



**112 Leof. Athinon, Athens
Tel : +30 210 5798800
Fax : +30 210 5798342**

“OPAP S.A Second Quarter 2022 Financial Results Conference Call”

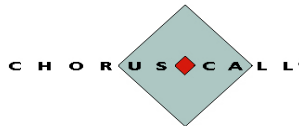
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Conductors:

Mr. Jan Karas, CEO OPAP

Mr. Pavel Mucha, CFO, Executive Director OPAP

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: www.choruscall.com

KARAS J: Hello everyone, and welcome to our Q2 2022 Financial Results update. I hope you have enjoyed the video you just watched. We are all living the basketball rush these days, and for those of you that are basketball fans, I hope you are enjoying the Euro basket tournament so far. As OPAP, we are very proud for being the gold sponsor of the Greek national basketball team, and we wish the best of luck for the remaining of the tournament.

Likewise previous quarters, Pavel and myself will present you in this video the business and financial update, and we will be waiting you at our regular conference call later today at 4 PM. Athens time to take your questions.

A few days ago, we updated you on our Q2 trading, and today, we will present the key drivers both on the financial, as well as on the business front. Before getting into detail, I'd like to highlight a few key points on our latest developments.

On the financial front, our retail business performance with all COVID-related restrictions being lifted within Q2 was strong, proving its resilience during a period of weaker, general consumer sentiment. Online continues to significantly contribute in terms of revenue generation, delivering also high profitability growth.

At the same time, we remain firmly on the path of strong cash generation, allowing us to propose a 10 years record high interim dividend distribution of €0.30 per share. These financial results were supported by strong operational execution in both channels, retail and online.

We are delighted with the commercial launch of the very promising new OPAP store app that transforms the retail experience towards the phygital world, while combined with our best-in-class product offering, we amplify our customers gaming entertainment experience. Also, we introduced our new 360 Responsible Gaming campaign in line with our commitments on responsibility and sustainability.

Finally, and before I handover to Pavel, I would like to comment on the outlook. You may remember that our provided full year outlook came hand-in-hand with certain assumptions presented. Those assumptions have not improved anyhow, as we are not yet seeing any stabilization of the geopolitical tension. While it is fair to say that even the news from the inflationary front have kept any optimism at bay. Still though, despite current weaker general consumer sentiment, our solid H1 performance allows us to expect a sizable year-over-year increased profitability with EBITDA at approximately €700 million levels, in line with current market consensus, supported by expected traditionally seasonally stronger second half of the year.

Pavel, the ball is yours.

MUCHA P: Thank you, Jan, and hello to everyone. Before getting in the detail of our financial performance, let me briefly refer to some of the latest macro developments. As I am sure you are aware, surging energy prices and double-digit inflation rates have been seriously challenging growth across Europe. On the other hand, Greece is enjoying yet another strong tourism season which alongside the support of fiscal measures, stronger investments and accelerated exports partially mitigate the inflation impact on

household spending. Within this context, gaming demand has proven relatively resilient compared to other leisure activities, also helped by our games low price point and average spending per customer.

Let's move on to the facts and figures of our results. Q2 '22 GGR reached €442 million, increased by 11.7% year-on-year on the back of increased retail performance, reflecting a fully operational quarter compared to restrained Q2 last year, while online continues its solid performance despite retail's full operation.

On the profitability side, Q2 '22 EBITDA increased by 16.3% year-on-year or 19.2% on a like-for-like basis, reflecting increased revenue generation and improved margins due to OPEX cost containment, while net profit increased even higher by 37.9% compared to the respective quarter last year.

Moving to the next slide, H1 '22 GGR reached almost €900 million, higher by 57.7% versus last year, due to retail rebound on the back of being fully operational this year. Gross profit from gaming operations increased by 64.5% year-on-year, driven by topline growth recording also about 2 percentage points year-on-year increase in margin. EBITDA increased by 80% on a like-for-like basis aided also by the recognition of €113 million income related to the extension of the concession agreement, while net profit increased by almost 3 times versus last year, after excluding one-off items in both years. Both our topline and profitability performance demonstrate a resilient gaming demand that is expected to increase further during the traditionally stronger, second half of the year.

Moving on to the next slide and focusing on the Q2 GGR performance of individual segments, numerical lotteries increased by almost 10% on the back of hefty retail performance and fast games resilience. Betting remained almost flat despite tough comparables. It is reminded that in Q2 '21, the Euro Cup has aided this quarter's performance while Powerspin with the addition of Powerspin Combo continues its persisting growth. VLTs recorded a quarterly sequential improvement generating €75 million GGR, with the gradual ease of COVID-related restrictions aiding walk-ins and playability. Instant and passives marked a 13% quarter-on-quarter increase due to several commercial initiatives introduced, including the launch of some of the most successful ever scratch tickets, while online casino reached €42 million GGR, marginally higher by 2% quarter-on-quarter remaining strong despite retail recovery.

Commenting now on the cost side, increased GGR resulted naturally to increased revenue related costs, while OPEX moved higher to support the full retail operations. On the specific elements, payroll expense in H1 increased by 9.8% year-on-year, reflecting also the completion of the carve-out and employees' transfer to Stoiximan Ltd from Kaizen gaming. Marketing increased by 3.5%, mostly in order to support more competitive online offering. Other OPEX marked a 22% increase on the back of retail reopening.

In the next slide and on the profitability front, H1'22 EBITDA reached €344 million recording a hefty upward performance aided by topline growth. Net profit in H1 '22 almost tripled versus last year along with a much higher margin landing at 21.1%. Cash flow generation continues to be at high levels allowing us to

proceed to early debt repayments of €210 million. Despite the fact that in Q2, we paid also the majority of the pending consideration for Stoiximan acquisition and now we are having about €15 million due to be paid in H2, we ended up at the end of H1 with a cash balance of €810 million.

Our leverage position stands at a low 0.04 times net debt to last 12 months EBITDA. This strong cash position allows us to proceed to €0.30 per share interim dividend distribution with cut-off date on the 19th of October and payment date on the 9th of November with script optionality.

With that, I'm passing you back to Jan.

KARAS J:

Thank you, Pavel. Moving now to our business and operational update. The implementation of our commercial plan has continued in a coherent and successful way. Let me comment on a few achievements delivered in retail and online.

During summer that was free of COVID restrictions, we introduced 2 hero summer campaigns, both in OPAP and Play Stores to reactivate our customers leading to a broader increase of walk-ins, thus improving our performance.

Additionally, the refreshed Powerspin with the Powerspin combo feature has already made an impact, setting the entertainment levels at new heights. On top, on the online front, we are constantly evolving our proposition, so as to increase our customers' engagement level. Adding PayPal on our customers' withdrawals' journey is certainly adding towards seamless experience.

On Top, our Tzoker Stars loyalty program has been upgraded with a joyful interface that, alongside numerous weekly prizes offered, expands the gamification element, while online casino was boosted by exclusive welcome offers. Also, as I have mentioned in my introduction, at OPAP, we are all very proud that our brand is linked with Greek's most favorite national team. And on the commercial side, this partnership is giving us a lot of opportunities to explore and capitalize on.

Moving on to the next slide. We launched the new 5-years luck annuity scratch ticket, delivering record high average daily turnover so far compared to the previous 5-year annuity versions. While the Laiko new prize structure continues to demonstrate significant turnover uplift. The enhancement of our online casino offering with the addition of more appealing games is paying off, delivering high penetration rates. Meanwhile, on the sports book front, we are creating a more engaging experience with virtual summer promo activities, expanding product's performance and activities.

Regarding Tzoker, we are launching an extensive campaign to move Tzoker beyond the jackpots, aiming to reinforce playability. The first one from a series of activations that are coming in the following months was consecutive draws initiative, which was on air during summer that also supported the recent mega jackpot wave.

I am happy to share with you the initial positive results of our innovative OPAP store app that we believe will upgrade materially our customers' retail experience. As a reminder, players are using

the OPAP store app to place their bets, once they enter the store, get real-time draw results for all numeric games, and get loyalty rewards through an interactive and exciting interface.

Currently, our focus is on migrating customers from the old to the new app, and so far more than 220,000 have been registered, aiming to conclude the migration process by the end of this month.

During the summer period, the new app adoption was supported by the Summer Escape campaign, which, as I mentioned earlier, is aiming to increase awareness and boost engagement. Our loyalty scheme continues to enjoy a good momentum, with more than 50% of our OPAP rewards actives now already using the new OPAP store app and sharing with us their positive feedback.

Overall, we believe that OPAP store app will act as an enabler, capturing the increasing digital adoption of our player's lifestyle and their need for differentiated experiences, leveraging the technological advances and our team's expertise.

Here we are presenting our regular update of our retail estate for your reference, noticing that OPAP network continues to stand out as the widest network across Greece and one of the widest gaming exclusive networks globally.

Despite changing times, we are still seeing the number of new and upgraded stores increasing alongside improved digital infrastructure. As OPAP, we are paying a lot of attention to the sustainability of our network and we are supporting our partners

both operationally and financially, especially during these challenging times.

On the VLT front, we are expanding our offering optimization, having already replaced more than 2,000 cabinets with new modern HD screen ones with improved ergonomics alongside a wide variety of available games. Our customers seem to appreciate these initiatives as demonstrated by the numbers' recovery, also aided by the ease of COVID related remaining restrictions within Q2.

On top, the in-store summer promos activations with happenings almost every day have further aided the performance, especially in Play Stores, a trend expected to lead Q3 VLTs performance higher.

Let's move to online that continues to demonstrate solid performance. Firstly, let me remind you that in Q2 last year, our retail OPAP stores, and Play Stores remained closed for 2 and 7 out of 12 weeks respectively. Nevertheless, online channel generated around €95 million in Q2 2022, staying close to last year's performance, despite retail's full operation, this year.

Overall, online penetration remains at high levels of mid 30s when it comes to games offered in both channels supported by the loyalty of our customers. I'm also happy to announce that we have just launched our OPAP online sports betting proposition in Cyprus, which should come on top of Stoiximan's topnotch performance in the same market.

Our customer-centric mindset is also reflected in our responsible gaming initiatives that is always within OPAP's DNA. Within this framework we launched our latest 360 campaign, raising awareness amongst players and partners on all available RG options. And if a picture is worth a thousand words, then a video is worth a million. Therefore, let me end our presentation here and share with you a short video with our RG campaign.

Thank you very much for your attention and we will be waiting you to take your questions at our regular conference call later today at 4 PM. Athens time.

Q&A Session

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly your Chorus Call operator. Welcome and thank you for joining the OPAP S.A conference call and Live Webcast, Question and Answer Session to discuss the Second Quarter 2022 Financial Results. Please note a video presentation has been distributed and is also available on the OPAP Investor Relations website.

All participants will be in a listen only mode and the conference is being recorded. At this time, I would like to turn the conference over to Mr. Jan Karas, CEO of OPAP S.A.

Mr. Karas you may now proceed.

KARAS J: Thank you very much. Good evening or good morning to everyone and welcome in our regular Q2 2022 results conference call. I'm happy to share with you another set of solid results for OPAP on the back of our retail estate being fully operational throughout 2022 and resilient demand alongside of strong online contribution.

Despite weaker general consumer sentiment and inflationary pressures, we are glad seeing gaming being resilient versus the Greek retail market and specifically leisure activity. Hopefully, you have reviewed and enjoyed the results recorded video we shared with you earlier today. So we will jump directly to your questions in our Q&A session.

Gelly, over to you.

OPERATOR: The first question is from the line of Draziotis Stamatios with Eurobank Equities. Please go ahead.

DRAZIOTIS S: Yes. Hello there and thank you for taking my questions. Firstly, one on your retail operations which have retraced closer to 2019 levels, you went from minus 13% in Q4 to minus 11% in Q1 and minus 9% in Q2. Just wondering what have you been seeing during the summer? Has the situation improved further? Are we moving towards a mid-single-digit decline?

Secondly, if you could just update us on the stage of the sale of the minority interest in Betano? Are we still on track for the wrapping up of the transaction in Q3? And lastly, yes, just wondering where we stand in terms of some initiatives saying that

further enriching your product offering, for example, online Kino?
Thank you.

KARAS J: Thank you very much for your questions. So, we'll take it one-by-one. Starting with the retail performance trends, indeed, your observations are correct, in comparison to 2019, the performance has been improving. And summer so far, especially August, has been quite strong and encouraging given the circumstances and situation. We should not forget though that we were quite lucky in this recent period with the Tzoker jackpot being very high. That obviously impacted not only this vertical but also other games due to increased visitation in our stores. But generally, we see a positive recovery continuing and that is something that is well counterbalancing the generally challenging macro front. But overall, especially in comparison to some other retail businesses and especially in comparison to some other forms of entertainment, we are happy to see once again our business being more resilient than others.

On the second one, Pavel will comment, the Betano.

MUCHA P: Good afternoon from me. The stage of sales of Betano basically, as we announced in April, the closing of the transaction is dependent on receipt of all regulatory approvals on one hand and second condition is corporate separation of the Betano business from the Greek and Cypriot business. Both of them are in hands of authorities or regulators.

The second one, we filed all the documents for demerger at the end of August. And by corporate law in Malta, demerger must be completed by the end of November. So that takes us to a closing

potentially in Q4, providing we indeed get all the regulatory approvals. So, our expectation is to close the transaction, if things go well with these authorities, in Q4, not in Q3.

KARAS J: And on the third question about the extension of our online offering on the lottery side, indeed, we certainly remain both interested as well as committed to expand our iLottery propositions. And we expect that already next year; they should have tangible impacts in our numbers. Until then, a number of technical, legal, regulatory and, very important, commercial processes have to be completed. And we will, obviously, keep you posted on an evolution in our portfolio as we always do.

DRAZIOTIS S: Okay. That's great. Thank you so much.

KARAS J: You're welcome. Thank you for your questions.

OPERATOR: The next question is from the line of Memisoglu Osman with Ambrosia Capital. Please go ahead.

MEMISOGLU O: Hello, many thanks for your time and the presentation. Just coming back to the guidance in the video presentation, the €700 million for EBITDA, are you able to provide us with the revenue expectation? And also how...what are the assumptions broadly? Are you expecting a slowdown in Q4? And specifically, for Q3 and more for betting which had slowed down also on base effect, are you seeing anything different this quarter because of some leagues starting earlier? Any color would be appreciated. Thank you.

MUCHA P: Okay. In terms of the GGR, we obviously revised downwards in line with the slight reduction which we have on the EBITDA. We found that the most important KPI for you...basically, the revision is if you take the mid of the range which we provided, between €700 million and €740 million, the reduction in EBITDA is some 4%. If you take it from the lower range which we indicated in last quarter, it's like minus 2.8%. The reduction in revenues will be corresponding percentage, perhaps a bit higher. It's a bit difficult to forecast exactly because we have World Cup upcoming. It has typically very high payout in terms of the betting. But we assume that our revenue should end up around €2 billion mark, possibly slightly positive plus from the €2 billion mark.

In terms of the assumptions for the revenue and EBITDA guidance, unfortunately, we haven't seen really the improvement in the macro assumptions, as was our indication or key assumption in the...in our update in Q1. Quite the opposite, the macro remains challenging with very high inflation impacting the player behavior, although it's more resilient than the rest of the leisure industry. But on the other hand, we do not assume a really worsening of the situation in Q4.

And specifically, your question about betting and the revenues from betting, obviously, I mentioned we have the World Cup coming at the end of the year which typically has higher payout. On the other hand, we have recently tried to really change our strategy in terms of the odds and bringing bigger playability to the players. So, with all of that, those are the key assumptions we leveraged which led us to the reduction of the EBITDA guidance to the level of around €700 million.

MEMISOGLU O: Can I follow-up, if you don't mind? On a sequential basis from Q2 to Q3, you're expecting VLTs to pick up, if I'm not mistaken. On betting specifically, should we expect improvement quarter-on-quarter?

KARAS J: If I may comment, we certainly expect improvement and that primarily driven on the back of what Pavel has mentioned, the 2 things. We have...listening to our customers, we have significantly improved the competitiveness of odds in retail, so that makes the proposition much more attractive in comparison to online compared to the previous period. So that is certainly something that should attract both existing customers to play more and move some of their spend from online to retail because majority of them are hybrid customers, as well as attract new customers to retail that are possibly today playing only in online. So that should have a positive impact. It is certainly our expectation. And that boosted and combined with the usually positive effect of World Cup should lead into further growth of this vertical.

MEMISOGLU O: Okay, thank you.

KARAS J: You're welcome. Thank you very much.

OPERATOR: The next question is from the line of Katsios Nestoras with Optima Bank. Please go ahead.

KATSIOS N: Yes. Hello from my side. I was wondering...just trying to say but since you top-up of the interim dividend to higher than last year and there is no amount right now towards Stoiximan this month

to be paid, so is it safe to assume that you will...your final dividend will be greater than last year? Thank you.

MUCHA P: Yes. Basically, our dividend policy to distribute as a minimum of net profit and to be at the floor of minimum €1 total dividend that remains to be in place. We basically distributed...we have distributed higher interim dividend really to provide the cash...earlier cash returns to our shareholders. But I don't want...at this stage, we have still several months to go. I don't want to speculate on the amount of dividend. This is subject to Board decision much later and also depending on the year result. So I really don't want to speculate that we would be paying a higher dividend than last year. But what remains is our commitment to pay at least €1 total dividend.

KATSIOS N: Okay. Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Karas for any closing comments. Thank you.

KARAS J: Thank you very much. Thank you all for being with us today. We look forward to talking to you again in November for our Q3 2022 results. Thank you very much and have a great day.