyprus | Sports betting Company | Full consolidation |
| OPAP INVESTMENT LTD | 100% | 241,750 | 241,750 | Cyprus | Holding Company | Full consolidation |
| **Total** | | **314,854** | **299,854** | | | |
| Impairment | | (32,909) | (19,250) | | | |
| **Value on 31st December** | | **281,945** | **280,604** | | | |

At the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment loss.

The value of the investment in OPAP SPORTS LTD has been impaired by € 1,300 in the year 2005 and € 5,950 in the year 2007. For the years 2008 - 2017, no further impairment of its value was deemed necessary, according to the independent firm's valuation report (see Note 12.4).

The value of the investment in OPAP SERVICES S.A. has been impaired by € 12,000 in 2016 and by € 8,187 in 2017 due to the fact that Management estimates that the accumulated losses are not likely to be fully recovered.

Furthermore, in the year 2017, OPAP S.A. impaired its investment in OPAP INTERNATIONAL LTD and OPAP INVESTMENT LTD by € 1,326 and € 4,146 respectively.

Investments in subsidiaries are analyzed as follows:

| | 2017 | 2016 |
|---|---|---|
| **Investment in subsidiaries on 1st January** | **280,604** | **147,604** |
| Share capital increase/(decrease) | 15,000 | 145,000 |
| Impairment losses | (13,659) | (12,000) |
| **Investment in subsidiaries on 31st December** | **281,945** | **280,604** |

On 30.03.2017 the share capital of the subsidiary OPAP SERVICES S.A. was increased by € 15,000.

## 12.6. Investments in associates

The report date of the financial statements of the associate companies, consolidated with the equity method, does not differ from the reporting date of the parent company.

Investments in associates are analyzed as follows:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| NEUROSOFT S.A. | - | 12,175 |
| **Total** | **-** | **12,175** |

On 15.12.2017 OPAP S.A. proceeded to the sale of its participation of the associate GLORY TECHNOLOGY LTD for a symbolic price.

It should be mentioned that the Company purchased the 20% of GLORY TECHNOLOGY LTD shares during October of 2003 while by the end of 2012 the aforementioned investment had been fully impaired.

Investments in associates include the share of the Company's subsidiaries OPAP INTERNATIONAL LTD and OPAP CYPRUS LTD to the net assets of the company NEUROSOFT S.A., participating with 29.53%.

On 07.06.2017 was signed a Share Purchase Agreement for the acquisition of a 38.19% stake in NEUROSOFT S.A. for a total consideration of €34,197. Upon transaction conclusion, following the relevant clearance by the competent competition authorities of Cyprus and the payment of the agreed price on 02.08.2017, OPAP S.A. participates with 67.72% in NEUROSOFT S.A. share capital, takes the control of the company and consequently, starting from 02.08.2017, the applicable consolidation method changes from equity method to full consolidation method (Note 12.4).

The share in the losses of the associate NEUROSOFT S.A. recognized by the Group for the period 01.01.2017-31.07.2017 amounts to € 267, while for the year 2016 the corresponding share in profits was € 600.

In addition, in year 2016, due to the recovery of its market value, was deemed necessary the reversal part of investment impairment of the previous years and particularly the amount of € 350.

Based on the above, the value of investment in associates results as follows:

| | |
|---|---|
| **Net accounting balance 31.12.2015** | **11,225** |
| Reversal of investment impairment | 350 |
| Share of profit of 2016 | 600 |
| **Net accounting balance 31.12.2016** | **12,175** |
| Share of loss of the period 01.01.2017-01.08.2017 | (267) |
| Reversal due to change in consolidation method | (11,908) |
| **Net accounting balance 31.12.2017** | **-** |

## 12.7. Other non-current assets

Other non-current assets are analysed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Guarantee deposits | 1,172 | 1,335 | 921 | 680 |
| Prepayments of retirement benefits | 221 | 221 | 221 | 221 |
| Capital Investments under construction | 76 | 77 | - | - |
| Housing loans to personnel | 235 | 280 | 235 | 280 |
| Other receivables | 20,848 | 4,471 | 38,847 | 20,082 |
| **Total** | **22,553** | **6,384** | **40,225** | **21,263** |

The Company's amount of € 17,327 at other receivables relates to the remaining amount of capital reserves to be allocated for the completion of the reformation of OPAP agencies' single corporate image from the subsidiary OPAP SERVICES S.A., on behalf of OPAP S.A.. These funds were transferred to the subsidiary during the years 2004-2007. Also, an amount of € 17,920 relates to the long-term portion of a VLTs vendor claim for an advance payment in accordance with a special clause in the respective contract. Finally, amount of € 3,600 concerns loans granted to HORSE RACES S.A. and TORA DIRECT S.A. of € 100 and € 3,500 respectively.

Apart from the above, other receivables of the Group include loans granted to third parties from OPAP INVESTMENT LTD of € 2,680 (2016:€ 4,471).

## 12.8. Deferred tax (assets) / liabilities

Deferred taxes are calculated in full on temporary differences under the liability method using the principal tax rates that apply to the countries in which the companies of the Group operate.

The movement in deferred taxes is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **Opening balance, net deferred asset/(liability)** | **12,154** | **9,815** | **(3,962)** | **(3,493)** |
| Charge recognised in profit or loss (Note 12.35) | (5,821) | 2,266 | (5,344) | (541) |
| Charge recognised in other comprehensive income (Note 12.35) | (12) | 73 | 54 | 71 |
| Acquired in business combinations (Note 12.4) | (1,112) | - | - | - |
| **Closing balance, net deferred asset/(liability)** | **5,209** | **12,154** | **(9,252)** | **(3,962)** |

The movement of deferred tax assets and liabilities per category during the year is as follows:

| GROUP | Net balance at 1 January 2017 | Recognised in profit or loss (Note 12.35) | Recognised in Other Comprehensive Income (Note 12.35) | Acquired in business combinations | Balance at 31 December 2017 |
|---|---|---|---|---|---|
| Property, plant and equipment | 1,683 | 732 | - | - | 2,415 |
| Intangible assets | (9,635) | (5,810) | - | - | (15,446) |
| Deferred expenses | (7,515) | (1,252) | - | - | (8,766) |
| Employee benefits | 425 | 220 | (74) | - | 571 |
| Provisions | 10,845 | 1,850 | - | - | 12,695 |
| Accrued liabilities | 16,351 | (1,560) | 62 | (1,112) | 13,740 |
| **Deferred tax assets/(liabilities)** | **12,154** | **(5,821)** | **(12)** | **(1,112)** | **5,209** |

| COMPANY | Net balance at 1 January 2017 | Recognised in profit or loss (Note 12.35) | Recognised in Other Comprehensive Income (Note 12.35) | Balance at 31 December 2016 |
|---|---|---|---|---|
| Property, plant and equipment | 1,947 | 532 | - | 2,479 |
| Intangible assets | (13,483) | (4,462) | - | (17,945) |
| Deferred expenses | (4,870) | (576) | - | (5,446) |
| Employee benefits | 393 | 86 | (8) | 470 |
| Provisions | 9,303 | (795) | - | 8,508 |
| Accrued liabilities | 2,749 | (130) | 62 | 2,681 |
| **Deferred tax assets/(liabilities)** | **(3,962)** | **(5,344)** | **54** | **(9,252)** |

The movement in deferred tax assets and liabilities per category during the prior year is as follows:

| GROUP | Net balance at 1 January 2016 | Recognised in profit or loss (Note 12.35) | Recognised in Other Comprehensive Income (Note 12.35) | Balance at 31 December 2016 |
|---|---|---|---|---|
| Property, plant and equipment | 1,015 | 669 | - | 1,683 |
| Intangible assets | (11,386) | 1,751 | - | (9,635) |
| Deferred expenses | (7,096) | (419) | - | (7,515) |
| Employee benefits | 300 | 52 | 73 | 425 |
| Provisions | 13,140 | (2,295) | - | 10,845 |
| Accrued liabilities | 13,842 | 2,509 | - | 16,351 |
| **Deferred tax assets/(liabilities)** | **9,815** | **2,266** | **73** | **12,154** |

| COMPANY | Net balance at 1 January 2016 | Recognised in profit or loss (Note 12.35) | Recognised in Other Comprehensive Income (Note 12.35) | Balance at 31 December 2016 |
|---|---|---|---|---|
| Property, plant and equipment | 1,412 | 535 | - | 1,947 |
| Intangible assets | (15,421) | 1,938 | - | (13,483) |
| Deferred expenses | (5,244) | 374 | - | (4,870) |
| Employee benefits | 270 | 51 | 71 | 393 |
| Provisions | 13,091 | (3,788) | - | 9,303 |
| Accrued liabilities | 2,400 | 349 | - | 2,749 |
| **Deferred tax assets/(liabilities)** | **(3,493)** | **(541)** | **71** | **(3,962)** |

On 31.12.2017, certain Group entities had accumulated tax losses of € 41,910 (31.12.2016: € 26,475). For these accumulated tax losses, no deferred tax asset has been recognized due to the uncertainty of the timing of available taxable profits against which these losses could be offset.

## 12.9. Cash and cash equivalents

The analysis of cash and cash equivalents is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Cash in hand | 11,191 | 3,105 | 2,697 | 1,284 |
| Short term bank deposits | 234,911 | 270,418 | 91,574 | 64,148 |
| **Total** | **246,102** | **273,523** | **94,270** | **65,433** |

Short term bank deposits are comprised by current accounts and time deposits. The effective interest rates are based on floating rates and are negotiated on a case by case basis.

In short term bank deposits is included restricted cash of amount € 1,183 (€ 2,517 in 2016), mainly due to legal decisions and guarantees received from the agents, which is analysed as follows: OPAP S.A. € 152, OPAP SPORTS LTD € 338, OPAP CYPRUS LTD € 671, OPAP SERVICES S.A. € 20 and NEUROSOFT S.A. € 2.

The deposits held by the Company in Greek credit institutions are subject to restrictions of cash withdrawal and working capital transfers, as established with the Act of legislative content 65/28.06.2015 and applied in accordance with the relevant ministerial decisions.

Finally, the Group retains part of its deposits at European reputable financial institutions.

## 12.10. Inventories

In Group inventories are included Inventories of OPAP SERVICES S.A. related to VLTs stores under construction that will be sold after their completion. These amount to € 4,221 (2016: € 9,109).

Lottery tickets and athletic events prognoses games, coupons for PAME STIHIMA game etc. of the Company are also included amounting to € 1,927 (2016: € 2,350).

Finally, there are inventories amounting to € 1,173 (2016: € 992) of the subsidiary TORA DIRECT S.A. relating mainly to phone cards and Internet.

Finally, in 2017 are yet included inventories of NEUROSOFT S.A. of € 559 that concern production consumables.

The Group and the Company have not pledged their inventories as collateral.

## 12.11. Trade receivables

The analysis of trade receivables is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| Receivables from debtors (revenues from games) | 108,480 | 74,851 | 43,654 | 22,000 |
| Receivables from debtors (accounts under arrangement from agencies) | 133 | 202 | 35 | 110 |
| Doubtful receivables from agents | 34,292 | 35,892 | 33,716 | 35,551 |
| Other receivables | 20,189 | 6,112 | 10,911 | 11,607 |
| **Sub total short term trade receivables** | **163,093** | **117,057** | **88,316** | **69,269** |
| Less provisions for bad and doubtful debts and for accounts under arrangement | (35,264) | (36,422) | (33,956) | (35,602) |
| **Total short term trade receivables** | **127,829** | **80,634** | **54,360** | **33,667** |
| Long term receivables from agencies (accounts under arrangement) | 2 | 13 | 2 | 13 |
| **Total long term trade receivables** | **2** | **13** | **2** | **13** |
| **Total trade receivables** | **127,831** | **80,647** | **54,362** | **33,680** |

The significant variation in the trade receivables of the Group mainly comes from OPAP S.A. and HELLENIC LOTTERIES S.A.. Apart from the increased activity, the variation is not only due to longer period of settlement from the agents for the year that ended on 31.12.2017 than that ended on 31.12.2016, but also due to the credit policy change of HELENIC LOTTERIES S.A which increases the settlement days in relation to 2016 in order to strengthen its commercial policy.

Management considers that the Group's main credit risk arises from doubtful receivables of agents including arrangements for unpaid revenue. On 31.12.2017 this debt amounted to € 34,292 (€ 35,892 in 2016), while the accounts under arrangement amounted to € 135 (€ 215 in 2016). In order to cover this risk, the Group established cumulative provision of € 35,264 and the Company € 33,956. Management considers these provisions to be adequate.

In the year 2017, the part of interest bearing regulations, non-covered by provision, was carried at the current value at discount rate of 1.40% (1.35% in 2016), based on which it was created financial income amounting to € 1 (€ 5 in 2016) increasing by this amount the initial value of the asset.

The expected inflow of the total trade receivables IS presented below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| **Expected inflow phases:** | | | | |
| < 3 months | 127,803 | 80,555 | 54,334 | 33,588 |
| 3 - 6 months | 14 | 38 | 14 | 38 |
| 6 - 12 months | 11 | 41 | 11 | 41 |
| **Total short term receivables** | **127,829** | **80,634** | **54,360** | **33,667** |
| > 12 months | 2 | 13 | 2 | 13 |
| **Total** | **127,831** | **80,647** | **54,362** | **33,680** |

The Group and the Company have not pledged their receivables as collateral.

## 12.12. Other current assets

The analysis of other current assets is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| Income tax receivables | 12,106 | 35,888 | 12,106 | 35,860 |
| Housing loans to personnel | 56 | 55 | 56 | 55 |
| Other receivable - revenue receivable | 22,920 | 14,171 | 9,486 | 4,204 |
| Prepaid expenses | 12,007 | 11,523 | 7,325 | 9,818 |
| Intercompany transaction of winners profits with OPAP CYPRUS LTD | - | - | 924 | 260 |
| Receivables from taxes | 11,443 | 9,120 | - | - |
| **Total** | **58,532** | **70,757** | **29,896** | **50,198** |

Income tax receivables include income tax receivable of the Company amounting to € 12,106 (€ 35,860 in 2016) as the prepaid amount relating to income tax for the year 2017 recorded with the submission of the tax return for the year 2016 was higher compared to the income tax provision recorded for the current year.

Other receivable – revenue receivable of the Group, as of 31.12.2017, include loans granted to third parties from OPAP INVESTMENT LTD of € 8,680 (€ 8,994 in 2016), prepayments to suppliers of € 1,945 (€ 849 in 2016) as well as income provisions of € 3,236 (€ 2,912 in 2016) of TORA DIRECT S.A. for the sales of 2017 for which no documentation has been issued.

Receivables from taxes include the prepaid contribution of 30% on gross gaming revenue (GGR) of subsequent periods of HELLENIC LOTTERIES S.A. by € 11,443 (€ 9,120 in 2016).

## 12.13. Share capital

The total number of the authorized ordinary shares is:

| | GROUP & COMPANY | |
|---|---|---|
| | 31.12.2017 | 31.12.2016 |
| Ordinary shares of € 0.30 each | 319,000,000 | 319,000,000 |
| | **319,000,000** | **319,000,000** |

The shares issued and fully paid are as follows:

| | Number of shares | Value |
|---|---|---|
| Balance at 1 January 2016 | 319,000,000 | 95,700 |
| Balance at 31 December 2016 | 319,000,000 | 95,700 |
| **Balance at 31 December 2017** | **319,000,000** | **95,700** |

## 12.14. Reserves

Reserves are analyzed as follows:

| GROUP | Statutory reserves |
|---|---|
| **31.12.2016** | **32,417** |
| Changes in the period | 617 |
| **31.12.2017** | **33,034** |

| COMPANY | Statutory reserves |
|---|---|
| **31.12.2016** | **31,900** |
| **31.12.2017** | **31,900** |

Statutory reserves reflect the addition of a minimum of 5% of the annual net profit of parent company added each year, subject to a maximum balance of 1/3 of the outstanding share capital. This amount is not available for distribution. After the allocation of net profit of 2003 this reserve has reached the statutory amount and further addition is not obligatory.

Untaxed reserves came from untaxed earnings. Any portion of this reserve distributed to shareholders is subject to income tax.
At Group level, the increase in statutory reserves is attributed to the formation of statutory reserve from HELLENIC LOTTERIES S.A. of € 617 (€ 218 in 2016).

## 12.15. Treasury shares

The Annual Ordinary General Assembly of the Company's Shareholders that was held on 20.04.2015 and then the Annual Ordinary General Assembly on 27.04.2017 decided and set the details for the acquisition of treasury shares by the Company through the Athens Exchange, up to a percentage of 5% of the total paid up share capital of the Company, namely up to 15,950,000 shares. The acquisition of treasury shares shall be made provided that on a case by case basis are considered to be at the Company's own benefit, preferential to other available investment options and as long as the Company's cash flow allows for such acquisitions and for purposes provided for by Regulation 2273/2003 and Decision No. 1/503/13.03.2009 by the Capital Market Commission. The proposed program for the acquisition of treasury shares shall be completed within twenty four months as from the date of the decision of the 27.04.2017 General Assembly, namely the latest by 26.04.2019, and will be implemented at a maximum acquisition price of 13.00 euros per share and a minimum acquisition price equal to the nominal value price of each share, i.e. 0.30 euros per share.
Furthermore, the Company's Board of Directors was authorized to determine the specific terms and details for the implementation of the program for the acquisition of treasury shares.

Following the above decision, the Company proceeded to the following acquisition of treasury shares:

| Treasury shares | No of shares | Acquisition cost | % of treasury shares on total shares |
|---|---|---|---|
| **Balance at 1 January 2015** | **-** | **-** | |
| Acquisition of treasury shares | 406,542 | 2,719 | - |
| **Balance at 31 December 2015** | **406,542** | **2,719** | **0.1%** |
| Acquisition of treasury shares | 581,263 | 4,735 | - |
| **Balance at 31 December 2016** | **987,805** | **7,454** | **0.3%** |
| Acquisition of treasury shares | 194,696 | 1,585 | - |
| **Balance at 31 December 2017** | **1,182,501** | **9,039** | **0.4%** |

## 12.16. Non-controlling interests

The Group's non-controlling interests amount to € 43,397 as of December 31, 2017 (December 31, 2016: € 36,910), arising from HELLENIC LOTTERIES S.A. and NEUROSOFT S.A.. They represent the 33% of HELLENIC LOTTERIES equity, which is owned by INTRALOT LOTTERIES LIMITED (16.5%) and SCIENTIFIC GAMES GLOBAL GAMING S.R.L. (16.5%) and 32.28% of NEUROSOFT S.A..

The basic financial data of both of these companies are presented below:

| Summarized statement of financial position as at December 31, 2017 | HELLENIC LOTTERIES S.A. | NEUROSOFT S.A. | Total |
|---|---|---|---|
| **NCI percentage** | **33%** | **33%** | |
| Non-current assets | 142,568 | 5,878 | |
| Current assets | 110,277 | 6,860 | |
| Non-current liabilities | (40,414) | (2,247) | |
| Current liabilities | (89,310) | (1,919) | |
| **Net assets** | **123,121** | **8,573** | |
| **Net assets attributable to NCI** | **40,630** | **2,767** | **43,397** |

| Summarized statement of profit or loss and other comprehensive income for the year ended December 31, 2017 | HELLENIC LOTTERIES S.A. | NEUROSOFT S.A. | Total |
|---|---|---|---|
| Revenue (GGR) | 158,916 | - | |
| Profit after tax | 16,284 | 129 | |
| Other comprehensive income, net of tax | 2 | 157 | |
| **Total comprehensive income** | **16,285** | **286** | |
| **Profit attributable to NCI** | **5,374** | **42** | **5,415** |
| **Other comprehensive income attributable to NCI** | **1** | **51** | **51** |

| Summarized cash flow information for the year ended December 31, 2017 | HELLENIC LOTTERIES S.A. | NEUROSOFT S.A. |
|---|---|---|
| Net cash from operating activities | 9,852 | 1,409 |
| Cash flows (used in) / from investing activities | 105 | (1,502) |
| Cash flows used in financing activities | (15,146) | (23) |
| **Net decrease in cash and cash equivalents** | **(5,188)** | **(116)** |

| Summarized statement of financial position as at December 31, 2016 | HELLENIC LOTTERIES S.A. |
|---|---|
| NCI percentage | 33% |
| Non-current assets | 148,545 |
| Current assets | 102,036 |
| Non-current liabilities | (50,346) |
| Current liabilities | (88,254) |
| Net assets | 111,982 |
| Net assets attributable to NCI | 36,954 |

| Summarized statement of profit or loss and other comprehensive income for the year ended December 31, 2016 | HELLENIC LOTTERIES S.A. |
|---|---|
| Revenue (GGR) | 159,054 |
| Profit after tax | 7,939 |
| Other comprehensive income, net of tax | 1 |
| Total comprehensive income | 7,940 |
| Profit attributable to NCI | 2,620 |
| Other comprehensive income attributable to NCI | - |

| Summarized cash flow information for the year ended December 31, 2016 | HELLENIC LOTTERIES S.A. |
|---|---|
| Net cash from operating activities | 20,873 |
| Cash flows from investing activities | 47 |
| Cash flows used in financing activities | (215) |
| Net decrease in cash and cash equivalents | 20,704 |

## 12.17. Loans

The Group's and Company's borrowing is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Total long-term loans (1 – 5 years) | 513,098 | 263,000 | 467,342 | 208,000 |
| Short-term loans | | | | |
| Current portion of long term loans (Up to 1 year) | 169,000 | 100,000 | 169,000 | 100,000 |
| Short-term loans (overdraft accounts) (Up to 1 year) | 171 | 18,689 | 171 | 18,689 |
| Total short-term loans | 169,171 | 118,689 | 169,171 | 118,689 |
| Total loans | 682,269 | 381,689 | 636,513 | 326,689 |

The Group's and the Company's borrowing movement is as follows:

| GROUP | Year of maturity | 31.12.2016 | | | | 31.12.2017 | |
|---|---|---|---|---|---|---|---|
| | | Book value | New Loans | Repayments | Amortization of expenses | Outstanding nominal value | Book value |
| Bond Loan, amount € 75,000 | 2018 | 75,000 | - | - | - | 75,000 | 75,000 |
| Bond Loan, amount € 50,000 | 2019 | 50,000 | - | (10,000) | - | 40,000 | 40,000 |
| Bond Loan, amount € 15,000 | 2017 | 13,000 | - | (13,000) | - | - | - |
| Bond Loan, amount € 45,000 | 2020 | 45,000 | - | (4,500) | - | 40,500 | 40,500 |
| Bond Loan, amount € 5,000 | 2020 | 5,000 | - | - | - | 5,000 | 5,000 |
| Bond Loan, amount € 100,000 | 2021 | 100,000 | - | - | - | 100,000 | 100,000 |
| Bond Loan, amount € 75,000 | 2018 | 75,000 | - | - | - | 75,000 | 75,000 |
| Bond Loan, amount € 200,000 | 2022 | - | 200,000 | - | (3,202) | 200,000 | 196,798 |
| Bond Loan, amount € 50,000 | 2020 | - | 50,000 | - | (229) | 50,000 | 49,771 |
| Bond Loan, amount € 100,000 | 2020 | - | 100,000 | - | (727) | 100,000 | 99,273 |
| Overdraft, amount € 15,000 | | 12,100 | - | (11,929) | - | 171 | 171 |
| Overdraft, amount € 10,000 | | 6,589 | - | (6,589) | - | - | - |
| Overdraft, amount € 2,000 | | - | 779 | (23) | - | 756 | 756 |
| **Total** | | **381,689** | **350,779** | **(46,041)** | **(4,158)** | **686,427** | **682,269** |

| COMPANY | Year of maturity | 31.12.2016 | | | | 31.12.2017 | |
|---|---|---|---|---|---|---|---|
| | | Book value | New Loans | Repayments | Amortization of expenses | Outstanding nominal value | Book value |
| Bond Loan, amount € 75,000 | 2018 | 75,000 | - | - | - | 75,000 | 75,000 |
| Bond Loan, amount € 15,000 | 2017 | 13,000 | - | (13,000) | - | - | - |
| Bond Loan, amount € 45,000 | 2020 | 45,000 | - | (4,500) | - | 40,500 | 40,500 |
| Bond Loan, amount € 100,000 | 2021 | 100,000 | - | - | - | 100,000 | 100,000 |
| Bond Loan, amount € 75,000 | 2018 | 75,000 | - | - | - | 75,000 | 75,000 |
| Bond Loan, amount € 200,000 | 2022 | - | 200,000 | - | (3,202) | 200,000 | 196,798 |
| Bond Loan, amount € 50,000 | 2020 | - | 50,000 | - | (229) | 50,000 | 49,771 |
| Bond Loan, amount € 100,000 | 2020 | - | 100,000 | - | (727) | 100,000 | 99,273 |
| Overdraft, amount € 15,000 | | 12,100 | - | (11,929) | - | 171 | 171 |
| Overdraft, amount € 10,000 | | 6,589 | - | (6,589) | - | - | - |
| **Total** | | **326,689** | **350,000** | **(36,018)** | **(4,158)** | **640,671** | **636,513** |

The average interest rate of both the Group and the Company is 3.9% (5% in 2016).

The above loan agreements do not contain mortgages and pledges on the assets of the Group and the Company.

## 12.18. Employee benefit plans

**Long-term incentive scheme**

The Board of Directors of the Company, following a recommendation of the Remuneration and Nomination Committee, on 28.3.2017, approved a Long term incentive scheme with distribution of part of the Company's net profits to Executive Members of the BoD and other Key Management Personnel of the Company. The program's duration is 3 years, for the period 2017-2019. The targets relate to a. the profitability of the Company for the 3 year period mentioned above and b. the Company's share price increase in Athens Exchange. Finally, the scheme defines that the maximum amount to be distributed to up to 30 beneficiaries is € 7,000.

As of 31.12.2017 the liability related to the above scheme amounts to € 1,113 for both the Company and the Group.

**Defined Benefit Plan**

Under Greek labor law (L.2112/1920), employees are entitled to termination payments in the event of retirement with the amount of payment varying in relation to the employee's compensation and length of service The liability arising from the above obligation is actuarially valued by an independent firm of actuaries. The last actuarial valuation was undertaken in December 2017.

The analysis of the plans in Consolidated Statement of Financial Position is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **Opening balance** | **1,507** | **1,036** | **1,355** | **932** |
| Current service cost | 1,509 | 268 | 1,413 | 217 |
| Interest cost | 36 | 17 | 18 | 15 |
| Settlement cost (result) | 217 | 1,076 | 157 | 822 |
| **Total cost recognized in Statement of Comprehensive Income** | **1,763** | **1,361** | **1,589** | **1,055** |
| Actuarial (gain)/loss arising from financial assumptions | (28) | 101 | (24) | 92 |
| Actuarial (gain)/loss arising from experience adjustment | (227) | 152 | (5) | 154 |
| **Total actuarial (gain)/loss recognized in Equity** | **(255)** | **253** | **(29)** | **247** |
| Liability from the acquisition of Neurosoft S.A. | 312 | - | - | - |
| Payments | (243) | (1,143) | (180) | (879) |
| **Closing balance** | **3,084** | **1,507** | **2,735** | **1,355** |

The principal actuarial assumptions used in the actuarial valuations as at 31.12.2017 and 31.12.2016 are the following:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 1.40% | 1.35% |
| Expected salary increase percentage | 2.00% | 2.00% |
| Average service in the company | 8.00 – 29.93 | 16.60 – 28.73 |
| Inflation rate | 2.00% | 2.00% |

The estimated service cost for the next fiscal year amounts to € 334 for the Company and € 420 for the Group.

The following table shows the change in actuarial liability of the Group and the Company if the discount rate was 0.5% higher or lower than that which has been used and the corresponding change if the expected rate of salary increase was 0.5% higher or lower than the one used:

| Sensitivity analysis (Group) | Actuarial liability | Percentage change |
|---|---|---|
| Increase in discount rate by 0.5% | 1,772 | -10% |
| Decrease in discount rate by 0.5% | 2,196 | 11% |
| Increase of the expected wages' increase by 0.5% | 2,173 | 10% |
| Decrease of the expected wages' increase by 0.5% | 1,783 | -9% |

| Sensitivity analysis (Company) | Actuarial liability | Percentage change |
|---|---|---|
| Increase in discount rate by 0.5% | 1,459 | -10% |
| Decrease in discount rate by 0.5% | 1,807 | 11% |
| Increase of the expected wages' increase by 0.5% | 1,788 | 10% |
| Decrease of the expected wages' increase by 0.5% | 1,468 | -9% |

## 12.19. Provisions

Group's and Company's provisions are analyzed as follows:

| | GROUP | COMPANY |
|---|---|---|
| **Balance as of 31.12.2015** | **59,061** | **57,591** |
| Provisions of the period | 2,881 | 2,881 |
| Provision reversal | (12,532) | (12,479) |
| Used provision | (15,362) | (15,320) |
| **Balance as of 31.12.2016** | **34,049** | **32,673** |
| Provisions of the period | 17,978 | 17,910 |
| Provision reversal | (19,862) | (19,833) |
| Used provision | (977) | (977) |
| **Balance as of 31.12.2017** | **31,187** | **29,773** |

Part of the amount of € 31,187 (2016: € 34,049), specifically € 29,929 (2016: €32,078), relates mainly to provisions recorded against losses from lawsuits by third parties, agents and employees against the Company, while an amount of € 1,258 (2016: € 1,258) relates to the cumulative provision for tax differences of OPAP SERVICES S.A. (Note 12.38).

The provision reversal for the Company of € 19,833 relates entirely to the aforementioned lawsuits. The reversal took place after considering the respective court decisions issued during 2017, which rejected the relevant lawsuits due to substantive reasons (legal and actual) and affected the lawyers' estimations relating to similar cases. Management was thus forced to revaluate the likely outcome and concluded that the potential economic outflow was rather not probable. Thus, these cases have been characterised as possible.

As far as the provisions of the period of € 17,910 (2016: € 2,881) are concerned, it should be noted that it is included an amount of € 13,445 regarding a case, the outcome of which was not positive for the Company at the second level. However, although the Company formed the relative provision according to its provisioning policy, it expects that the outcome of the case at the level of cassation will be positive for the Company and will confirm the court decision of first degree.

## 12.20. Other non-current liabilities

Other non-current liabilities are analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Guarantee deposits from lottery agents | 8,968 | 6,276 | 7,590 | 5,306 |
| Grants | 386 | 423 | - | - |
| **Total** | **9,354** | **6,699** | **7,590** | **5,306** |

Guarantee deposits from lottery agents represent amounts placed on deposit to jointly secure agents' obligations. These guarantees are paid back to the agents if they cease to act as agents.

Grants relate to capital expenditure investments performed by HORSE RACES S.A. against operating lease payable to ODIE S.A. for the horse race course and its ancillary premises at Markopoulo, Attica. More specifically, it is agreed that the lessee (HORSE RACES S.A.) has the right to perform certain capital expenditures of total amount up to € 2,000, during the first three years of the lease agreement, for improvement of the leased property, under certain conditions. These expenditures will be paid by the lessee and will be offset against the lease payable.

## 12.21. Trade payables

The analysis of trade payables is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Suppliers (services, assets, etc.) | 69,131 | 55,983 | 47,516 | 36,591 |
| Payout to the winners and retained earnings | 92,527 | 82,812 | 27,735 | 24,470 |
| Other payables (salaries – subsidies) | 12,201 | 10,488 | 1,753 | 4,039 |
| **Total** | **173,860** | **149,283** | **77,005** | **65,100** |

Trade payables are non-interest bearing and are normally settled within 60 days for the Group and the Company.

## 12.22. Tax liabilities

The analysis of tax liabilities is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Income tax liabilities | 2,370 | 2,287 | - | - |
| Contribution on the net revenues | 53,022 | 46,273 | 43,524 | 36,700 |
| Other taxes (withholding, VAT) | 34,379 | 6,934 | 34,885 | 7,260 |
| **Total** | **89,771** | **55,495** | **78,409** | **43,960** |

As per L. 4389/2016, a 35% contribution is imposed on OPAP's net revenue (revenue minus players' winnings as per Greek GAAP) as of 01.01.2016, instead of 30% that was applicable since 01.01.2013 as per L. 4093/2012.

The amount of contribution on net revenues for the year ended on 31.12.2017 for the Company amounted to € 416,874 while the outstanding liability as at year ended on 31.12.2017 amounted to € 43,524. Respectively, for the year 2016, the amount of contribution on net revenue amounted to € 402,819 while the outstanding liability as at 31.12.2016 amounted to € 36,700. The amount payable to the Greek State as at 31.12.2017 relating to the contribution on the net revenues, increased as a result of the increased activities.

At other taxes at 31.12.2017 is included amount of € 23,300 that refers to tax on dividends.

## 12.23. Other current liabilities

Other current liabilities are analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Donations | 3,621 | 3,660 | 3,547 | 3,660 |
| Sponsorships | 9,181 | 8,197 | 707 | 693 |
| Wages and salaries | 6,717 | 6,747 | 6,087 | 6,360 |
| Dividends and interim dividends payable | 2,029 | 1,446 | 2,029 | 1,446 |
| Insurance contributions payable | 2,793 | 2,172 | 2,251 | 1,931 |
| Other liabilities | 24,876 | 24,250 | 19,062 | 9,500 |
| Liability for license on horse races betting | - | 20,251 | - | - |
| **Total** | **49,218** | **66,722** | **33,683** | **23,590** |

Other liabilities of the Company present significant variation compared to the previous year mainly due to the increased liability for bond loan interests by € 1,673, the new liability of € 214 for swaps and the increased provision for third party fees by € 7,616.

At Group level, the significant abovementioned increase of other liabilities of the Company was reversed due to the reduction of current liabilities of OPAP SERVICES S.A. by € 5,201, amount relating to extra fines and surcharges repaid in March 2017 and reduction of other current liabilities of HELLENIC LOTTERIES S.A. by € 3,300, amount relating to liability payable to its shareholder.

In 2016, the liability for license on horse races betting relates to a liability to HRADF of € 20,251, based on the Concession Agreement for the grant of an exclusive right to organize and conduct mutual betting on horse races in Greece for a period of twenty years. This liability was settled in January 2017.

## 12.24. Dividends

The Seventeenth (17th) Annual Ordinary Shareholders General Meeting of OPAP S.A. that took place on Thursday, 27.04.2017, approved the distribution of earnings and decided upon the distribution of a total gross dividend of € 0.72 per share prior to the tax withhold for the fiscal year 2016. Since the amount of € 0.12 per share had already been distributed to the shareholders as interim dividend pursuant to the dated 30.08.2016 decision of the Company's Board of Directors, the remaining dividend for the fiscal year 2016 amounted to € 0.60 per share prior to the relevant tax withhold. Eligible to receive the dividend were OPAP S.A. registered shareholders on Wednesday, 03.05.2017 (record-date), while its payment started on 09.05.2017.

The Board of Directors of the Company, at its meeting on 11.09.2017 decided the distribution of interim dividend for the year 2017 of € 31,782 or € 0.10 per share prior to the tax withhold excluding treasury shares.

The amount of interim dividend of € 0.10 per share is subject to withholding tax of 15% according to the Law 4387/2016, namely € 0.015 per share. Consequently, the shareholders received the net amount of € 0.085 per share. Eligible to receive the interim dividend were OPAP S.A. registered shareholders on Thursday, 28.09.2017 (record-date).

The eleventh (11th) Shareholders Extra-Ordinary General Meeting of OPAP S.A. that took place on Wednesday, 06.12.2017, approved the distribution of part of the past years undistributed earnings up to the year ending 31.12.2015. It specifically decided upon the distribution of a total gross dividend of € 0.70 euro per share prior to tax withhold and total gross amount of € 222,472. Eligible to receive the interim dividend were OPAP S.A. registered shareholders on Wednesday, 12.12.2017 (record-date).

## 12.25. GGR contribution and other levies and duties

As per L. 4389/2016, a 35% contribution is imposed on OPAP S.A. net revenue (revenue minus players' winnings as per Greek GAAP) as of 01.01.2016, instead of 30% that was applicable since 01.01.2013 as per L. 4093/2012. Moreover, based on the Betting Tax of Cyprus introduced in 2012, a betting tax of 13% is imposed on net revenues of Opap Sports Ltd. Finally, based on the interstate agreement between Greece and Cyprus, a special levy is paid to the Cypriot State from Opap Cyprus Ltd.

The amount of contribution on net revenue from games for 2017 for the Group amounted to € 482,578 (€ 466,743 in 2016) and for the Company amounted to € 416,874 (€ 402,819 in 2016).

## 12.26. Agents' commission

For the Company, agent commissions since April 2017, when the new contract with the agents came into force, are calculated as percentage on Net Gaming Revenue (NGR) and not as percentage on wagers that was due until then.

For the rest companies of the Group, agents' commissions are calculated as percentage on wagers depending on the game and especially for HELLENIC LOTTERIES S.A, the sales' channel. (wholesalers, mini markets, OPAP S.A. sales' network etc.).

## 12.27. Other NGR related commission

The relevant kind of commission refers to the entities of the Group which operate in gaming sector and their level is determined in line with the gaming activity as a percentage on wagers or on net gaming revenue (NGR). The variation compared to the previous year is attributed to the launch of the new games of the Group, namely VLTs and Virtual games.

## 12.28. Other operating income

The analysis of other operating income is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Commission on New Year's Eve Lottery revenues | 2,197 | 2,220 | - | - |
| Revenues from prepaid cards and mobile top-ups | 82,322 | 88,533 | - | - |
| Income from IT services | 1,726 | - | - | - |
| Management fees | - | - | 29,842 | 27,616 |
| Other income | 33,391 | 17,709 | 8,170 | 15,837 |
| **Total** | **119,636** | **108,462** | **38,012** | **43,453** |

Other income of the Company includes income from the reversal of provisions for litigation. In 2017 this amounted to € 1,923 while in 2016 to € 9,404. The Group's large increase in other operating income is mainly attributed to OPAP SERVICES S.A. which in current year generated income from the sale of gaming halls of € 15,950 (2016: € 361) and income from construction and other services to OPAP sales network of € 7,779.

The change in revenue from prepaid and phone cards is mainly due to the decrease in demand in the mobile telephony market.

Company's management fees include income from its subsidiaries OPAP CYPRUS LTD, HELLENIC LOTTERIES S.A. and HORSE RACES S.A..

## 12.29. Other operating cost

The other operating cost of the Group includes the consumption of TORA DIRECT S.A. phone cards amounting to € 75,757, the cost of the sold gaming halls of OPAP SERVICES S.A. of € 15,388 as well as the consumption of NEUROSOFT S.A. goods of € 640 for the production and development of software and IT systems.

## 12.30. Payroll expenses

The analysis of payroll expenses of the Company and the Group is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Wages and salaries | 50,324 | 44,231 | 43,784 | 38,569 |
| Social security costs | 10,352 | 7,909 | 8,787 | 6,834 |
| Other staff costs | 1,344 | 947 | 1,152 | 829 |
| Employee benefit plans | 1,516 | 2,036 | 1,413 | 1,985 |
| Termination compensations | 246 | 1,076 | 157 | 822 |
| **Total** | **63,781** | **56,199** | **55,294** | **49,038** |

The number of permanent and part time employees of the Company as at 31.12.2017 and 31.12.2016 is 1,045 and 843, respectively, while the employees of the Group as at 31.12.2017 and 31.12.2016 are 1,422 and 1,005, respectively.

## 12.31. Marketing expenses

Marketing expenses are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| CSR and sponsorships | 27,386 | 26,720 | 20,155 | 19,222 |
| Advertising | 40,045 | 39,201 | 27,330 | 27,524 |
| **Total** | **67,431** | **65,921** | **47,485** | **46,745** |

Marketing expenses both at Group and at Company level are not significantly differentiated from the previous year as a result of the Management's decision to keep this kind of expenditure stable.

## 12.32. Other operating expenses

The analysis of other operating expenses is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| IT related costs | 52,256 | 46,086 | 51,783 | 43,507 |
| Utilities & Telecommunication costs | 13,754 | 14,031 | 10,571 | 11,961 |
| Rentals | 8,809 | 8,393 | 5,248 | 5,323 |
| Other | 74,439 | 68,312 | 62,578 | 56,546 |
| Inventory consumption | 5,722 | 3,571 | 5,398 | 3,535 |
| **Total** | **154,980** | **140,391** | **135,579** | **120,871** |

The cost of the Company's and the Group's IT related costs is increased in 2017 mainly due to the additional costs of € 4,371 relating to repairs and maintenance of software and electronic systems for VLTs and SSBTs which both were introduced within 2017.

Other expenses of the Company and the Group in the year 2017 include an extraordinary non-recurring expense of € 7,103 related to the Company's termination contract with two IT providers.

At Company level, in other expenses is included the impairment loss of investments in subsidiaries amounting to € 13,659 (Note 12.5) (2016: €12,000).

## 12.33. Finance income / (costs)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Interest and expenses of bond loans | (22,477) | (15,684) | (20,051) | (12,892) |
| Other financial expenses | (1,484) | (1,226) | (587) | (273) |
| Capital cost of pension plans | (36) | (17) | (18) | (15) |
| **Finance costs** | **(23,998)** | **(16,928)** | **(20,656)** | **(13,181)** |
| | | | | |
| Bank deposits | 2,020 | 1,520 | 1,323 | 668 |
| Personnel loans | 4 | 5 | 4 | 5 |
| Other financial income | 909 | 2,110 | 84 | 106 |
| Reversal of previous period discount interest | 1 | 5 | 1 | 5 |
| **Finance income** | **2,934** | **3,641** | **1,412** | **784** |
| **Net finance costs recognized in statement of profit or loss** | **(21,064)** | **(13,287)** | **(19,245)** | **(12,397)** |

Interest and expenses of bond loans, both for the Company and the Group, increased significantly during the year 2017 versus the year 2016 due to the issuance of new bond loans (Note 12.17).

## 12.34. Other finance income

The Company, in 2017, presents dividend income from subsidiaries amounting to € 6,592. Specifically, the dividend from OPAP CYPRUS LTD was € 6,092, from OPAP SPORTS LTD € 500.

## 12.35. Income tax expense

The income tax charged to the statement of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2016 is analysed as follows:

**Amounts recognised in income statement**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Current income tax expense | (55,792) | (66,326) | (49,780) | (61,286) |
| Deferred tax | (5,821) | 2,266 | (5,344) | (541) |
| **Total income taxes** | **(61,613)** | **(64,060)** | **(55,125)** | **(61,826)** |
| **Effective tax rate** | **31.9%** | **27.0%** | **30.5%** | **26.4%** |

**Amounts recognised in profit or loss and other comprehensive income**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Deferred tax | (12) | 73 | 54 | 71 |
| **Total** | **(12)** | **73** | **54** | **71** |

Within 2016, the Company recognized tax-income of € 8.609 relating to a non-taxable provision for doubtful debts. For this reason, the effective tax rate for the year 2016 is lower than in 2017.

At Group level, it should be noted that for reasons of conservatism no deferred tax asset is recognized for the losses incurred by some of the Group's companies. In the year 2017 the losses for which no deferred tax asset was recognized amounted to € 27.593.

A reconciliation between the income tax expense and the accounting profit before tax multiplied by tax rates in force in Greece (29%) is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| **Profit before tax** | **193,238** | **236,916** | **180,687** | **233,914** |
| Tax calculated at the Company's statutory tax rate (29%) | (56,039) | (68,706) | (52,399) | (67,835) |
| Tax adjustments in respect of: | | | | |
| Impairment loss in investments non-deductible | - | - | (3,961) | (3,480) |
| Tax effect of non-deductible expenses | (2,862) | (4,596) | (2,123) | (850) |
| Tax effect of non-taxable and specially taxed income | 2,789 | 3,268 | 2,118 | 3,036 |
| Effect of unrecognized deferred tax asset on tax carry forward losses | (4,404) | (5,203) | - | - |
| Effect of different tax rates in other countries | 2,195 | 1,722 | - | - |
| Other taxes | 2,737 | 153 | 2,654 | 144 |
| Changes in estimates related to prior years | (1,566) | (599) | - | (1,450) |
| Utilization of provision for bad and doubtful debts | - | 8,609 | - | 8,609 |
| Other | (4,463) | 1,292 | (1,413) | - |
| **Income tax expense** | **(61,613)** | **(64,060)** | **(55,125)** | **(61,826)** |

## 12.36. Earnings per share

The basic and diluted earnings per share are calculated as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Net profit attributable to the shareholders of the Company (in €) | 126,209,996 | 170,236,310 | 125,562,682 | 172,087,770 |
| Weighted average number of ordinary shares | 317,840,974 | 318,531,770 | 317,840,974 | 318,531,770 |
| **Basic and diluted earnings per share (in €)** | **0.3971** | **0.5344** | **0.3950** | **0.5403** |

Basic and diluted earnings per share are the same, as the Company has no dilutive potential categories.

The weighted average number of shares is calculated on 31.12.2017 as follows:

| | 2017 | 2016 |
|---|---|---|
| Issued ordinary shares at 1 January | 319,000,000 | 319,000,000 |
| Effect of treasury shares held | (1,159,026) | (468,231) |
| **Weighted-average number of ordinary shares at December 31** | **317,840,974** | **318,531,770** |

## 12.37. Related party disclosures

The Group's financial statements for the year 2017 were consolidated by SAZKA Group a.s..

The term "related parties" includes not only the Group's companies, but also companies in which the parent participates in their share capital with a significant percentage, companies that belong to parent's main shareholders, companies controlled by members of the BoD or key management personnel, as well as close members of their family.

The Group's and the Company's income and expenses for the years of 2017 and 2016 as well as the balances of receivables and payables for the same period that have arisen from related parties' transactions, as defined by IAS 24, as well as their relevant figures are analysed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Income** | **01.01-31.12.2017** | **01.01-31.12.2016** | **01.01-31.12.2017** | **01.01-31.12.2016** |
| Subsidiaries | - | - | 36,807 | 36,950 |
| Associates | - | 1,924 | - | - |
| **Total** | **-** | **1,924** | **36,807** | **36,950** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Expenses** | **01.01-31.12.2017** | **01.01-31.12.2016** | **01.01-31.12.2017** | **01.01-31.12.2016** |
| Subsidiaries | - | - | 7,964 | 5,640 |
| Associates | 7,271 | 8,303 | 6,473 | 3,512 |
| **Total** | **7,271** | **8,303** | **14,437** | **9,152** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Receivables** | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| Subsidiaries | - | - | 32,756 | 31,271 |
| **Total** | **-** | **-** | **32,756** | **31,271** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Payables** | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| Subsidiaries | - | - | 5,440 | 1,488 |
| Associates | 600 | 1,092 | 600 | 700 |
| **Total** | **600** | **1,092** | **6,040** | **2,188** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Transactions and salaries of executive and administration members** | **01.01-31.12.2017** | **01.01-31.12.2016** | **01.01-31.12.2017** | **01.01-31.12.2016** |
| BoD and key management personnel | 11,454 | 10,674 | 8,772 | 8,271 |
| **Total** | **11,454** | **10,674** | **8,772** | **8,271** |

The remuneration of the BoD and key management personnel of the Group is analyzed as follows:

a) the Group’s BoD compensation, reached € 881 for the year 2017 and € 735 for the year 2016 and

b) the Group’s key management personnel remuneration, reached € 10,573 for the year 2017 and € 9,939 for the year 2016.

The remuneration of the BoD and key management personnel of the Company is analyzed as follows:

a) the Company’s BoD compensation, reached € 409 for the year 2017 and € 330 for the year 2016 and

b) the Company’s key management personnel remuneration, reached € 8,363 for the year 2017 and € 7,941 for the year 2016.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Liabilities from BoD compensation & remuneration** | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| BoD and key management personnel | 450 | 302 | 342 | 246 |
| **Total** | **450** | **302** | **342** | **246** |

The balance from management's remuneration and Board of Directors' compensation refers to:

a) key management's personnel remuneration and compensation of the Group that amounted to € 450 for the year 2017 and € 302 for the year 2016 and

b) key management's personnel remuneration and compensation of the Company that amounted to € 342 for the year 2017 and € 246 for the year 2016.

All the inter-company transactions and balances of the above have been eliminated in the consolidated financial statements of the Group.

## 12.38. Other disclosures

### Contingent liabilities

#### A) Tax liabilities

The companies of the Group subject to tax audit by legal auditors, were tax audited by their Certified Auditors Accountants, according to the terms of article 82, par. 5 of the Law 2238/1994 and the article 65A, par. 1 of L. 4174/2013 that has been accordingly revised by L. 4262/2014, and received the Tax Compliance Reports without differences.

More specifically, the audited tax years by Certified Auditors are:

| Company's Name | Fiscal Years |
|---|---|
| OPAP S.A. | 2011-2016 |
| OPAP SERVICES S.A. | 2011-2016 |
| HELLENIC LOTTERIES S.A. | 2014-2016 |
| TORA DIRECT S.A. | 2011-2016 |

In any case and according to POL. 1006/05.01.2016, Greek companies subject to the Tax Certificate process are not excluded from a tax audit by tax authorities. Subsequently, tax liabilities for these fiscal are not considered to be final. A possible tax audit may impose further taxes and fines, the amount of which is not expected to be material.

Group companies' outside Greece have not been tax audited for the below years:

| Company's Name | Fiscal Years |
|---|---|
| OPAP CYPRUS LTD | 2013 – 2017 |
| OPAP SPORTS LTD | 2017 |
| OPAP INTERNATIONAL LTD | 2004 – 2017 |
| OPAP INVESTMENT LTD | 2012 – 2017 |

A provision of € 1,258 has been recognized by OPAP SERVICES S.A. regarding the unaudited tax years by tax authorities.

Finally, it is worth mentioning that OPAP S.A. has appealed to the administrative courts, awaiting the hearing, for the imposition in 2014 of additional taxes and surcharges for the fiscal year 2010 of a total amount of € 29,568 and at the same time OPAP SERVICES S.A. has also exercised any legal right against the imposition of additional taxes and surcharges totaling € 2,773 resulting from the tax audit conducted in 2016 for the fiscal year 2012.

### B) Legal matters:

OPAP S.A. Legal Department estimations concerning legal claims against OPAP S.A., for which a negative outcome is likely, result in a provision, including interest, for the Company amounting to € 29,337 and for the Group € 29,425, while the total amount of these claims for the Company amounts to € 29,611 and for the Group € 30,551. The total cumulative provision on 31.12.2017 is analyzed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Labor disputes | 7,110 | 21,401 | 7,022 | 21,284 |
| Lawsuits from individuals or legal entities | 22,315 | 10,793 | 22,315 | 10,793 |
| **Total provision** | **29,425** | **32,195** | **29,337** | **32,078** |

Furthermore, according to the Legal Counsel, third party lawsuits against the Group have been filed of a total claim of € 79,135 (2016: € 229,378), for which the outcome is estimated as positive for the Group and consequently, no provision is required.

There are no other pending or outstanding differences related to the Company or the Group as well as court or other administrative authorities' resolutions that might have a material effect on the financial statements or the operation of the Company and its subsidiaries.

### C) Request for Arbitration against HORSE RACES S.A.

On 24.04.2015, HORSE RACES S.A. signed a concession agreement with the Hellenic Republic Asset Development Fund (HRADF) for the 20-year exclusive license to organise and conduct horse races mutual betting. The final approval was provided by the Greek Parliament on 23.10.2015 and the operations commenced on 08.01.2016.

The Hellenic Republic Asset Development Fund (HRADF) filed on 02.05.2017, a Request for Arbitration against HORSE RACES S.A., at the London Court of International Arbitration. The subject matter of the dispute relates to the existence or inexistence of HORSE RACES S.A. obligation to pay 10% interest (€2,250 ) on the last instalment of the financial consideration (€20,250) which HRADF assumes payable.

Management considers that this amount will not be charged against HORSE RACES S.A. and no provision has been raised.

### Commitments

Future minimum payments under the agreements are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Less than 1 year | 107,518 | 141,492 | 49,015 | 53,885 |
| 1 - 5 years | 264,088 | 248,183 | 52,587 | 29,083 |
| More than 5 years | 209,748 | 258,198 | 11,508 | 1,350 |

It is worth noting that the above table excludes those contracts which result in regular obligations of a variable amount, since it is practically impossible to calculate with reliability the exact amount of the said obligations.

## 12.39. Financial instruments and financial risk factors

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuing technique:

**Level 1**: quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2**: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3**: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year there were no transfers between level 1 and level 2 fair value measurement, and no transfers into and out of level 3 fair value measurement.

The following tables compare the carrying amount of the Group's and the Company's financial instruments that are carried at amortized cost to their fair value:

| GROUP | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **Financial assets** | | | | |
| Trade receivables | 127,831 | 80,647 | 127,831 | 80,647 |
| Cash and cash equivalents | 246,102 | 273,523 | 246,102 | 273,523 |
| Housing loans to personnel | 291 | 335 | 291 | 335 |
| Guarantee deposits | 1,172 | 1,335 | 1,172 | 1,335 |
| Prepayments of retirement benefits | 221 | 221 | 221 | 221 |
| **Financial liabilities** | | | | |
| Long term loans | 513,098 | 263,000 | 518,898 | 263,000 |
| Short term loans | 169,171 | 118,689 | 169,171 | 118,689 |
| Trade payables | 173,860 | 149,283 | 173,860 | 149,283 |
| Accrued financial expenses | 4,378 | 2,818 | 4,378 | 2,818 |
| Liabilities arising from derivatives (swap) | 214 | - | 214 | - |

| COMPANY | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **Financial assets** | | | | |
| Trade receivables | 54,362 | 33,680 | 54,362 | 33,680 |
| Cash and cash equivalents | 94,270 | 65,433 | 94,270 | 65,433 |
| Housing loans to personnel | 291 | 335 | 291 | 335 |
| Guarantee deposits | 921 | 680 | 921 | 680 |
| Prepayments of retirement benefits | 221 | 221 | 221 | 221 |
| **Financial liabilities** | | | | |
| Long term loans | 467,342 | 208,000 | 473,142 | 208,000 |
| Short term loans | 169,171 | 118,689 | 169,171 | 118,689 |
| Trade payables | 77,005 | 65,100 | 77,005 | 65,100 |
| Accrued financial expenses | 4,219 | 2,546 | 4,219 | 2,546 |
| Liabilities arising from derivatives (swap) | 214 | - | 214 | - |

The fair value of long-term and short-term loans is determined on the basis of quoted (unadjusted) prices. The fair value of other financial assets and financial liabilities approximates their carrying amounts.

Next, we present the main risks and uncertainties which the Group is exposed.

### Risk related to political and economic conditions, as well as market conditions and developments in Greece

On a macroeconomic level, the realization of the Third Economic Adjustment Program of the Greek economy, in conjunction with the positive growth rates that the Greek economy recorded in 2017 as well as the upgrade of Greece's credit rating by the three rating agencies, set the grounds for the return to an established course of sustainable growth. However, the completion of the Adjustment Programs continues to be subject to a series of conditions that may lead to negative effects for the Group's business activities, operational results and financial status.

The Group's activity is significantly affected by the disposable income, private consumption, which in turn are affected by the current economic conditions in Greece, such as the unemployment rate, interest rates, inflation rate, tax rate and the increase in GDP rate. Moreover, the economic recession, financial uncertainty and a number of the Group's customers potential interpretation that the economic conditions are deteriorating, could result in a decrease of the usage of the various gaming services that the Group offers to the public.

The return to economic stability depends greatly on the actions and decisions of the institutions both in the country and abroad, as well as from the assessment of the Greek economy from international creditors in the context of the adjustment programs.

Any further negative development in the economy would affect the normal operations. However, Management is continually adjusted to the situation and ensures that all necessary actions are taken, to maintain undisturbed activities.

### Change in regulatory requirements

The gaming sector in Greece is intensively regulated by the Hellenic Gaming Commission. The Greek authorities have the right to unilaterally alter the legislative and regulatory framework that governs the manner and modus operandi of the games that the Group offers.

The developments in the Greek regulatory framework, drive evolving regulatory challenges for the Group. Changes in the regulatory environment may have a substantial impact, through restricting betting activities or changing compliance costs and taxes.

OPAP S.A. consistently complies with regulatory standards, while understands and addresses changing regulatory requirements in an efficient and effective manner. Additionally, a potential failure on the Group's part to comply with the governing rules and the regulatory framework, as well as the enactment of new laws or/and further regulatory enforcement could have a negative impact on the Group's business activities. Additionally, restrictions on advertising can reduce the ability to reach new customers, thus impacting the implementation of the strategic objectives to focus on sustainable value increase.

OPAP S.A. is actively engaging and maintaining dialogue with authorities, regulators and other key stake holders, to continually monitor the changing regulatory/legal landscape and through appropriate policies, processes and controls for a rational and balanced gaming regulation.

### Market risk

Market risk arises from the possibility that changes in market prices such as exchange rates and interest rates affect the results of the Group and the Company or the value of financial instruments held. The management of market risk consists in the effort of the Group and the Company to control their exposure to acceptable limits.

### Currency risk

Currency risk is the risk that the fair values of the cash flows of a financial instrument fluctuate due to foreign currency changes. Group operates in Greece and Cyprus, and there are not any agreements with suppliers in currencies other than in euro. All revenues from games are in euro, transactions and costs are denominated or based in euro, subsequently, there is not any substantial foreign exchange risk. Additionally, the vast majority of Group's cost base is, either proportional to our revenues (i.e. payout to winners, agents commission) or to transactions with domestic companies (i.e. IT, marketing).

### Interest rate risk

The Group is exposed to interest rate risk principally in relation to outstanding debt. The existing debt facilities, as of 31.12.2017, stand at € 682,269 and € 636,513 for the Group and the Company respectively. The Group follows all market developments with regards to the interest rate environment and acts accordingly. On 31.12.2017 the Group is exposed to Interest rate risk on € 386,198 th. of debt as the remaining €99,273 are hedged via an interest rate swap and € 196,798 are with fixed interest rate (bond loan).

### Capital Management

The primary objective of the Group and the Company, relating to capital management is to ensure and maintain strong credit ability and healthy capital ratios to support the business plans and maximize value for the benefit of shareholders. The Group has improved materially its capital structure, and maintains a healthy net debt/EBITDA ratio of 1.4x as of 31/12/2017. In addition, it retains an efficient cash conversion cycle thus optimizing the operating cash required in order to secure its daily operations, while diversifying its cash reserves so as to achieve flexible working capital management within the domestic capital control environment.

The Group manages the capital structure and makes the necessary adjustments to conform to changes in business and economic environment in which they operate. The Group and the Company in order to optimize the capital structure, may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares.

The capital for the years 2017 and 2016 is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Long term loans | 513,098 | 263,000 | 467,342 | 208,000 |
| Short-term loans | 169,171 | 118,689 | 169,171 | 118,689 |
| **Total debt** | **682,269** | **381,689** | **636,513** | **326,689** |
| Minus : Cash and cash equivalents | (246,102) | (273,523) | (94,270) | (65,433) |
| **Net debt** | **436,167** | **108,166** | **542,243** | **261,257** |
| Total Equity | 758,167 | 1,072,231 | 717,023 | 1,038,121 |
| Profit before interest, tax, depreciation and amortization (EBITDA) | 306,455 | 307,540 | 259,971 | 273,892 |
| **Total debt / Total Equity** | **90.0%** | **35.6%** | **88.8%** | **31.5%** |
| **Net debt / Profit before interest, tax, depreciation and amortization (EBITDA)** | **1.4** | **0.4** | **2.1** | **1.0** |

A change by one basis point in interest rates as of 31.12.2017 would have a small effect on the results and the equity.

### Credit risk

The Group's exposure to credit risk arises mainly from agents' bad debts as well as from the debts of agents for which arrangements have been made. The main credit risk management policy is the establishment of credit limits per agent. Additionally, the Group is taking all necessary steps to mitigate credit risk exposure towards financial institutions. The Group is also exposed towards credit risk in respect of entities with which it has deposited funds or with which it has other contractual relationships.

The Group manages credit risk exposure to its agents through various practices. Each agent is required to provide the Group with a warranty deposit as a guarantee. These deposits are aggregated and are available in the event of a default in payment by any agent. In addition, a maximum amount that an agent may owe during each settlement period has been imposed. If the amounts owed by an agent exceed the relevant limit during any settlement period, the agent's terminal is automatically blocked from accepting wagers.

Assets subject to credit risk as at the date of the Statement of Financial Position are analysed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| ***Financial Assets Categories*** | | | | |
| Cash and cash equivalents | 246,102 | 273,523 | 94,270 | 65,433 |
| Trade and other receivables | 186,363 | 151,404 | 84,258 | 83,878 |
| Other non - current assets | 22,553 | 6,384 | 40,225 | 21,263 |
| **Total** | **455,017** | **431,311** | **218,754** | **170,574** |

The ageing of the above financial assets is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Within 3 months | 432,437 | 424,836 | 178,501 | 149,219 |
| From 3 months to 6 months | 14 | 38 | 14 | 38 |
| From 6 months to 1 year | 11 | 41 | 11 | 41 |
| Over 1 year | 22,555 | 6,396 | 40,227 | 21,276 |
| **Total** | **455,017** | **431,311** | **218,754** | **170,574** |

All the financial assets in the table above are not yet due or impaired except for bad debts that are not only due but also impaired and receivables by agents that are not due but are impaired. Both these categories are included in Trade Receivables (see Note 12.11) and are fully covered through provisions.

### Liquidity risk

The Group manages liquidity risk by managing betting games' payout ratio and the proper design of each game. With the exception of fixed-odds sports betting games, all of the remaining games have a theoretical payout (relating to prizes normally attributed to winners) based on each game's mathematics. As the theoretical payout is calculated on a very large number of draws, small deviations can occur in some of the numerical games in shorter time frames. For example, Kino is a fixed odds game that statistically distributes approximately 69.5% of net receivables to the winners, with deviations mostly around 1%. The Group manages liquidity risk by limiting the size of player winnings. For example, Kino has a maximum prize of € 1,000. Maximum winnings/column are also defined for Stihima, a fixed odds betting game in which winning depends on correctly guessing the results of sporting events, and other events that by their nature allow for wagering. For Stihima game a comprehensive risk management methodology is implemented at different stages of the sport-betting cycle, setting different limits and odds per sport, league and game while treating each event differently. At any given time, bets placed are tracked, received and accepted or not accepted. In addition, the trading team can also monitor any high bets placed and negotiate with the bettor so that the bet is within the approval limits. Finally, proper software is used to find, in real-time, suspicious betting patterns and cases for sure bets or arbitrage opportunities.

The maturity of the financial liabilities as at 31.12.2017 and 31.12.2016 for the Group and Company is analyzed as follows:

| GROUP | Short Term | | Long Term | Total of undiscounted liabilities |
|---|---|---|---|---|
| Year that ended on December 31, 2017 | Within 6 months | 6 till 12 months | 1 till 5 years | |
| Other long term liabilities | - | - | 9,354 | 9,354 |
| Borrowings | 159,671 | 9,500 | 513,098 | 682,269 |
| Trade payables | 143,988 | 29,872 | - | 173,860 |
| Other short term liabilities | 49,218 | - | - | 49,218 |
| Total | 352,877 | 39,372 | 522,451 | 914,700 |

| GROUP | Short Term | | Long Term | Total of undiscounted liabilities |
|---|---|---|---|---|
| Year that ended on December 31, 2016 | Within 6 months | 6 till 12 months | 1 till 5 years | |
| Other long term liabilities | - | - | 6,699 | 6,699 |
| Borrowings | 87,750 | 30,939 | 263,000 | 381,689 |
| Trade payables | 119,411 | 29,872 | - | 149,283 |
| Other short term liabilities | 66,722 | - | - | 66,722 |
| Total | 273,883 | 60,811 | 269,699 | 604,393 |

| COMPANY | Short Term | | Long Term | Total of undiscounted liabilities |
|---|---|---|---|---|
| Year that ended on December 31, 2017 | Within 6 months | 6 till 12 months | 1 till 5 years | |
| Other long term liabilities | - | - | 7,590 | 7,590 |
| Borrowings | 159,671 | 9,500 | 467,342 | 636,513 |
| Trade payables | 77,005 | - | - | 77,005 |
| Other short term liabilities | 33,683 | - | - | 33,683 |
| Total | 270,359 | 9,500 | 474,932 | 754,791 |

| COMPANY | Short Term | | Long Term | Total of undiscounted liabilities |
|---|---|---|---|---|
| Year that ended on December 31, 2016 | Within 6 months | 6 till 12 months | 1 till 5 years | |
| Other long term liabilities | - | - | 5,306 | 5,306 |
| Borrowings | 87,750 | 30,939 | 208,000 | 326,689 |
| Trade payables | 65,100 | - | - | 65,100 |
| Other short term liabilities | 23,590 | - | - | 23,590 |
| Total | 176,439 | 30,939 | 213,306 | 420,684 |

## Security risk

Reliability and transparency in relation to the operation of the games are ensured by several security measures designed to protect information technology system from breaches in security such as illegal retrieval and illegal storage of data and accidental or intentional destruction of data. Security measures cover data processing system, software applications, the integrity and availability of data and the operation of the on-line network. Additionally, all critical business applications that relate to game operation and availability are hosted in systems that guarantee high availability, including transferring to a Backup Computer System if deemed necessary. Moreover, a critical evaluation of all systems is conducted – whether they are directly related to game availability or not – so that they can be integrated into the Disaster Recovery Plan, if deemed necessary. All applications are integrated in a security backup creation system according to their significance.

## Additional tax charges

The Group's business activities and the sector in which it does business are subject to various taxes and charges, such as the special contribution regarding games which is calculated based on the gross gaming revenue, the tax on players' winnings and the income tax of legal entities.

The Company is exposed to the risk of changes to the existing gaming taxation status or the gaming tax rates, creating unexpected increased costs for the business and impacting the implementation of Group's strategic objectives for sustainable revenues and additional investments. The Company is seeking to promptly respond to any potential tax changes, by maintaining the required tax planning resources and developing contingency plans so as to implement the required mitigating actions and to minimize the overall impact.

## Risk of additional charges for OPAP CYPRUS LTD

In October 2017, the Attorney General delivered to the Auditor General and following his request, an opinion by which OPAP CYPRUS LTD supposedly does not pay to the Republic of Cyprus the amounts due under the Bilateral Treaty by making a new interpretation of the Bilateral Treaty, totally different from the interpretation given by the Republic of Cyprus throughout the duration of the Bilateral Treaty since 2003. The General Accountant of the Republic of Cyprus, who is authorized under the Bilateral Treaty to audit the accounts of OPAP CYPRUS LTD, took a different position from the Attorney General supporting the way OPAP CYPRUS LTD calculated its contributions to Republic of Cyprus. No claim has been made to-date against OPAP CYPRUS LTD and OPAP S.A. is convinced, that the interpretation of the Attorney General is unfounded.

### New draft law for licensing of games of chance in Cyprus

OPAP CYPRUS LTD operates in Cyprus on the basis of the 2003 bilateral treaty ("BT") between the Republic of Cyprus and the Hellenic Republic. The BT can be terminated by either State by giving to the other State 12 months prior notice. The Republic of Cyprus on 30 December 2017 communicated to the European Commission, though the TRIS notification number 2017/676/CY, a draft law entitled "2017 law on certain gambling services" ("Draft Law"). According to the Draft Law, a special committee will run the concession process and submit a proposal to the Minister of Finance for the selection of the appropriate operator to be granted with the exclusive license regarding the offer of certain numeric games of chance in the Republic of Cyprus. This Committee shall first proceed to a suitability assessment of the current operator, i.e. OPAP CYPRUS LTD. If the existing operator is found not suitable for being granted an exclusive license, the Committee shall ask expression of interest from interest parties. The prospective operator will sign a concession agreement with Republic of Cyprus. The Draft law has not yet been voted by the House of Representatives of the Republic of Cyprus and the BT remains in full force and effect.

## 12.40. Audit and other fees

The auditors of the Company as well as of all its subsidiaries apart from NEUROSOFT S.A., for the year 2017 was the audit firm KPMG Certified Auditors S.A.. The audit and other fees of the Company and the Group (excluding NEUROSOFT's S.A.) are analyzed as follows:

| (Amounts in thousands of euro) | GROUP | | COMPANY | |
|---|---|---|---|---|
| **Year that ended on December 31,** | **2017** | **2016** | **2017** | **2016** |
| Audit and tax certificate fees | 473 | 483 | 203 | 214 |
| Other audit fees | 243 | 170 | 207 | 132 |
| Other services | 200 | 108 | 192 | 83 |
| **Total** | **916** | **761** | **601** | **429** |

## 12.41. Reclassifications

In the Statement of Financial Position of the Group for the period 2016, the amount of € 4,065.4 was reclassified from 'Trade payables' to 'Tax liabilities'. Additionally, in the Income Statement of the Group for the year 2016 the following amounts were reclassified:

- € 599.6 from 'Other operating expenses' to 'Agents commission',
- € 547.9 from 'Marketing expenses' to 'Other operating expenses' and
- € 86.1 from 'Marketing expenses' to 'Other operating expenses'

Finally, it is noted that from the aforementioned reclassifications, the amount of € 547.9 relates to the Company and also that all the amounts were reclassified for better presentation and comparativeness between the periods.

## 12.42. Subsequent events

### Share Capital Increase of Tora Direct S.A

The extraordinary General Meeting of Tora Direct S.A. that took place on 18.12.2017, approved a Share Capital Increase of € 1,001 through the issuance of 1,390,000 new ordinary shares with a nominal value of € 0.72 each. The share capital increase was covered on 11.01.2018.

### Share capital increase of HORSE RACES S.A.

On 30.01.2018 the extraordinary General Meeting of HORSE RACES S.A. decided to increase the company's share capital by € 5,000 through the issuance of 500,000 new ordinary shares of € 10 nominal price each. The share capital increase was covered on 05.02.2018.

### TORA WALLET S.A. licensed as an Electronic Money Institution by the Bank of Greece

On 12.02.2018 the procedure for the licensing of TORA WALLET S.A. as an Electronic Money Institution by the Bank of Greece has been completed. This development marks the official commencement of TORA WALLET S.A.'s activities in the financial services sector through OPAP's agency network.

### Tax audit of OPAP S.A. for the year 2012

OPAP S.A. is subject to tax audit for the fiscal year 2012, since November 2017.  Although the tax audit has not yet been finalized, it should be noted that no significant findings have been arisen.

### Loan restructuring OPAP S.A.

Within the framework to achieve more favorable borrowing terms, the Company proceeded in March 2018 with its loan portfolio restructuring. More specifically, it repaid, earlier and without extra cost, loans of an amount of € 215,000  which at the time bore interest rate of 3.9% (floating) and at the same time issued a new 5-year duration bond loan of € 250,000  which bears fixed interest of 3.1%.

| Chairman | Chief Executive Officer | Board Member and Chief Financial Officer | Accounting and Consolidation Director |
|---|---|---|---|
| **Kamil Ziegler** | **Damian Cope** | **Michal Houst** | **Petros Xarchakos** |

# IV. Summary Financial Information for the fiscal year 2017

## OPAP S.A.

**GREEK ORGANIZATION OF FOOTBALL PROGNOSTICS S.A.**
**Register Number: 46329/06/B/00/15**
**General Electronic Commercial Registry-G.E.MI. Number: 3823201000**
**112, Athinon Ave, 104 42 Athens**
**FINANCIAL DATA AND INFORMATION**
**FOR THE PERIOD FROM JANUARY 1,2017 TO DECEMBER 31, 2017**
**(Published in accordance with L. 2190/1920, article 135 for companies preparing annual consolidated and separate financial statements, in accordance with the I.F.R.S.)**

**The purpose of the following information and financial data is to provide users wuth general information about the results of operations of OPAP S.A. ("Company") and OPAP Group ("Group"). Therefore, we recommend the users of the financial data and information, before making any investment decision or proceeding to any transaction with the Group or the Company, to obtain the necessary information from the website, where the consolidated and separate financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the E.U., are available, together with the auditors' report.**

| | | | |
|---|---|---|---|
| Responsible Supervisory Authority: | Ministry of Economy, Development and Tourism | Approval date of the financial statements: | 26 March 2018 |
| Company's Website: | www.opap.gr | Certified Auditor: | Nikolaos Vouniseas (Registry No SOEL 18701) |
| Board of Directors: | Kamil Ziegler, Damian Cope, Spyros Fokas, Pavel Saroch, Michal Houst, Georgios Melisanidis, Christos Kopelouzos, Pavel Horak, Robert Chvátal, Marco Sala, Igor Rusek, Rudolf Jurcik, Dimitrakis Potamitis | Auditing Company: | KPMG Certified Auditors S.A. (Registry No SOEL 114) |
| | | Type of Auditors' Opinion: | Unqualified |

### FINANCIAL POSITION STATEMENT INFORMATION
(Amounts in thousands of euro)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **ASSETS** | | | | |
| Intangible assets | 1,163,867 | 1,216,858 | 1,001,442 | 1,041,090 |
| Property, plant & equipment | 109,298 | 67,583 | 86,994 | 45,196 |
| Investment property | 922 | 940 | 922 | 940 |
| Other non - current assets | 82,439 | 44,909 | 322,172 | 301,880 |
| Inventories | 7,920 | 12,469 | 1,927 | 2,350 |
| Trade receivables | 127,829 | 80,634 | 54,360 | 33,667 |
| Other current assets | 304,634 | 344,280 | 124,167 | 115,631 |
| **TOTAL ASSETS** | **1,796,910** | **1,767,675** | **1,591,984** | **1,540,755** |
| **LIABILITIES & EQUITY** | | | | |
| Share capital | 95,700 | 95,700 | 95,700 | 95,700 |
| Other equity items | 619,070 | 939,577 | 621,323 | 942,421 |
| **Equity attributable to owners of the Company (a)** | **714,770** | **1,035,277** | **717,023** | **1,038,121** |
| **Non-controlling interests (b)** | 43,397 | 36,954 | - | - |
| **Total equity (c)=(a)+(b)** | **758,167** | **1,072,231** | **717,023** | **1,038,121** |
| Provisions / Other non-current liabilities | 43,625 | 42,254 | 49,351 | 43,296 |
| Long-term loans | 513,098 | 263,000 | 467,342 | 208,000 |
| Short-term loans | 169,171 | 118,689 | 169,171 | 118,689 |
| Other current liabilities | 312,849 | 271,500 | 189,097 | 132,649 |
| **Total liabilities (d)** | **1,038,743** | **695,443** | **874,961** | **502,634** |
| **TOTAL LIABILITIES & EQUITY (c)+(d)** | **1,796,910** | **1,767,675** | **1,591,984** | **1,540,755** |

### COMPREHENSIVE INCOME STATEMENT INFORMATION
(Amounts in thousands of euro)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12.2017 | 1.1-31.12.2016 | 1.1-31.12.2017 | 1.1-31.12.2016 |
| **Revenue (GGR)** | **1,455,514** | **1,397,565** | **1,201,589** | **1,152,655** |
| **Net gaming revenue (NGR)** | **972,936** | **930,822** | **784,715** | **749,836** |
| **Results from operating activities** | **214,570** | **249,254** | **193,339** | **237,208** |
| **Profit before tax** | **193,238** | **236,916** | **180,687** | **233,914** |
| **Profit (A)** | **131,625** | **172,856** | **125,563** | **172,088** |
| *-Owners of the Company* | 126,210 | 170,236 | 125,563 | 172,088 |
| *-Non-controlling interests* | 5,415 | 2,620 | - | - |
| **Other comprehensive income, net of tax (B)** | 29 | (179) | (131) | (175) |
| **Total comprehensive income (A)+(B)** | **131,655** | **172,677** | **125,431** | **171,913** |
| *-Owners of the Company* | 126,188 | 170,057 | 125,431 | 171,913 |
| *-Non-controlling interests* | 5,467 | 2,620 | - | - |
| Basic and diluted earnings (after tax) per share (in € ) | 0.3971 | 0.5344 | 0.3950 | 0.5403 |
| Dividend proposed per share (in €) | 0.4000 | 0.7200 | 0.4000 | 0.7200 |
| **Profit before interest, tax, depreciation and amortization (EBITDA)** | **306,455** | **307,540** | **259,971** | **273,892** |

### CHANGES IN EQUITY STATEMENT INFORMATION
(Amounts in thousands of euro)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| **Balance as of January 1st, 2017 and 2016 respectively** | **1,072,231** | **1,202,827** | **1,038,121** | **1,162,282** |
| Total comprehensive income | 131,655 | 172,677 | 125,431 | 171,913 |
| Dividends paid | (446,643) | (293,106) | (444,944) | (293,106) |
| Acquisition of subsidiaries with non controlling interests | 2,675 | - | - | - |
| Acquisition of treasury shares | (1,585) | (4,735) | (1,585) | (4,735) |
| Share capital increase expenses of subsidiaries | (165) | (601) | - | - |
| Share capital decrease of subsidiaries | - | (6,598) | - | - |
| Long-term bonus incentive scheme | - | 1,768 | - | 1,768 |
| **Balance as of December 31st, 2017 and 2016** | **758,168** | **1,072,231** | **717,023** | **1,038,121** |

### CASH FLOW STATEMENT INFORMATION
(Amounts in thousands of euro)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 1.1-31.12.2017 | 1.1-31.12.2016 | 1.1-31.12.2017 | 1.1-31.12.2016 |
| **Operating activities** | | | | |
| Profit before tax | 193,238 | 236,916 | 180,687 | 233,914 |
| Adjustments for: | | | | |
| Depreciation and amortization | 89,142 | 58,286 | 66,631 | 36,684 |
| Net finance costs | 21,083 | 13,199 | 12,671 | 3,206 |
| Employee benefit plans | 1,516 | 3,112 | 1,413 | 2,807 |
| Provisions for bad debts | 1,554 | 72 | 1,162 | (149) |
| Other provisions | (1,884) | (11,788) | (1,923) | (11,692) |
| Impairment losses on tangible & intangible assets | 2,742 | 29 | - | - |
| Exchange differences | (19) | 88 | (19) | 88 |
| Impairment of investment in subsidiary | - | - | 13,659 | 12,000 |
| Reversal of impairment loss on remeasurement of associates | - | (350) | - | - |
| Share of (profit)/loss from associates | 267 | (600) | - | - |
| Profit from investing activities | (47) | (705) | (28) | (642) |
| Other non-cash items | - | - | 2,755 | 2,869 |
| Changes in Working capital | | | | |
| (Increase) / decrease in inventories | 5,155 | 789 | 423 | (2,071) |
| Increase in receivables | (63,274) | (66,996) | (43,714) | (41,746) |
| Increase / (decrease) in payables (except banks) | 14,994 | 22,060 | 20,857 | (3,505) |
| Increase / (Decrease) in taxes payable | 33,861 | (27,735) | 34,650 | (29,018) |
| Minus: | | | | |
| Interest paid | (21,992) | (15,140) | (18,440) | (11,469) |
| Income tax paid | (31,412) | (116,937) | (25,665) | (107,801) |
| **Net cash flows from operating activities (a)** | **244,925** | **94,301** | **245,120** | **83,475** |
| **Investing activities** | | | | |
| Proceeds from sale of tangible and intangible assets | 125 | 684 | 45 | 677 |
| Purchase of tangible and intangible assets | (96,281) | (42,865) | (68,779) | (26,460) |
| Acquisition of subsidiary, net of cash acquired | (31,583) | (695) | - | - |
| Loan repayments from third parties | 1,564 | - | - | - |
| Loans granted to third parties | - | (12,700) | - | - |
| Loans granted to Group companies | - | - | (3,600) | - |
| Share capital increase in subsidiaries | - | - | (15,000) | (145,000) |
| Interest received | 2,406 | 3,261 | 1,151 | 485 |
| Dividends received | - | - | 6,592 | 9,103 |
| **Net cash flows used in investing activities (b)** | **(123,769)** | **(52,315)** | **(79,590)** | **(161,196)** |
| **Financing activities** | | | | |
| Proceeds from loans & borrowings | 350,000 | 276,689 | 350,000 | 221,689 |
| Payments of loans & borrowings | (46,041) | (42,097) | (36,018) | (12,097) |
| Acquisition of treasury shares | (1,585) | (4,735) | (1,585) | (4,735) |
| Transaction costs related to loans & borrowings | (4,726) | - | (4,726) | - |
| Payment of finance lease principal | - | - | - | - |
| Share capital increase expenses of subsidiaries | (165) | (599) | - | - |
| Return of share capital of subsidiary | - | (6,598) | - | - |
| Dividends paid | (446,060) | (292,819) | (444,362) | (292,819) |
| **Net cash flows used in financing activities (c)** | **(148,578)** | **(70,158)** | **(136,691)** | **(87,961)** |
| **Net (decrease) / increase in cash and cash equivalents (a)+(b)+(c)** | **(27,421)** | **(28,172)** | **28,838** | **(165,682)** |
| Cash and cash equivalents at the beginning of the year | 273,523 | 301,695 | 65,433 | 231,115 |
| **Cash and cash equivalents at the end of the year** | **246,102** | **273,523** | **94,270** | **65,433** |

### ADDITIONAL INFORMATION

**1a. The unaudited by the tax authorities fiscal years for the Company and the Group's subsidiaries are presented in note 12.38 of the annual financial statements.**
**1b. For unaudited fiscal years, a cumulative provision has been made concerning tax differences amounting to € 1,258 thousand for the Group.**
**2. The assets of the Group and the Company have not been pledged.**
**3a. According to the Company's Legal Counsel, there are lawsuits from third parties concerning claims against the Company amounting to € 29,337 thousand and € 29,425 thousand for the Group for which a provision has been recognized, while the total sum of these claims reaches € 29,611 thousand for the Company and € 30,551 thousand for the Group.**
**3b. Total cumulative provision per category is analyzed as follows:**
**i) for legal issues € 29,337 thousand for the Company and € 29,425 thousand for the Group,**
**ii) for unaudited fiscal years by tax authorities € 1,258 thousand for the Group and**
**iii) for employee benefit plans € 2,735 thousand for the Company and € 3,084 thousand for the Group.**
**3c. Furthermore, according to the Legal Counsel, third party lawsuits have been filed, of a total claim of € 79,135 thousand for the Group, for which the outcome is estimated as positive and consequently, no provisions were required.**
**4. The number of the employees on 31.12.2017 and 31.12.2016 for the Company was 1,045 and 843, respectively (1,422 and 1,005, respectively for the Group).**
**5. The Group's and Company's total inflow, outflow, receivables and payables to related companies and related parties, according to IAS 24, are as follows:**

| (Amounts in thousands of euro) | GROUP | COMPANY |
|---|---|---|
| Inflow | 0 | 36,807 |
| Outflow | 7,271 | 14,437 |
| Receivables | 0 | 32,756 |
| Payables | 600 | 6,040 |
| Transactions and balances with BoD and Key management personnel | 11,454 | 8,772 |
| Receivables from BoD and Key management personnel | 0 | 0 |
| Liabilities from BoD and Key management personnel | 450 | 342 |

**From the above transactions, the transactions and balances with the subsidiaries have been removed from the consolidated financial statements.**
**6. The Company's share capital amounts to € 95,700 thousand, divided into 319,000,000 shares with voting rights, par value of 0.30 euros each.**
**7. The total number of its treasury shares that the Company holds as at 31.12.2017 is 1,182,501 of total value € 9,039 thousand and they have been deducted from the Shareholders Equity of the Group and the Company.**
**8. The Group's structure is described in note 9 of the financial report and more specifically the following: the Group's participating interest, country of incorporation, method of consolidation and principal activity.**

**9. The accounting principles according to which the financial report was prepared are in accordance with those used in the annual financial report for the fiscal year 2016.**
**10. The fixed assets purchases concerning the period 1.1-31.12.2017 reached € 68,779 thousand for the Company and € 96,281 thousand for the Group.**
**11. There has not been any cease of operations in any of the Group's segments or companies.**
**12. Any chance differences in sums are due to approximations.**
**13. The Seventeenth (17th) Annual Ordinary Shareholders General Meeting of OPAP S.A. that took place on Thursday, 27.04.2017 at its headquarters, approved the distribution of earnings and decided upon the distribution of a total gross dividend of € 0.72 per share prior to the tax withhold for the fiscal year 2016. Since the amount of € 0.12 per share had already been distributed to the shareholders as interim dividend pursuant to the dated 30.08.2016 decision of the Company's Board of Directors, the remaining dividend for the fiscal year 2016 amounted to € 0.60 per share prior to the relevant tax withhold.**
**14. The eleventh (11th) Extraordinary General Meeting of the Shareholders of OPAP S.A. which took place on 06.12.2017 at its headquarters, approved the distribution of part of the undistributed earnings of past years until the year ending on 31.12.2015. In particular, it decided upon the distribution of a total gross past years' undistributed earnings' dividend of € 0.70 per share and of a total gross amount of € 222,472 thousand.**
**15. The financial report of 2017 was approved by OPAP S.A.'s BoD, on 26.03.2018 which will propose the approval of a 0.40 euro per share (before tax) dividend distribution (total sum of € 127,127 thousand), at the Annual General Shareholder Meeting (see note 7 of the BoD's Annual Report). It is noted that the Company's Board of Directors approved the distribution of interim dividend amounting to € 31,782 thousand or € 0.10 euro per share. The final proposed dividend for the fiscal year 2017 amounting to € 95,345 thousand or 0.30 euro per share.**

**Athens, 27 March 2018**

| Chairman of the Board | Chief Executive Officer | Member of the BoD and Chief Financial Officer | Accounting and Consolidation Director |
|---|---|---|---|
| Kamil Ziegler<br>Passport No. 40412133 | Damian Cope<br>Passport No. 801407564 | Michal Houst<br>Passport No. 39893691 | Petros Xarchakos<br>ID. No AK 161998 |

# V. Report on Use of Funds Raised from the issuance of Non-Convertible Bond Loan through payment in cash for the period from 21.03.2017 to 31.12.2017

In accordance with the provisions of paragraph 4.1.2 of the Athens Exchange Stock Market regulation, the decision no. 25/17.07.2008 of the Board of Directors of Athens Stock Exchange and the decision no. 8/754/14.04.2016 of the Board of Directors of Hellenic Capital Markets Commission, it is hereby announced that from the issuance of the Common Bond Loan of two hundred million euros (€ 200,000 th.) with the issuance of the 200,000 bearer bonds with offer price of €1,000 each, that was implemented according to the decision of the meeting of the Company's Board of Directors dated 28.02.2017 and the approval of the content of the Prospectus from the Hellenic Capital Market Commission dated 08.03.2017, a total net amount of two hundred million euros (€200,000 th.) was raised. The cost of the issuance amounted to € 3,726 th. and it was covered in total from own other funds of the Company.

Furthermore, the 200,000 bearer bonds commenced trading in the fixed income securities category of the regulated market of Athens Stock Exchange on 22.03.2017.

The table below presents the specific use of the raised funds per category of use/investment, the timetable of the utilization of the funds raised as well as the use of raised funds until 31.12.2017:

| (amounts in thousands of euro) | | | | |
|---|---|---|---|---|
| Investment sector | 2017-2019 | Amount of Raised Funds that utilized during the period 01.03.17-31.12.17 | Remaining amount to be utilized | |
| | | | 2018 | 2019 |
| IT systems and Agencies equipment | 75,871 | 33,971 | 26,900 | 15,000 |
| VLTs | 25,190 | 7,590 | 14,600 | 3,000 |
| SSBTs & Virtual games | 16,539 | 6,501 | 8,038 | 2,000 |
| Funding needs in Working Capital | 82,400 | 82,400 | - | - |
| **Total** | **200,000** | **130,462** | **49,538** | **20,000** |

In the above table, the amount of € 4,792 th. relating to prepayments that had been paid within the first half of 2017 and had been classified as "SSBTs & Virtual Games", has been reclassified to category "Information system and agencies equipment."

Athens, 27 March 2018

| | | |
|---|---|---|
| **Chairman** | **Chief Executive Officer** | **Board Member and Chief Financial Officer** |
| **Kamil Ziegler** | **Damian Cope** | **Michal Houst** |

## Report on the findings arising from the performance of Agreed Upon Procedures in connection with the Report on Use of Funds Raised

## (Translated from the original in Greek)

To the Board of Directors of Greek Organization of Football Prognostics A.E.

According to the engagement letter dated 23 March 2018, we were appointed by the Board of Directors of Greek Organization of Football Prognostics A.E. (the "Company") to perform the agreed upon procedures enumerated below with respect to the "Report on the Use of Funds Raised from the issuance of a Bond Loan amounting to EUR 200 000 000" (hereafter the "Report") issued in March 2017. The Management is responsible for the preparation of the above mentioned Report in accordance with the requirements of the current regulatory framework of the Athens Stock Exchange and the Hellenic Capital Market Commission and in accordance with the Prospectus dated 8 March 2017.

Our engagement was undertaken in accordance with the International Standard on Related Services (4400) applicable to "Engagements to perform Agreed – Upon procedures regarding Financial Information". Our responsibility is the performance of the agreed upon procedures enumerated below and to report our findings.

### Procedures performed:

Our procedures are summarized as follows:

1. We examined the content of the Table of Amount of Raised Funds per investment sector (the "Table") which is included in the Report and its consistency with the Prospectus issued by the Company dated 8 March 2017.

2. We compared the amounts referred to as the "Amount of Raised Funds that were utilized during the period of 2017 (21.3.2017-31.12.2017)" in the Table with the respective amounts recorded in the Company's books and records from the date the funds were raised up to 31 December 2017.

3. We examined whether the proceeds from the Bond Loan were allocated from the date the funds raised until 31 December 2017 according to their intended use, in accordance with paragraph 4.1.1 of the Prospectus of 8 March 2017, as amended by the Decision of the Board of Directors of the Company which was held on 25.1.2018, by examining documents on a sample basis that support the relevant accounting entries.

### Findings:

We report our findings below:

1. The content of the Report is consistent with the Prospectus issued by the Company on 8 March 2017.

2. The amounts which are referred to as the "Amount of Raised Funds utilized during the period of 2017 (21.3.2017-31.12.2017)" in the Table agree with the respective amounts recorded in the Company's books and records from the date the funds were raised up to 31 December 2017

3. The proceeds of the bond loan from the date the funds were raised up to 31 December 2017 were allocated according to their intended use, in accordance with paragraph 4.1.1 of the Prospectus dated 8 March 2017, as amended by the Decision of Board of Directors of the Company which was held on 25.1.2018, by examining documents on a sample basis that support the relevant accounting entries.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any other assurance except as discussed above.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

**Use Limitation**

This report is addressed only to the Board of Directors of Greek Organization of Football Prognostics A.E. in the context of its obligations to the current regulatory framework of the Athens Stock Exchange and the Hellenic Capital Market Commission.

Consequently, this report should not be used for other purpose as it is limited to what is referred above and does not extend to the Annual Financial Statements prepared by the Company for the period ended 31 December 2017, for which we issued a Report on the Audit of the Separate and Consolidated Financial Statements dated 27 March 2018.

Athens, 27 March 2018

Nikolaos Vouniseas
Certified Auditor Accountant
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