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**"Nine Months 2012 Financial Results"  
Conference Call**

Wednesday 21<sup>st</sup> November 2012, 16:00 (GR Time)

**Conductors:**

***Mr. Constantinos Louropoulos, Chairman of BoD & CEO***

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Good afternoon ladies and gentlemen, this is the Chorus Call Conference Operator.

Welcome and thank you for joining OPAP Nine Month 2012 Financial Results conference call.

At this time I would like to turn the conference over to Mr. Constantinos Louropoulos, Chairman of the Board and CEO of OPAP S.A.

Mr. Louropoulos, please go ahead.

LOUROPOULOS C: Thank you. Good afternoon to everyone and thank you for taking your time to participate in OPAP's Nine Months 2012 Results Conference Call. Firstly, allow me to give highlight and a brief overview of our key financial numbers and achievements for the nine month period. Revenues dropped single-digit despite the ongoing pressure from the harsh macroeconomic environment in the country. Note that the 7.8% drop is in line with GDP contraction, which was 6.7% and considerably lower compared to the real retail sales which dropped by approximately 10.1% in the months January - August this year.

In the third quarter, KINO which accounts for more than 53% of our top-line, remained broadly flat driven mostly by the playing hours extension. On the profitability front, we are in line with year-end consensus expectations retaining resilient margins as a result of both efficient risk management and significant containment of the distribution expenses which were lower by 26.1% year-on-year in Q3. We also maintained

strong free cash flows and managed to reach a strong cash position of €341 million.

Q3 2012 was quite decisive for OPAP. It clarified the framework for the future. As you probably know, there was a lengthy process of disputing our rights deriving from the concessions and also disputes about the previous tax regime at the level of the European Courts and the European Commission. There was also a discussion about how much taxes are fair to be imposed on the company and on its players. These are normal and expected government interventions in our industry worldwide. We are not surprised and to an extent this discussion we monitored and it was a discussion that we should have a good eye at least.

We gave our fight to an extent... and to an extent we managed to mitigate the risks for the company. Note that taxation on player winnings will apply exclusively on the net winnings and will be imposed per-session on the VLTs and the online with certainly positive news compared to the original assumptions. All in all, the new tax regime effective January 2013 set the new environment and removes any uncertainties of going forward. We now have a clear ownership of our commercial rights to the year 2030 and this is what matters more.

We are adapting to the new environment. We intend to further rationalize our cost base and link social contributions with business performance criteria. We also examine ways of adjusting our commercial strategy in order to enhance our content and extend our live betting offering. As an example, the agreement with the agents for the new commission structure would be the next step to take. By implementing

constant live betting, we want to ensure higher revenues, but most importantly higher profitability at the bottom line.

On the VLTs, the gaming commission, as you probably know, has published the respective regulation under public consultation until December the 10<sup>th</sup>. Being in cooperation with the commission, we plan to submit our comments shortly. Nevertheless, legislation delays have pushed back our roll out plans. At the same time, we are still working towards acquiring the state lottery and instant tickets concession in partnership with three other global industry partners and plan to submit our bid early next month.

Last but not least, I want to point out the significant progress made on the enforcement of illegal markets. Set aside the daily closures of illegal shops and the confiscation of several thousand of machines year-to-date, the gaming commission recently issued an official warning to illegal online operator or operators to cease their operations by December 5, this year. This is the first time the public authorities are addressing this issue in a consistent way. The next step will be the issue of an operators' blacklist which will be sent to the banks to block credit card transactions.

OPAP is entering a new phase in management; it's working in every possible direction that would facilitate adaptation to the new environment. The privatization process is running in parallel, but regardless of the outcome of the company... regardless of the outcome of the privatization, the company will remain the leader in the Greek gaming market with its operational competency being unquestionable.

We are now ready to take any questions that you may have.  
Thank you.

## Q&A

OPERATOR: The first question is from Mr. Draziotis Stamatis of Eurobank Equities. Please go ahead sir.

DRAZIOTIS S: Yeah, hi everybody, yeah. Just three questions from me please. The first one relates to the tax on player winnings, I mean you touched upon this earlier, could you just elaborate a bit, I mean this is supposed to be introduced by January 2013, do you think the time is actually enough for everything to be in place and you also talk about plans to adjust commercial and marketing strategies to counterbalance the tax burden. Could you also elaborate a bit on this you know, and maybe the potential impact you think that this will have on player recycling? This is my first question.

LOUROPOULOS C: Thank you. I mean there are two or three levels of preparation that's needed in order to have the tax up and running. One level is ours; regarding our systems for example, and this we had said we are almost technically able to finish that on time. Then, it's the time of clarifications that we may need from the tax authorities and we are working on that right now. And again, I suppose that those clarifications will be given on time. And finally, the impact itself, we are working ourselves, we have created several scenarios and we are not yet in a position to release a very concrete number of the impact. This is as far as I can go at the moment.

DRAZIOTIS S: Okay, fair enough. And a second question relates to the VLT timetable. I mean you mentioned that you know, we are a bit behind in terms of the VLT roll out, I mean should we actually assume that the plans are put on hold until the privatization process concludes?

LOUROPOULOS C: This is not an assumption that we can make, I mean the only thing we can tell at this point is that the regulatory committee, the gaming commission has released the pre-discussion document; that is an indication that they go forward. I mean, we can assume that they will go forward. I mean we cannot assume otherwise if we look at the regulator doing so.

DRAZIOTIS S: Okay. And can I also ask a third question about the... about what you mentioned in the release, and you actually previously talked about rationalizing social contributions. I presume to partly offset the impact of the gross gaming revenue tax, I mean could you just maybe, maybe elaborate a bit regarding the extent to which you think you know, distribution expenses can be cut and how flexible these costs are, presumably costs relating to donations are more flexible than sponsorships I guess, but if you could give us some color?

LOUROPOULOS C: Yeah, I think you probably have noted that I visited the parliament a few weeks ago and I gave a presentation to a committee, a parliamentarian committee about the kind of social contribution of this company. And I was quite clear saying to the parliamentarians that the fact that the country is dipping into recession, and the fact that more and more groups of the society are going into less wealthier situations, and the fact that the athletic activities are by a large... covered by our company, and the fact also that several other cultural and

other activities are now having a very close eye on OPAP to continue their operation, does not necessarily mean that we are able to follow this situation. And I made clear to the parliamentarians that we have our limits and our limits, at least at this point of time, should be based strictly speaking on commercial performance of our contributions. And I cannot give details at the moment because I may disclose information that is not to be disclosed, but we have already taken a second look on how much we were giving in the previous years to certain activities and how much we shall give in the next fiscal year. And the idea is that we shall give less, and we shall ask for more. And we shall ask for returns in terms of visible marketing and sales expectations from our contributions, from our social participation if I can use this term.

So, this is something that I have already said at the highest level, it has been played quite a lot in the press. Obviously, it is not something that it is positive in the eyes of whoever you know, wants to look at our company as a sponsor or a donor or whatever. But, it is what it is and we said... I said very clearly that if there is a problem in this country of how much social policy it should be applied in the Greek society, OPAP is no longer a last resort for that policy. I said that in the very words.

DRAZIOTIS S: Okay. Thanks very much. Thank you.

OPERATOR: The next question is from Mr. Gerard Matthew of Credit Suisse. Please go ahead, sir.

GERARD M: Hi, good afternoon, it's Matthew Gerard from Credit Suisse. I had a couple of follow-up questions from those that have just

been asked actually. Firstly on VLTs, you seem quite hesitant to talk about the timetable of the rollout, but could you update us on your thoughts for the strategy, locations of the VLT terminals, and any negotiations with agents that you completed, a bit of color particularly on where you plan to locate the first wave of terminals, would be helpful?

LOUROPOULOS C: Can I mute? ... Okay, can you hear me now?

GERARD M: Yes, I can thank you.

LOUROPOULOS C: As you probably know, a lot of planning assumptions are based so far on the tentative, on the legislation we have, the so-called the Law 4002 of the year 2011. For example, this law was providing - and I say was because we are now planning to change that - was providing that the ceiling, the limit of the total number, the maximum number of VLTs per gaming hall was 25. Now we have made official that our request is to make it 50. And it looks like our request will be accepted.

The other thing is that we have selected our locations already, based on demographic surveys we have done. And the last thing is our relationship with the agents and the level of contribution of our agents in the VLT deployment. We have already discussed with agents a couple of strategies, and we are about to embark in a... I would say formal questionnaire with these guys who are the ones who will participate in owning a shop all alone, each one of themselves or within a group of agents in an area. So, I think now we have a new, slightly new I would say, not necessarily substantially changed strategy that will be... will allow us to go quicker and easier to the target that we have specified.

GERARD M: Thank you. And I suppose just two follow-ups on VLTs. Firstly, there was obviously talk about the 35% gross profits tax rate hitting a ratchet based on net win per terminal per day, do you have any information as to what that threshold is over which VLTs will pay higher tax?

ROGAKOS V: Yes, actually the... it's Venos Rogakos replying the question. The barriers and thresholds were published in the Law. And for the first four years if the total turnover of VLTs is more than €2.800 billion, if I remember the number correctly, we will need to go and pay something more than 30%. And the higher, the ceiling of that is approximately €4.5 billion, which will drive us to the 35%.

GERARD M: Okay. Thank you.

ROGAKOS V: But we can, let's say, it's easy to find it in the new legislation voted in the parliament, unfortunately I do not have the exact figures out in my head right now.

GERARD M: Okay. Thank you. And then just one, last one, on the play winnings tax, which was asked previously but I didn't quite get your answer. In the statement today, you talk about adjusting commercial and marketing strategies to counterbalance the tax burden on play winnings; what kind of things are we talking about here, is this payout ratios and agency commissions, any kind of color as to what we should expect in January to counteract this tax? It would be helpful.

ROGAKOS V: Well, it's a little bit premature because it is something that quite recent have been applied, so we are developing our

scenarios and plans, but since we do not have any previous experience in that, still it is let's say quite premature to announce any type of certain policy on how to deal with that. I... but I, believe that by the year-end, we will be ready having all our strategies in place in order to reflect our position.

LOUROPOULOS C: I think, I want to say something here: that when the first announcement came along, it was not clear what was the player winning. And for example, if a player started with €100 and won €20, what was the tax base, was it €120 or €20? I think we spent a lot of time with the legislators going forward to put the tax on the €120. And it was us that we defended the case, and we reverted so we said guys, this is €20 and we were successful. I think that is something that we have to bear in mind because I don't know if it is self explanatory, because we have run through series of discussions and exchange of views with the authorities.

The other thing is that we managed to implement the playing session, because for example, in the VLTs, it was not clear again based on the initial announcements whether the tax would be imposed on every spin. And we managed to clarify that, again ourselves, with our intervention and the impact analysis that the tax will be imposed at the session completions and the session is from the time the player puts his personal card in to the time he removes the card and departs from the VLT. I mean this I would say is substantial clarifications that will help the future of making sure that the player is not departing early from the game.

Now, the incentives we plan to have are I would say numerous and quite diverse. I mean we have assembled a team of

experts and we are looking for outside assistance to see if and what kinds of measures we can take for that in order to maintain the player in the play. As Mr. Rongakos said, it's pretty premature, is pretty much premature at this point, but we feel that we have quite a lot of weapons in our arsenal.

GERARD M: Okay, that's very helpful. Thank you.

OPERATOR: The next question is from Mr. Lewis Vaughan of Morgan Stanley. Please go ahead, sir.

LEWIS V: Hi there. I have got three questions as well. But the first one is a follow-up actually on that player winnings tax. Just on the mechanics of it, so if a player bets ten separate bets of €10 each and only one of those bets wins and he gets a hundred back, so he wins €90, is he taxed on that €90 of winnings or is he not taxed on that because he effectively bet €100 to start with and got a €10 back.

LOUROPOULOS C: I am not certain; I think I gave an explanation it's... I am not going to follow your example. If somebody starts with €100, and wins €20, he will be taxed on the €20. Is this what you asked?

LEWIS V: I mean if I take 10 separate bets, say if I am betting on KINO say on 10 different rows of KINO and only one of them wins, am I taxed the full amount on the one row that wins or is it netted off against the ones that lose.

ROGAKOS V: Well, actually the taxation on let's say, if you have bet with the same coupon on several bets of KINO, let's say if this is what you are asking, the winnings is net of the value of the

coupon. So, in every coupon once the coupon wins, you divide the value of it and you are taxed on the net amount. Is that clear?

LEWIS V: That's clear, thank you. The second one is on online gambling. The most recent draft of the Law seems to remove the exclusivity for OPAP and allow betting exchanges again. Am I understanding that right and would you expect online sports betting to be a competitive market then?

LOUROPOULOS C: Well, on what was announced is that by the December the 5<sup>th</sup>, all the online providers of sports betting in Greece should cease their operations. It's clear now that OPAP is the only valid... has the only valid license to operate sports betting online in the country. And so, we did not any news on betting exchange as you mentioned. We believe that there is nothing to add on that. So we don't have the ...actually for us, it's a non-existing issue right now. It was banned and most probably from what we know, still it is prohibited from operating.

LEWIS V: So, OPAP will have the only license for sports betting online and there won't be any other licensed operators that can offer sports betting online in future, is that your understanding?

LOUROPOULOS C: Our understanding from the discussions that we have with the gaming commission is exactly that, yes.

LEWIS V: And then a final one if I can. If the ruling in the Stanleybet case follows the opinion, do you think there is enough sort of wiggle room in there for competitive operators to start opening

shops with this sort of protection from the criticism in that opinion of the monopoly?

ROGAKOS V: Well, first of all, our interpretation let's say of the opinion is that for us it was something positive. Hence, we do not expect to have any threats on our land-based monopoly. But again, if you really... assuming that there will be a negative evolution for OPAP, again for everybody to come into Greece and trying to develop a network could be extremely costly, and certainly not a very good business opportunity trying to defeat OPAP in Greece in the sports betting area.

So, we believe if somebody really wants to come into the country and compete, most probably this will never happen because we believe that our monopoly is strong. But assuming that we do have competitors in the land, land-based, it could be extremely expensive for everybody to come and compete with OPAP.

LEWIS V: Great, thank you.

ROGAKOS V: You are welcome.

OPERATOR: The next question is from Mr. Chorafas Angelos of Alpha Finance. Please go ahead, sir.

CHORAFAS A: Yeah hello good afternoon to everybody. Actually two questions from myself; the first one is about agents and the fee they receive because I think Mr. Louopoulos, you mentioned at the beginning that you have close to an agreement with them and could you please elaborate on that? And the second one is about the lottery tender, because you

also mentioned that you are going to submit your binding offer early next month, so I suppose there is a new deadline for that? Thank you.

LOUROPOULOS C: The fee of the agents today is average 8.4%. And I would say it starts with 8% and the most important issue of the fee level is the ability to have flexible, variable, escalating fees, particularly for STIHIMA for the betting business. This will help us a lot in the live betting. This year, this fiscal year, we have implemented three periods of trial I would say live betting without changing the commission structures, the fee structure of the agents. i.e., we had live betting and we observed two kinds of observations.

First of all, the revenue went dramatically up, but the net margin was positive, it was positive, but it was not as much as we had expected. This we have discussed with the agents and we have reached an agreement with agents that we shall apply a scalable commission structure from 3, 6, 9, 12 depending on the kinds of bets, and this had been agreed. And one of the reasons why although since I would say April this year we are ready to implement this scalable commission structure, one of the reasons was the regulation and the amount of legal work that is required.

CHORAFAS A: Okay.

LOUROPOULOS C: I think I have to tell you very openly that this organization in all games has got a necessary steps to apply when we have to change literally anything, the way they play operates, the commission structure leveraging... And now with the new regulation, I think we are more optimistic that we can do that

easier and quicker. So, we will be able shortly to have live betting up and running all the time with no interruptions. And obviously, with a scalable commission structure that will allow us not only to have more revenues, but also to have a reasonable profitability at the bottom line.

CHORAFAS A: Okay that's clear. The...?

LOUROPOULOS C: Now the lottery. Yes, the lottery... the deadlines of the lottery are purely administrative. They mean nothing. It was just a request of the tenderers. We are very close to sum up with an agreement with our participating partners, and by the 10<sup>th</sup> of December that is I think the last date that we shall submit the financial bid. And I think by the 30<sup>th</sup> of the month we shall submit the first envelope, which is the required legal documentation and the letter of guarantee.

CHORAFAS A: Okay and a follow-up, if I may, regarding the agent's fee. If I understand correctly, you are going to implement actually the agreement that agents signed with the previous management of OPAP.

LOUROPOULOS C: Yes, yes, that's true.

CHORAFAS A: Okay. And so, according to my calculations, the average fee received will be around 8%, so actually depending of course of number of matches selected, but actually I wanted to... that there is not going to be a reduction in the fee, now it's 8% it's going to be 7.9%, 7.8% something like that.

LOUROPOULOS C: I don't have your calculations. Ours is... are a bit different, I don't know what calculations are you basing yourself.

CHORAFAS A: Okay. So but in any case, it seems like there is not going to be a reduction in the fee, it's going to be more or less the same, around 8%, the current one, at least for the STIHIMA game.

LOUROPOULOS C: Our objective... can you hear me?

CHORAFAS A: Yes, yes, of course.

LOUROPOULOS C: Our objective is top line, not the commission. We don't want to have the commission structure at the agent level.

CHORAFAS A: Okay.

LOUROPOULOS C: It's... I don't have our calculations in front of me.

CHORAFAS A: Okay.

LOUROPOULOS C: But again, yes I think we are not going to drop, we are not going to lower the commission of the agent.

CHORAFAS A: Okay.

LOUROPOULOS C: ...but we are not going to hurt the profitability as well, and most importantly, we are going to grow the top line, that's the most important one.

CHORAFAS A: That's the target, yes I understand.

LOUROPOULOS C: Again do not forget that we have done it even with 8% flat. We didn't afraid of getting into this business just to test what

was the reaction of the market and the results are enormous, well ,that I can tell.

CHORAFAS A: Okay, yeah. That's true. Okay, thank you very much.

OPERATOR: The next question is from Mr. Ainley James of Citi. Please go ahead, sir.

AINLEY J: Yeah good afternoon, gentlemen. Most of my questions have been answered, but could you perhaps elaborate on the dividend payout ratio, your thoughts on that for the year ahead?

LOUROPOULOS C: Mr. Rogakos?

ROGAKOS V: Yes, actually the next year what we can say is that on previous conference calls we have said on the dividend policy that it will be around 6% of our profits. That was well before any... the announcement of the new concession of the company. And right now what we can communicate certainly is that the dividend will be somewhere between 35% which is the legal floor, the legal minimum for dividend in Greece and 50%, that's all we have promised.

AINLEY J: Okay, thank you.

OPERATOR: The next question is from Mr. Chadzidakis Manos of Beta Securities. Please go ahead, sir.

CHADZIDAKIS M: Good afternoon. Just two questions for me. Regarding the three new projects of OPAP, VLTs, online and the technology provider do you intent to proceed with the relevant process in

each one of them or you will postpone and delay the process until the privatization conclusion, so the new owner will decide on these issues? And as you mentioned, you are going to submit an offer for the state lotteries until the 10<sup>th</sup> of December, is this going to affect OPAP's dividend policy for 2012, and what would be the impact on the bidding price for OPAP's privatization? Thank you very much.

LOUROPOULOS C: Quite complicated question. The impact on the privatization, we are not the ones to assess. The other projects, they are in the pipeline, as you know, we are a new management and we have them on the table, in view of making sure what is the best interest of the company. And we will be shortly in a position to give a very clear answer to that, but yes, we are working towards you know, implementing the projects along the lines of the decisions of the previous management. What was the third question?

CHADZIDAKIS M: Is this... the bidding for the state lotteries, is it going to affect OPAPs dividend policy, because I expect some cash flow to be used for this process?

ROGAKOS V: Well, as you understand, if we win the bidding, we will need to have quite big cash outflow, and this will certainly have an impact on the ability of the company to distribute dividend, yeah, it will certainly have an impact on the dividend.

LOUROPOULOS C: I may add the timing impact of the dividend depending on the final arrangements to get the job, because as you probably know if you have read the specifications of the lottery bid, we are only needed to pay 75% of the total initial prize and we are four of us in the consortium. We have not yet finalized our

internal agreements, but it looks that our cash requirement will be sometime late in the 2013, and this is going to be 75% of our participation in the joint venture.

CHADZIDAKIS M: Okay. Can you remind us the participation, the share of OPAPs in the consortium?

LOUROPOULOS C: Our share is 34%.

CHADZIDAKIS M: Okay, thank you.

OPERATOR: We have a follow up question from Mr. Draziotis Stamatis of Eurobank Equities. Please go ahead, sir.

DRAZIOTIS S: Yeah hi yeah... just to clarify something on the VLTs additional duty mechanism, you referred to the lower and upper thresholds for the first four years, just to clarify whether this cumulative gross gaming revenue refers to only to the own-operated VLTs of OPAP, i.e., the 16.500 or whether it also relates to the subcontracted machines and OPAP's take from those?

ROGAKOS V: Well, the threshold and the numbers that provided in the Law are refer to the total amount of... to the whole license let's say, so for... to the 35,000 machines.

DRAZIOTIS S: Okay, I see. Thanks.

OPERATOR: The next question is from Mr. Arapoglou Ioannis of Piraeus Securities. Please go ahead, sir.

ARAPOGLOU I: Thank you, good afternoon. I wanted to ask about the dividend, I think I am covered. Thank you.

OPERATOR: The next question is from Mr. Kontogouris Andreas of Beta Securities. Please go ahead, sir.

KONTOGOURIS A: Hi, good evening. I would like to give a follow-up question to my colleague. What do you think is the next day after the privatization of OPAP? What could be the effect on, for example new businesses like VLTs, M&A activity, reduction of operational costs? Because I have a feeling, that we had huge delays in the last years on many issues, and not because of the management, because of the state participation. Thank you.

LOUROPOULOS C: I am not sure if I have understood well. I mean are you referring of what's going to happen after the privatization and after a new management team is coming along?

KONTOGOURIS A: Yes, yes, if you...

LOUROPOULOS C: What is it for us to comment?

KONTOGOURIS A: What is... your targets, business plan targets?

LOUROPOULOS C: Our plans are to have the company alive, healthy, profitable; no matter what happens in the future, and we are prepared for a process that will be either short or long. Nobody knows, nobody can predict at this point of time that the privatization will finish at a specific given point of time, but again this is not part of the agenda of this company. I mean the company, this company is run according to the corporate principles, and its

got to be up and running all the time. I mean that's the short answer I can give from my perspective, unless if there is something else you want to ask.

KONTOGOURIS A: Well, that's the company is healthy and I mean what are the targets, I mean with the VLT business as well is having huge delays, more than a year because of the gaming authority setup, because of the Law legislation and do you think that you have the ability then to speed up the new business for example?

LOUROPOULOS C: Yes, we have the ability. We are building up the ability internally. We are starting the VLT General Directorate. This is a top management position, and we are working towards implementing the business plan so all the way. Don't forget that the business part of the business plans of ours for the future are going to be submitted to the bidders of the privatization process. And this is a business plan that... I mean these are information not necessarily the business plan itself, but this information about the future of ours that will base the decisions on the privatization, it is something that we prepare. So for the next three, four, five, ten years, we are the ones who are now preparing our plans.

KONTOGOURIS A: So when do you expect to present us the business plan?

LOUROPOULOS C: I am not sure if we will present the business plan to you, openly, if it is "you" the analysts.

KONTOGOURIS A: Okay, thank you.

LOUROPOULOS C: We may have a summary for external purposes, but this is an internal document more or less.

KONTOGOURIS A: Okay thank you, sir.

LOUROPOULOS C: Okay.

OPERATOR: Mr. Louropoulos, there are no more questions registered at this time. You may now proceed with your closing statements. Thank you.

LOUROPOULOS C: So I think there are no more questions. So I would like to thank everybody for their contribution and we look forward for the next session that will cover the whole fiscal year. Thank you very much again. Bye-bye.