



## VLT Business

Basic financial principles of operation

November 2016



# A VLTs represents a €810,000 investment, which the owner must manage

## Investment description

**Partner's investment**

- €110,000 investment for construction of a GH

**OPAP's investment**

- €16,000 cost of operating license per VLT
- €50,000 investment in infrastructure and support per GH

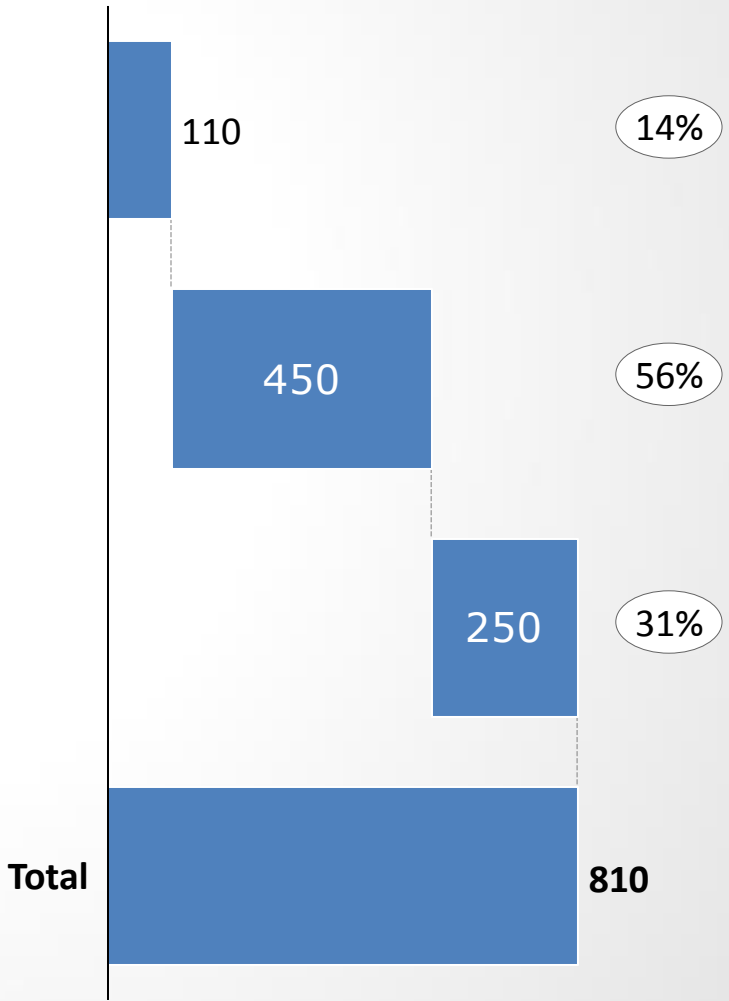
**VLTs manufacturers' investment**

- €10,000 per VLT for the cost of the VLT

## Investment cost

In thousand € per GH

○ Percentage on the total investment



The average Net Gaming Revenue (NGR) per GH per year is estimated at €406,000

**Revenue per GH in NGR**

**Net Revenue (NGR<sub>2</sub>)**  
=  
Gross Revenue (GGR<sub>1</sub>) – Games Tax

Calculation of €65 GGR

€45.5 NGR per VLT per day

€45.5 NGR \* 25 VLTs = 1,137.5 €

1,137.5 \* 357 days a year = €406,088

2 - GGR: Gross Gaming Revenue = Turnover – Players Winnings

1 - NGR: Net Gaming Revenue = GGR – Games Tax



# Gaming Halls profitability

## Gaming Halls characteristics

- 25 VLTs per GH
- €45.5 NGR per VLT per day
- 36% on the NGR after the deduction of games of chance tax (the tax corresponds to 30% on the revenues)

Financial Results manager	NGR per VLT per day	€45.5
	Thousand € per GH per year	
	Total revenues (x25)	406
	Partner's revenues	146
	Minus: Operating costs	(107)
	Minus: Taxes	(9)
	<b>Partner's profits (cash)</b>	<b>30</b>
	Minus: Amortization of initial investment	(11)
	NGR	19

In approximately **3.5 years**, the owner will have recovered the initial investment of €110,000, and all proceeds will constitute **his/her net revenues**

The taxation has been calculated for all company forms except sole proprietorship

# GH Operating costs

€ per GH per year

	Total	Mandatory		Optional	Justification
		OPAP	Partner		
<b>Salaries</b>	53,900	-	53,900	-	<ul style="list-style-type: none"> <li>Cost of €1,300 for the supervisor and €850 for 3 employees with 14 salaries<sup>2</sup></li> </ul>
<b>Rent</b>	21,600	-	21,600	-	<ul style="list-style-type: none"> <li>Average rent of €1,800</li> </ul>
<b>Power, water supply</b>	15,360	-	15,360	-	<ul style="list-style-type: none"> <li>€1,250 per month for power supply and € 30 per month for water supply</li> </ul>
<b>Consumables</b>	7,512	912	6,600	-	<ul style="list-style-type: none"> <li>€ 500 per month for treats to players, cleaning, consumables</li> <li>OPAP pays for player cards and thermal paper</li> </ul>
<b>Regulatory fees</b>	5,000	1,500	3,500	-	<ul style="list-style-type: none"> <li>€2,000 per year for smoking area of 10m<sup>2</sup> and €120 per year per VLT, paid to HGC</li> </ul>
<b>Maintenance<sup>1</sup></b>	5,650	-	1,420	4,230	<ul style="list-style-type: none"> <li>Maintenance: €520/year for the air conditioning and the security equipment</li> <li>Repairs: ~ €900/year for necessary repairs and up to € 4,230 per case</li> </ul>
<b>Accounting services</b>	1,080	-	1,080	-	<ul style="list-style-type: none"> <li>Accounting services depending on the form of the business</li> </ul>
<b>Telecommunications</b>	1,919	886	811	150	<ul style="list-style-type: none"> <li>€811 for VPN and, optionally, €150 per year for Wi-Fi and €866 OPAP's subsidy for OTE support</li> </ul>
<b>Communication and responsible gaming</b>	1,923	1,083	-	840	<ul style="list-style-type: none"> <li>€70/month optionally for cable TV</li> <li>OPAP pays for all printed materials and toners</li> </ul>
<b>Insurance</b>	600	-	600	-	<ul style="list-style-type: none"> <li>Insurance covering VLTs, civil liability, operation, materials and working capital</li> </ul>
<b>Security</b>	1,069	-	109	960	<ul style="list-style-type: none"> <li>109 για κέντρο συναγερμού και 960 προαιρετικά για χρηματοκιβώτιο ή υπηρεσία χρηματοποστολών</li> </ul>
<b>Insurance contributions of the Partner</b>	2.015	-	2.015	-	<ul style="list-style-type: none"> <li>Minimum amount, depending on the legal form of the business</li> </ul>
	<b>117,628</b>	<b>4,381</b>	<b>106,995</b>	<b>6,180</b>	

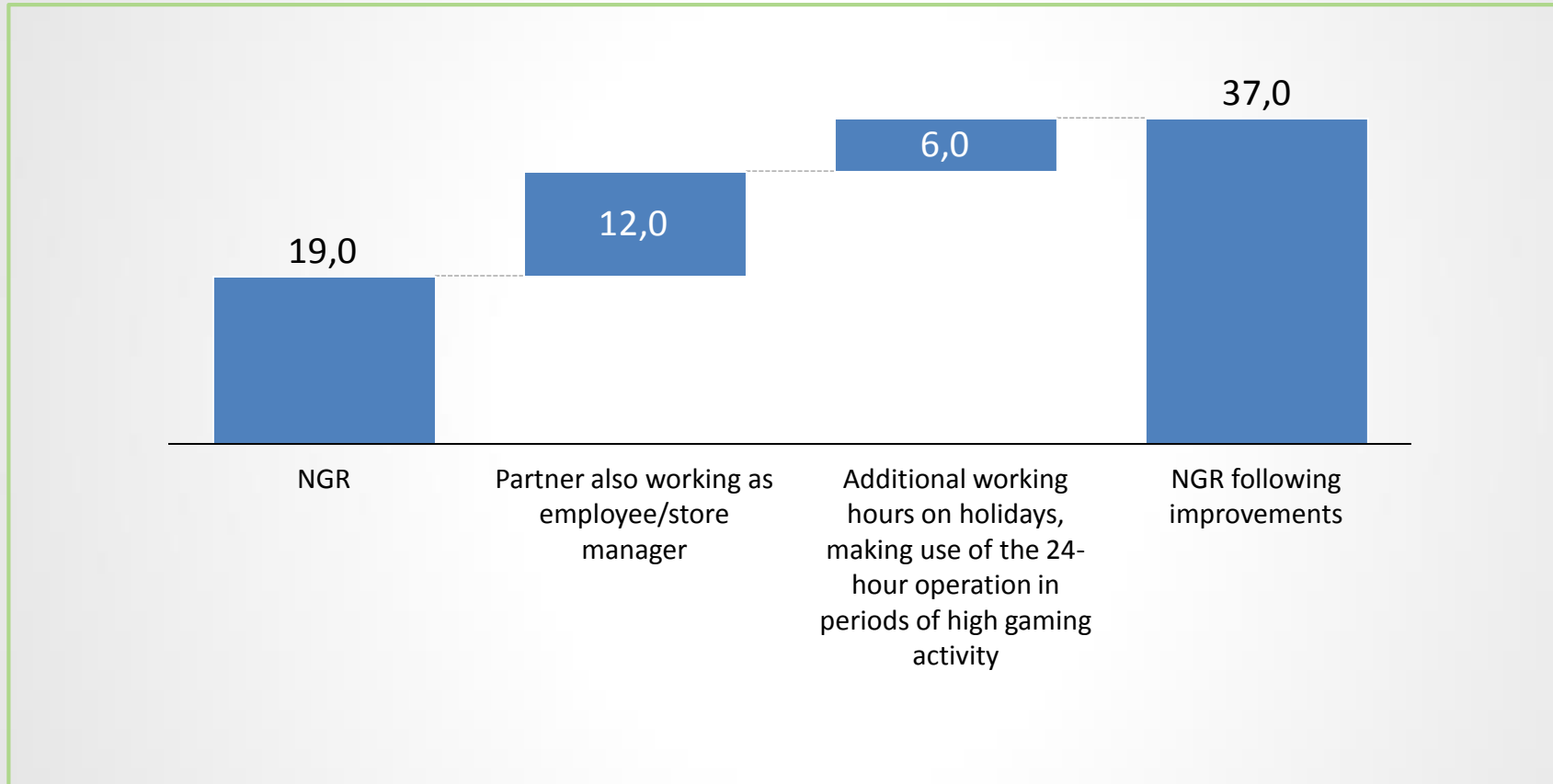
1 Not including the machines (VLTs) and the iLink, which undergo maintenance by their manufacturers.

2 At least 1 employee at all times and the supervisor in peak hours. The salary includes gross salary and employee's contributions.



# The NGR may be additionally increased in certain cases

Thousand € per GH per year



# Additional capital needs

	<u>Description</u>	<u>Estimated amount</u>
<b>Working capital</b>	Covering winnings payment to players	Approximately €10,000
<b>Credit limit to a bank</b>	Covering half of the credit limit provided by OPAP	€10,000
		Based on the credit rating per case
<b>Covering operational needs</b>	Covering part of the operating costs for the first 3 months of operation	€6,000-9,000



# Commercial policy – main points (1/2)

## Partner's Commission

The remuneration of partners is set to 36% on the NGR of VLTs, where:

- Net Gaming Revenues (NGR) = the amount which results after deducting the players' winnings and the taxation from the amounts bet by the players.
- Amounts bet = the sum of the values of the bets placed by the players (including also the amounts from recycling, namely the amounts won and bet again by the players).
- Players' winnings = the sum of the values of the players' winnings (including also the amounts from recycling, namely the amounts won and bet again by the players).

### Example

Amount bet by the players	1.000 €
GGR <small>including the recycling of winnings, average player</small>	280 €
Tan on Games	30%
NGR	196 €
Partner's commission	36%
Commission, Partner's remuneration	71 €





# Commercial policy – main points (2/2)

## Clearance policy

The financial clearance takes place twice a month via attribution of revenues to OPAP, which takes into consideration the following:

- + Cash in the VLT
- + Cash in the Register
- Cash withdrawals by the players
- Gaming Hall commission
- + Other debits
- Other credits

## Credit limit

- The credit limit is the upper limit which the current financial obligations of the partner to OPAP may reach at any given moment.
- In case that this limit is exceeded, the partner shall effect an interim payment of such an amount to OPAP S.A., so that his/her current financial obligations reach maximum 50% of the credit limit.



# Summary of the Contract on the Agency of Games of Chance through VLTs in Exclusive Use Areas (1/2)

## VLTs agency equipment

- **Free provision of equipment** (the content shall be determined by OPAP), including the VLTs, with OPAP retaining full ownership.
- The Partner shall be liable for the **maintenance and support of the equipment** as well as to carry out periodic checks of the machines.
- The Partner shall be liable for any damage caused to OPAP due to the **delayed information on malfunctions** noticed during the use of the equipment provided.
- The Partner shall be liable for the eventual **repair and replacement of the equipment provided** only by the technicians **authorized** by OPAP.
- OPAP may **interrupt the operation, replace** or even **remove** the installed VLTs from the Partner's premises.
- Provision of **additional equipment** based on OPAP's instructions, including external signs and advertisements, at the **expense of the Partner**.
- The Partner shall be liable for the **uninterrupted operation of the VLTs** and for their connection to the necessary Information Systems

## Financial Terms

- Compliance of the Partner with the **commissions, remuneration and payment methods** thereof, as well as with other financial terms, as set out in OPAP's Commercial Policy.
- In case of objections to the amendment of the financial terms, **option** of the Partner **to terminate** the Contract within 15 days from its notification.
- OPAP holds the right to **refuse attributing payments to the Partner**, in case the latter fails to meet his/her financial obligations.
- **Immediate deposit** of the Partner's **revenues** from the VLTs to one of the banks with which OPAP cooperates, within the timeframe set out in OPAP's Commercial Policy.
- **Undertaking of responsibilities for** OPAP's **expenses** (including those relating to legal proceedings), in case the latter claims the payment of amounts due.



# Summary of the Contract on the Agency of Games of Chance through VLTs in Exclusive Use Areas (2/2)

## Contract Termination Terms

- Possible **causes for terminating** the contract are the following:
  - Written agreement between the parties.
  - Inability of the Partner to operate the agency due to limitation of his/her legal capacity or due to bankruptcy.
  - Violation of contractual terms of the contract (including the deviation from the VLTs Agency configuration time plan, the failure to meet financial commitments towards OPAP, the provision of inaccurate declarations, the non-compliance of the Partner with OPAP's Instructions, damaging actions for OPAP, drop in the VLTs Agency turnover ascribable to the Partner).
  - Significant decrease of the average net drop of the machines for a long period (the said period will be determined by OPAP).
- Following the termination of the present contract, the Partner shall proceed to the **actions** below, namely he/she shall:
  - Stop using the name, marks and, in general, the intellectual property of OPAP.
  - Pay out any amount due to OPAP.
  - Return the Slot Machines and the rest equipment provided, which he/she holds, to OPAP (taking into account any wear beyond the normal one).

