2021
Consolidated Financial Statements

Contents

Disclaimer

This document contains forward-looking statements, in particular in the sections "Subsequent events" and "Business outlook", which refer to future events and the operating, economic and financial results of the Sisal Group. Due to their nature, these forecasts involve risk and uncertainty, in that they depend upon the occurrence of future events and developments. The actual results may vary, even significantly, with respect to those announced, due to a multitude of factors.


COMPETITIVE ANALYSIS
80%
+12.0

Directors' Report

Introduction

Sisal S.p.A.[1] (formerly Sisal Group S.p.A., hereafter "**Sisal**", the "**Company**" or the "**Parent Company**") is a company, established in and with domicile in Italy, with its registered and administrative office in Milan, in Via Ugo Bassi, 6[2], and organised in compliance with the legal regulations of the Italian Republic.

The Company and its subsidiaries (hereafter jointly, the "**Group**" or "**Sisal Group**") mainly operate: *i*) in the Italian gaming sector, mainly on the basis of concessions to accept bets for predictions, horse-racing and sporting events, as well as legal gambling using entertainment equipment "ADI", from the Italian "*apparecchi di intrattenimento*" (hereafter, the "**Gaming Business Unit**"); and, until November 2021 - *ii*) in the collection and payment services sector, through a specific authorisation received from the Bank of Italy (hereafter, the "**Payment Business Unit**"), and through sales of telephone top-ups and television content (hereafter, the "**Telco Business Unit** or, in combination with the Payment Business Unit, the "**Payment and Telco Business Unit**").

With reference to the areas of business in which the Group operates, note in fact that as of July 2021, the Company began a corporate reorganisation to revise and rationalise the Group's various interests, rendering the Gaming Business Unit and Payment and Telco Business Units entirely autonomous and independent, completing the process begun in 2019 of segregating the two areas, also in terms of the control structure. This corporate reorganisation was implemented through a process which included the partial proportional demerger of the Company in favour of the newly established SG2 S.p.A., created as a result of the demerger and subsequently incorporated into the Mooney Group S.p.A. in February 2022, to which the equity investment held in Mooney Group (previously SisalPay S.p.A.) was transferred (hereafter, the "**Mooney Group Demerger**"). Following the separation of the Gaming Business Unit, managed by Sisal, and the Payment and Telco Business Unit, managed by Mooney Group S.p.A., the ancillary agreements and relative obligations and commitments relative to the Payment and Telco Business Unit are no longer linked to Sisal. The Mooney Group Demerger and relative demerger plan were approved by the Extraordinary Shareholders' Meeting on 28 July 2021 and took effect in November 2021.

Finally, recall that following the corporate reorganisation begun at the end of 2019, the organisational structure and governance systems had already been revised, so that each of the two groups within the company had their own independent organisation and control systems, placed respectively within Sisal S.p.A. and Mooney Group S.p.A., which operated autonomously.

In these consolidated financial statements, in the light of the effects of the cited demerger, which was finalised on 11 November 2021 ("**Demerger Effective Date**"), it was decided to represent the economic results and cash flows generated by the Payment and Telco Business Unit under Discontinued Operations, in compliance with standard IFRS 5, as better described in Note 8 - Information on IFRS 5, to which the reader is referred. In relation to financial year 2021, the results and cash flows for Discontinued Operations include the economic and financial cash flows recognised by the Mooney Group until the Demerger Effective Date and approved by the Mooney Group S.p.A. Board of Directors on 15 March 2022.

Therefore, taking into account the significance and specificity of the Payment and Telco Business Units in that, among other things, they have a different risk profile with respect to that of the remaining business associated with the Gaming Business Unit, which represents the Group's core business, this Directors' Report was therefore prepared with the goal of reflecting the new organisational structure and was structured as described below:

- Sisal S.p.A. corporate bodies (parent company);
- Group structure;
- a section dedicated solely to Gaming business, in the light of the special aspects of the markets in which the Group operates (history of business, product and activity sectors, mission, vision and values, sustainability, risk factors and uncertainties);
- analysis of the Group's performance and consolidated results in both economic and financial terms.

(1) Note that in July 2021, the Extraordinary Shareholders' Meeting of Sisal Group S.p.A. resolved to change the name of the Company to Sisal S.p.A.. In the remainder of this document, the Company is called by its official name as at 31 December 2021.

(2) Note that as of 1 April 2022, Sisal S.p.A. and its Italian subsidiaries changed the registered offices to Via Ugo Bassi, 6, Milan, Italy.

Corporate Bodies

Below is a summary of the corporate bodies of the parent company Sisal S.p.A.:

Board of Directors*

Chairman	Aurelio Regina
Chief Executive Officer	Francesco Durante
Directors	Aurelio Regina Francesco Durante Emilio Petrone Giampiero Mazza Giorgio De Palma Massimiliano Mascolo

Board of Statutory Auditors**

Chairman	Ezio Simonelli
Standing Auditors	Silvia Baroffio Federica Menichetti
Alternate Auditors	Serena Gatteschi Roberto Cassader
Independent Auditors	PricewaterhouseCoopers S.p.A.

* appointed by the Shareholders' Meeting on 11 October 2021

** appointed by the Shareholders' Meeting on 3 November 2021

Group Structure

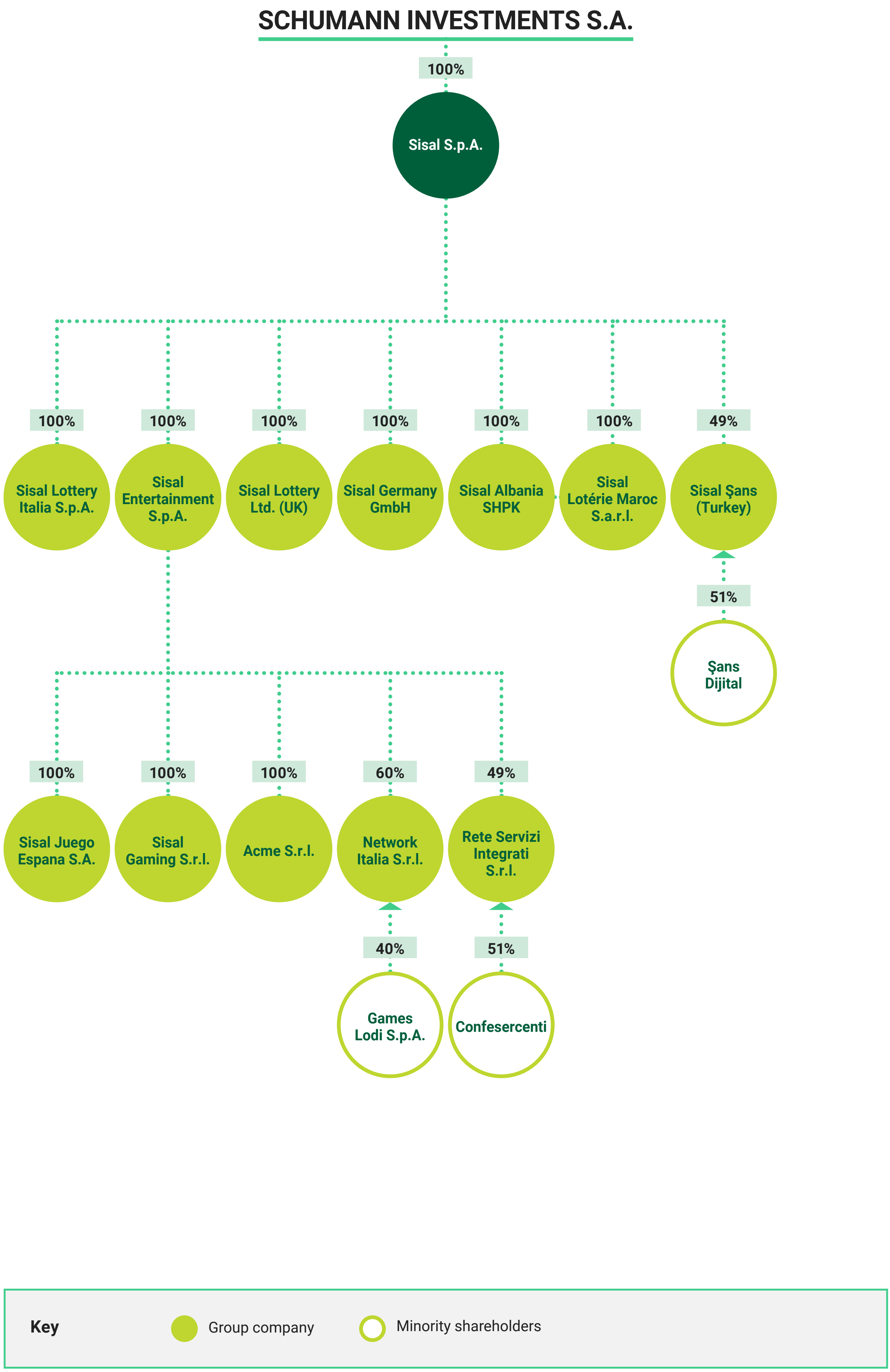
Since 2016, the Group has been indirectly controlled by the CVC VI Fund, linked to the global private equity fund CVC Capital Partners (“CVC”). More specifically, in 2016 the CVC VI Fund acquired control over Sisal S.p.A. through its subsidiary Schumann S.r.l. (subsequently transformed to the joint stock company Schumann S.p.A.), with this company's share capital in turn entirely held by Schumann Investments S.A. On 28 November 2017, Schumann S.p.A. was merged into Sisal S.p.A. by incorporation and as a consequence, Schumann Investments S.A. became the direct holder of 100% of the Group’s share capital.

As already referenced in the Introduction, during 2021 the Group completed activities to reorganise the Group, with the objective of rendering the Gaming Business Unit and Payment and Telco Business Units entirely autonomous and independent.

In this context, note that:

- on 29 March 2021, the Extraordinary Shareholders’ Meeting of SisalPay Group, at the time fully held by the Company, resolved to change its name and that of its subsidiaries SisalPay S.p.A. and SisalPay Servizi S.p.A. to Mooney Group S.p.A., Mooney S.p.A. and Mooney Servizi S.p.A., respectively.
- on 28 July 2021, the Extraordinary Shareholders’ Meeting of the Company resolved to change the company name from “Sisal Group S.p.A.” to “Sisal S.p.A.”. This change took effect on 26 August 2021, after the relative resolution was registered with the relevant Companies Register;
- also on 28 July 2021, the Extraordinary Shareholders’ Meeting of the Company approved:
    - the partial demerger of Sisal in favour of the newly established SG2 S.p.A. after the which the equity investment held by this latter in Mooney Group, equal to 70% of share capital, was transferred to SG2 S.p.A.: consequently, Mooney Group is no longer controlled by Sisal;
    - the partial demerger of Sisal Lottery Italia S.p.A. (formerly Sisal S.p.A. – “**Sisal Lottery**”) to Sisal S.p.A. (formerly Sisal Group S.p.A.), to rationalise and reorganise the Group’s chain of control. Following this demerger, among the various assets transferred to Sisal were the equity investments previously held by Sisal Lottery in its subsidiaries;
- after receiving the necessary authorisations from the relevant authorities, in particular the Customs and Monopolies Agency, the demerger deeds for Sisal and Sisal Lottery were signed and registered with the Milan Companies Register, respectively on 11 November 2021 and 12 November 2021. Hence, the legal efficacy of the same began on those dates.

Below is the structure of the Group as at 31 December 2021.


SCHUMANN INVESTMENTS S.A.
100%
Sisal S.p.A.
100%
Sisal Lottery Italia S.p.A.
100%
Sisal Entertainment S.p.A.
100%
Sisal Lottery Ltd. (UK)
100%
Sisal Germany GmbH
100%
Sisal Albania SHPK
100%
Sisal Lotérie Maroc S.a.r.l.
49%
Sisal Şans (Turkey)
51%
Şans Dijital
100%
Sisal Juego Espana S.A.
100%
Sisal Gaming S.r.l.
100%
Acme S.r.l.
60%
Network Italia S.r.l.
49%
Rete Servizi Integrati S.r.l.
40%
Games Lodi S.p.A.
51%
Confesercenti
Key
Group company
Minority shareholders

Governance

The Sisal Group is aware of the importance a good Corporate Governance system has in achieving strategic objectives and creating long-term sustainable value, by ensuring effective governance which complies with institutions and rules, efficient and able to consider economic principles, and proper in its interactions with all those with an interest in the life of the Group.

In line with this, the Group has ensured over time that its Corporate Governance system is always up to date with relevant recommendations and regulations, adhering to domestic and international best practices.

The administration and control model adopted by Sisal is the traditional one, with a Shareholders' Meeting consisting of a Sole Shareholder, Board of Directors and a Board of Statutory Auditors. The Group's Corporate Governance structure revolves around the central entity the Board of Directors, the highest level body authorised to manage the company in the interest of shareholders, which provides strategic guidance, and guarantees transparency in the making of decisions and in defining an effective Internal Control and risk management system, including decision making processes both regarding internal and external entities.

The parent company Sisal S.p.A. is currently guided by a Board of Directors with six members, appointed by the Shareholders' Meeting on 11 October 2021 and in office through the date of the Shareholders' Meeting which will be called to approve the financial statements for the year ending on 31 December 2023.

The Board of Directors holds the widest powers of ordinary and extraordinary administration, with the exception of those reserved by law exclusively for the Shareholders' Meeting.

The Board of Directors, with a resolution on 11 October 2021, has identified a Chief Executive Officer from among its members, who has been granted proxies and powers of ordinary administration necessary or useful for the execution of company business.

The Directors are responsible for managing the company, taking the actions necessary to implement the company purpose. The Board of Directors is also responsible for the Group's Internal Control and risk management system.

In addition to the Board of Directors, the Group has voluntarily established, in line with international best practices and the recommendations in the Codes of Ethics applicable to listed companies, certain committees internal to the Board of the subsidiary Sisal Lottery Italia S.p.A., specifically the Appointments and Remuneration Committee, the Control, Risk and Sustainability Committee and the Related Parties Committee which, through November 2021, provided consulting, proposal and investigation assistance with respect to the decisions of the Board of Directors.

On 9 November 2021, the Independent Directors of Sisal Lottery, Matteo Giuliano Caroli, Lucia Morselli and Paola Bonomo, in turn members of the aforementioned internal Board committees, submitted their resignations from the positions held at Sisal Lottery Italia S.p.A.

On 24 November 2021, the Board of Directors of Sisal Lottery hence recognised the above and resolved the dissolution of its internal committees, also in the light of the project to list Sisal shares on EuronextMilan, organised and managed by Borsa Italiana S.p.A. at the time in question (for more information, please see the section "Significant events during the year") and the then imminent inauguration of the Sisal Independent Directors and (ii) establishment, within the same Sisal Board of Directors, subordinate to the start of negotiations, of internal Board committees with investigation, proposal and consulting responsibilities and in operating areas comparable to those of the Committees previously existing within the subsidiary Sisal Lottery.

Subsequently, as the project to list the shares was abandoned, the above was not implemented in the context of the Sisal corporate governance system. In any case, this did not lead to any vulnerabilities in the Group's internal control system, which was already rigorously organised within the corporate and internal Board committee context.

Therefore, after that described above, the Group's control system is as follows:

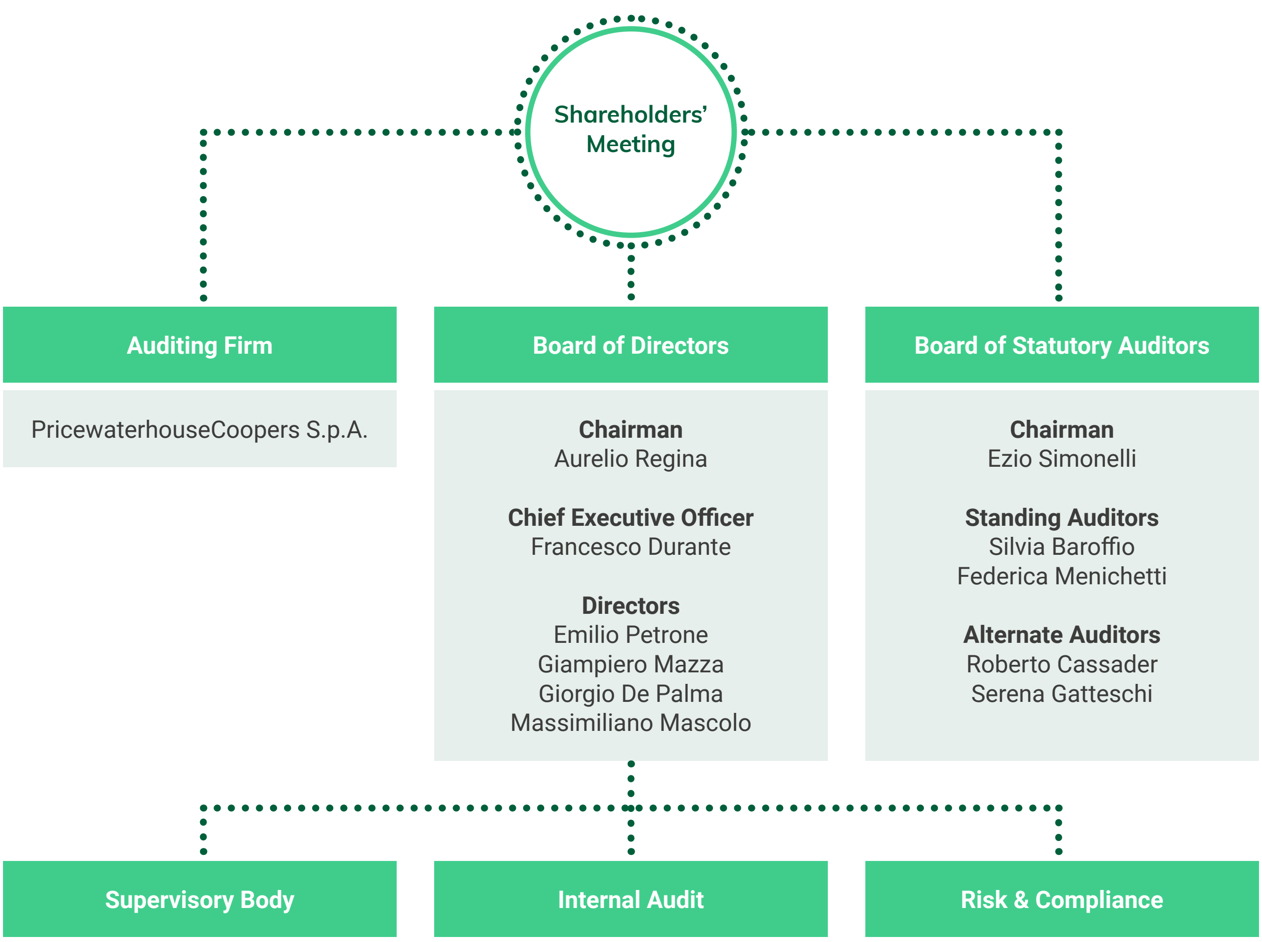
- Internal Audit Department
- Risk & Compliance Department

The goal of the Risk & Compliance Department is to ensure compliance with internal regulations, policies and procedures, guaranteeing the overall efficacy of the internal control system, providing advisory services to company departments on relevant aspects and establishing a risk management system. This structure is further organised into the following sub-departments:

- *Information Security:* identifies, manages and monitors risks associated with IT security and possible external attacks
- *Anticorruption & Compliance:* guarantees compliance with internal and external regulations, through a dedicated internal control system
- *Risk Management:* through an enterprise risk management (ERM) model, guarantees company risks are managed comprehensively down to limits deemed acceptable
- *Anti-Money Laundering:* manages non-compliance risks associated with anti-money laundering laws, also through an internal control system and monitoring of online and retail transactions

These structures offer monitoring for the above activities both domestically and internationally.

The Group's governance structure can be summarised as seen in the diagram below:



Financial Highlights

Below are the main economic, financial and equity indicators for the Group at 31 December 2021 and 31 December 2020:

Economic and financial figures

(in thousands of Euros)	2021	2020	Change	% change
Total Revenues and Proceeds	682,301	519,319	162,982	31%
EBITDA (*) (**)	248,047	176,322	71,725	41%
Operating profit (loss) (EBIT)	57,275	13,783	43,492	>100%
EBIT Adjusted (*) (***)	131,056	73,339	57,717	79%
EBT	32,101	(5,482)	37,583	<-100%
Result of Continuing Operations	121,129	(13,182)	134,311	<-100%
Result of Discontinued Operations	(29,576)	(27,082)	(2,494)	9%
Net result	**91,553**	**(40,264)**	**131,817**	**<-100%**
Net Adjusted Result (*) (****)	**103,422**	**24,228**	**79,194**	**>100%**

Equity data

(in thousands of Euros)	2021	2020	Change	% change
Net Invested Capital	856,475	1,393,750	(537,275)	-39%
Provisions for personnel	(7,957)	(12,900)	4,943	-38%
Equity	(700,342)	(345,403)	(354,939)	>100%
Net financial position	**(148,176)**	**(1,035,447)**	**887,271**	**-86%**

(*) EBITDA, EBIT and the Net Adjusted Result are not identified as accounting measurements in the context of the EU IFRS and, therefore, should not be considered as an alternative method for assessing the Group's operating performance. Given that the structure of these figures is not governed by the reference accounting standards, the criteria used by the Group may not be the same as that adopted by others and hence, not comparable.

(**) EBITDA is defined as profit/loss for the year, adjusted for the following items: i) taxes; ii) share of profit/(loss) of equity-accounted companies; iii) financial expense; iv) financial income; v) amortisation, depreciation and writedowns on tangible and intangible assets; vi) net impairment of financial assets;l vii) accessory costs for the acquisition of equity investments and start-up of new businesses; viii) non-monetary gains and losses; and ix) income and expense which, due to their nature, cannot be reasonably expected to be repeated in future years.

(***) EBIT Adjusted is defined as EBITDA adjusted for amortisation, depreciation and writedowns on tangible and intangible assets (net of amortisation/depreciation on capital gains allocated emerging from business combinations).

(****) The Net Adjusted Result is defined profit/loss for the year, adjusted for the following items: i) amortisation/depreciation on capital gains allocated emerging from business combinations; ii) expense from corporate reorganisation; iii) accessory costs for the acquisition of equity investments and start-up of new businesses; iv) non-monetary gains and losses, v) income and expense which, due to their nature, cannot be reasonably expected to be repeated in future years and vi) the tax effects of the previous items.

Highlights 2021

35 million
customers

11,289 million
Turnover

682.3 million
revenues

248 million
EBITDA

103.2 million
investments

2,362
employees

Gaming market

Sisal Group: a history of gaming

The Sisal Group is one of the largest companies in Italy in the Gaming sector.

MILESTONES

1945
Sisal is founded

1946
The Sisal betting form comes out, later becoming Totocalcio

1948
Totip arrives, the first Italian horse-racing bets

1993
Introduction of the MAX 2000T terminal which digitalised the network

1997
SuperEnalotto is launched

2004
Acquisition of Matchpoint and the network of betting agencies

Online gaming is launched

2005
Development of gaming machine business begins

2009
WinforLife comes out

Start of the Play Responsibly campaign

2010
Sisal WinCity arrives

2011
First Responsible Gaming Certification from The European Lotteries

2012
The first World Lottery Association Responsible Gaming Certification is received

Eurojackpot is launched

2013
A new vision, new values and an updated visual identity for Sisal

SisalPay is created, a widespread network offering payment and top-up services

2014
VinciCasa is launched, the first game in the world that lets you win a house

2016
Launch of the new SuperEnalotto

2019
International exposure:
Sisal Maroc is established
Start of online gaming in Spain

Renewal of the GNTN concession

Demerger of Gaming and Services business

2020
Launch of lotteries in Turkey

2021
The separation process of the Gaming Business from the Payment & Telco Business is completed with the demerger of Mooney

1946

THE BEGINNINGS OF SISAL

The Sisal Group contributed to the reconstruction of Italy after WWII, helping give Italians new opportunities to smile.

It's right after the war, in a destroyed Milan, in the midst of ruins. It's time to roll up one's sleeves and start again. The friendship between the three journalists Geo Mola, Fabio Jegher and Massimo Della Pergola gives rise to a shared project: give new life to Italian sport. They deposited a total of 900 thousand lira and founded Milano Sport Italia s.r.l. SISAL. ***This was the creation of the first Italian company to operate in the gaming sector as Government Concessionaire.***

A dream that began to take shape in January of 1946 when the publication Sport Italia was established and the "Sisal Betting Form" was launched to help reconstruct sporting infrastructure.

1950s

THE TOTIP ERA

In 1948 the successful launch of Totip, a horse race-based prediction game, was supported by the great Italian horse racing season. Totip quickly became an enjoyable appointment for many Italians, helping to make the Sisal brand popular.

Development of the sales network also began in Fifties, consisting of local offices and betting shops. The Sixties saw the Group introduce marketing levers in the gaming sector to promote its products. The Seventies and Eighties saw significant investments in communication and training for the sales points in the network.

1990s

THE TWIST OFFERED BY SUPERENALOTTO

At the beginning of the Nineties, the Group was awarded to the concession to accept Tris bets, which were available not only through betting agencies and at racecourses, but also at betting shops, thereby increasing the number of players and once again restoring the image and popularity of horse racing among the greater public. During these same years, the first automatic system to handle gaming operations was introduced and the Group strengthened its presence on the gaming market, in part through the introduction of a new gaming terminal in its network. Sisal TV was also established, a satellite channel dedicated to gaming and provided exclusively to the sales points of the distribution network. In 1996, Sisal was awarded the tender to manage the Enalotto and within one year completely transformed it, reintroducing under the brand "Superenalotto". **With its millionaire jackpots, SuperEnalotto becomes the most popular game in Italy.** With the launch of SuperEnalotto in 1997, the Group enriched its gaming offerings and successfully entered the lottery market. In just a short time, SuperEnalotto achieved the highest brand awareness in the Italian game market. In 2016 it underwent a full relaunch, in terms of both game format and image.

2000s

OMNICHANNEL INNOVATION AND THE LAUNCH OF PAYMENT AND TOP UP SERVICES.

After reaching the peak of digital and retail innovation in the gaming market, in 2004 Sisal brought entertainment online with the launch of its gaming site. Evolution of the retail model led to the launch of **Sisal Wincity**, the innovative sales point based around the "eat drink play" concept. The Lottery portfolio expanded with the addition of distinctive games with unique positioning, including **Win for Life** and **VinciCasa**.

During these years, the Group launched its payment and top up business which reached its height in 2013 with the creation of the SisalPay brand, a dedicated network for payment and top up services.

Today

SEPARATION OF GAMING AND PAYMENTS BUSINESS AND CORPORATE REORGANISATION

In 2018 the Group also began a corporate reorganisation project, with the main goal of separating payment services and telephone top-up business from other gaming and betting services. On 30 July 2019, the parent company, together with some of its subsidiaries, signed an investment agreement with Banca 5 S.p.A. ("Banca 5"), part of the Intesa Sanpaolo banking group, to create a partnership intended to offer banking products and payment and transaction services. This partnership gave rise to Mooney Group S.p.A. (formerly SisalPay S.p.A.), the first Italian network developed with a proximity banking model, with the Company holding a 70% stake and Banca 5 a 30% stake (the **"2019 Reorganisation"**). Banca 5 and the parent company, both directly and through its subsidiaries, transferred their payment and telco business to Mooney Group S.p.A. (formerly SisalPay S.p.A.) and its subsidiaries.

Completion of the 2019 Reorganisation was implemented through the partial proportional demerger of the Company to the newly established SG2 S.p.A., created as an effect of the demerger, to which was transferred the equity investment held in Mooney Group S.p.A., in which, in February 2022, it was incorporated through a reverse merger. The Mooney Group Demerger and the relative demerger plan were approved by the Extraordinary Shareholders' Meeting of the Company on 28 July 2021 and the Mooney Group Demerger took effect on 11 November 2021, when the relative deed was registered.

Also in July 2021, the Group began a corporate reorganisation process intended to rationalise and reorganise the chain of control, to also be achieved through the demerger of some of the assets of the subsidiary Sisal Lottery Italia S.p.A. (formerly Sisal S.p.A.). This reorganisation was implemented through a demerger process that included the partial demerger of Sisal Lottery Italia S.p.A. to the Company (the "**Sisal Lottery Italia Demerger"**). In particular, as an effect of the Sisal Lottery Italia Demerger, the following were transferred to Sisal: (i) the equity investments held by Sisal Lottery Italia S.p.A. in its subsidiaries; (ii) the financial receivables deriving from the operations associated with the investment agreement with Banca 5, due to Sisal Lottery Italia S.p.A. from Sisal, (iii) the special-purpose loans granted by Sisal Lottery Italia S.p.A. to some of its foreign subsidiaries and (iv) the corresponding liabilities relative to the lines of credit provided by the Company through Sisal Lottery Italia S.p.A. (special-purpose borrowing) to support the launch and development of the business of the aforementioned foreign subsidiaries. The Sisal Demerger and relative demerger plan were approved by the Shareholders' Meetings of Sisal S.p.A. and Sisal Lottery Italia S.p.A. on 28 July 2021. The deed for the Sisal Lottery Italia Demerger was signed on 5 November 2021, after authorisation was received from the relevant Italian authorities, that is authorisation from the Customs and Monopolies Agency, which was obtained on 14 October 2021 and took effect on 12 November 2021. In consideration of the fact that after the Sisal Lottery Italia Demerger Sisal S.p.A. remained the sole shareholder of Sisal Lottery Italia S.p.A., this demerger occurred without the assignment of shares and did not lead to the determination of any exchange ratios.

INTERNATIONALISATION OF GAMING

Thanks to its knowledge of lottery and gaming management, with the advantage of skills honed over 75 years of experience, with an approach always focused on product innovation and the importance of the consumer, the Sisal Group has begun an internationalisation process to develop new business opportunities and continue to lead in new markets.

The Group constantly monitors opportunities on the international lotteries market and during 2021 participated in a tender issued by the British Government through the Gambling Commission, to manage the UK National Lottery, one of the most important and prestigious lotteries in the world, which will be awarded in March 2022. The winning operator will manage the UK National Lottery starting in February 2024 and for a period of 10 years, which can be extended for an additional two years.

At present, the Group has a presence in Morocco, Spain and Turkey, with a wide array of offerings that includes lotteries, betting, online and entertainment equipment.

Organisational structure

The Group's current organisational structure is based on two objectives:

- strengthen Sisal's position in the Italian gaming market;
- support the expansion of Sisal into international markets.

The new organisation is structured around three Strategic Business Units, three Product Divisions and four Staff/Central Management Structures, with the goal of developing the best offers to successfully compete:

3 Business Units

1. Retail Italia
2. Online Italia
3. International

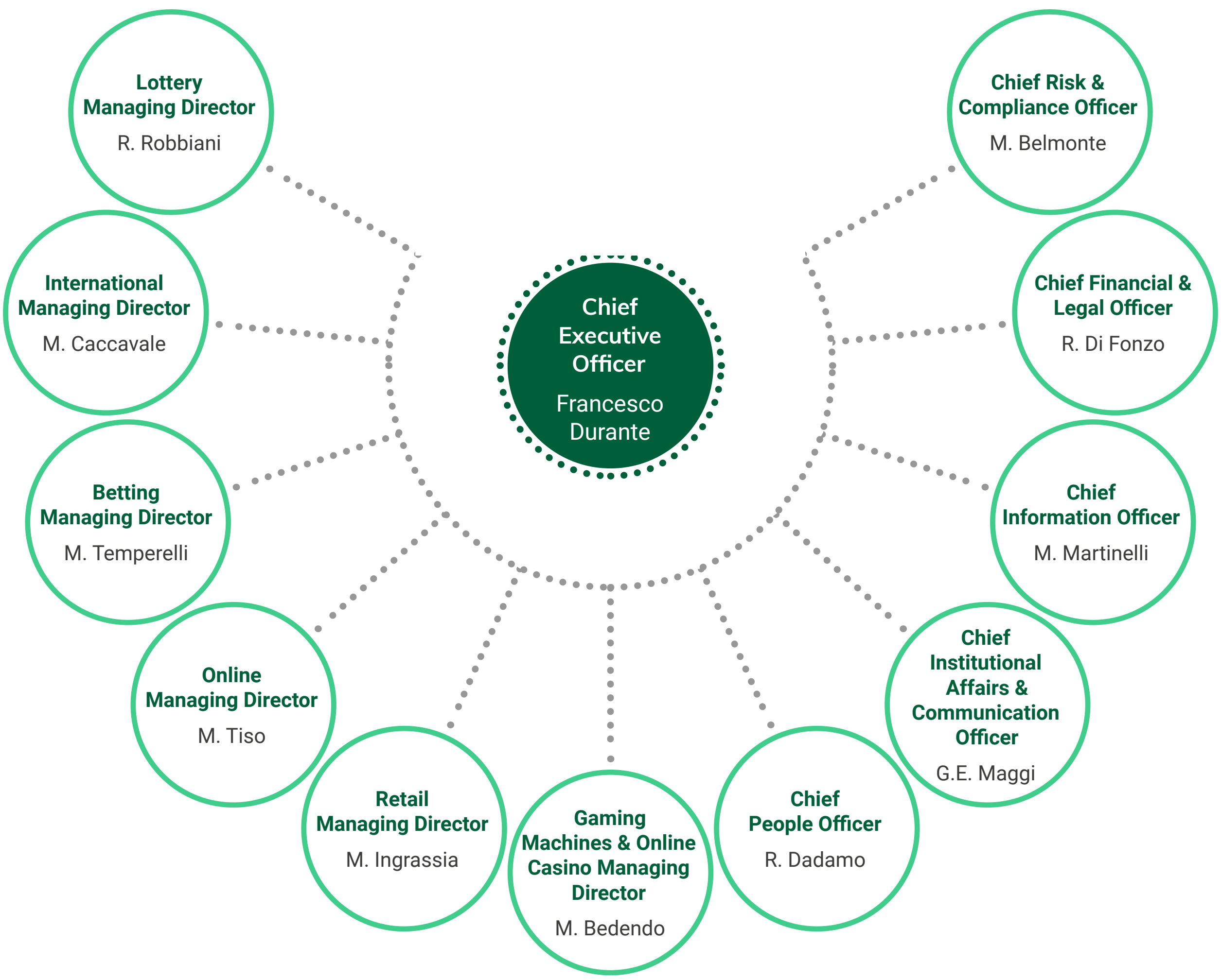
3 Product Divisions

1. Lottery
2. Betting
3. Gaming Machines & Online Casino

4 Staff structures

1. Finance, Administration, Controlling & Legal
2. ICT & Procurement
3. Human Resources & Organizational Design
4. Institutional Affairs & Communication

Below are the details of the organisational structure.



Business areas

The Group operates in the strategic business units indicated below:

- **Online Italy**
- **Retail Italy**
- **International**

ONLINE ITALY

The strategic business unit Online Italy is responsible for developing and managing online business in Italy, through the Group's portals and mobile applications. It handles online processes, services and sales activities for betting products (sporting events, horse racing and simulated events), lotteries (both national totalizator games and games relative to the Lotto and Gratta&Vinci [scratch and win] concession), bingo, casino games (table games such as roulette and blackjack, as well as online slots and instant games), poker and other traditional Italian card games. It is also responsible for managing relations with end consumers, during the various stages of customer acquisition, managing and enhancing acquired customers, consumer assistance and promotion of responsible and sustainable gaming. Finally, it is responsible for guaranteeing online business is in compliance both with the requirements of the concession for remote gaming and current regulations (anti-money laundering, GDPR, etc.).

The Sisal.it offer includes:

RETAIL ITALY

The strategic business unit Retail Italy develops and manages business on the Italian physical market. It manages the processes, services and sales and distribution activities for the end consumer for all the Group's products: lotteries, betting and entertainment equipment (ADI). It is also responsible for the connection with the central Amusement With Prize (AWP) equipment system held by third party managers (Providing activities), management of owned AWP equipment connected to the digital network of other concessionaires (Management activities) and sales of gaming software and AWP cabinets.

DISTRIBUTION NETWORK

The Retail Italy business unit, which develops and manages the Italian physical market, distributes the Lottery, Betting and Gaming Machines products throughout the country, operating nationwide through a network of sales points which can be subdivided into Branded and Affiliated.

It works in specialised gaming sales channels **(Specialised Channels)** both for Direct and Partner management, as well as on channels which offer gaming as an accessory to other main activities, including but not limited to Coffee Shops, Tobacco Shops, Newspaper Stands, etc. (**Generalist Channel**). As of 31 December 2021, the Group operates through 35,668 sales points which can be broken down as follows:

- a network of 1,698 Branded sales points ("**Branded Channel**"), 93 of which are managed directly ("**Direct Branded Sales Points**"), with the other managed by third parties and digitally connected to the Group's IT systems ("**Partner Branded Sales Points**");
- a network of 33,970 third party sales points digitally connected to the Group's IT systems and distributed throughout the country ("**Affiliated Channel**"). This final channel includes sales points such as coffee shops, tobacco shops and news stands which, thanks to their widespread coverage, make it possible to reach a vast array of consumers.

2021
Total Branded Channel
1,698

2021
Total Affiliated Channel
33,970

Branded Channel

As of 31 December 2021, the branded channel includes 1,698 sales points directly identifiable with the Group's brands, of which 93 are managed directly. Below are the main types of branded sales points:

The top of the line in the Sisal retail network, Sisal WinCity is an innovative concept based around the “Eat, Drink and Play” model, combining gaming, food and entertainment. It offers a welcoming and functional environment in which consumers can enjoy the most innovative products on the market while enjoying excellent Italian cuisine. At present there are 34 WinCity locations in the largest Italian cities, including Milan, Rome, Turin, Brescia, Pescara, Florence, Catania and Bologna.

This is the brand dedicated to horse racing and sporting bets and to Virtual Races. The 385 Matchpoint sales points offer the complete portfolio of Sisal products within high tech environments that pay special attention to customer needs. These are supported by 1,279 Corner Points for Horse Race Gaming (PGI) and Sporting Matchpoints (PGS).

Affiliated Channel

The affiliated channel includes 33,970 third party sales points located throughout Italy, with which a lasting commercial relationship has been developed over time. The channel includes sales points such as coffee shops, tobacco shops and news stands which, thanks to their widespread coverage, make it possible to reach a vast array of consumers. 33,710 of these belong to the Generalist channel (sales points for which the main business is not gaming) and 260 are in the Specialised channel.

The table below presents the Retail Network as of 31 December 2021.

	Retail Network	Specialised	Generalist
Direct Branded	**93**	93	-
Partner Branded	**1,605**	326	1,279
Affiliated	**33,970**	260	33,710
	35,668	**679**	**34,989**

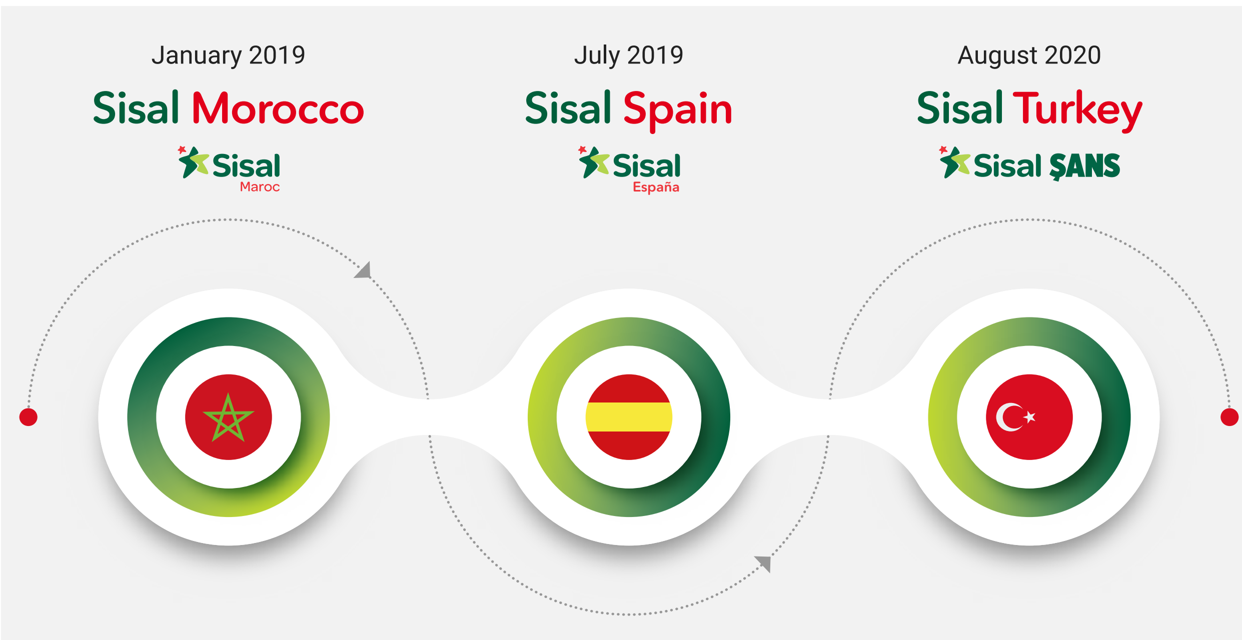
INTERNATIONAL

The International business unit represents the Group's presence on international markets achieved through participation in tenders (e.g. lotteries) and by acquiring licenses (e.g. online gaming and online sports betting).

In fact, thanks to its knowledge of lottery and gaming management and its skills honed over 75 years of experience, combined with the constant innovation achieved in consumer-focussed products, the Group has begun an internationalisation process to develop new business opportunities and continue to lead in new markets.

Since 2018, the Group has had a long-term international development strategy, which balances expansion in various markets with sustainability and the adjustment of its organisational structure, with the objective of becoming a major international player in lotteries and online gaming.

In fact, the Group began its expansion process in countries with smaller markets that also offer significant potential for development, such as Morocco and online gaming in Spain.



In 2018, the Group was awarded the tender issued by the National Lottery Management Company of Morocco (SGLN) and in the same year Sisal Maroc was established, with its registered offices in Casablanca. At present it has 68 employees.

In July 2019 the Group extended its international presence through the Spanish market, after acquiring online Betting and Casino and Slot licenses. The decision to focus on Spain as the first country for its online gaming internationalisation strategy was based on the strong growth trends and dynamics of the market.

In 2019, capitalising on the reputation it had acquired through the tender and perfect transition in Morocco as well as the quick start up in Spain, the Group was invited to participate in tenders in larger markets such as Turkey. It was awarded this tender in August 2019 and successfully started the project in August 2020, at the height of the Covid-19 pandemic. More specifically in August 2020 the Group officially began a partnership based on cooperation with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a Demirören Group company, one of the most important businesses in Turkey within the world of media and communications. The offices are in Istanbul and count on a local team of 118 people who manage and develop a detailed portfolio including lotteries, both instant and non, distributed through a network of around 10,000 sales and online points to offer a new multichannel gaming experience, also enhanced by virtual races.

Thanks to this gradual approach, the Group has increasingly gained credibility as an international player, based on three guidelines: (i) the ability to win in all the tenders in which it has participated, in competition with international market leaders, (ii) the solidity of its technological skills and operating model in managing the takeover from outgoing concessionaires and, finally, (iii) its management abilities, to achieve significant but responsible development of business.

In fact, the entire internationalisation and growth strategy for the various operating companies is based on two principles: (i) digital and product innovation as a lever for growing leadership and (ii) the consumer protection strategy unique in the gaming sector.

As of the date of this document, at the international level the Group is present in Morocco (1,881 sales points at 31 December 2021), Spain (an average of 13.9 thousand customers active at 31 December 2021) and Turkey (10,005 sales points at 31 December 2021), with a wide range of offerings that includes lotteries, betting, online options and entertainment equipment.

PRODUCT DIVISIONS

The large portfolio of products cross-cuts through the various strategic business units and includes the following macro-categories, assigned to the product divisions of the same name, which support each of the three strategic business units:

LOTTERY

"**Lottery**": responsible for managing and developing National Numeric Totalizer Gaming (NTNG), for which Sisal Lottery Italia has been the exclusive concessionaire since 1997. The NTNG includes products which dominate Italian consumer preferences: (i) SuperEnalotto, developed by the Group in 1997 as a dream jackpot game, relaunched in 2016 with an updated successful formula, always synonymous with luck and an integral part of the habits of our country; (ii) the complementary and optional SuperStar game, developed in 2006, which multiplies winnings; (iii) Win For Life, the first game in Italy that makes it possible to win a twenty-year income, launched in 2009 to support rebuilding after the earthquake in Abruzzo; (iv) SiVinceTutto, launched in 2011, which offers up all the awards in one evening; (v) Eurojackpot, a game which since 2012 sees 18 European countries vie for the million dollar jackpot; (vi) Play Six, launched in 2013, the only numeric game only available online; (vii) VinciCasa, launched in 2014, the first game in Italy where the winnings are to be used to purchase a dream home.

Additionally, on 1 October 2021 WinBox was launched the most recent innovation for SuperEnalotto SuperStar, which offers an updated digital experience, combined with new opportunities for winning at the same price. In fact, SuperEnalotto Winbox involves players at the time they play, offering the possibility to obtain an immediate win, until the extraction of the traditional six numbers, when those who opted to play SuperStar but did not win anything can compete in a Second Chance.

NTNG acceptance activities are carried out through the physical network and, for the most part, given the habits of the target public, for which opportunities for consumption and distribution are offered throughout the country, involve the Affiliated Channel, which consists of third party sales points (coffee shops, tobacco shops, news stands). Since 2009 NTNG offerings are also available online, through the Group's websites and Apps and another 11 online resellers authorised by the Customs and Monopolies Agency: the NTNG gaming options are the same for all resellers, in that they are established and managed by the concessionaire Sisal Lottery Italia, through its online gaming platform, which is integrated with remote resellers. As of 2020 the Group held over 86.9% of the online acceptance market for the NTNG[3].

BETTING

"**Betting**": responsible for managing activities in the fixed odd and totalizator bets, as well as traditional sporting event predictions. The Group's offerings include bets on around 500,000 sporting and cultural events every year, as well as the possibility to bet on around 200 horse races every day, both national and international, and around 3,000 virtual races per day, selecting from among many alternatives, such as dog, horse or car races, as well as virtual football matches. A player can also request new types of bets (bets on request) using the specific form on the Sisal.it website, in either pre-match or live mode.

GAMING MACHINES & ONLINE CASINO

"**Gaming Machines & Online Casino**": responsible for managing activities in the ADI segment (Apparecchi da Intrattenimento - Entertainment Equipment), AWP (Amusement with Prize) and VLT (Video Lottery Terminals) segment, through a network of around 5,500 sales points and 21,950 machines for AWP, as well as 592 sales points and 5,771 total rights for video terminals. In addition to the above products, for the online segment it is also responsible for Casino Games (Slots, Table Games and Instant/Quick Games), Poker, Card Games and Bingo, through the Sisal.it portal and the Group's mobile applications, with a portfolio of around one thousand games.

(3) Source: Company analysis.

Mission, vision and values

As part of strategic management and with an eye to the future, mission, values and vision play a fundamental role in supporting the Group's strategy, and were redesigned in 2021 together with its purpose. They also help to strengthen the company culture, supporting identification and alignment of individual and company objectives.

MISSION

"Offer the best experience in responsible gaming, generating value for the community and people."

VISION

"Be a leading company at the international level in responsible gaming, guiding digital innovation".

VALUES

Responsibility

Responsibility is at the centre of our actions

It guides our strategy, ensuring development that is knowledgeable, sustainable and long-term.

People

People are the heart of our company

We are committed to understanding, enhancing and rewarding people so that everyone can contribute to achieving our Purpose.

Innovation

Innovation inspires our company

It stimulates creative abilities, supports evolution and growth and contributes to generating value over time.

Our purpose

We at Sisal exist to build a more responsible future.

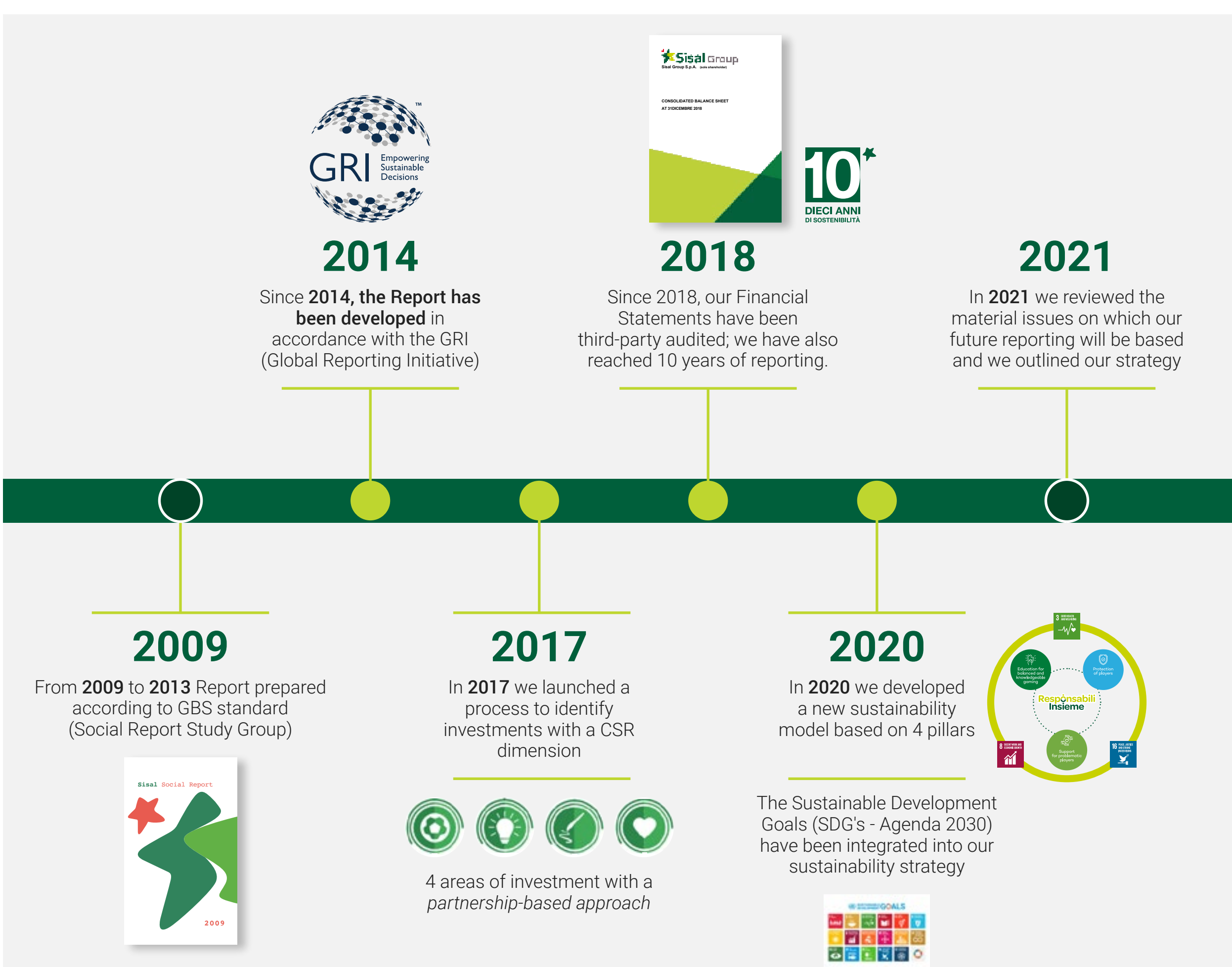
In a long-term view, which must be able to consider possible developments and stakeholder expectations, we have decided to revise our Corporate Purpose, so that it meets the new expectations held by the Company, its customers, institutions and the whole of society and is integrated into our business strategies and daily actions.

In particular, we have chosen to pursue a reputation strategy aimed at strongly reshaping the perception our stakeholders have of the Company and its historic activities, also setting the goal of influencing and guiding the reputation of the sector as a whole.

This begins with the development of a strategic roadmap intended to develop projects in the area of Responsible Gaming, the effects of which can be measured over time and able to offer a health and knowledgeable gaming experience, working actively to prevent and resolve problems deriving from gambling addiction.

Finally, the definition and communication of the Corporate Purpose, in addition to making a concrete plan of activities to make it real, concrete and tangible, plays an important role in affirming over time our aspiration to be a leader as an excellent Responsible Gambling Company.

Our Sustainability process



In the light of the new Group identity and following the exit of Mooney (formerly SisalPay) from the scope of the company, as well as the changing needs of the context in which it operates, the decision was made to update strategic sustainability priorities. This process, which saw top management involved in guiding the entire process of stakeholder engagement and materiality, to strengthen integration of sustainability at the strategic level and spread a sustainability culture throughout the organisation, led to a new list of material issues on which to focus future reporting:

SUSTAINABILITY TOPICS
Customer Experience
Promotion of a legal and balanced gaming model
Protection and support for players
Help and assistance for problematic players
Protection of privacy and information security
Commitment to the community
Promotion of innovation and digital development
Workplace health and safety
Professional development
Welfare and work-life balance
Inclusion, diversity and gender parity
Commitment to the environment
Sustainable management of the supply chain
Emissions management

ESG strategy

Our commitment to sustainability is also evolving in terms of ESG and we currently monitor this through our integrated strategic model:

Environmental

- Optimisation of the **Environmental Management System (EMS)**
- Definition of actions to **reduce carbon emissions**
- Expanding **emission monitoring (from scope 1 to 3)**
- Investing in **digital sustainability**
- Definition of a new **KPIs and environmental target setting**

Social

- Consolidation of **the Responsible Gaming programme**:
  - *Protection for players*
  - *Education for balanced and knowledgeable gaming*
  - *Support for problematic players*
- Promoting **DE&I** policies and actions
- Involving employees in **voluntary activities**
- Investing in **innovation**programmes **for young talent and start-ups**

Governance

- **UN Global Compact** active membership
- Strengthening of **Cyber Risk Management**
- Ensuring **Customer Data Protection**
- Guranteeing **information & data security** policies
- Enhancing the focus on **Data Ethics** (Privacy, Data (Protection & Transparency) issues

The Vision 2030

Building a more responsible future is our reason for existing, our purpose that must be at the centre of our business model and our sustainability. We want to build a Company that can be recognised as:

- a Responsible Gaming Leader
- Innovative and sustainable
- an Exemplary Working Environment

Hence, we wanted to strengthen our commitment to Sustainability by integrating it into our business and our 2021-2023 Strategic Plan, with special attention paid to our environmental, social and governance performance.

By 2030 we want to be a company with "zero impact" on society:

- Zero problematic players online
- Net-zero CO_2 emissions
- Zero gender pay gap

This is our vision for pursuing sustainable growth and contributing to become an even more responsible, sustainable and inclusive Company.

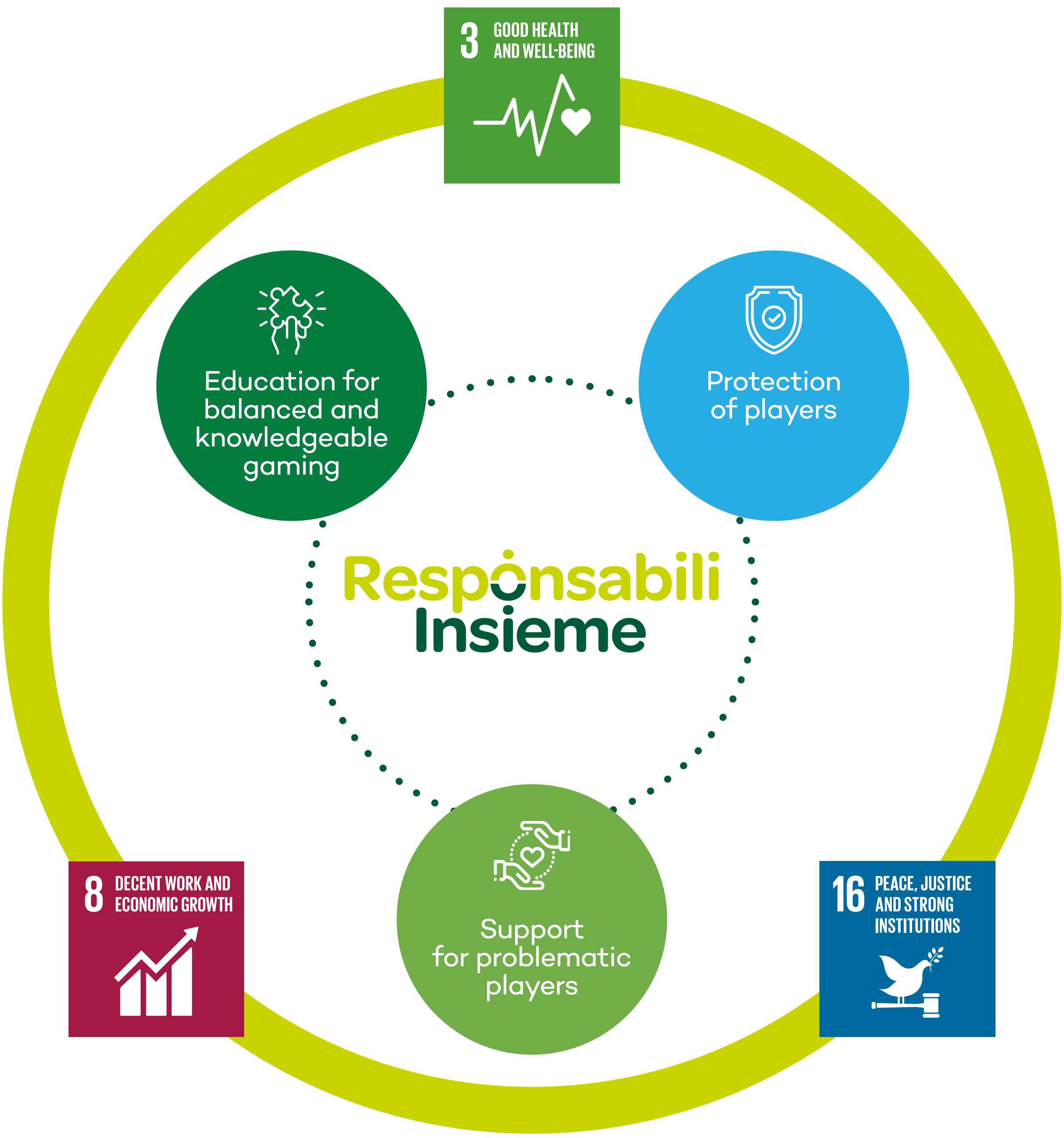
2030 SUSTAINABLITY AGENDA

THE LEADER IN RESPONSIBLE GAMING	Aero Online Problem Gamblers
AN EXEMPLARY EMPLOYER OF CHOICE	Zero Gender Pay Gap
AN INNOVATIVE SUSTAINABLR COMPANY	Net Zero Carbon Emission

Main sustainability projects in 2021

In terms of sustainability issues, definitely worthy of special mention is the protection of consumers through the promotion of responsible gaming, in addition to the commitment to the community.

CONSUMER PROTECTION: RESPONSIBLE GAMING



The Sisal Group believes in gaming as a form of entertainment and fun without excess: this is why it has invested in resources and technology to make our proposals ever more advanced, simple and safe.

Caring for, respecting and protecting the consumer are the main pillars behind the Group's sustainability commitment.

In fact, Sisal's Responsible Gaming programme is a central element in the strategy the Group has decided to implement to guarantee protection of customers, in particular those in the most vulnerable categories, through projects to offer information, combat problematic gaming and provide education on responsible gaming, as well as offering assistance for problems linked to gaming.

The three objectives of the programme are:

Education for balanced and knowledgeable gaming	**Guarantee maximum awareness for our players, to ensure safe and balanced gaming on online and offline channels.**
Protection for players	**Identify problematic behaviour and implement preventive and protective actions with respect to minors playing.**
Support for problematic players	**Provide support, guidance and protection for problematic players.**

During 2021, a training course continued to be offered to all Group personnel with the objective of providing information and raising awareness about the importance of responsible gaming, providing knowledge about the risks associated with an unbalanced approach to gaming.

Activities to increase player awareness are offered at various levels and in a coordinated manner, on all contact channels. New informational tools have been developed for sales pints and the informational and gaming section has been updated for online players.

In terms of the online channel, the Group offers players the opportunity to play through its portals and the Sisal digital applications, using cutting edge technology that guarantees secure gaming and prevents access by minors, able to constantly promote responsible and balanced gaming with new self-limiting tools, new lower deposit limits and the possibility of self-exclusion.

Additionally, new IT and player protection tools have been introduced, which use artificial intelligence and predictive models for self-exclusion, able to monitor gaming behaviour and player risk profiles.

Within the network of sales points, new informational material on responsible gaming has been introduced, to offer players indications for a balanced and knowledgeable approach, with information on the risks associated with excessive gambling and the probabilities of winning, offering guidance to find qualified support centres for players in difficulty.

Additionally, since 2010 GAM-GaRD has been used to monitor the riskiness of our games. This tool can create a precise evaluation of the social risk of every new game before it is introduced to the market, and offers a specialised service to competently assist those who have exceeded their limits through a toll-free number and innovative online therapy service developed in cooperation with FeDerSerD.

During 2021, the three-year maintenance programme was developed after the Group renewed its responsible gaming certifications in 2020, received from the European Lotteries (EL) and World Lottery Association (WLA) with the highest level (4th).

GOBEYOND: INNOVATION AT THE CENTRE OF THE COMMUNITY INVESTMENT PROGRAMME

In terms of investment in the community, the GoBeyond project has now reached its 5th edition, with record participation of over 240 projects coming from throughout the country, continuing to one of the main Open Innovation events for start-ups in Italy.

Additionally, to guarantee comprehensive support for the ecosystem of start-ups and ensure the project develops into an always-on programme to support entrepreneurialism, starting in March 2022 GoBeyond offers a digital hub, GoBeyond Academy, intended to involve the community of start-ups and allow them to enhance their entrepreneurial skills and create the new business people of the future. Further, the beginning of 2022 also saw the first acceleration programme (in cooperation with Impact Hub Società Benefit) aimed at start-ups led by women who distinguished themselves in the 2021 call for ideas in terms of innovation and scalability.

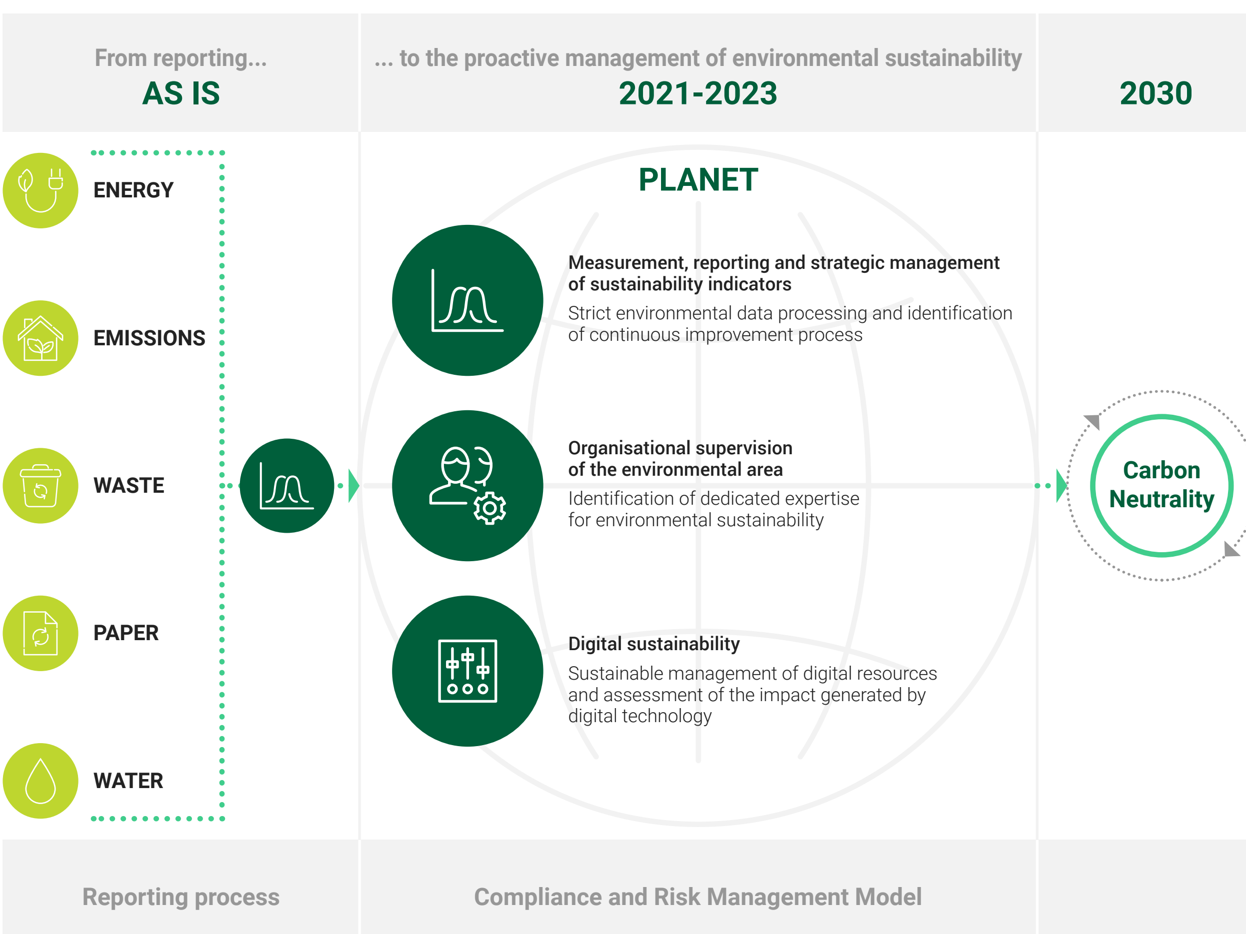
WILL: THE CORPORATE VOLUNTEERING PLATFORM

Will is a project that offers our employees the possibility to offer concrete assistance to those in need, helping to match volunteer supply and demand in a dedicated portal. With the assistance of MilanoAltruista, a non-profit dedicated to volunteering, we created a network of associations which work throughout the country, to accept our volunteers who can four hours of work per month. In 2021 we extended the number of associations in the network and offered Will to all employees, after an initial start-up period limited to just the Milan area. Due to the Covid-19 pandemic, the Will project suffered a slowdown, dictated by rules prohibiting on-site activities and distancing requirements. Despite this we kept on and continued to plan new and significant initiatives to keep alive the spirit and values of Will. These included a series of online webinars dedicated to digital issues, including the use of social networks, and the risks of fake news. During these meetings our employees served as teachers, sharing their knowledge about various arguments with an audience consisting of associations and citizens within the network. This offered a new way to offer concrete help, even if virtual and remote.

PLANET

We have always believed in respecting our planet, by definition. This is why we save energy with the aim of reducing consumption, waste and environmental impact every year. Our commitment has never wavered and has led us to implement ever more functional solutions, with the aim of building a sustainable future. As part of our long-term vision, we want to become a company that has zero impact on our planet. For this reason we are developing a roadmap to reach this ambitious goal. The activities we are committed to are:

- Defining the scope of action (mapping activities carried out by Sisal S.p.A. and its domestic and international subsidiaries)
- Identifying the environmental impacts of the activities within the scope (scope 1, scope 2, scope 3)
- Evaluating significant environmental impacts and actions already in progress, with particular attention to the costs and benefits of the digital transition in terms of environmental sustainability ("digital sustainability")



PEOPLE: THE COMMITMENT TO GENDER EQUALITY

Supporting services

- Services to support family-work balance for men and women (e.g. Sisal: economic support for women returning from maternity leave, parental leave for men, personalised smart working for men and women during maternity leave)
- Initiatives to support parenting (e.g. Sisal: training courses for mothers, parents and care givers, welfare platform)
- Scholarships for daughters of employees

Certifications and policies

- Gender Equality Certification - Gender equality certification process carried out in conjunction with Winning
- Women Institute with Grant Thornton (October 2021)
- Inclusion Impact Index - Organisational measure of gender diversity in collaboration with Valore D
- DE&I Policy - Definition of a Policy (defined with a cross-functional team of Sisal managers) to spread the culture of diversity and inclusion to drive change and innovation responsibly
- Mandatory gender equality training

Training

- Management training programmes to develop inclusive leadership for men and women and to reduce unconscious bjg$ (or implicit bias)

Risk factors and uncertainties

The Sisal Group has provided itself with an internal control system intended to identify, analyse, monitor and assess the risks connected with company objectives and activities, while also preparing countermeasures to implement against these risks, guaranteeing that company processes are optimised and effective while also ensuring proper execution of business.

The Group has adopted Enterprise Risk Management (ERM) as its reference model for managing risks. This process is modelled after the Treadway Commission Committee of Sponsoring Organizations (COSO) risk management model and is internally of strategic importance because it is established with the aim of involving various company departments and levels, helping them to cooperate to ensure an integrated and complete response to identified risks.

During 2021, Sisal strengthened its Enterprise Risk Management system with the goal of achieving greater efficiency and efficacy in the conduction of its business, in line with the strategies established, while taking into due consideration current and prospective risks, also over the medium and long-term, with an organic and comprehensive vision.

The ability to examine risks from various perspectives is a basic element of the ERM model adopted by Sisal. In fact, every event is assessed for four types of potential impact: economic and business, legal and compliance, reputation and operating. Risk are prioritised by combining the impact measurements, the probability of the same and the mitigation measures implemented by the company. Assessment of mitigation measures is multi-dimensional and examines the safeguards adopted in terms of Governance, control and continuous monitoring, the adequacy of technical and digital safeguards and solutions to transfer the risk.

This process is coordinated by the Risk & Compliance Department together with the Risk Owners and ends with the preparation of a document which identifies material risks for Sisal. This document, which includes the risk of level determined, mitigation measures implemented and/or to be implemented and the monitoring methods, is submitted to and shared with the governance bodies. The results are also shared with the Internal Audit Department which uses it when preparing its audit plans.

During 2021 risk mapping was refined in accordance with the changed context in which the Group operates and in line with the changes in the company's strategy, focussed on international development and the digital transformation. In the light of this, 65 risks were identified and mapped, broken down into different company processes.

These risks may be external or internal and can be classified in 5 categories:

- **Strategic Risks:** risks deriving from external or internal factors such as changes in the market context, erroneous company decisions or decisions implemented inadequately, slow reactions to changes in the competitive situation which could threaten the Group's position and achievement of its strategic objectives;
- **Financial Risks:** risks associated with the availability of sources of funding and the ability to efficiently manage volatility in currencies and interest rates;
- **Compliance and Regulatory Risks:** risks deriving from operating conduct not based on criteria of correctness, with reference to legal risk, direct and indirect compliance, ethics, integrity and independence;
- **Reputation and ESG Risks:** risks deriving from a negative perception of the company's image by customers, counterparts or Regulatory Authorities, as well as the occurrence of an environmental, social or governance event with negative impact;
- **Operating and ICT Risks:** risks deriving from the occurrence of events or situations which limit the efficacy and efficiency of key processes, impacting the Group's ability to create value;

Below are the main areas of risk to which the Group is exposed with regards to its business model, highlighting the strategies implemented to mitigate these risks.

MAIN RISK FACTORS

Strategic risks

Risks and uncertainties associated with the Covid-19 health emergency

The Covid-19 pandemic saw the global implementation of increasingly restrictive measures by national governments, intended to stop the spread of the pandemic. To prevent Covid-19 contagion, which progressively spread throughout Italy starting in the initial months of 2020, restrictions were imposed on retail gaming activities. These restrictive measures required operators to implement a series of precautionary protocols intended to reduce the risk of infection.

In fact, in Italy the Authorities imposed a second lockdown on retail activities starting on 6 November 2020, which continued for most of the first half of 2021, with significant impacts on the performance of the Betting and Gaming Machines segment, while Lotteries business always remained operational.

In June, a progressive return to activity began and as of 21 June the entire retail network was again open and remained fully active, even if as of 6 August 2021 access to gaming and betting rooms and bingo parlours was allowed solely to individuals holding a "Green Pass", the certificate issued by the relevant office of the Ministry of Health indicating vaccination, a negative Covid-19 test (rapid or molecular) within the previous 48 hours, or recovery from an infection, with a QR code to verify authenticity and validity. Then, as of 10 January 2022, these measures were further strengthened with the introduction of the "Super Green Pass", issued solely for those who had completed the vaccine cycle.

Also note that Decree Law 1 of 7 January 2022 further extended the national health emergency state through 31 March 2022, meaning the above restrictive measures continue to be applicable until that date.

The Covid-19 pandemic continues to evolve and its impact on business depends on various factors which are still highly uncertain and unpredictable, including the effectiveness and use of vaccines, the cycle or seasonality of the virus and its relative variants, and the rapidity with which government restrictions will be removed. In particular, delays in vaccination of the population could influence Group business for the moment, in particular in terms of whether Retail channel activities can return to pre-pandemic levels. Further the Covid-19 pandemic and containment measures introduced to limit its spread could lead to a change in consumer preferences, who may prefer to not visit businesses and gaming rooms at which the Group's services for the physical channel area are available.

In consideration of the high level of uncertainty in terms of the time line and effects of the Covid-19 pandemic crisis, the Group is monitoring developments to keep its forecasts for business and prospects up to date, as well as in terms of the economic, financial and equity development of the Group as reflected in its business plans.

Financial Risk

The risk management strategy is aimed at minimising potential negative impacts on the Group's financial performance due to volatility and unpredictability on financial markets. Management of financial risks is centralised within the Group's Finance & Legal Department, which identifies, measures and ensures coverage of financial risks in close cooperation with the Group's operating departments.

The Group's Finance & Legal Department provides guidelines for risk management, with special attention paid to exchange rate, interest rate, credit and liquidity risk, bank risk, capital risk and methods used to invest excess liquidity.

For more detailed analysis of this risk, please see that found in the Financial Risk Management section within the Notes.

Legal and Compliance Risk

The Group sees monitoring compliance risk as having strategic importance, with the belief that complying with regulations and combating any illegal and/or fraudulent behaviour are fundamental to the management of its business. Therefore, the Group is committed to ensuring aspects associated with privacy and data security regulations, as well as corruption prevention and anti-money laundering.

In exercising its activities, the Group makes use of personal data for its customers, resellers, suppliers, employees, candidates, shareholders, directors and other third parties. To ensure compliance with applicable regulations and the principles of Privacy & Data Ethics in managing its business activities and to prevent this information from being subject to voluntary and/or involuntary violation caused, for example, by interruptions in IT services, environmental events and/or illegal actions by ill intentioned third parties, the Group has implemented appropriate safeguards, defining specific roles and responsibilities, established a dedicated Privacy Office and appointing a Data Protection Officer (DPO), as well as implementing before and after the fact advisory and control activities, to guarantee that all of its business activities are carried out with a focus on privacy, by design. This is also and above all true in relation to the adoption and implementation of increasingly advanced solutions, including models based on artificial intelligence, that allow for the automation of company processes and make compliance with privacy and data protection rules a basic requirement to protect the rights and freedoms of users, as well as the right for users to know and understand the process and functioning of the AI models with which they interact.

As part of its activities, the Group is exposed to the risk that its customers or employees will carry out fraudulent actions or actions aimed at money laundering.

In full compliance with the law, regulations and provisions established in international standards and guidelines, the Group is committed to preventing and combating the occurrence of illegal actions in its business, with corporate ethics seen as one of its primary values, a method through which to transmit messages of loyalty, correctness, transparency, honesty and integrity, starting with a cultural and value system that is already strong, in coordination with its Code of Ethics and inspired by the best practices for anti-corruption, as well as ISO 37001:2016, with the aim of minimising the risk of either active or passive corruption.

To implement the additions made to article 6 of Italian Legislative Decree 231/2001 and guarantee the effectiveness of its whistleblowing system, the Company strengthened the system it uses to manage reports of behaviour potentially not compliant with the principles and content of the Code of Ethics and its Model 231.

All Group personnel is informed and trained with regards to that which can be reported and the channels that can be used to make these reports. In fact, personnel receive periodic communications and specific training. Additionally, a dedicated link which offers easy access to the Whistleblowing Platform can be found on the company intranet. Further, to strengthen trust and participation in the fight against illegal behaviour, the Group offers the possibility to report corruption, fraud or other non-compliances or irregularities to all of its external stakeholders, for example suppliers or business partners, through dedicated and independent channels.

For the Group, it is a priority to ensure the effectiveness and timeliness of control and verification safeguards regarding the adequacy of the systems to prevent and combat illegal gaming and money laundering, as well as the prevention and fighting of terrorism. In 2013 the Group established a specific department to monitor and prevent these phenomena, creating a dedicated organisational area. The Anti-Money Laundering Department us subject to verification and auditing by the Bank of Italy Financial Information Unit and the Customs and Monopolies Agency, based on specific regulatory provisions contained in Italian Legislative Decree 231/07.

With full operational autonomy, the Department falls within the Risk & Compliance Department, with the aim of offering a single methodological approach to evaluating risk within the companies of the Group. Thanks to its independence and authority, it monitors proper application of regulations in order to ensure the necessary anti-money laundering and terrorism financing safeguards, with regards to the actions of individual business areas (online and retail) and operations at sales points with reference to the gaming concession.

Regulatory risks

The Group operates in the public gaming sector, which is heavily regulated in general and also governed by specific concessions. In Italy there is a legal reserve regime for public gaming (article 43 of the Constitution. In fact, the government reserves for itself the right organise and operate it (article 1 of Legislative Decree 496 of 14 April 1948), thereby excluding private economic initiatives which in order to legally offering gaming must necessarily request and obtain a concession.

The reason for the government's presence in the gaming sector is to ensure a tax contribution at a level which is compatible with protection of other significant public interests: consumer protection and combating illegal options.

The regulation of the sector is done by the Ministry of Economy and Finance and, in particular, the ADM – Agenzia delle Dogane e dei Monopoli (Customs and Monopolies Agency), formerly the AAMS - Autonomous Administration of

Monopolies of the State (Presidential Decree no. 33 of 24 of January 2002, issued to implement article 12 of Law 383 of 18 October 2001), hereafter just ADM, which dictates the guidelines for the rational and dynamic development of the sector, verifying the regularity of concessionaire actions.

In particular, in its responsibility for gaming, ADM entrusts the operation of these services to entities selected on the basis of open tenders, which are competitive and non-discriminatory, in compliance with EU and domestic rules based on the concession in question. ADM governs the public gaming sector through preliminary and constant checks on the work of concessionaires and through targeted actions to combat irregularities. Additionally, it implements controls over the sector also in terms of ascertaining specific taxes.

In this context, new decisions made by the government and the bodies deputised to control and manage this market could lead to significant changes in the regulatory framework, which could impact the Group's results and objectives.

In effect, the development of Group strategies is closely connected to obtaining authorisations or participating in public tenders, which are especially competitive not only due to the presence of other long-time companies in the Italian market, but also due to increasingly high pressure coming from foreign operators looking to extend or strengthen their presence in Italy, and who do not always act within the limits established under national regulations.

The consequence is often intense disputes regarding the result of tenders which involve numerous appeals and court cases, sometimes merely as a disturbance and, additionally, changes made to current regulations have a significant impact on the achievement of the Group's goals and results.

In the light of the above, the Group has provided itself with an internal control system, consisting of specific internal structures and a detailed system of controls intended to monitor concessionaire relations and monitor developments in regulations, to ensure continuous compliance with current regulations and to adopt appropriate actions to protect the Group's results.

Reputation and ESG risks

In its wider revision of the Enterprise Risk Management (ERM) model, in 2021 Sisal reviewed its risk taxonomy, adding a category dedicated to risks with impact on its environmental, social and governance (ESG) performance and with a strong potential impact on the Group’s reputation.

Dialogue with stakeholders is a fundamental step in defining strategic ESG priorities and, hence, the risks associated with the same. The stakeholder engagement process helps to focus attention and efforts on the issues that are fundamental for business development, in line not just with Group needs but also the expectations of all the stakeholder categories that interact with Sisal every day.

Within its larger ESG sustainability strategy, Sisal has set itself the objective of becoming an “impact zero” company by 2030, by achieving 3 main targets:

- Zero problematic players
- Net-zero CO_2 emissions
- Zero gender pay gap

For a more detailed discussion of the social responsibility and sustainability strategy, please refer to the section “**Mission, Vision and Values-The ESG Strategy**”.

Operating and ICT risks

Sisal’s ability to effectively manage its games, lotteries and other services depends in large part on the reliability and security of the IT network and systems it uses, as well as on its capacity to effectively protect the personal data of its customers. This means the Group is exposed to the risk that its network and IT systems are damaged or interrupted, generating negative effects for Group business including, in the case the damage is due to a loss or theft of data (“data breach”) the risk of incurring penalties imposed by the Personal Data Protection Guarantor or, more generally, being liable for illicit processing of personal information.

To that end, the Group has been implementing a number of projects and actions for some time, including:

- establishing organisational structures to manage risk and cybersecurity;
- identifying and classifying information assets of value to the organisation;
- identifying cyber threats and vulnerabilities which could put these assets at risk;
- identifying and implementing security countermeasures to protect these assets;

to effectively combat interruptions to company activities and critical services due to cyber attacks (including, by way of example, DDoS and ransomware) and to protect the confidentiality of data.

The Group has also invested in continuous training for its personnel, promoting IT security awareness programmes as well as on data protection, while also scheduling periodic audits on the efficacy of underlying processes and protective measures.

ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

The Sisal Group has created an Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001. This decree introduced corporate liability for administrative offences. In substance, the Model defines all those internal rules and organisational procedures which serve to prevent the commission of the crimes envisaged by the Decree, in the interest of the company itself. The Model, disseminated to all employees and stakeholders, includes:

- a Code of Ethics;
- a system of internal protocols and procedures and countermeasures to prevent the risk of crimes (control system);
- a Supervisory Body (SB);
- a map of powers granted;
- a system of sanctions.

The Supervisory Body (SB) is of particular importance, the entity which monitors the appropriateness and effective implementation of the Organisation Model and reports directly to the Board of Directors. Among the various tasks assigned to it, the SB is also responsible for establishing constant and direct dialogue with all employees, who are asked to promptly report any anomalies, information or news relative to suspected crimes. To that end, the SB disseminates the principles and contents of the control system and, in particular, of the Organisation Model, using both the company intranet and other specific channels, as well as through training tailored to the recipients and the risk levels of the areas in which they work. The Organisation Model was designed to be promptly updated in response to amendments or additions to the type of crimes and areas envisaged in Legislative Decree 231.

During 2021, the SB did not receive any notifications of incongruities or significant deviances with respect to the Organisation Model as adopted and noted continuous improvement within the Group in the completeness and quality of the information flows called for under the Model.

CODE OF ETHICS

The Code of Ethics is a document which defines rules of conduct that employees, directors, statutory auditors, collaborators and commercial partners must comply with in executing their activities. Complying with the Code of Ethics is fundamentally important in guaranteeing proper functioning and reliability and in strengthening our image, as well as for protecting our know-how. In fact, the document deals with issues such as relations with employees, accounting transparency, health, safety, the environment and the whistleblowing process, all factors that contribute to the Group's success.

ANTI-MONEY LAUNDERING DEPARTMENT

For the Sisal Group, it is a priority to ensure the effectiveness and timeliness of control and verification safeguards regarding the adequacy of the systems to prevent and combat illegal gaming and money laundering.

In 2013, a dedicated organisational department was created, formalising the commitment to combating money laundering.

In compliance with the relevant regulatory provisions, the Anti-Money Laundering Department (hereafter, the "Department"), based on the principles of independence and authority, monitors the proper application of the regulations with the aim of establishing all necessary anti-money laundering and terrorism financing safeguards relative to individual business areas (online and retail), as well as relative to the operations of sales points.

Gaming concessions and regulatory framework

GAMING CONCESSIONS

Below is a summary of the main concession relationships held by the Group's companies and developments in the relative disputes:

			Concession in effect or ended during 2021	
Holder	**Description**	**Country**	**Start**	**End**
Sisal Lottery Italia S.p.A. (concession ended)	National numeric totalizator gaming (NTNG)	Italy	26 June 2009	30 November 2021
Sisal Lottery Italia S.p.A.	National numeric totalizator gaming (NTNG)	Italy	1 December 2021	30 November 2030
Sisal Entertainment S.p.A.	Operation of the network for digital management of legal gaming using entertainment and gaming equipment	Italy	20 March 2013	20 March 2022 **
Sisal Entertainment S.p.A.	"Bersani" sporting bet acceptance	Italy	28 March 2007	30 June 2022 **
Sisal Entertainment S.p.A.	"Bersani" horse-racing bet acceptance	Italy	28 March 2007	30 June 2022 **
Sisal Entertainment S.p.A.	"Giorgetti" horse-racing bet acceptance	Italy	3 July 2009	30 June 2022 **
Sisal Entertainment S.p.A.	"Monti" horse-racing and sporting bet acceptance	Italy	31 July 2013	30 June 2022 **
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	12 November 2013	31 December 2022
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	7 November 2019	31 December 2022
Sisal Loterie Maroc S.a.r.l	Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).	Morocco	1 January 2019	31 December 2028
Sisal Sans *	Concession to accept bets for numeric games, instant lotteries and online gaming	Turkey	29 August 2020	28 August 2030
Sisal Entertainment S.p.A.	Concession to accept bets for online gaming	Spain	4 July 2019	3 July 2029

* Sisal Sans Interaktif Hizmetler Teknoloji Yatirim Anonim Sirketi

** The concessions in question were extended until 30 June 2022 , applying the provisions of article 103, paragraph 2 of Italian Decree Law 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which "All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended."

Concession to manage numeric gaming for national totalizators, complementary and optional games and the relative remote forms of participation, as well as additional numeric games based on a single national totalizator.

In compliance with Italian Budget Law 2017, Law 232 of 11/12/2016, in article 1 paragraph 576, ADM[4] began the selection procedure to aware the concession to manage National Numeric Totalizator Gaming.

With a deed of 2 December 2019, ADM declared that Sisal S.p.A. had been awarded the concession. Following the Covid-19 epidemiological emergency, article 101 of Decree Law 104 of 14 August 2020, converted with Law 126 of 13 October 2020, established that the date for stipulation and efficacy of the agreement for the concession to manage national numeric totalizator gaming was set, due to the extraordinary and unforeseeable nature of the events caused by the current COVID-19 epidemiological emergency, at 1 December 2021. As of 1 December 2021, the concession took effect.

Disputes:

Spending requirements for "communication and information" projects

With a note dated 18 December 2020 and subsequently with a payment request dated 5 February 2021, ADM, in relation to article 15, paragraph 2 of the Concession Convention, on the subject of spending requirements for "communication and information", ordered that Sisal Lottery Italia S.p.A. had to pay the tax authorities the amount of € 24,288,420.22 (from which would be deducted any sums incurred in June 2020), as the amount of spending the company was held to allocate during the period in question (1 July 2018 to 30 June 2020) for the aforementioned purposes of communication and information.

ADM also anticipated that, in line with other concessions, it would similarly assess the remaining period of extension, that is from 1 July 2020 through to 1 December 2021 (the date on which the new concession begins).

Holding that these requirements for the concession were no longer applicable in its current format but must be recalculated as a function of the new regulatory provisions, after the Dignity Decree took effect in 2018 and based on communications with ADM regarding the effects of this decree on specific concession requirements, Sisal Lottery Italia challenged the cited ADM notes with the Regional Administrative Court (TAR - Tribunale Amministrativo Regionale) of Lazio, asking for them to be suspended.

On 11 February 2021, a decree issued by the presiding judge of the TAR granted this suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021. To guarantee the entire sum requested by ADM, the Lazio TAR asked that Sisal Lottery provide the same agency with a first request bank surety. Sisal Lottery delivered this surety on 6 April 2021, the deadline indicated by the Lazio TAR.

On 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal's appeal. Holding that the TAR's arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

Baglivo writ of summons

With a writ of summons dated 10 July 2014, Giovanni Baglivo, the holder of a contract for physical bet acceptance for the NTNG and, at the time, the chairman of the bet acceptance union STS, disputed the amount due for fees established in the same contract given that they were inherent to the supply, by the Company, of services in part already due pursuant to the concession and in part lacking any utility for the owner of the sales point. Sisal Lottery holds these claims to be ungrounded and authorised its attorneys to prepare the relative defence.

With judgement 11767/2017, published on 22 November 2017, the Court of Milan held the request made by Giovanni Baglivo to be partially founded, partially nullifying the agreements contained in article 8 of the Contract between the Concessionaire and the Sales Point for, in particular, that regarding some of the services indicated in Annex 2 to the Contract.

In fact, in the opinion of the Court of Milan, the performances associated with the aforementioned services should be understood to be included in that which Sisal is already required to carry out based on the Convention signed with AAMS[5].

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(4) Customs and Monopolies Agency

(5) Autonomous Administration of Monopolies of the State, now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM).

Holding that this judgement was flawed by both erroneous assessments of law and fact, an appeal was filed with the Milan Court of Appeals.

With a judgement issued on 3 December 2019, the Court of Appeals de facto confirmed the first level judgement, although it granted the aspect of the Sisal appeal regarding the date on which interest began to accrue (as of the date of the request until the balance and not as of the date of each individual payment). Sisal S.p.A. filed an appeal with the Supreme Court on 30 July 2020.

Concession to activate and operate the network for digital management of legal gaming using entertainment and gaming equipment, as well as associated activities and functions.

With a notice published in the Official Journal of the European Union on 8 August 2011, AAMS began the procedure to assign the "concession to create and operate the network for digital management of legal gaming using entertainment and gaming equipment envisaged under article 110, paragraph 6, TULPS, as well as associated activities and functions". Sisal Entertainment S.p.A. was awarded the tender, with the 9 year contract signed on 20 March 2013, and expiring on 30 March 2022, extended to 30 June 2022 in application of the provisions of article 103, paragraph 2 of Italian Decree Law 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which "All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended."

Disputes:

Extra limit setting for entertainment equipment (ADI)

With a provision issued on 5 August 2013, regarding compliance with article 1, paragraph 81, letter f) of Italian Law 220/2010, ADM (Customs and Monopolies Agency) requested payment from Sisal Entertainment S.p.A., in the form of an administrative fine, in the amount of € 300 for each individual piece of entertainment and gaming equipment exceeding the number established in the rules in effect from January to August 2011 regarding the extra limits set for the same.

Based on that claimed by ADM, the AAMS/SOGEI databases identified, with reference to January - August 2011, excess amounts not relative to an individual network concessionaire but determined by the presence, in the same location, of equipment relative to multiple concessionaires, among which Sisal Entertainment S.p.A. This latter challenged the provision with the TAR of Lazio, asking that it be annulled and noting the erroneous action of ADM in determining that these excess amounts could be charged to Sisal Entertainment S.p.A., and therefore requesting that these amounts claimed be deemed illegitimate, which would amount to € 4,293,258.16, according to ADM.

With a judgement issued on 10 January 2022, the TAR of Lazio accepted the appeal.

2015 and 2016 Stability Laws

The 2015 Stability Law established a € 500 million decrease in the fees due to entertainment equipment concessionaires for concession-related activities. This same law established that the reduction was to be divided up between the concessionaires as a function of the number of entertainment equipment dispensations held by each of these as of 31 December 2014. Calculation of the amount due from each concessionaire was done through a specific directorial decree issued by the Customs and Monopolies Agency on 15 January 2015. The concessionaires, after redrafting the contracts with operators along the supply chain responsible for bet acceptance, applied the aforementioned reduction pro rata to the fees of the latter.

Since that established in the 2015 Stability Law was deemed to be unjust and illegitimate constitutionally, Sisal Entertainment S.p.A., in line with other concessionaires, filed an appeal with the TAR of Lazio, which held that the claims of unconstitutionality made by the Company could be heard and transferred the case to the Constitutional Court.

The 2016 Stability Law also took action in this area, through a comprehensive revision of the aforementioned reduction of the fees, introducing a criteria for division among supply chain operators based on the participation of each operator in distribution of the payment, taking into account the contractual agreements and their duration relative to 2015.

In the light of the changes introduced by the 2016 Stability Law and after legal/regulatory investigation, Sisal Entertainment S.p.A. came to the conclusion that the aforementioned law, solving the problem of the lack of quantification for dividing the reduction in fees among various supply chain operators, ordered autonomy and independence not solely for the items to be compensated, but also for the relative payables applying to individual operators. With reference to that due from other supply chain operators on the basis of that established in the 2015 Stability Law, the Company was therefore not obliged, and was to pay ADM the amounts pertaining to it when and to the extent that these were collected by the same from the various operators.

With a judgement published on 13 June 2018, the Constitutional Court ordered the return of the deeds to the TAR of Lazio so that, after the 2016 Stability Law took effect, it could again evaluate the question of constitutional legitimacy raised with regards to that established in the 2015 Stability Law.

After this new assessment by the initial judges, a judgement was issued on 3 October 2019 which found that these doubts had been removed by the new law (2016 Stability Law), declaring the appeal could not be proceeded with due to a lack of interest and a lack of standing. While the writer of this decision seems to have adhered to the regulatory structure, clearly distinguishing between the amount due from the concessionaires and that due from the supply chain, also again noting the parameter under the law is solely "contractual fees in effect in 2015", the decision can still be attacked in terms of the constitutionality of the measure after the application law takes effect. Therefore, the decision was made to appeal the judgement with the Council of State.

With an order issued 31 August 2020, the Council of State sent the deeds to the Court of Justice of the European Union, submitting two questions. In the first, the judges asked whether an action such as that established by the 2015 Stability Law, which reduces earnings and fees solely for a specific category of operator is compatible with the principle of the freedom of establishment and the freedom to provide services. In the second, they asked whether a norm introduced for solely economic reasons is compatible with European law. On 27 January 2022 the hearing to discuss the appeals was held and at present we are awaiting the filing of the judgement by the European Court of Justice.

In the light of the above, the amounts due from supply chain operators as an effect of the 2015 Stability Law and not paid to the concessionaire are not recognised in the financial statements (in terms of both receivables due from operators and corresponding payables due to the Administration).

Concession for horse-racing and sporting bet acceptance

The concessions to accept horse-racing and sporting bets held by the concessionaire Sisal Entertainment S.p.A. expired on 30 June 2016, after which the duration of the concessions was extended year after year through to 31 December 2020.

With a law dated 24 April 2020, the expiration of 31 December 2020 was extended for an additional six months against the payment of an annual amount of € 7,500 by right for sales points for which sales of public gaming products are their main business, including regularised acceptance points, and of € 4,500 by right for sales points for which the sales of public gaming products are an accessory activity.

Sisal Entertainment S.p.A. renewed 1,375 sales points for which the sales of public gaming products are their main business and 471 sales points for which sales of public gaming products are an accessory activity. The Covid-19 emergency regulations subsequently extended the duration of the concessions through 31 March 2022, later further extended to 30 June 2022 based on the provisions contained in article 103, paragraph 2 of Italian Decree Law. 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which "All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended."

Disputes

Concession for national totalizator fixed odd horse-racing bets (Lodo di Majo)

After the merger by incorporation with Sisal Match Point S.p.A. in 2013, Sisal Entertainment S.p.A. became the holder of the concessions to accept horse-racing bets for the national fixed-odd totalizator, assigned after the tender issued through Ministry of Finance notice 109 of 11 May 1999.

The aforementioned concessions call for the payment of guaranteed minimum amounts to UNIRE[6], which constitutes the predetermined lump sum amount due by the winner of the tender to exercise the concession activities. The mechanism underlying these guaranteed minimums establishes that after the annual accounting for the year, carried out by the Ministry of Finance, if the concessionaire has not collected amounts sufficient to reach the minimum offered during the tender procedure, they must pay the Administration an amount corresponding to the relative difference. Sisal Entertainment S.p.A. (formerly Sisal Match Point). As did other concessionaires in this sector, declined to pay certain amounts associated with these minimums, holding them inadequate with respect to the market due to what occurred after the signing of the concessions in 2000, and also holding that the requirements for a request for compensation from the Ministry of Economy and Finance and UNIRE were met, as they did not guarantee the economic and market conditions promised in the tender held to award the concessions. Relative to this last aspect, in relation to certain historic concessions arbitration had begun with certain concessionaires which were acquired by Sisal Entertainment S.p.A., after the arbitration had been declared. The arbitration hearing on 26 May 2003 which issued a result in favour

(6) Unione Nazionale Incremento Razze Equini - the holder of horse-race betting activities to be exercised directly or through assignment to third parties

of the concessionaires was subsequently annulled through the judgement filed by the Rome Court of Appeals on 21 November 2013, which Sisal Entertainment S.p.A. appealed on 2 July 2014 with the Supreme Court. With an interlocutory judgement of 11 December 2019, the case was transferred to the Unified Court in that there was an issue of jurisdiction relative to the ordinary and administrative courts. With a judgement filed on 26 October 2020, the Unified Court annulled the Appeals Court judgement, confirming jurisdiction for the ordinary court and transferring the case to a different section of the Appeals Court for a decision, also with regards to Supreme Court costs. The case was therefore returned to the Appeals Court. The first hearing for discussion is set for 8 June 2022.

Guaranteed minimums, historic concessions

Again with reference to the cited concessions for acceptance of horse-racing bets, with a writ of summons dated 3 August 2017 Sisal Entertainment S.p.A. began a dispute with the Customs and Monopolies Agency intended to obtain compensation for damages consequent to the granting body's non-fulfilment of the obligations deriving from the contractual concession relations, in particular due to the non or late implementation of all types of bets, the non and/or late issuing of regulations for the acceptance of on-line bets by the concessionaire, as well as neglecting to protect the betting market from illegal and online phenomenon and, in any case, not establishing and maintaining the market conditions promised in the concession deed and under the responsibility of the granting body. On 2 July 2021, the presiding judge withheld the case for judgement at a later date, granting the legal terms for filing of the final briefs and responses. At present the judgement has not yet been issued.

With reference to the same concession, to the request for payment of the horse-racing minimums sent in 2018 and in the initial months of 2019 sent by ADM to the concessionaires holding the "historic" concessions, Sisal Entertainment S.p.A. sent a detailed response, highlighting the case in progress at the Civil Court of Rome and disputing the legitimacy of the payment request.

Concession fees

With a note dated 23 January 2018, Sisal Entertainment informed the Betting and Totalizator Sporting Games Office, Central Office for Management of Taxes and Game Monopoly, ADM, that in compliance with that established in the current concession agreements and the regulatory provisions in article 1, paragraph 1048 of Italian Law 205 of 27 December 2017, it had paid the concession fees, solely for the rights active as of 31 December 2017, based on which it continued bet acceptance activities for the year 2018. Sisal indicated that it had not paid the fees relative to concessions 4300 and 4802 as these had been partially used to offset the respective credit due to it pursuant to that established in the relative agreement. In fact, in contrast to that stated by ADM, that the fees paid by the concessionaires in relation to the agreements for bet acceptance do not necessarily have to be equal to or less than 1% of annual bets accepted by the concessionaire, Sisal Entertainment holds that the stated 1% found in the text of the agreements is the maximum amount attributable to the annual concession fees.

This interpretation dispute led Sisal Entertainment to file a case with the TAR of Lazio, through an appeal dated 18 May 2018, in order to see its claims accepted. Relative to this case, the date for the hearing on merits has not yet been set.

Remote gaming concessions (GAD)

GAD Concession 15155

The Company holds the concession for accepting "remote" bets for public gaming, issued to Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), pursuant to and in accordance with article 24, paragraph 13, letter a) of Law 88/2009, by the Monopolies Administration (now ADM), following the tender issued through Directorial Decree 2011/190/CGV.

As established by the TAR of Lazio in its judgement of 17 November 2021, the concession is in effect until 31 December 2022.

GAD Concession 15467

On 4 November 2020, with a deed notarised by the notary Stefano Campanella, Sisal Entertainment acquired from Gioco Servizi S.r.l., with registered office in Milan, Via Poliziano 18, tax ID and VAT no. 10266160968, registered with the Chamber of Commerce and Business Registry of Milan under no. R.E.A. 2518063, a business unit involving, among other things, the remote gaming convention (GAD) 15467, expiring on 31 December 2022.

National instantaneous lotteries (Gratta&Vinci - Scratch & Win) concession

Disputes:

In December 2017, the Customs and Monopolies Agency extended the instant lottery concession through 30 September 2028, exclusively in favour of the concessionaire at that time.

Sisal Lottery Italia S.p.A. holds that this extension was ordered in violation of both EU principles and national laws on the awarding of concessions. In fact, these principles hold that concessions must necessarily be awarded through the holding of public tenders. Additionally, the granting of the extension in the exclusive favour of the current concessionaire is an additional violation of the law which calls for the awarding of multiple concessions for this type of concession.

In the light of the above, Sisal Lottery Italia S.p.A. filed an appeal against this extension with the TAR of Lazio. After an investigation of the merits, the TAR rejected the appeal with a judgement published on 4 October 2018. Holding this judgement to be deficient and in some ways illogical, Sisal Lottery Italia S.p.A. appealed again to the Council of State.

After the IV Section of the Council of State examined the merits of the appeal, it was found that there are doubts that the continuation of the exclusive concession for management of bet acceptance for the national instant lottery as ordered by ADM may be in conflict with fundamental rights which are doubly protected (nationally and in the EU), such as legal certainty, freedom to provide to services, non-discrimination, transparency, impartiality and freedom of competition. The Council of State therefore transferred the case to the European Court of Justice which held, in a judgement issued on 2 September 2021, that the national regulations which required the renewal of the concession were not in conflict with European law, given that the regulations constitute the implementation of a clause contained in the original concession contract, which established the option of the renewal. On 18 November 2021 the hearing was set for the case to be newly taken up by the Council of State, at the end of which the body reserved its judgement; on 24 January 2022, in its judgement, the Council of State definitively rejected the appeal filed by Sisal Lottery Italia S.p.A.

Concession to accept bets for online gaming in Spain

In July 2019 Sisal Entertainment S.p.A. was awarded the tender issued by the Spanish General Directorate for Gambling Regulation (DGOJ). More specifically, the 10 year contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

Concession to accept bets for numeric games, instant lotteries and online gaming in Turkey

In September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey’s Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract. Starting in August 2020 and lasting for ten years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL) in Morocco

In February 2018 Sisal Spa and the subsidiary Sisal Loterie Maroc S.a.r.l. were awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 year concession, starting on 1 January 2019, includes management and development of a portfolio which includes fixed-odd numeric games, national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).

New concessions for gaming using entertainment equipment

Italian Law 160 of 27 December 2019, establishing the government budget for financial year 2020 and a multi-year budget for 2020-2022, stated that, by 31 December 2020 (a deadline then postponed by six months by Law 27 of 24 April 2020) ADM was to issue a call for tender to assign the following concessions:

a) 200,000 rights for AWPR equipment (remote AWP) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 1,800 per right, with a minimum of 10,000 rights;

b) 50,000 rights for VLT (Video Lottery Terminals) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 18,000 per right, with a minimum of 2,500 rights;

c) 35,000 rights to operate sales points in coffee and tobacco shops, in which AWPR can be placed; minimum bid of no less than € 11,000 per sales point, with a minimum of 100 rights;

d) 2,500 rights to operate locations in which AWPR and VLT can be placed; minimum bid of no less than € 35,000 per sales point, with a minimum of 100 rights.

The cited law also called for the issuing of a tender to award rights to accept remote bets. To that end, by 31 December 2020 (deadline extended by six months by Law 27 of 24 April 2020), ADM was to have issued a call for tender to assign 40 rights to offer remote gaming, with a minimum bid of no less than € 2,500,000 per right.

All of the above concessions shall have a duration of nine years, non-renewable.

However, this new public tender procedure has still not been issued due to the Covid-19 emergency and ADM has not issued any regulatory deed that specifies the terms and conditions for the new tender.

REGULATORY FRAMEWORK

Regulation of the gaming sector is the responsibility of the Ministry of Economy and Finance and, in particular, of ADM, which dictates the guidelines for the rational and dynamic development of the sector, verifying the regulatory of concessionaire actions.

Below are the main regulatory changes which took place in 2020 in the sectors in which the Sisal Group operates, as well as additional provisions already known of as of the date this document was prepared.

Entertainment Equipment

PREU rates (Single Tax Withdrawal)

Based on Italian Law 160 of 27 December 2019 (2020 Budget Law), the PREU rates applicable are shown below.

Year	AWP	VLT
2021	24%	8.60%

Also note that during the initial months of 2021, the Italian government and the Customs and Monopolies Agency, with reference to PREU payments for 2021, issued the following provisions:

- ADM Directorial Decision no. 24769/RU of 22 January 2021 established that solely for 2021 PREU advances for January/February, due on 28 January, 13 February and 28 February, were cancelled and the amounts due for PREU were paid in full by 22 March 2021.
- ADM Directorial Decision no. 88526/RU of 24 March 2021 established, in particular, that: i) the first PREU advance for March/April, due on 28 March, was cancelled; ii) the second and third PREU advances for March/April, due respectively on 13 and 28 April, were cancelled, if the suspension of activities in gaming rooms, betting rooms, bingo parlours and casinos was extended due to measures to contain and manage the Covid-19 epidemiological emergency, at least until the stated dates; iii) calculation of the amount due for the PREU balance and concession fee for March/April, as well as the payment deadline, remained unchanged.

Payout

Based on Italian Law 160 of 27 December 2019 (2020 Budget Law), under article 1, paragraph 732, it is also stated that "*Effective as of 1 January 2020, the percentage of sums played destined for payout is set at no less than 65 percent for equipment pursuant to article 110, paragraph 6, letter a) of the Comprehensive Law pursuant to Royal Decree 773 of 18 June 1931 and at no less than 83 percent for equipment pursuant to article 110, paragraph 6, letter b) of the Comprehensive Law pursuant to Royal Decree 773 of 18 June 1931*."

Minimum payout levels

Year	AWP	VLT
2021	65%	83%

Costs for issuing NOE (operating dispensations) and NOD (distribution dispensations)

Paragraph 3 of article 27 of Decree Law 4 of 28 January 2019, effect as of 29 January 2019, establishes that "*The issuing of distribution dispensations established under article 38, paragraph 4 of Law 388 of 23 December 2000, for producers and importers of entertainment equipment and devices pursuant to article 110, paragraph 6, letter a) of the Comprehensive Law on Public Safety (TULPS), pursuant to Royal Decree 773 of 18 June 1931, is subordinate to the payment of a one time fee of € 100 per individual piece of equipment*".

As an effect of this, the fee to issue the distribution dispensation (NOD) for producers and importers of entertainment equipment and device is subordinate to the payment of a one time fee of € 100.

As of 1 January 2020, for operating dispensations (NOE) issued to concessionaires, the cost for each individual piece of equipment is € 100.

Remote gaming concessions (GAD)

The 2020 Stability Law and Fiscal Decree had established that the ADM was to issue a new public tender to assign 40 new remote gaming licenses by 31 December 2020, with a minimum bid of € 2,500,000. The Cure Italy Decree of 2021 as well as other subsequent regulatory provisions saw the postponing of the deadline for issuing this new tender procedure. Currently no procedure has been issued nor is there any fixed date by which the tender to award the new concessions is to be issued.

Betting concessions

The 2016 Stability Law established that ADM was to issue a new tender procedure to update the Bersani Horse-Racing and Bersani Sport Concessions, in which the current concessionaires can participate after the official request has been filed with ADM, which will involve (i) 10,000 licenses for stores at an initial bid price of € 32,000 per license; and (ii) 5,000 licenses for gaming points with an initial bid price of € 18,000 per license, both valid for nine years. This tender procedure has not yet occurred, even if the Fiscal Decree originally established that ADM was to have issued the tender by 30 June 2020. In fact, the Cure Italy Decree and other subsequent regulatory provisions postponed the date on which the concessions expired to 31 March 2022 and a specific date for the issuing of the tender to award the new concessions has not yet been identified.

Fund to relaunch the national sporting system

Article 217 of Decree Law 24/2020, converted to law with amendments by article 1, paragraph 1 of Law 77/2020, in order to assist with the economic crisis for entities operating in the sporting sector due to the measures to contain and manage the Covid-19 epidemiological emergency, established an estimate of a "Fund to Relaunch the National Sporting System" for the Ministry of Economy and Finance, the resources of which are transferred to the autonomous budget of the Prime Minister, to be assigned to the Office of Sport to adopt measures to support and help with the recovery of sports.

As of the date the cited decree took effect and through 31 December 2021, a portion of 0.5% of total bets accepted relative to sporting events of all type, including virtual, made in any way and using any method, whether online or through traditional channels, is to be paid to the government and shall remain with it, as determined on a quarterly basis by the entity assigned by the government, net of the portion relative to the single tax pursuant to Legislative Decree 504 of 23 December 1998. Financing for the aforementioned Fund is limited to a maximum of € 40 million for 2020 and € 50 million for 2021. A subsequent determination by the Customs and Monopolies Agency on 8 September 2020 defined the methods used to determine the 0.5% for individual types of bets, as well as the terms for payment of the relative amounts. Based on that established by the TAR of Lazio relative to the methods for recalculating the amounts due from a gaming concessionaire, which rejected the original calculation made by ADM, the latter must recalculate the amounts paid by all other concessionaires, establishing an additional payment to offset the lower amount due from the plaintiff concessionaire. While awaiting the issuing of this recalculation by ADM, Sisal added its best estimate of the greater amount due based on the redetermination of the amount to the 2021 financial statements, based on available information.

Forecasts regarding the impact of the Covid-19 pandemic

To limit the spread of Covid-19, which progressively spread throughout Italy starting in the initial months of 2020, the government and Parliament (and ADM as the executive regulatory) ordered the suspension of gaming and betting rooms and bingo parlours for a considerable period of time, initially limited to certain geographic areas and then throughout the country. More specifically, this suspension lasted from 8 March 2020 to 15 June 2020 (as noted, this suspension was originally imposed only for certain zones in the Prime Ministerial Decree of 8 March 2020 and then extended to all of Italy in the Prime Ministerial Decree of 9 March 2020, subsequently extended in the Prime Ministerial Decree of 17 May 2020). Subsequent reopening depended on the decisions made by individual Regions on the compatibility of these activities with the current local epidemiological situations (some Regions postponed the reopening to 1 July 2020). This reopening stage required operators to adopt a series of precautionary measures to reduce the risk of infection (specified in guidelines or protocols adopted by the relevant Regions). In its decision 180229, adopted on 12 June 2020, ADM also established a specific system of sanctions (up to and including the closure of sales points for 5 business days) in the case of non-compliance with the precautionary measures established in these protocols and guidelines.

Following the second wave of contagion, the Prime Ministerial Decree of 24 October 2020 again suspended business for gaming and betting rooms and bingo parlours, throughout Italy. This restriction did not apply when Regions were classified as “white” (as of the end of May 2021) and, as of 1 July 2021, also did not apply to Regions classified as “yellow”, pursuant to Decree Law 52 of 22 April 2021, converted by Law 87 of 17 June 2021. However, during this second period of closure, sporting events continued, granting the possibility to bet on these events.

In addition to the precautionary measures cited above (which continue to change), as of 6 August 2021 operators are subject to regulations regarding the Green Pass and, as of 10 January 2022, to those regarding the Super Green Pass – the certificate issued by the relevant office of the Ministry of Health indicating vaccination or recovery from infection.

Other legal and tax disputes

Below is a summary of the main legal and tax disputes. Note that for disputes relative to concession contracts signed by the companies in the Sisal Group, information can be found in the section “Gaming concessions and regulatory framework”.

INTRALOT

With reference to the procedure for outsourcing the service to create and operate a new automated management system for acceptance of bets for public gaming in Morocco, Sisal S.p.A. was awarded the contract in 2018 through the relative tender procedure and, with the then newly established Sisal Loterie Maroc S.a.r.l, a 100% subsidiary, signed the relative convention in July 2019 (with a total duration of 10 years), investing its best efforts in creating the technological, commercial and organisational structure needed to begin operating the concession activities, which occurred punctually on 1 January 2019.

On 19 December 2018, close to the go-live date for the new concession, Intralot S.A., Integrated Lottery Systems and Services (a Greek company which is the parent of Intralot Maroc S.a.r.l.), the previous holder of the concession, presented Sisal S.p.A. with a warning letter intended to impede the use of Microlot Terminals in Morocco.

The Greek company claims that these Terminals cannot be used in Morocco as this use would violate the territorial restrictions of the Software license it holds, installed on each piece of equipment.

Sisal S.p.A. responded to the letter, claiming that Intralot's claims were entirely unfounded.

Between December 2018 and February 2019 additional correspondence was had by the two companies with the aim of beginning negotiations with the aim of amicably settling the issue, as called for in the same supply contract.

In substance, Intralot did not comply with the requirement to begin friendly negotiations and in April 2019 began an arbitration procedure, as called for under the same contract to resolve disputes arising between the parties in relation to its execution and interpretation.

In the arbitration request filed, Intralot requested that the Arbitration Chamber: (i) prohibit Sisal S.p.A. from using Microlot terminals in Morocco; (ii) compensate them for damages which derived from the claimed violation of the usage license by Sisal S.p.A., quantified in the amount of € 5 million.

Sisal S.p.A. presented itself to the Arbitration Chamber specifically disputing Intralot's claims and demonstrating the legitimacy of its actions, introducing a counter-claim of compensation for damages in the amount of € 2 million.

Subsequently, filing its final declaration of its claims and maintaining its request for prohibition of use, Intralot further added to its compensation for damage claims, asking the Arbitration Chamber to order Sisal S.p.A.:

a) **principally**, pay a total sum of € 25,330,598, plus 5% annual interest as of 1 January 2019 through to full payment. This request is based on the claim that Sisal S.p.A. could not have been awarded the tender in Morocco or in any case could not have made a bid with the proposed terms if it had not offered Microlot terminals. A consequence of the asserted structural illegitimacy of the bid made by Sisal S.p.A. would be that Intralot would have been awarded the tender and, consequently had the right to compensation for the losses suffered, quantified as above. This claim is contested due not only to the lack of merit, but also the illegitimacy of the request as it is entirely new and not a modification of the request initially filed for arbitration;

b) **secondarily**, if the above claims are not accepted, to compensate for damages due to the unauthorised use, without a mandate and, in any case, in bad faith, of the TAPIS software. Based on the complainant's reconstruction, this damage is to be quantified through Sisal paying Intralot the profits achieved during the period of unauthorised use of the software. The damage is quantified in the amount of € 1,031,068 for each year of asserted unauthorised use, plus 5% annual interest.

c) **thirdly**, to compensation for the damage deriving from the undue enrichment that Sisal benefited from. The damage is quantified in the same amount as point b), plus 5% annual interest.

d) **fourthly**, compensation for damages in the form of Sisal returning the full net profits generated through the contract with SGLN or as dividends perceived as the result of the activities of the Moroccan subsidiary, estimated by the complainant, for the entire duration of the contract, as € 10,310,682, through 31 December 2028 or until another date as determined by the Arbitration Chamber. In this case, the quantification per year would be € 1,145,631.33. A 5% annual interest adds to all the above.

To these demands for compensation are added the request for payment of arbitration costs by Sisal Lottery Italia S.p.A. in the case of an adverse judgement.

Following the preliminary stage and after setting the schedule for the proceedings, the arbitration procedure was formally begun.

The arbitration decision, filed in the initial days of November 2021, rejected all of Intralot's requests for compensation, while also requiring Sisal to withdraw from the terminal sales network involved in the dispute, by 31 December 2021.

JAMAGI SESO SERVICE SARL

Jamagi Seso Service Sarl, a Moroccan company, sent a writ of summons to the Company in May 2020, requesting a sum as compensation for damages due to the asserted pre-contractual liability of Sisal S.p.A., as the latter had not executed a letter of intent signed between the two parties in 2018, conditional upon the awarding of the tender to the Company and upon the signing of the contract with SGLN (National Lottery Management Company of Morocco), in which they agreed upon future cooperation, postponing until later a subsequent agreement to define the subject of that cooperation/fees/duration.

Jamagi claims that the Company had been dilatory with the aim of not finalising the contract called for in the letter of intent and then abandoning the negotiations in progress.

This non-signing of the contract is claimed to have caused damage to Jamagi, quantified by the company in the amount of over € 1,558,869.

In its response, the Company disputed that claimed by the counterparty, presenting a reconstruction of the negotiations which, in contrast to that claimed by the latter, had taken place between the parties. The court proceedings having been concluded, the filing of the judgement is awaited.

SISAL ENTERTAINMENT S.P.A. / PLAY LINE S.R.L.

At the beginning of 2020, Sisal Entertainment S.p.A. sued Play Line s.r.l. (a former gaming room manager) to demand and obtain payment of the amount due from the latter, of € 126,000, due to the termination of the contract for breach by Play Line.

The case followed assisted negotiation in which the parties were unable to reach an agreement.

The counterparty presented a counter-claim against Sisal Entertainment, requesting the sum of € 801,755 as compensation for damages due to a delay by the latter in the digital transfer of the location.

At present all requests made by the counterparty have been denied (oral examination, technical expert and discovery disclosure order) and the hearing to specify conclusions has been set for 24 June 2021.

With a judgement of 11 January 2022, the Judge rejected the adversary's demand and granted Sisal Entertainment's requests, ordering the counterparty to pay the following, in addition to legal costs:

- € 61,852.44 for sums unduly withheld and not paid;
- € 3,500.00 as a penalty for the VLT connection, € 1,000.00 as a penalty for the administrative and installation expenses relative to the AWP contract and € 12,000.00 as a penalty for the VLT equipment, for a total penalty of € 16,500.00.

On 18 February 2022 a settlement agreement was signed in which La Play Line s.r.l. offered Sisal Entertainment S.p.A., which accepted, the all-inclusive sum of € 60,000.00 (sixty thousand and zero cents), resolving any claim put forward in the case and any other claim deriving, correlated with and/or in any way connected to arguments in the case involving the above-referenced judgement.

TAX DISPUTES

As of the end of the financial year, certain disputes were pending with regards to certain companies of the Group.

More specifically during 2009, Sisal Lottery Italia was the subject of a tax audit by the Revenue Agency, Lombardy Regional Office, intended to audit certain transactions carried out in that period, specifically with reference to the extraordinary transaction which involved the Company, in terms of direct taxes, VAT and IRAP (regional production tax). This audit ended with the issuing of a findings report (PVC) on 22 October 2009 which was presented as a notice of findings issued by the local Milan 2 Revenue Agency Office on 17 December 2009. This report identified an undue deduction of VAT in the amount of € 530,000 in financial year 2005, in addition to interest, applying a fine of the same amount. The company promptly appealed this notice of findings in 2010 with the Milan Provincial Tax Commission and the first hearing, also in relation to that indicated below, was set for the end of October 2012. Following the hearing, the assigned Tax Commission accepted the Company's appeal on the merits. This decision was then appealed by the counterparty with the relevant Regional Tax Commission (hearing in January 2014) which overturned the decision made by the first level judge, holding that the deduction in question referred to costs not classifiable as activities intended to produce income for the Company. In December 2014 it decided to appeal to the Supreme Court, represented by the attorney Maisto, with the aim of demonstrating the ungrounded nature of this assumption. In the meantime, following the decision issued by the Regional Tax Commission, the company received a payment order for provisional collection of the higher tax plus 100% fines, as well as interest and collection fees, for a total of around € 1.3 million which was properly paid in January 2015.

In a judgement issued on 17 September 2020, the Supreme Court accepted the Company's appeal and ordered that the proceedings be newly taken up with the Regional Tax Commission. At the hearing held on 23 February 2022, the Provincial Tax Commission of Milan ruled in favour of the company with a sentence filed on 18 March 2022, which confirmed the conclusions of the previous favourable judgement issued by the Provincial Tax Commission of Milan.

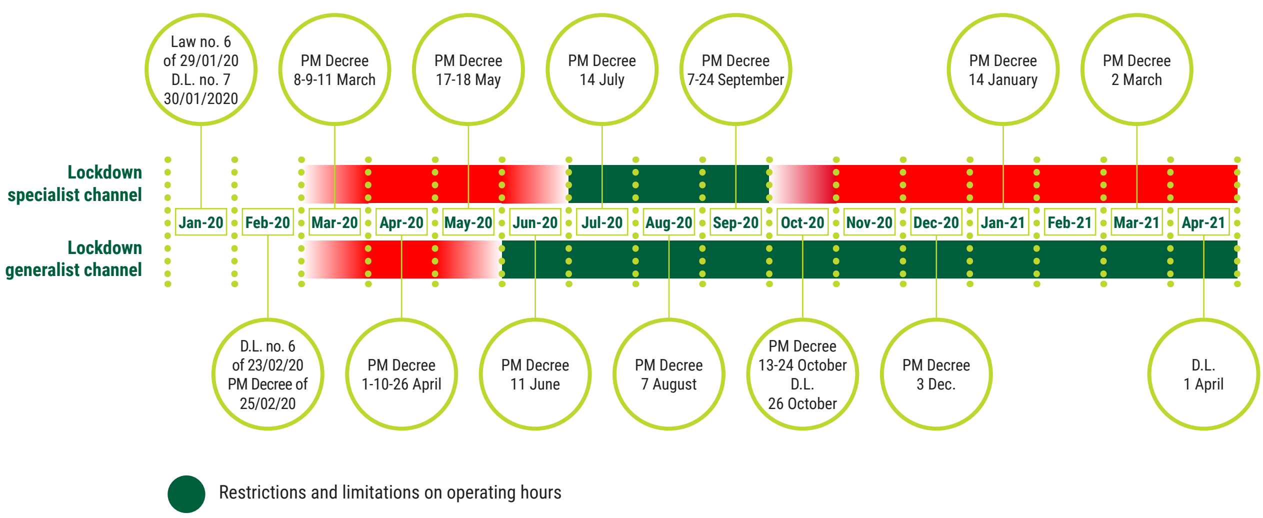
On the other hand, relative to the dispute arising after a 2015 audit carried out by the Revenue Agency, Lombardy Regional Office, Large Taxpayer Office regarding VAT non-deductibility, which gave rise to notices of findings for 2010-2013 for a total of around € 8.5 million including taxes and fines, after unsuccessfully having attempted a tax settlement proposal, Sisal S.p.A. filed its appeals. The first level hearing was held on 9 September 2019 and the Milan Provincial Tax Commission issued a judgement in favour of the company, accepting its claims and ordering the Revenue Agency to pay legal expenses. Consequently, the Revenue Agency promptly filed an appeal with the Regional Tax Commission. At present the date for the hearing has not been set. Additionally, at the end of 2019 and during 2021, the company received notices of findings for the same question, relative to the years 2014 and 2015, for a total of around € 5.4 million in taxes and fines, of which 2.9 relative to 2014 and 2.4 relative to 2015. The company filed an appeal against these notices of findings with the Provincial Tax Commission. The first level discussion will occur during 2022.

Significant events during the year

REGULATORY CHANGES

Covid-19

As in 2020, 2021 was marked by the Covid-19 pandemic, which heavily influenced trends in the gaming market and the Company's business results, as the lockdown period imposed by authorities as of 6 November 2020 continued through part of 2021.



Following the second wave of contagion, as of 26 October 2020 the government imposed a new period which suspended business for gaming and betting rooms and bingo parlours throughout Italy, while also introducing certain restrictions relative to the generalist channel. This restriction did not apply when Regions were classified as "white" (as of the end of May 2021) and, as of 1 July 2021, also did not apply to Regions classified as "yellow", pursuant to Decree Law 52 of 22 April 2021, converted by Law 87 of 17 June 2021.

Only as the contagion curve fell did the Italian governmental authorities gradually loosen these measures, allowing people to move freely and businesses to reopen.

In particular, the last quarter of 2021 saw a +48.4% increase with respect to the same period in 2020, assisted by the combined effects of the accelerated growth seen in the Online channel and the rapid recovery of the Retail channel, which both saw positive performance, although they did not reach pre-pandemic levels due to lower consumer traffic in the generalist channel.

In contrast with the initial lockdown in 2020, during the second closure window ordered by the authorities Lottery product sales within the generalist channel (tobacco and newspaper stands) were not suspended.

Note that in addition to the precautionary measures cited, which continue to change, as of 6 August 2021 access to gaming and betting rooms and bingo parlours was allowed solely to people holding a "Green Pass", the certificate issued by the relevant office of the Ministry of Health indicating vaccination, a negative Covid-19 test (rapid or molecular) within the previous 48 hours, or recovery from an infection.

The business of foreign subsidiaries was also negatively affected by the Covid-19 pandemic:

- in Morocco the local authorities did not order any periods of total closure during 2021. However, during two different periods sales points were ordered to close early, from January to the end of March and from August to the end of September.
- in Turkey, from January to the end of June local authorities imposed various restrictive measures relative to the opening of agencies, including weekend closures and early closure on weekdays. Note that between the last week

of April and 19 May 2021, full closure was imposed. Only as of 1 July 2021 were all restrictions lifted, allowing the sales points to function fully.

- in Spain no special restrictions were imposed on the business, given that it is entirely online. Hence any negative effects were linked to the elimination or postponing of sporting events.

The Sisal Group implemented all the measures intended to protect the health of its employees and, simultaneously, "minimise" the impacts on its business and on its ability to generate the cash flow necessary to manage and develop business.

In particular, use of remote working was strengthened, while stringent measures were implemented to guarantee workplace health and safety (cleaning, specific safety protocols to limit contagion, etc.).

Following the introduction of the "Green Pass", Sisal also installed a system of control operations at all offices, including its direct Retail network, with specially appointed personnel, in compliance with privacy regulations.

At the macroeconomic level, based on the most recent forecasts available(7), the recovery strengthened in the United States and other advanced countries, even if the new outbreak of the pandemic continues to affect growth, especially in the Eurozone, where a slowdown has been seen mainly due to the effects of new contagion and the relative collateral effects, in particular on the supply chain.

Inflation reached its highest levels since the start of the monetary union, due to exceptional increases in the energy component, in particular gas which in Europe is also suffering from geopolitical factors.

Growth in Italy, which remained high in the third quarter of 2021, has begun to slow down due to greater consumer caution, again linked to the increase in contagion. Nonetheless, assuming the pandemic weakens in the spring, as demonstrated by the trend in the contagion curve and improvement in the overall healthcare situation, Italian GDP may return to pre-pandemic levels by the beginning of the second half of 2022.

Realignment of statutory and fiscal values of goodwill and intangible assets

Article 110 of Italian Decree Law 104 of 14 August 2020 ("August Decree"), introduced the possibility for companies that prepare their annual financial statements using the IAS/IFRS to realign differences between fiscal and statutory values assigned to tangible and intangible goods as determined at 31 December 2019 and also appearing in the financial statements at 31 December 2020. Subsequently, Law 178/2020 ("2021 Budget Law") added to article 110 of Decree Law 104/2020, extending this realignment to intangible assets without legal autonomy, including goodwill and other multi-year expenses.

This provision allows elimination of the stated difference through payment of a substitute tax, calculated at 3% of the amount of the object being realigned, to be amortised for solely tax purposes over 50 years (period added with the 2022 Budget Law).

However, a company which adjusts the tax values must establish a restricted equity reserve in an amount equal to the realigned difference, net of the substitute tax, to which a tax suspension regime is applied.

The companies which made use of this option are: Sisal Lottery Italia and Sisal Entertainment.

More specifically, Sisal Lottery Italia realigned a trademark and goodwill, which arose due to the extraordinary transactions which occurred in 2005, for the respective amounts of: € 7.9 million and € 64.4 million. Consequently a non-distributable restriction was placed on equity reserves existing at 31 December 2020 ("tax suspension reserves"), equal to the realigned amount net of the substitute tax of € 2.2 million, hence for € 70.1 million. From a fiscal point of view, Sisal Lottery Italia can begin to deduct amortisation relative to the above assets for a period of 50 years starting in financial year 2021, for a total tax savings (IRES and IRAP) of € 20.4 million.

On the other hand, Sisal Entertainment recognised among its intangible assets goodwill deriving from extraordinary transactions which occurred over the years, also through the incorporated company Sisal Match Point S.p.A. The value of the assets realigned was around € 232 million to which is added an additional around € 7 million in residual fiscal value at 31 December 2020, bringing the total amortisable value to around € 239 million. Consequently a non-distributable restriction was placed on equity reserves existing at 31 December 2020 ("tax suspension reserves"), equal to the realigned amount net of the substitute tax of around € 7 million, hence for around € 225 million. From a fiscal point of view, Sisal Entertainment can begun to deduct amortisation relative to the goodwill for a period of 50 years starting in financial year 2021, for a total tax savings (IRES and IRAP) of around € 67 million.

In conclusion, through the realignment of accounting and tax values, as indicated above, Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A. can deduct a total of over € 300 million in greater amortisation between 2021 and 2070, with a corresponding tax savings (IRES and IRAP) of around € 88 million, against the payment of substitute tax of € 9 million.

(7) Source: Bank of Italy Bulletin, no. 1 2022

Patent box

With Law 190/2014, lawmakers introduced, for holders of business income, a subsidised optional tax regime ("***Patent box***") for income deriving from the utilisation or concession to use certain types of intangible assets (article 1, paragraphs 37 - 45 of Law 190/2014 and Ministerial Decree 28.11.2017).

The subsidy consists in the exclusion from total income of 50% (when fully operational) of income deriving from the concession to use or direct use of the relevant intangible assets. Therefore, to make use of this subsidy it is necessary to insert a decrease in the INCOME form and IRAP declaration.

The percentage excluded from the relevant portion of income was equal to 30% for 2015, 40% for 2016 and 50% from 2017 to 2019.

Sisal S.p.A., Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A., in 2015, presented a request for a ruling from the Tax Authorities, pursuant to article 31-ter of Presidential Decree 600/73, to determine the economic contribution to the production of business income (or loss) in the case of the direct use of intangible assets, which in the case in question involved trademarks registered by the companies, for tax periods from 2015 to 2019.

In July 2017, official discussions began with the functionaries of the Lombardy Regional Office, for Sisal S.p.A. and Sisal Lottery S.p.A., and with functionaries of the Central Office for Sisal Entertainment S.p.A., in the context of which various information was requested, all of which the companies supplied.

However, on 30 July 2019 the Provision was issued to implement the regulations pursuant to article 4 of Decree Law 34 of 30 April 2019, converted with amendments by Law 58 of 28 June 2019. Among other things, this provision allowed tax-paying companies the possibility, for those "*(…) which have in course a Patent Box procedure on the day the Growth decree takes effect (…)*" to exercise the option to directly determine the Patent Box in accordance with the formalities established in the same Provision. The companies hence decided to refrain from continuing the prior agreement procedure in progress, so as to make use of the self-payment option for the Patent Box, directly calculating the benefit in their income statements.

Due to this, in 2021 the companies formally withdrew from the prior agreement procedures and independently made calculations to determine the subsidisable income.

In the light of the above, based on the calculations made by the relevant companies, the subsidisable income amounted to around € 165 million, leading to a benefit of around € 73 million, corresponding to around € 21 million less in taxes at the Group level. The table below shows the tax benefits obtained by the three companies for tax periods 2015 to 2019:

Amounts in thousands of euros

Sisal Entertainment	subsidisable income	97,498.97
	PB benefit	43,150.13
	tax effect (28.2%)	**12,168.34**
Sisal Lottery Italia	subsidisable income	43,888.06
	PB benefit	19,525.71
	tax effect (28.2%)	**5,506.25**
Sisal Spa	subsidisable income	23,808.29
	PB benefit	10,371.68
	tax effect (28.2%)	**2,924.81**
Total	subsidisable income	165,195.32
	PB benefit	73,047.52
	tax effect (28.2%)	**20,599.40**
	- of which IRES (24%)	*17,531.41*
	- of which IRAP (4.2%)	*3,068.00*

EXTRAORDINARY TRANSACTIONS

Mooney Group Demerger

Preliminarily, note that during 2019 the Group carried out an extraordinary transaction to separate payment, collection and telephone and television top-up services (Payment and Telco Business Units), after which the business units in question were transferred to the company Mooney Group S.p.A., at the time 70% held by Sisal and 30% by Banca 5 S.p.A.

In July 2021, a corporate reorganisation operation began to restructure and rationalise the Group's business, making payment service sector activities independent of gaming sector activities. This corporate reorganisation was implemented through a process which included the partial proportional demerger of the parent company Sisal S.p.A. in favour of the newly established SG2 S.p.A., created as a result of the demerger and fully held by the sole shareholder Schumann Investments S.A., to which was transferred the 70% equity investment held in Mooney Group S.p.A. (formerly SisalPay S.p.A.) (the "(**Mooney Group Demerger**"). Following the separating of the Sisal gaming sector from the payment business managed by Mooney Group S.p.A., all the ancillary agreements connected to the investment agreement with Banca 5 and the relative obligations and commitments are no longer linked to Sisal. The Mooney Group Demerger and relative demerger plan were approved by the Extraordinary Shareholders' Meeting of the Company on 28 July 2021. The Mooney Group Demerger deed was signed on 5 November 2021 and the Mooney Group Demerger took effect legally on 11 November 2021 ("**Demerger Effective Date**"). In consideration of the proportional nature of the operation and the fact that, after the Mooney Group Demerger, Schumann Investments S.A. holds all of the share capital of the Issuer and SG2 S.p.A., it was not necessary to determine any exchange ratios.

Sisal Lottery Italia Demerger

In July 2021, the Group began a corporate reorganisation process intended to rationalise and reorganise the chain of control, to also be achieved through the demerger of some of the assets of the subsidiary Sisal Lottery Italia S.p.A. (formerly Sisal S.p.A.). This reorganisation was implemented through a demerger process that included the partial demerger of Sisal Lottery Italia S.p.A. to the parent company Sisal S.p.A. (formerly Sisal Group S.p.A.) (the "**Sisal Lottery Italia Demerger**"). The Sisal Lottery Italia Demerger and relative demerger plan were approved by the Shareholders' Meeting of Sisal Lottery Italia S.p.A. on 28 July 2021. The deed for the Sisal Lottery Italia Demerger was signed on 5 November 2021, after authorisation was received from the relevant Italian authorities, that is authorisation from the Customs and Monopolies Agency, which was obtained on 14 October 2021 and took effect on 12 November 2021. In consideration of the fact that both before and after the Sisal Lottery Italia Demerger the parent company was the sole shareholder of Sisal Lottery Italia S.p.A., this demerger occurred without the assignment of shares and did not lead to the determination of any exchange ratios. The Sisal Lottery Italia Demerger, as a reorganisation operation within the context of the Group, had no effects on the consolidated financial statements of the same.

Listing Project

During 2021, the parent company and sole shareholder initiated a project to evaluate the consolidation and enhancement of the Company through listing on Euronext Milan, organised and managed by Borsa Italiana S.p.A., the ordinary shares of the same (the "**Listing Project**").

Approved with a Board resolution on 24 September 2021 and formally begun with the presentation of an authorisation request to Consob and Borsa Italiana on 12 October 2021, the Listing Project would have allowed the Company to acquire status that the market generally recognises as suitable to guaranteeing the transparency of its management mechanisms and that would allow it to enhance opportunities to develop the Company and the Gaming Business Unit it continues to head, as well as implement its business growth strategy.

Additionally, listing would have guaranteed increased visibility for the Company and the Gaming Business Unit both nationally and internationally.

However, following the agreement made on 23 December 2021 between the CVC Capital Partners Fund and Flutter Entertainment plc involving the transfer to the latter of the entirety of the Company's share capital, indirectly held by the former, the listing process was formally interrupted, with the relative letter signed by the Company sent to Consob and Borsa Italiana on 23 December 2021.

Flutter Acquisition

On 23 December 2021, Flutter Entertainment, the largest online betting group in the world, announced it had acquired 100% of Sisal from the CVC Capital Partners Fund, for a total price of 1.62 billion British pounds (around € 1.913 billion).

Consequently, the authorisation processes to obtain the necessary regulatory authorisation from the ADM in Italy and the corresponding authorities in Turkey (TWF) and Morocco (SGLN) were begun, as well as with regards to antitrust regulations. Subordinate to receiving these authorisations, the operation is expected to be completed in the second quarter of 2022.

The Group expects benefits in terms of operational efficiency from this acquisition, principally through the centralisation of negotiations with certain international suppliers, as well as further strengthening its leadership in the markets in which it operates.

Acquisition of minority interest in Network Italia S.r.l.

On 29 December 2021, the subsidiary Sisal Entertainment S.p.A., sent the appropriate communication indicating it was exercising the option to acquire the stake held by Games Lodi S.p.A., equal to 40% of the share capital of Network Italia S.r.l., pursuant to article 14 of the By-Laws of Network and the relative shareholders' agreement signed on 9 October 2018 between Sisal Entertainment and Games Lodi.

Following negotiations between the parties, an agreement was reached on the purchase price to be paid by Sisal Entertainment for the stake held by Games Lodi, which was set at € 1,510,000. On 21 February 2022, Sisal Entertainment and Games Lodi signed the deed to sell Games Lodi stake, against payment of the relative amount. This deed was then registered with the relevant Companies Register on 24 February 2022.

INTERNATIONALISATION

Tender for the Fourth National Lottery Licence

The Company participated in the tender for the concession for the National Lottery issued by the Gambling Commission, to assign the "Fourth National Lottery Licence", to manage gaming products in the national lottery category within the United Kingdom, including the Isle of Man.

Hence, on 15 October 2021 the offer for Phase 2 of the tender was submitted, the final phase.

On 15 March 2022, the Gambling Commission announced that the provisional concession had been awarded to *Allwyn Entertainment Ltd*.

Following the appeal lodged by Camelot on 31 March 2022, the Gambling Commission acknowledged the suspensive effect of the appeal, which may or may not be maintained depending on the evolution of the litigation.

INCENTIVE PLANS

Long-term incentive plan (LTI) 2021-2026

On 28 July 2021, the Sisal Lottery Italia Board of Directors approved its monetary incentive plan known as "*Long-term incentive plan 2021-2026*" (hereafter, also "**LTI Plan**"), reserved for certain beneficiary employees, specifically individuals that play a key role in achieving Sisal's strategic objectives. The plan lasts for several years and is broken down into three vesting periods, each lasting three years. For each beneficiary, the LTI Plan calls for the payment of a bonus, serving as a monetary incentive, for each vesting period, under the terms and conditions established in the relative regulation. More specifically, payment of the bonus is conditional upon achieving certain performance objectives, as well as meeting all the other conditions established in the regulation.

The achievement of performance objectives will be verified by the Board of Directors after the end of each vesting period, in accordance with the regulation.

At the accrual date, the Board of Directors will determine the effective amount of the monetary incentive to be paid to each beneficiary for each vesting period, without prejudice to the fact that the effective monetary bonus paid to each beneficiary cannot exceed 150% of the objective bonus.

Activation of the LTI Plan is subordinate to meeting a "gateway objective", shared by all beneficiaries. If the gateway objective consists of multiple conditions and the "gateway" performance level is not reached for all the conditions, the plan is not activated. On the other hand, if the "gateway" performance level is achieved for all conditions, the effective accrual and payment of the bonus is calculated based on the performance level achieved for each objective during the individual vesting periods.

Retention plan 2021-2026

On 28 July 2021, the Sisal Lottery Italia Board of Directors approved the monetary incentive plan known as "*Retention Plan 2021-2026*", reserved for its beneficiaries, individuals who play a key role in the Sisal Control Departments. The Plan lasts for several years and is broken down into three vesting periods, each lasting three years. For each beneficiary, the Plan calls for the payment of a bonus, serving as a monetary incentive, for each vesting period, under the terms and conditions established in the relative regulation. In particular, payment of the bonus is conditional upon achieving certain qualitative objectives, as well as meeting all the other conditions established in the regulation.

Achievement of the qualitative performance objectives will be verified by the Board of Directors, after hearing the opinion of the Control, Risk and Sustainability Committee, upon the conclusion of each vesting period.

At the accrual date, the Board of Directors will determine the effective amount of the monetary incentive to be paid to each beneficiary for each vesting period, without prejudice to the fact that the effective monetary bonus paid to each beneficiary cannot exceed 100% of the objective bonus. Non-achievement of the qualitative performance objective will disallow payment of the monetary incentive, for each vesting period, with an on/off clause associated with achievement of the performance objective.

DISPUTES

NTNG Concession-Spending requirements for "communication and information" projects

With reference to this dispute, for which more information can be found in the section "Concessions and disputes", recall that on 11 February 2021, the presiding judge of the TAR of Lazio granted a suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021.

Guaranteeing the entire sum requested by ADM, € 24.3 million, the TAR of Lazio asked Sisal Lottery Italia to issue a first request bank surety in favour of ADM. Sisal Lottery Italia provided this surety on 6 April 2021, by the deadline indicated by the Lazio TAR.

To that end, note that parent company provided support to Sisal Lottery Italia to deal with the above financial requirement, making it necessary to present cash collateral to obtain the bank surety requested by ADM.

On 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal's appeal. Holding that the TAR's arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

FINANCING

Establishment of revolving credit line

On 21 April 2021, the subsidiary Sisal Lottery Italia S.p.A. and UniCredit S.p.A. signed a short-term revolving loan contract (hereafter, the "**2021 Revolving Loan Contract**") for a maximum of € 40 million, for which the main conditions are:

- 12-month duration as of the signing date;
- upfront fee of 0.25%;
- commitment fee of 0.35% and cost of use equal to the Euribor plus a spread of 3.5%.

At 31 December 2021, the credit line had not been utilised.

Early repayment of Shareholder Loan Agreement

With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and minority shareholder Sans Digital amended the existing Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 31 March 2024, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan was repaid in full in advance in 2021, using the available financial resources.

OTHER EVENTS

Record honours at the 2021 EGR Awards

The Group announced that it had received five awards during the EGR Awards, beating the record for honours at a single edition. More specifically, Sisal online gaming offerings won the awards for operator of the year, internal product innovation, socially responsible operator, best lottery operator and customer service operator.

During the competition that awards excellence in the sector at the national level, Sisal distinguished itself due to the significant attention it pays to responsibility, its constant investments in innovation and its continued attention to caring for its customers. All of these characteristics serve as the foundation for the successful model that led Sisal to its position today as the largest operator in the online gaming sector.

Innovation Lab

In June 2021, the Group announced the opening of its first Innovation Lab, the new technology centre of excellence promoted internally by the Company, to offer a selected group of young digital experts an opportunity for interaction and growth.

The Innovation Lab, which will be located within the Agnelli Foundation in Turin, is part of the economic and employment plan that the Company is implementing with constancy and determination with regards to innovation, which currently includes over 500 people - a fourth of the workforce - dedicated to the implementation of new technology and writing of code.

Group performance and results

Macroeconomic environment[8]

INTERNATIONAL SCENARIO

After a widespread slowing of activity during the third quarter in advanced countries, signs of a return to a stronger recovery have emerged, in the face of prolonged weakness demonstrated by emerging economies. The new outbreak of the pandemic and persistent slowdowns on the supply side, however, create risks for lower economic activity. Inflation has further increased almost everywhere, suffering from the increase in energy prices.

In the third quarter, GDP slowed in both the larger advanced economies and in emerging ones, mainly due to the spread of the Delta variant during the summer and the presence of restrictions imposed to contain the epidemic in many countries. In the beginning of November Covid-19 infections began to rise globally, in particular in Europe and the United States, where the number of hospitalisations and deaths also increased. The rise in these latter was less dramatic with respect to previous waves, thanks to the contribution made by vaccine campaigns.

Nonetheless, the fourth quarter saw widespread signs of a cyclical recovery among the major advanced economies, showing signs compatible with robust growth. The emerging economies continue to show weaker cyclical signs with respect to the major advanced countries.

Based on the most recent information, after two quarters of strong expansion, in the Eurozone economic activity saw a decisive slowdown in the final part of the year, due to increased contagion and the consequent introduction of increasingly strict containment measures. The rise in contagion and the consequent worsening of consumer trust penalised services spending above all. Inflation reached its highest levels since the start of the monetary union, above all due to exceptional increases in the energy component, in particular gas which in Europe is also suffering from geopolitical factors. Based on projections issued by experts, inflation in the Eurozone will fall progressively during 2022. The ECB Executive Board announced its plan for the future implementation of public and private securities purchases, once again declaring that monetary policy will continue to be expansive and flexible in relation to trends in the macroeconomic situation.

ITALY

In Italy, starting in the spring, spending began to grow above all in commercial services, transport and housing (supported by the loosening of restrictive measures adopted during the most acute stages of the pandemic), leading to an acceleration in business throughout the services segment.

Growth in Italy continued at high rates during the third quarter of 2021, supported above all by household spending. GDP saw a significant slowdown in the fourth quarter, thanks to the new outbreak of the pandemic, in addition to persistent supply chain difficulties suffered by businesses.

Based on the most recent indicators, during the final quarter of 2021 GDP slowed notably, increasing by 0.5% over the previous three quarters. This was above all due to the impact the new outbreak of contagion had on consumption, in addition to continued supply difficulties associated with a lack of certain raw and subsidiary products at the global level. Trend data available at present, both qualitative and quantitative, suggest a slowdown in both manufacturing and services.

Relative to the labour market, in the summer the number of employed continued to grow, translating to an increase in hours worked and a reduction in the use of wage support tools. Based on the most recent information, the positive trend in the labour market continued through the fourth quarter. Stagnation in the unemployment rate is the consequence of the progressive recovery in job offerings, which are nearing pre-pandemic levels.

Inflation reached high levels during the final part of 2021, driven by the exceptionally high increase in energy prices. The effects of this latter will progressively decline throughout 2022, leading to a gradual decrease in inflation and a moderate annual change in prices.

Future prospects outlined by the Bank of Italy are based on the hypothesis that the new wave of contagion reaches its peak in the first quarter of the year, without translation to stricter containment measures, but still creating short-term negative impacts on consumer behaviour. The spread of the epidemic should fall in spring, thanks to further progress in the vaccine campaign. This scenario also assumes that monetary and financial conditions remain favourable, despite a slight increase in nominal interest rates during the prediction period. Credit conditions offered should remain low over all: the cost of credit for businesses should be at around 1.4% in 2022. After weakened growth during the final part of the last year, which may continue in the initial months of the current year, GDP should return to more significant growth in the spring, at the same time the healthcare situation is expected to improve, returning to pre-pandemic levels around the midpoint of 2022.

[8] Source Bank of Italy, Economic Bulletin, 1-2022

Gaming and Banking & Payments market trends

The Sisal Group works in the **Payout Gaming Market**, offering games regulated by the Ministry of Economy and Finance (MEF) and the Agenzia delle Dogane e dei Monopoli [Customs and Monopolies Authority] (ADM);

THE GAMING MARKET IN ITALY

2018-2021 trends

The period analysed runs from 2018 to 2021. The amounts in the tables below are shown in millions of Euros, unless otherwise indicated.

Figures for the gaming market in 2021 are estimates based on ADM data.

The indicators used for market analysis, in addition to amounts accepted, are gross gaming revenue (GGR), calculated as the difference between sales minus player wins (also known as Payouts) and tax withdrawals.

(€/mln)	2018	2019	2020	2021	CAGR
Total amounts accepted*	**106,700**	**110,411**	**88,240**	**110,931**	**1.3%**

* data relative to Paragraph 7 – Equipment without cash wins is excluded

Total amounts accepted in the Gaming Market(9), after a decrease in 2020, returned to growth with a CAGR(10) (compound annual growth rate) of +1.3%, thanks to the Online Italy segment which saw strong growth despite pandemic restrictions on the Retail Italy market.

However, spending saw a negative trend during the period of 6.6%, as did tax withdrawals with CAGR of -7.8%. This is due to the fact that the Online Italy has much higher payouts that Offline Italy, leading to lower GGR.

[9] Source: Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM). All the data presented, exclusive of that under paragraph 7 and including the ADI concession fee and 2015 Stability Law.

[10] CAGR: Compound Average Growth Rate over the last 3 years.

(€/mln)	2018	2019	2020	2021
Total amounts accepted*	100%	100%	100%	100%
Pay-out*	82.3%	82.5%	85.4%	86.2%
Gross Gaming Revenue (GGR)*	17.7%	17.5%	14.6%	13.8%
Tax withdrawals on GGR	**52.3%**	**55.8%**	**52.1%**	**50.5%**

* excluding data under paragraph 7 and including the ADI accessory fee and 2015 Stability Law.

Analysing the various segments in the Gaming Market, it is clear that the segment which suffered the most was ADI (with a CAGR of -28.0%).

Losses in the Retail Italy segment, in terms of amounts accepted, were offset by growth in the Online Italy segment (CAGR of +28.8%).

Turnover (€/mln)	2018	2019	2020	2021	CAGR
Retail lotteries and bingo	20,149	20,479	16,241	22,282	3.4%
Retail betting	6,514	6,977	3,933	3,351	-19.9%
Retail gaming (ADI*)	48,602	46,547	18,830	18,113	-28.0%
Online	31,435	36,408	49,237	67,186	28.8%
Total Gaming Market	**106,700**	**106,411**	**88,240**	**110,931**	**1.3%**

* ADI: Entertainment Equipment

The table below shows the trend in gross gaming revenue for the various segments.

This indicator amounted to € 15.3 billion in 2021, with a negative CAGR of -6.6% for the period from 2018-2021.

The Payout amount grew thanks to strong growth in the Online Italy segment, which notoriously has higher Payouts with respect to the Retail Italy segment as well as the simultaneous and already noted slowdown in the Retail Italy segment due to Covid-19 restrictions. It follows that gross gaming revenue relative to gross turnover demonstrated a constant downward trend during the period in question, going from around 17.7% in 2018 to 13.8% in 2021.

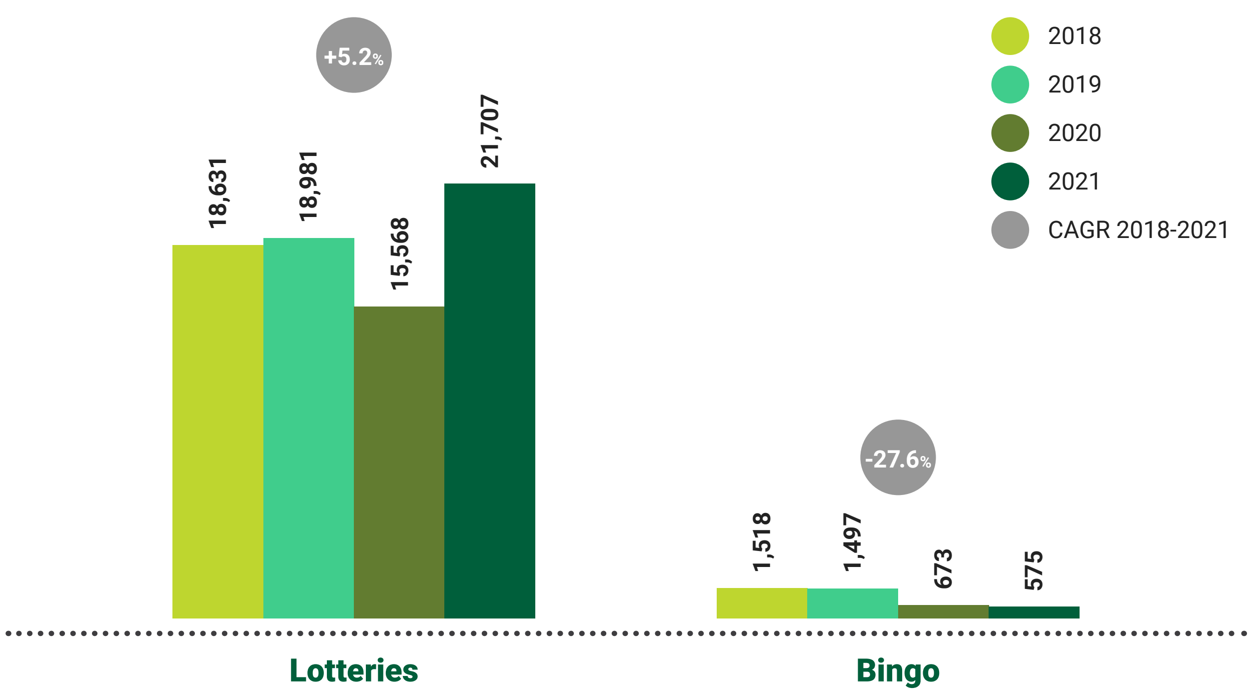
CGR (€/mln)	2018	2019	2020	2021	CAGR
Retail lotteries and bingo	5,818	5,971	4,675	6,382	3.1%
Retail betting	1,216	1,257	803	594	-21.2%
Retail gaming (ADI*)	10,187	10,227	4,742	4,641	-23.1%
Online	1,621	1,846	2,671	3,718	31.9%
Total Gaming Market	**18,841**	**19,301**	**12,891**	**15,334**	**-6.6%**

* ADI: Entertainment Equipment

ANALYSIS OF GROSS TURNOVER

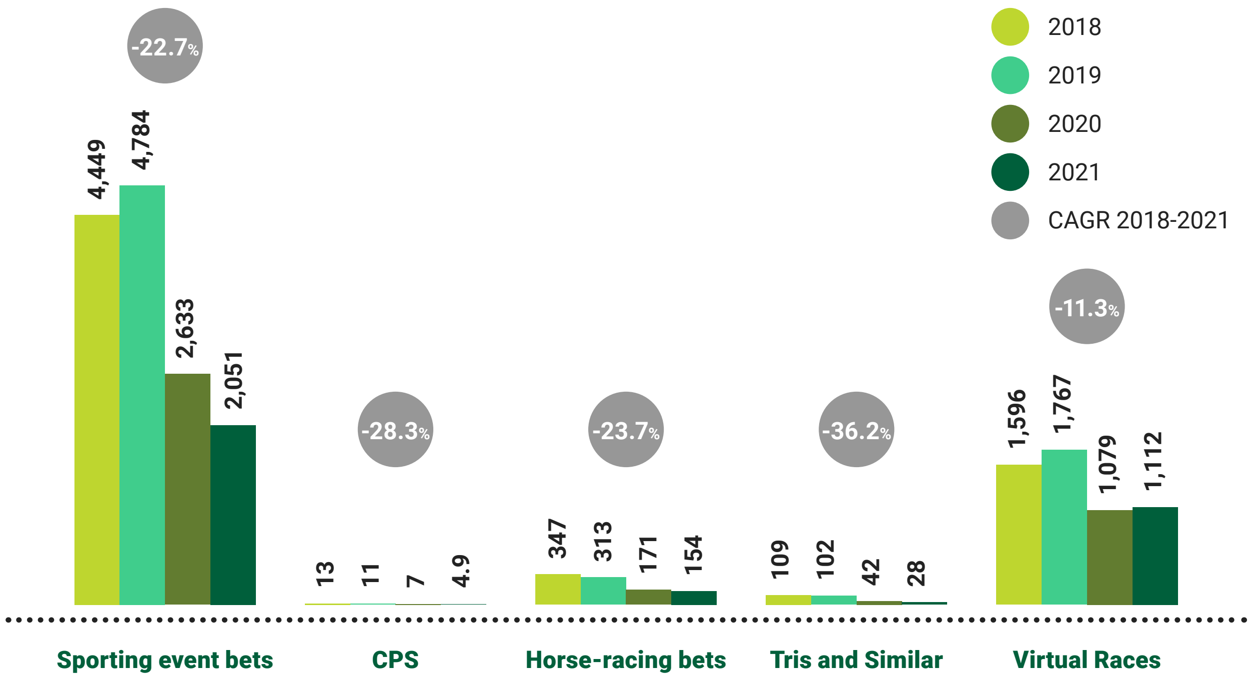
Lotteries & Bingo, physical channel

The Lotteries segment shows CAGR during the reference period of +5.2%, reaching € 21.7 billion in 2021, higher even than pre-pandemic levels in the four year period analysed.



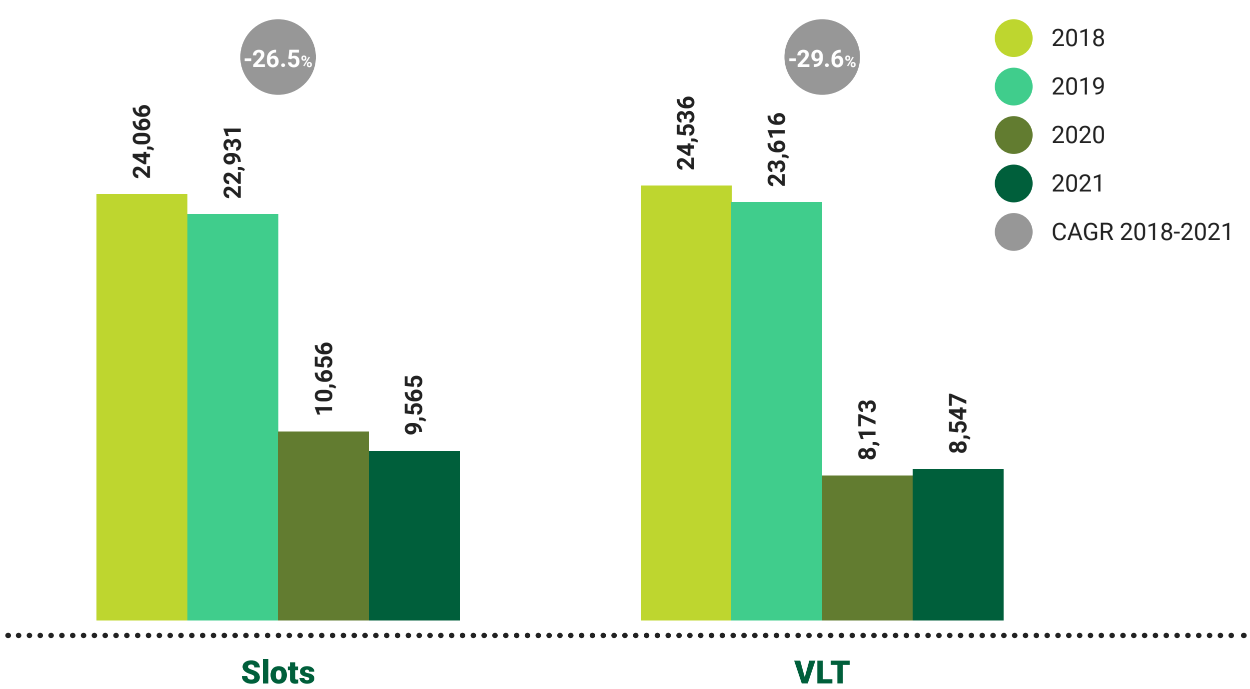
Bets, physical channel

The Sporting Bets segment, physical channel, saw an overall average decrease of -22.7% between 2018-2021. Turnover in the last year came to € 2.1 billion, down by -22.1% with respect to 2020.
The horse-racing segment and the traditional Totocalcio sector (here referred to as sporting event predictions) instead are suffering from a major crisis in the market which has been in play for multiple years, further aggravated by the pandemic and leading to significant decreases during the reference period.
The Virtual Races sector benefited from the larger number of operators included in the betting segment, meaning that in 2021, despite Covid-19 restrictions, the sector saw smaller losses (CAGR -11.3%).



ADI (Slots and VLTs)

The ADI segment represented 42.2% of the entire gaming market in Italy in 2019, a figure which had already fallen by half in 2020 (21.3%) and fell further to 16.3% in 2021.
Total gross turnover in this sector was around € 18.1 billion, with CAGR down significantly (-28.0%).
VLTs recorded a negative CAGR of -29.6%, while for slots the CAGR was -26.5%.



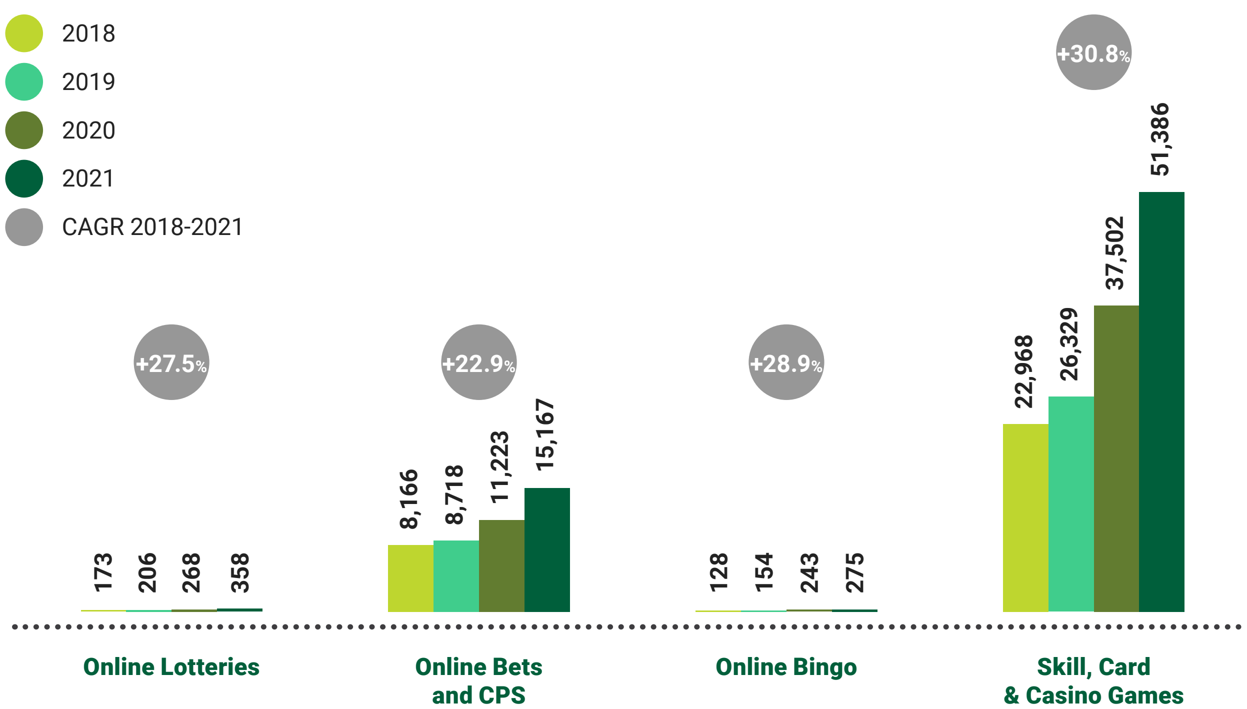
Elements which affected performance in this sector, beyond the obvious forced closures due to Covid-19, must include the notable reduction in machines available throughout Italy, and the introduction of the health insurance card requirement for VLTs in 2020, which even prior to the spread of the Covid-19 pandemic had led to shrinkage in the market of around 30% in Italy.

Online market

The online gaming segment showed strong growth, doubtless accelerated by the Coronavirus emergency, with total CAGR of +28.8%, exceeding even the 2020 figure, despite reopenings.

Growth is strong in all areas, but above all in the Cards & Casino segment, which again in 2021 was able to attract many players. All of this is accompanied by the ever greater spread of applications for smartphones and tablets that make gaming easier.

CAGR within the Online market are very positive, in particular we note +30.8% for the Cards & Casino segment and +22.9% for the Betting segment. Growth in the online bingo and online lotteries segment should also be noted, which during the period in question respectively saw CAGRs of +28.9% and 27.5%, even if with relatively low amounts.



In this dynamic market, total amounts accepted by the Group in these segments in 2021 (almost € 10 billion) saw growth of around 31% with respect to the previous year.
In the Online Italy segment the Group accepted amounts totalling € 6.3 billion (+52.9% with respect to 2020) and was the market leader, holding a share of 11.8% in terms of spending.

THE INTERNATIONAL GAMING MARKET

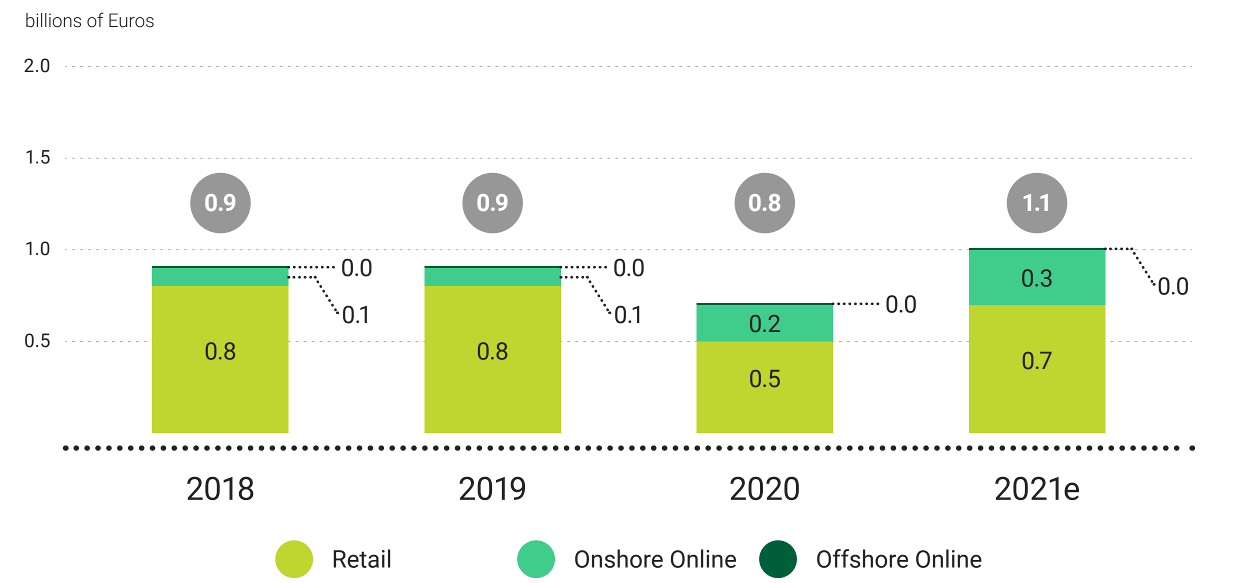
The Turkish market

In Turkey, lotteries, horse-racing bets and sporting bets are regulated through government or affiliated monopolies.

The lottery concessions are under the authority of the Turkish Wealth Fund (TWF), while those for sporting event bets are managed by IDDAA – under the Ministry of Sport – and operated by Şans Girişim Ortak Girişimi A.S, while the Turkish Jockey Club (TJC) holds the monopoly for horse-racing bets.

The Turkish gaming market generated € 0.9 billion in 2019, falling to € 0.8 billion in 2020 and recovering to € 1.1 billion in 2021. Most of the GGR for the market is generated through the retail channel, with 27% of total GGR represented by online winnings in 2021. There is a very small offshore online market, with the vast majority of revenues coming from the onshore market.

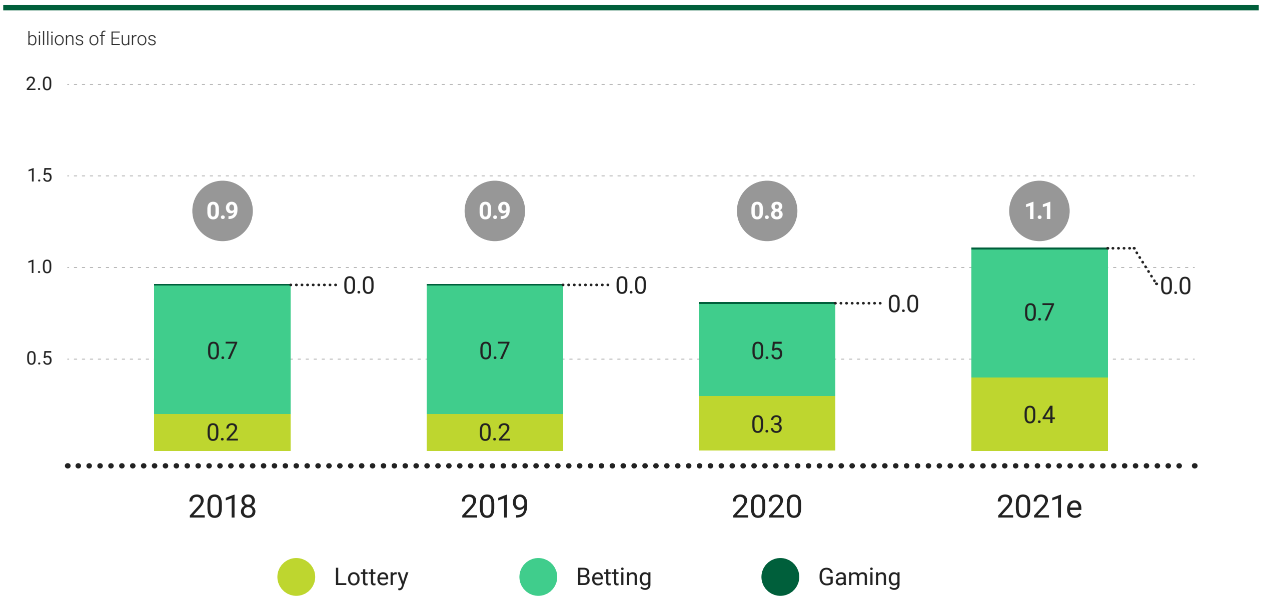
Turkey GGR per channel



Source: H2 Gambling Capital, 2021

In terms of breakdown by product, most revenues are generated through betting, with the lottery segment representing less than 20% of all betting activity, even if in percentage terms it is expected that lotteries will offer the strongest growth. Note that revenues coming from Virtual Races are included under betting, rather than in forecasts for the lottery segment.

Turkey GGR per product (billions of Euros)



Source: H2 Gambling Capital, 2021

Covid-19 had a large effect on the betting market, while the lotteries market was more resilient, benefiting from the change in the lotteries operator.

GGR overview, retail sales in Turkey

€ million	2018	2019	2020	2021e	CAGR 2018-19	CAGR 2018-20	CAGR 2018-21e
Lottery	176	164	198	331	-7.3%	5.9%	23.3%
Betting	614	618	349	402	0.7%	-24.6%	-13.2%
Gaming Machines	-	-	-	-			
Other games	-	-	-	-			
Total, retail market	**791**	**782**	**547**	**733**	**-1.1%**	**-16.8%**	**-2.5%**

Source: H2 Gambling Capital, 2021

While the retail market saw stable growth, the online market grew much more rapidly, although it started from lower values. This increase accelerated during the time sales points were closed due to Covid-19 and for 2021 it is predicted that the online onshore betting market will reach around 50% of the size of the retail betting market, with 3 year CAGR growth of 41% (2018-2021). On the other hand, the offshore market has stagnated, with most operators having left the market some years ago.

GGR overview, online sector in Turkey

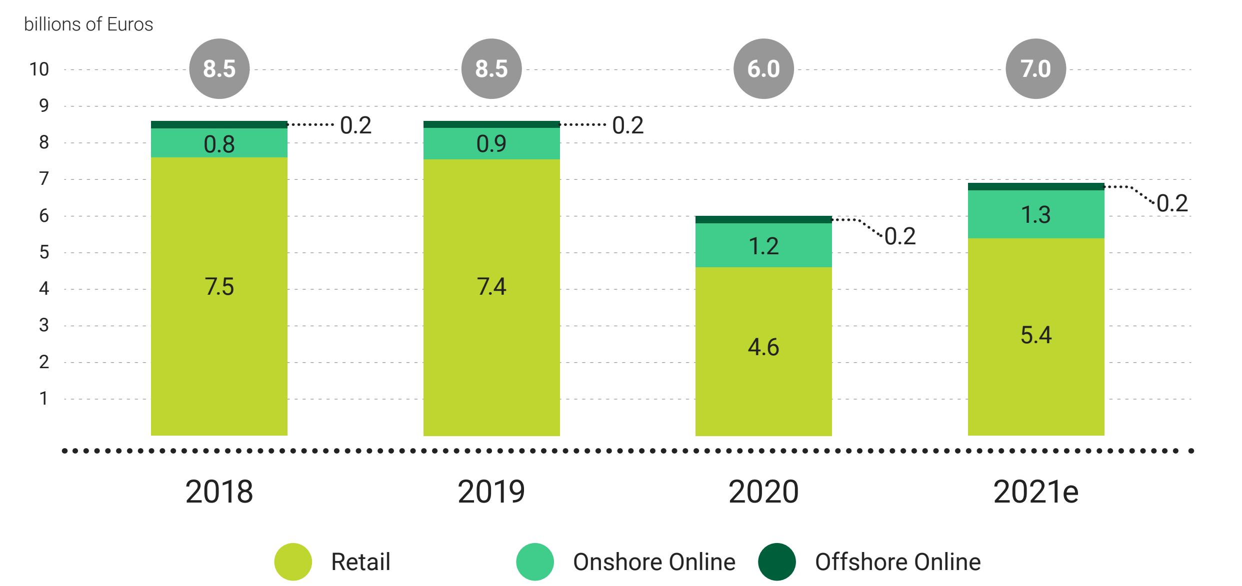
€ million	2018	2019	2020	2021e	CAGR 2018-19	CAGR 2018-20	CAGR 2018-21e
Lottery	5	5	60	93	4.8%	245.1%	164.1%
Betting	83	103	177	234	24.9%	46.5%	41.4%
Casino	-	-	-	-			
Poker	-	-	-	-			
Bingo	-	-	-	-			
Total, Onshore Online	**88**	**108**	**238**	**327**	**23.7%**	**64.7%**	**55.1%**
Offshore Online	28	28	23	33	-0.3%	-8.5%	6.4%
Total, Online	**115**	**136**	**261**	**360**	**18.0%**	**50.4%**	**46.2%**
% Onshore	*76%*	*80%*	*91%*	*91%*			

Source: H2 Gambling Capital, 2021

The Spanish market

Spain has a fairly liberal gambling market, with limited restrictions on products. The national lottery operator is Loterias y Apuestas del Estado (LAE), which also offers sporting event bets in lottery style and a bi-weekly totocalcio. There is also a second lottery operator, ONCE, which manages charity lotteries.
Sporting event bets, casino games, poker and bingo are all allowed, both retail and online. Each Spanish region has the authority to determine the locations that manage sporting event bet structures. After having obtained a license, operators of physical sales points can manage multiple betting shops within each region.
In terms of taxes, there is a 20% tax on GGR for poker, casino games (roulette, blackjack), fixed odd bets and totalizator. There are also additional regional taxes that increase the effective amount withheld to around 25%.
The Spanish betting market generated € 8.5 billion in GGR in 2019, falling to € 6.0 billion in 2020 and rising to € 7 billion in 2021.
Most GGR for the market is generated through the retail channel, due to the important national lottery, as well as the fairly large market for gaming equipment.

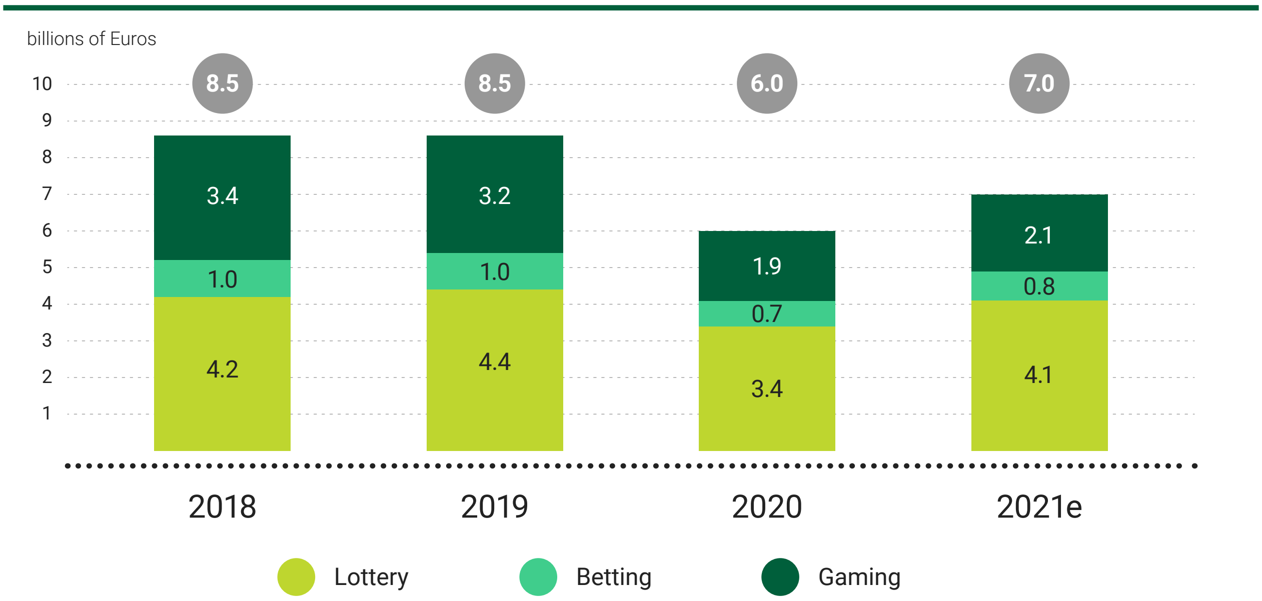
Spanish GGR per channel (billions of Euros)



Source: H2 Gambling Capital, 2021

In terms of breakdown by product, most revenues are generated by the lottery, which has a much larger market share with respect to most other European countries. This is in part due to the tradition of the lottery and very high jackpots that are paid for special extractions. The country also has a fairly large market for retail gaming equipment, which represents around 50% of all GGR from gaming.

Spanish GGR per product



Source: H2 Gambling Capital, 2021

The retail market in Spain saw constant growth prior to the arrival of Covid-19, even if the physical gaming equipment market saw significant decreases from 2018-2019, the period in which online slots were launched. Nonetheless, it is the national lottery that generates the largest part of GGR from retail betting. In 2020, lockdowns associated with Covid-19 had a significant impact on segments of betting and gaming. The lotteries segment also suffered, but to a lesser extent.

GGR overview, retail sales in Spain

€ million	2018	2019	2020	2021e	CAGR 2018-19	CAGR 2018-20	CAGR 2018-21e
Lottery	4,056	4,220	3,061	3,736	4.0%	-13.1%	-2.7%
Betting	469	466	194	240	-0.6%	-35.7%	-20.0%
Gaming Machines	2,044	1,725	857	906	-15.6%	-35.2%	-23.8%
Other games	926	965	483	543	4.3%	-27.8%	-16.3%
Total, retail market	**7,494**	**7,376**	**4,595**	**5,425**	**-1.6%**	**-21.7%**	**-10.2%**

Source: H2 Gambling Capital, 2021

The onshore betting market in Spain saw strong growth for several years, with CAGR of 19% over 3 years (2018-2021) and a CAGR of 9%, even prior to benefiting from lockdowns imposed to contain the Covid-19 pandemic. Growth was strong on all fronts, with the lottery segment seeing the most significant growth over the period in question. Strong growth on the onshore online market also led to a decrease in the offshore online market for the period.

GGR overview, online Spain

€ million	2018	2019	2020	2021e	CAGR 2018-19	CAGR 2018-20	CAGR 2018-21e
Lottery	100	124	341	396	24.0%	84.7%	58.3%
Betting	366	382	373	452	4.4%	1.0%	7.3%
Casino	238	273	351	395	14.9%	21.5%	18.5%
Poker	82	81	110	90	-0.7%	16.1%	3.4%
Bingo	13	13	17	14	-5.6%	10.8%	1.5%
Total, Onshore Online	**799**	**873**	**1,191**	**1,348**	**9.3%**	**22.1%**	**19.1%**
Offshore Online	245	237	230	248	-3.2%	-3.0%	0.4%
Total, Online	**1,044**	**1,110**	**1,422**	**1,596**	**6.4%**	**16.7%**	**15.2%**
% Onshore	*77%*	*79%*	*84%*	*84%*			

Source: H2 Gambling Capital, 2021

The Moroccan market

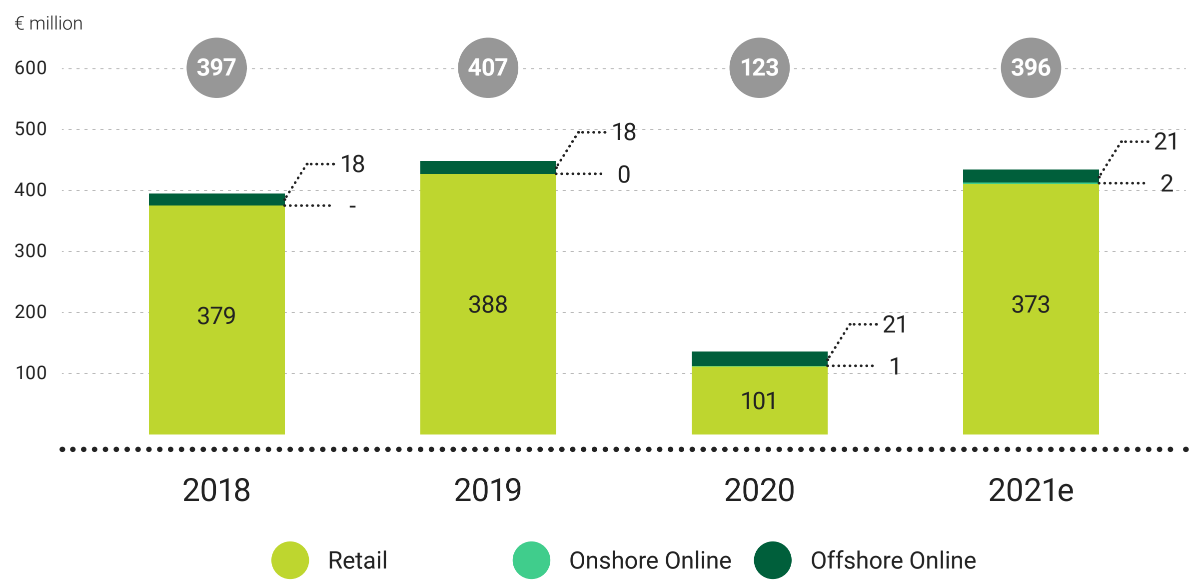
There are three license holders on the market: Sorec, under the Ministry of Agriculture, which holds the monopoly and directly offers horse-racing bets, La Marocaine des Jeux et des Sports (MDJS), under the Ministry of Sport, which holds the license for sporting event bets and the Societè de Gestion de la Loterie Nationale (SGLN), under the Cassa Depositi e Gestione of the Ministry of Finance, which holds the license for national lotteries. Commercial licenses are available for physical casinos, while VLT have just been launched on the Moroccan market by SGLN.

There are a total of seven casinos which offer slot machines and video poker, as well as table games and poker. Slot structures with licenses are legal. Sporting event bets on football and other sporting events are legal, with some exceptions. On-track totalizator bets are accepted through authorised circuits. Interactive betting games are prohibited outside of government licensed businesses. However, there are few restrictions on players gambling on offshore websites. The Loterie Nationale pays government taxes and license commissions, as well as a percentage of GGR revenues to its operating partner. The surplus of Marocaine des Jeux is disseminated to finance national sports programmes.

The Moroccan betting market generated € 407 million in GGR in 2019, falling to € 123 million in 2020 and returning to pre-Covid values in 2021 at € 396 million.

Most GGR in this market is generated through the retail sales channel, above all thanks to betting activity.

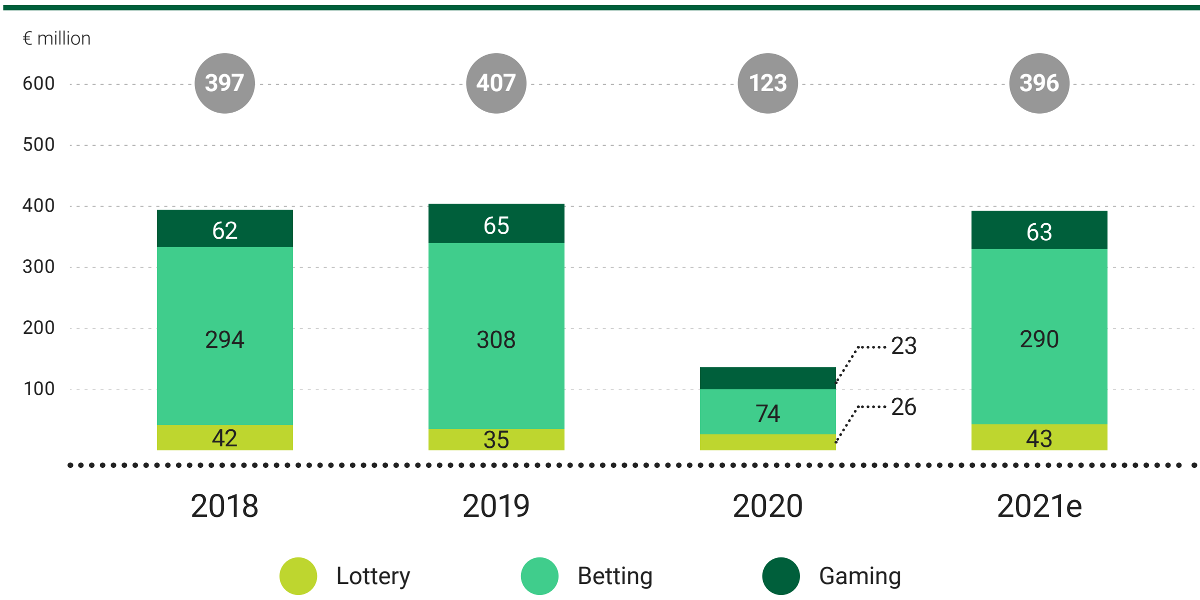
Morocco GGR per channel



Source: H2 Gambling Capital, 2021

In terms of breakdown by product, bets represent around 75% of all gambling activity in the country, with around 2/3 of the same generated through horse-racing bets and around 1/3 from sporting event bets.

Morocco GGR per product



Source: H2 Gambling Capital, 2021

The retail market in Morocco is dominated by betting, which saw high one figure growth until 2019, before being significantly hit by Covid-19 lockdowns. GGR for lotteries has been essentially stable during the period, although it fell in 2019, while GGR for gaming has seen stable growth.

Virtual betting and VLTs, although part of the lotteries concession, are here respectively represented within volumes for betting and gaming equipment.

GGR overview, retail sales in Morocco

€ million	2018	2019	2020	2021e	CAGR 2018-19	CAGR 2018-20	CAGR 2018-21e
Lottery	42	34	25	42	-17.9%	-22.5%	0.0%
Betting	286	300	65	280	4.8%	-52.4%	-0.7%
Gaming Machines	-	-	-	2			
Other games	51	53	11	48	4.2%	-53.5%	-1.8%
Total, retail market	**379**	**388**	**101**	**373**	**2.2%**	**-48.4%**	**-0.6%**

Onshore online gambling was only recently legalised for the lottery and betting, but is still a very small market. Offshore operators have entered the market, but the offshore market is still fairly limited with respect to the retail market.

Group performance and results

The table below provides the main indicators of the performance and results achieved by the Group:

(in thousands of Euros)	2021	% of Revenues	2020	% of Revenues	Change	% change
Revenues	682,301	100%	519,319	100%	162,982	31%
Purchases of raw and subsidiary materials, consumables and goods	(17,000)	-2%	(12,944)	-2%	(4,056)	31%
Costs for services	(311,771)	-46%	(237,961)	-46%	(73,810)	31%
Personnel costs	(95,225)	-14%	(77,217)	-15%	(18,008)	23%
Other operating expenses	(60,567)	-9%	(42,717)	-8%	(17,850)	42%
Charges classified differently	48,812	7%	23,899	5%	24,913	>100%
Operating revenues and expenses included under discontinued operations	1,497	0%	3,943	1%	(2,446)	-62%
EBITDA	**248,047**	**36%**	**176,322**	**34%**	**71,725**	**41%**
Operating revenues and expenses included under discontinued operations	(1,497)	0%	(3,943)	-1%	2,446	-62%
EBITDA - Continuing Operations	**246,550**	**36%**	**172,379**	**33%**	**74,171**	**43%**
Amortisation, depreciation, impairment and impairment reversal	(138,808)	-20%	(122,434)	-24%	(16,374)	13%
Net impairment of financial assets	(1,655)	0%	(12,263)	-2%	10,608	-87%
Charges classified differently	(48,812)	-9%	(23,899)	-5%	(24,913)	>100%
EBIT	**57,275**	**8%**	**13,783**	**3%**	**43,492**	**>100%**
Adjusted EBIT	**131,056**	**19%**	**73,339**	**14%**	**57,717**	**79%**
Net financial income/(expenses)	(25,174)	-4%	(19,265)	-4%	(5,909)	31%
Profit (loss) before income taxes	32,101	5%	(5,482)	-1%	37,583	<-100%
Income taxes	89,028	13%	(7,700)	-1%	96,728	<-100%
Result of Continuing Operations	**121,129**	**18%**	**(13,182)**	**-3%**	**134,311**	**<-100%**
Result of Discontinued Operations	**(29,576)**	**-4%**	**(27,082)**	**-5%**	**(2,494)**	**9%**
Net result	**91,553**	**13%**	**(40,264)**	**-8%**	**131,817**	**<-100%**

Reconciliation of net result, EBITDA and EBIT adjusted

	2021	% of Revenues	2020	% of Revenues	Change	% change
Result of Continuing Operations	**121,129**	**18%**	**(13,182)**	**-3%**	**134,311**	**<-100%**
Income taxes	(89,028)	-13%	7,700	1%	(96,728)	<-100%
Financial expenses	36,737	5%	28,982	6%	7,755	27%
Financial income	(11,563)	-2%	(9,717)	-2%	(1,846)	19%
Amortisation, depreciation, impairment and impairment reversal of property, plant and equipment and intangible assets	138,808	20%	122,434	24%	16,374	13%
Net impairment of financial assets	1,655	0%	12,263	2%	(10,608)	-87%
Non-monetary costs	26,331	4%	11,668	2%	14,663	>100%
Corporate reorganisation costs	2,758	0%	5,628	1%	(2,870)	-51%
Start-up costs linked to new business	8,783	1%	4,319	1%	4,464	>100%
Non-recurring costs associated with Covid-19 management	828	0%	1,721	0%	(893)	-52%
Listing costs	6,336	1%	-	0%	6,336	n.a.
Other extraordinary (income) and expense	3,776	1%	563	0%	3,213	>100%
Operating revenues and expenses included under discontinued operations	1,497	0%	3,943	1%	(2,446)	-62%
EBITDA	**248,047**	**36%**	**176,322**	**34%**	**71,725**	**41%**
Operating revenues and expenses included under discontinued operations	(1,497)	0%	(3,943)	-1%	2,446	-62%
Amortisation, depreciation and writedowns on tangible and intangible assets (net of amortisation/depreciation on capital gains allocated emerging from business combinations).	(115,494)	-17%	(99,040)	-19%	(16,454)	17%
Adjusted EBIT	**131,056**	**19%**	**73,339**	**14%**	**57,717**	**79%**

Reconciliation of EBIT and EBIT adjusted

	2021	% of Revenues	2020	% of Revenues	Change	% change
EBIT	**57,275**	**8%**	**13,783**	**3%**	**43,492**	**>100%**
Net impairment of financial assets	1,655	0%	12,263	2%	(10,608)	-87%
Amortisation of capital gains allocated emerging from business combinations	23,314	3%	23,394	5%	(80)	0%
Non-monetary costs (revenue) and non-recurring costs (revenue)	48,812	7%	23,899	5%	24,913	>100%
Adjusted EBIT	**131,056**	**19%**	**73,339**	**14%**	**57,717**	**79%**

Reconciliation of net result and net adjusted result

	2021	% of Revenues	2020	% of Revenues	Change	% change
Profit (loss) for the year	**91,553**	**13%**	**(40,264)**	**-8%**	**131,817**	**<-100%**
Profit (loss) for the year - discontinued operations	(29,576)	-4%	(27,082)	-5%	(2,494)	9%
Profit (loss) for the year - continuing operations	**121,129**	**18%**	**(13,182)**	**-3%**	**134,311**	**<-100%**
Amortisation of capital gains allocated emerging from business combinations	23,314	3%	23,394	5%	(80)	0%
Non-monetary costs and other non-recurring costs and income excluded from EBITDA	48,812	7%	23,899	5%	24,913	>100%
Tax effect of items mentioned above	(12,797)	-2%	(9,883)	-2%	(2,914)	29%
Tax effect of alignment of statutory and fiscal values for intangible assets and goodwill	(77,036)	-11%	-	0%	(77,036)	n.a
Adjusted profit (loss) for the period - continuing operations	**103,422**	**15%**	**24,228**	**5%**	**79,194**	**>100%**

In the year ending on 31 December 2021, Group revenues and income totalled € 682 million, an increase of € 163 million (+31%) with respect to the year ending on 31 December 2020.

EBITDA, inclusive of the effects of Discontinued Operations, or the results generated by the Payments and Telco Business Units, is equal to € 248 million for the year ending on 31 December 2021, showing an increase of € 71.7 million (+41%) over the previous year.

The Group recorded net profit of € 91.6 million, compared to the loss of € 40.3 million recorded in financial year 2020. Note that net profit for 2021 consists of € 121.1 million from Continuing Operations and a loss of € 29.6 million from Discontinued Operations.

ADJUSTMENTS TO EBITDA

As noted previously, the Group defines EBITDA as profit/loss for the year, adjusted for the following items: i) taxes; ii) share of profit/(loss) of equity-accounted companies; iii) financial expense; iv) financial income; v) amortisation, depreciation and writedowns on tangible and intangible assets; vi) net impairment of financial assets;l vii) accessory costs for the acquisition of equity investments and start-up of new businesses; viii) non-monetary gains and losses; and ix) income and expense which, due to their nature, cannot be reasonably expected to be repeated in future years.

More specifically, note that:

- **Non-monetary costs** include i) the recognition in the income statement of the portion of multi-year prepayments relative to the NTNG concession for the financial years ending on 31 December 2021 and 2020; ii) the provision relative to the dispute in course with the ADM relative to the NTNG concession, for financial years ending on 31 December 2021 and 2020 and iii) impairment of the security deposit provided to guarantee service levels for financial years ending on 31 December 2021 and 2020;
- **Corporate reorganisation costs** mainly include non-recurring costs linked to the corporate reorganisation process and internal reorganisation;
- **Start-up costs linked to new business** mainly include costs incurred as part of the internationalisation process;
- **Non-recurring costs associated with Covid-19 management**;
- **Listing costs** incurred as part of the listing project, for which more information can be found in the section *"Significant events during the year"*;
- The item **other extraordinary (income) and expense** mainly includes expense incurred as part of extraordinary transactions carried out during the year.

IMPACTS OF THE COVID-19 PANDEMIC

The economic results for financial years 2021 and 2020, represented briefly in the above tables, were heavily influenced by the effects of the Covid-19 pandemic, which affected trends in the Group's business.

In addition to limiting and influencing freedom of movement for people, affecting their spending ability and creating a general trend towards saving and reducing consumption, the Covid-19 pandemic also heavily hit the Group's gaming market, mainly the physical retail sector.

In order to contain the spread of Covid-19, which progressively disseminated itself throughout Italy starting in the initial months of 2020, the government and Parliament (and ADM as the executive regulatory) ordered the suspension of both specialised channel activities (gaming and betting rooms and bingo parlours) and generalist channel activities (coffee shops and tobacco shops - for these only prohibiting gaming acceptance activities). This bans were in effect from 8 March 2020 to 4 May 2020 for the generalist channel and until 15 June 2020 for the specialised channel. During the initial closure, the Online channel remained active but also saw a decline due to the suspension of sporting events and limitations on Lottery products. Subsequent reopening depended on the decisions made by individual Regions on the compatibility of these activities with the current local epidemiological situations (some Regions postponed the reopening to 1 July 2020). This stage required operators to adopt a series of precautionary measures to reduce the risk of infection (specified in guidelines or protocols adopted by the relevant Regions). The period between July and October 2020 should be seen as the only period during the year in which the physical and online channels were fully operational, reaching amounts very similar to pre-Covid levels. Following the second wave of contagion, as of 26 October 2020 the government imposed a new period which suspended business for gaming and betting rooms and bingo parlours throughout Italy, while also introducing certain restrictions relative to the generalist channel. This restriction did not apply when Regions were classified as “white” (as of the end of May 2021) and, as of 1 July 2021, also did not apply to Regions classified as “yellow”, pursuant to Decree Law 52 of 22 April 2021, converted by Law 87 of 17 June 2021.

Note that in addition to the precautionary measures cited, which continue to change, as of 6 August 2021 access to gaming and betting rooms and bingo parlours is allowed solely to people holding a “Green Pass”, the certificate issued by the relevant office of the Ministry of Health indicating vaccination, a negative Covid-19 test (rapid or molecular) within the previous 48 hours, or recovery from an infection, with a QR code to verify authenticity and validity.

In the light of the referenced government measures, to be seen in the context of the pandemic, the Retail Italy operating sector was that most affected by the Covid-19 pandemic.

Operations for foreign subsidiaries were also negatively affected by the Covid-19 pandemic as a consequence of restrictions adopted by local authorities, including significant lockdown periods and earlier closing hours with respect to pre-pandemic.

Considering the situation described previously, Group management carried out a careful assessment and estimate of the impacts of Covid-19 on the Group’s operations and results.

Below is a comparison of acceptance (or turnover) performance[11] between 2021 and 2020:

Turnover in millions of Euros

Period	2021	2020	Change	%
January-February	1,526	1,643	(117)	-7.1%
March-June	3,244	1,778	1,466	82.5%
July	1,005	769	236	30.7%
August	977	806	171	21.2%
September	1,058	842	216	25.7%
October	1,168	855	313	36.6%
November	1,118	680	438	64.4%
December	1,193	809	384	47.5%
Total	**11,289**	**8,182**	**3,107**	**38.0%**

The above table shows that the trend in turnover for these two years was heavily influenced by the progress of the Covid-19 health emergency and the measures adopted by the government to fight it.

For the period between January and February 2021, turnover amounted to € 1,526 million, showing a 7.1% decrease with respect to the same period in 2020. This can be linked to the restrictions adopted during the second lockdown in Italy, starting in November 2020, while the same period in 2020 did not see similar restrictions.

Between March and June 2021 turnover totalled € 3,244 million, an 82.5% increase with respect to the same period in 2020. Both periods fell within lockdowns adopted in Italy. However, in 2021 the lockdown was less restrictive with

[11] Turnover: refers to total spending by players, or the combination of all bets made.

respect to the initial one in 2020, also considering the initial reopenings which varied by region, with the earliest ones beginning on 31 May 2021.

For a discussion of regulatory changes and restrictive provisions applied by the various authorities which impact the markets in which the Group operates, please see that already outlined in Events During the Period.

Despite such a complex situation with uncertainties about future developments, various initiatives were implemented to contain costs in order to not damage the Group's ability to produce income.

Considering that Specialised Retail was the channel most affected by government containment measures, the Group promptly took action to renegotiate rental contracts for sales points, with costs savings achieved for the financial years ending 31 December 2021 and 31 December 2020.

The item "Personnel expenses" also saw an impact from initiatives adopted during the year. In fact, use of holiday and paid leave was incentivised and various social safety nets were made use of, such as the Pay Supplement Fund, with an impact of around € 4.7 million in 2021 and € 5 million in 2020.

In addition to the above, to allow for safe continuation of activities in compliance with the health requirements imposed by the situation, costs to clean workplaces and to purchase personal protective equipment were incurred for around € 0.8 million in 2021 and € 1.7 million in 2020. These costs are included in the EBITDA adjustments.

Relative to measures implemented by the Company to mitigate the impacts of the Covid-19 emergency on the results for the year, we note contributions, totalling € 952 thousand in 2021 (€ 972 thousand in 2020), recognised in the financial statements under the item "Other income", for economic aid provided by the government during the year to compensate for economic losses incurred due to the Covid-19 pandemic.

The Covid-19 pandemic continues to evolve and its impact on business depends on various factors which are still highly uncertain and unpredictable, including the effectiveness and use of vaccines, the cycle or seasonality of the virus and its relative variants, and the rapidity with which government restrictions will be adopted and/or removed. Further, the Covid-19 pandemic and containment measures introduced to limit its spread could lead to a change in consumer preferences over the long term, who may prefer to not visit businesses and gaming rooms at which the Group's services for the physical channel area are available.

Finally, in consideration of the high level of uncertainty with regards to the duration and effects of the crisis associated with the Covid-19 pandemic, it cannot be excluded that if the duration and/or effects of the crisis are greater than those estimated by the Issuer based on the information available, the Group may need to revise its business plan, with consequent significant negative effects on its business and prospects, as well as on its economic, financial and equity situation.

REVENUES AND OTHER INCOME

The following table indicates revenues and proceeds for the years ending at 31 December 2021 and 31 December 2020, in absolute and percentage terms with respect to the total of the financial statement items:

(in thousands of Euros)	2021	% of total Revenues and Proceeds	2020	% of total Revenues and Proceeds	Change	% change
Gaming revenues	451,568	66%	324,088	62%	127,480	39%
Fixed-odd betting income	155,762	23%	128,428	25%	27,334	21%
Sales point revenues	71,734	11%	61,557	12%	10,177	17%
Other revenues and proceeds	3,237	0%	5,246	1%	(2,009)	-38%
Total Revenues and Proceeds	**682,301**	**100%**	**519,319**	**100%**	**162,982**	**31%**

In the year ending on 31 December 2021, Group revenues and income totalled € 682.3 million, an increase of € 163 million (+31%) with respect to the year ending on 31 December 2020.

This increase can mainly be attributed to the Online Italy strategic business unit, which saw 53% growth in terms of turnover, with respect to the same period of the previous year, thanks to the positive contribution made by Betting in terms of payout and the event portfolio, as well as the enhancement of the products offered and increase in the customer base. The International strategic business unit also contributed (+158% in terms of turnover). Here the increase is mainly attributable to business in Turkey, launched in 2020, thanks to the expansion of the sales point network and growth in the customer base, only partially offset by the unfavourable exchange rate for the Turkish Lira during the last part of the year. The Retail Italy strategic business unit also saw a +5% increase in turnover with respect to 2020, but with revenues substantially in line with the previous year.

GAMING REVENUES

Below Gaming revenues are analysed by product, broken down between the domestic and international markets, for both reference years.

(in thousands of Euros)	2021	% of total Revenues and Proceeds	2020	% of total Revenues and Proceeds	Change	% change
Revenues VLT/AWP	140,230	21%	133,228	26%	7,002	5%
Revenues NTNG	56,118	8%	49,798	10%	6,320	13%
Revenues from Virtual Races	30,191	4%	26,651	5%	3,540	13%
Revenues online gaming	111,059	16%	71,405	14%	39,654	56%
Revenues horse-racing bets	1,815	0%	2,516	0%	(701)	-28%
Revenues Totalizator sport	314	0%	220	0%	94	43%
Domestic revenues	**339,727**	**50%**	**283,818**	**55%**	**55,909**	**20%**
Turkey revenues	102,579	15%	35,801	7%	66,778	>100%
Morocco revenues	8,627	1%	3,848	1%	4,779	>100%
Spain revenues	635	0%	621	0%	14	2%
International revenues	**111,841**	**16%**	**40,270**	**8%**	**71,571**	**>100%**
Total revenues	**451,568**	**66%**	**324,088**	**62%**	**127,480**	**39%**

DOMESTIC REVENUES

Relative to revenues deriving from ADI (VLT and AWP), these saw an increase of € 7 million, or 5%, mainly due to the measures adopted by the government to contain and manage the Covid-19 epidemiological emergency which, among other things, called for the closure of businesses from 6 November 2020 through 31 May 2021, at which time gradual reopenings began, differentiated by region, for gaming and betting rooms throughout Italy.

Finally, note the negative impact associated with the requirement to hold a green pass to access gaming rooms in effect as of 6 August 2021, required under Decree Law 105, issued by the Italian government on 23 July 2021. In addition to the consequences of the cited measures, in 2021 the performance of AWP also fell in terms of volumes generated, mainly due to a lower number of terminals and lower returns per machine, partially offset by the results of VLTs, which normalising the Covid-19 effect, saw performance substantially in line with the previous year.

NTNG revenues came to € 56.1 million for the year ending on 31 December 2021, compared to € 49.8 million the previous year, showing 13% growth.

This change is mainly due to the positive performance offered by growth in volumes, thanks to an increasing SuperEnalotto jackpot, despite the lower premium applied on the basis of the new Concession, in effect as of 1 December 2021.

Revenues from Virtual Races amounted to € 30.2 million for the year ending on 31 December 2021, compared to € 26.7 million the previous year, showing 13% growth.

Revenues from online gaming totalled € 111.1 million for the year ending on 31 December 2021, showing an increase of € 39.7 million (+56%), compared to € 71.4 million registered in the year ending on 31 December 2020.

The growth in this segment was supported by growth in turnover volumes with respect to the same period the previous year, assisted by an improved customer attraction policy, using web portals and social network pages (***"Search Engine Optimization"*** or "**SEO**"), as well as effective customer loyalty activities that led to an increase in active customers and spending by customer, also leveraging the switch in consumer spending from the retail channel to the online channel.

It should be emphasised that the Online Gaming sector benefited from the progressive transfer of player spending from the physical channel due to the closure of physical Retail locations during the lockdown, which continued even after the physical channel reopened, as well as by the favourable payouts offered by Sports Betting.

Revenues from horse-racing and totalizator sport revenues totalled € 2.1 million at 31 December 2021, compared to € 2.7 million in 2020, and suffered from the already cited effects of the Covid-19 pandemic, as well as from the introduction of a new tax (known as the "Save Sport" tax) in May 2020, which remained in effect through 31 December 2021, equal to 0.5% of turnover.

INTERNATIONAL REVENUES

We note the following with reference to the international market:

- Turkey: revenues rose from € 35.8 million for the year ending on 31 December 2020 to € 102.6 million for the year ending on 31 December 2021, with an increase of € 66.8 million. The results seen in 2021 are not fully comparable to those for the previous financial year, given that business in Turkey was launched on 1 August 2020. The positive performance seen in Turkey, despite the restrictions imposed to fight the spread of Covid-19 and the unfavourable trend in the Turkish Lira/Euro exchange rate during the final part of the year, is due to the strengthening of the sales network, the increase in the online customer base and the positive impact of the Sayisal Loto jackpot and positive trends in Virtual Races.
- Morocco: revenues for the year ending on 31 December 2021 saw an increase of € 4.8 million with respect to the previous year, amounting to € 8.6 million, compared to € 3.8 million, mainly due to the expansion of the distribution network, the high SuperJackpot Loto for the national lottery and the introduction of new games that more than offset the delay in the introduction of VLTs, which nonetheless have been performing excellently, thanks to a roll-out plan to increase the fleet of machines and increase the games offered.
- Spain: revenues remained essentially stable at € 0.6 million for the financial year ending on 31 December 2021 and 31 December 2020. In Spain the start of business was significantly delayed by the regulations introduced for Covid-19, including the prohibition on communication activities for the online channel, which was later removed at the end of 2020. Note that in 2021 Spain was chosen as the "pilot location" for the launch of the new proprietary online betting platform.

FIXED-ODDS BETTING INCOME

Proceeds from fixed rate bets rose from € 128.4 million for the year ending on 31 December 2020 to € 155.8 million in the year ending on 31 December 2021, showing an increase of € 27.3 million or 21%, for the most part thanks to the positive contribution made by the online channel, despite a limited number of sporting events due to the Covid-19 pandemic, which led to a revision of sporting schedules, partially offset by the decrease seen in the retail channel, where results were impacted by the closure of betting and gaming rooms from 6 November 2020 until the end of May 2021.

SALES POINT REVENUES

Revenues from sales points amounted to € 71.7 million at 31 December 2021, compared to € 61.6 million the previous year, showing an increase of € 10.2 million (+17%).

This item includes greater affiliate commission with respect to the previous year, generated by the innovative My Sisal project, launched in September 2020 for resellers, to support business and improve the sales point attractiveness.

OTHER REVENUES AND PROCEEDS

The item Other income, which includes positive income components not directly attributable to the Group's core business, amounted to € 3.2 million and € 5.2 million for the years ending on 31 December 2021 and 2020, respectively, indicating a reduction with respect to the previous year (-38%).

COSTS FOR PURCHASES OF RAW AND SUBSIDIARY MATERIALS, CONSUMABLES AND GOODS

The item in question, at € 17 million for the year ending on 31 December 2021, compared to € 12.9 million for the year ending on 31 December 2020, shows an increase of € 4.1 million (+31%).

This change is substantially due to:

- greater costs for gaming materials relative to the lotteries business; partially offset
- by lower costs to acquire play slips and consumables for national business due to lower terminal transactions, mainly deriving from the closure of sales points during the lockdown;
- lower costs for spare parts and wear on gaming terminals and services as a direct consequence of the Covid-19 pandemic.

COSTS FOR SERVICES

Costs for services totalled € 311.8 million for the year ending on 31 December 2021, an increase of € 73.8 million or 31% with respect to the year ending on 31 December 2020.

The table below provides a comparison in terms of the nature of these costs during the two reference years:

(in thousands of Euros)	2021	% of total Revenues and Proceeds	2020	% of total Revenues and Proceeds	Change	% change
Sales channel	166,545	24%	121,641	23%	44,904	37%
Commercial services	22,181	3%	16,633	3%	5,548	33%
Consulting	26,164	4%	15,145	3%	11,019	73%
Leases	804	0%	2,217	0%	(1,413)	-64%
Other services	96,077	14%	82,325	16%	13,752	17%
of which platform management costs	19,557	3%	16,008	3%	3,549	22%
of which maintenance costs	13,263	2%	11,724	2%	1,539	13%
of which banking expenses	14,409	2%	11,658	2%	2,751	24%
of which TLC	7,714	1%	10,389	2%	(2,675)	-26%
of which other third party services	7,445	1%	5,976	1%	1,469	25%
of which insurance	3,156	0%	2,539	0%	617	24%
of which utilities	5,498	1%	4,548	1%	950	21%
of which logistics	4,369	1%	4,031	1%	338	8%
of which expense reports	3,053	0%	2,881	1%	172	6%
of which other expenses	17,613	3%	12,571	2%	5,042	40%
Total costs for services	**311,771**	**46%**	**237,961**	**46%**	**73,810**	**31%**

The change seen in 2021 with respect to 2020 can be partially linked to the increase in the cost of the sales channel, due to the business in Turkey, launched in August 2020, counterbalanced by the reduction in fees paid to the gaming supply chain and distribution network, with the decrease substantially due to the effects of the Covid-19 pandemic, which affected the retail sector significantly through the end of May 2021.

Also note an increase in other costs, mainly due to:

- greater costs associated with the online channel due to the significant growth in volumes;
- the contribution made by business in Turkey, launched in August 2020;
- greater consulting costs, mainly due to development of international business, with particular reference to the tender to award the UK National Lottery Licence, as well as the Group reorganisation process and the extraordinary transactions begun during the year, relative to which more information can be found in the section "Significant events during the year".

PERSONNEL COSTS

Personnel costs totalled € 95.2 million for the year ending on 31 December 2021, compared to € 77.2 million for the year ending on 31 December 2020, with an increase of € 18 million (+23%).

This is mainly due to the increase in staff, in part offset by lower costs from corporate restructuring and retirement incentives recognised in financial year 2021 with respect to 2020, as well as the use of the Pay Supplement Fund (FIS) for € 4.7 million during 2021 (€ 5 million in 2020).

The workforce, expressed as average headcount, came to 2,362 for 2021, compared to 1,991 in 2020, with reference solely to Gaming business. When considering Payments and Telco business, the average number of employees for 2020 was 2,644 units.

OTHER OPERATING EXPENSES

This item amounted to € 60.6 million for the year ending on 31 December 2021, compared to € 42.7 million for the previous year, showing an increase of € 17.9 million (+42%), mainly due to:

- a higher non-deductible VAT rate applied in 2021 to costs for services;
- the payment of a greater indemnity to Mooney Group, in application of the VAT Group Regulation in effect between the two Groups.

CHARGES CLASSIFIED DIFFERENTLY

Charges classified differently amount to € 48.8 million for the year ending on 31 December 2021 (€ 23.9 million for the year ending on 31 December 2020), and mainly refer to:

- the provisioning carried out against the dispute with ADM relative to the NTNG concession, in relation to spending obligations applied to Sisal Lottery Italia, for "communication and information", totalling € 25.6 million for 2021 (€ 11.6 million for 2020);
- start-up costs linked to internationalisation for € 8.8 million in 2021 (€ 4.3 million in 2020);
- costs incurred in relation to the stock market listing process for € 6.3 million (absent in 2020);
- corporate reorganisation costs for € 2.8 million in 2021 (€ 5.6 million in 2020);
- amortisation on the NTNG concession for € 2.2 million, classified as a decrease in gaming revenues (€ 0.1 million for 2020);
- non-recurring expense associated with Covid-19 pandemic management for € 0.8 million in 2021 (€ 1.7 million in 2020);
- impairment of contractual penalties charged to the network for around € 0.3 million, mainly in the context of services classified as a direct decrease of the relative revenues (€ 0.2 million in 2020).

AMORTISATION, DEPRECIATION, IMPAIRMENT AND IMPAIRMENT REVERSAL

The item in question came to € 138.8 million for the year ending on 31 December 2021 (€ 122.4 million for the year ending on 31 December 2020), showing an increase of € 16.4 million, mainly due to:

- greater amortisation of intangible fixed assets for € 8.9 million, substantially attributable to greater investments in software and licenses;
- greater depreciation of tangible fixed assets, mainly due to gaming terminals for around € 6.7 million.

NET IMPAIRMENT OF FINANCIAL ASSETS

Net impairment of financial assets came to € 1.7 million for the year ending on 31 December 2021 and € 12.3 million for the year ending on 31 December 2020, showing a decrease of € 10.6 million thanks to lower allocations to the bad debt provision recognised in 2021 with respect to the previous year, demonstrating the efficacy of the credit management and collection policy implemented by the Group. This item includes provisioning relative to non-performing receivables, to reflect their effective ability to be recovered.

FINANCIAL INCOME AND EXPENSE

Net financial income and expense showed a negative balance of € 25.2 million for the year ending on 31 December 2021, compared to the negative balance of € 19.3 million in the previous year, showing a net increase in expense of € 5.9 million, mainly due to:

- greater financial income from (i) interest income on bank current accounts for € 1 million and (ii) interest income on the loan to the shareholder Schumann and the previous financial receivable due from the Mooney Group for a total of € 0.8 million;

- greater financial expense relative to (i) the revolving credit line for € 0.6 million; (ii) the Sisal Sans loan relative to the Turkish shareholder for € 0.6 million; (iii) the bond for € 0.3 million; (iv) liabilities for leased assets for € 0.4 million, partially offset by; (v) lower interest expense on current account overdrafts for € 0.9 million;
- greater financial expense for exchange differences realised for € 6.6 million, mainly relative to the unfavourable trend in the Turkish Lira with respect to the US Dollar and the Euro.

INCOME TAXES

Income taxes for the year resulted in revenue of € 89.0 million for 2021, compared to the expense of € 7.7 million in 2020. This € 96.7 million change is mainly due to the realignment operation involving the statutory and fiscal values of the Group's intangible assets and goodwill carried out in 2021, which led to the recognition of deferred tax assets and the release of deferred tax liabilities relative to the assets fiscally revalued for € 86.2 million, partially offset by the recognition of substitute tax in the amount of € 9.1 million.

RESULT OF DISCONTINUED OPERATIONS

Discontinued Operations show a loss of € 29.6 million for the year ending on 31 December 2021, an increase of € 2.5 million with respect to the loss of € 27.1 million in 2020. This 9% change is mainly due to the operating costs recorded by these discontinued operations in 2021, with respect to 2020. More specifically, increases were seen in costs for services, costs for personnel and in depreciation, amortisation and writedowns, with the latter mainly due to greater investments made during the year. An increase was also seen in financial expense, which together with the overall increase in operating costs more than offset the increase in revenues, which was recorded in essentially all of the main business lines in the segment.

NET RESULT

The year ending on 31 December 2021 shows a profit of € 91.6 million, compared to the loss of € 40.3 million recorded the previous year, with an increase of € 131.8 million mainly due to the reasons outlined above.

Statement of financial position

Below is a breakdown of the Group's net financial position at 31 December 2021 and at 31 December 2020, the latter including equity balances relative to the Payments & Telco business unit:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Cash and cash equivalents	(173,758)	(215,709)
Other current financial assets	(25,670)	-
Financial assets relative to Schumann Investments SA	(119,467)	-
Non-current financial liabilities	332,189	1,209,219
Current financial liabilities	100,583	4,262
Short-term portion of long-term financial liabilities	34,299	37,675
Net financial position	**148,176**	**1,035,447**

Cash and cash equivalents include bank and postal current accounts, as well as cash on hand and equivalents, with the exception of restricted cash and cash equivalents.

Other current financial assets, equal to € 25.7 million at 31 December 2021, include:

- cash collateral issued by the subsidiary Sisal Lottery Italia to obtain the bank surety required by ADM to cover the sums requested in the dispute with the same relative to spending requirements for "communication and information" projects; and
- the security deposit of € 1.4 million to lease the new offices in via Ugo Bassi in Milan.

Financial assets relative to Schumann Investments SA, totalling € 119.5 million at 31 December 2021, refer to the financial receivable due from the parent company Schumann Investments S.A. which arose following the transfer of a financial receivable due from Mooney Group, against the payment of € 118.1 million. This receivable accrues interest at a rate of 9%.

Current financial liabilities include the use of the ssRCF -Super Senior Revolving Credit Facility obtained from a pool of banks, with Unicredit S.p.A. serving as the head bank, for a total of € 125 million, maturing in September 2022, net of the residual portion of upfront fees, and with interest calculated on the basis of the Euribor rate plus a spread of 3.5%, subject to a reduction in the margin based on the achievement of certain financial ratios (for 2021 the spread was 3%, in line with financial year 2020).

Note that in January 2017 the portion of the ssRCF - Super Senior Revolving Credit Facility associated with the lender bank UniCredit S.p.A., of € 25 million, was converted to a current account overdraft line (hereafter, the "**Current Account Overdraft**"). This instrument has the same conditions as the ssRCF.

At 31 December 2021 and 2020 the credit line was entirely used for € 100 million by the subsidiary Sisal Lottery Italia S.p.A., in contrast to the Current Account Overdraft of € 25 million, which at the same dates was entirely available. Note that the credit line was recognised under non-current financial liabilities at 31 December 2020.

The current portion of long-term liabilities includes, in addition to the current portion of liabilities for leased assets and payables for interest accrued on non-current debt, payables for deferred payments. These latter, totalling € 5.6 million, refer to:

- the acquisition of Slot Italia for € 2.8 million;
- the exercising of the option to purchase the minority interest in Network Italia for € 1.5 million;
- the acquisition of Di.Vi. for € 1 million; and
- the acquisition of various minor business units for € 0.3 million.

Non-current financial liabilities amount to € 332.2 million at 31 December 2021 and consist of:

- the annual fixed rate Senior Secured Notes (**SSN**) bond for Sisal S.p.A., with a nominal value of € 275 million, half-yearly coupon detachment for interest calculated at 7% annually (maturing on 31 January and 31 July of each year) and bullet capital repayment on 31 July 2023. At 31 December 2021 this bond loan, which does not require the respecting of financial parameters or other covenants, amounted to a total of € 271.9 million net of the relative upfront fees; and

- the non-current portion of liabilities for leased assets, mainly referring to real estate, gaming equipment, hardware and vehicles for a total of € 60.3 million.

STATEMENT OF CASH FLOW

The following table summarises the results of the consolidated statement of cash flow for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	2021	2020
Cash flows from operating activities (A)	241,535	104,629
of which: Discontinued Operations	*11,501*	*(49,609)*
of which: Continuing Operations	*230,034*	*154,238*
Cash flows from (used in) investment activities (B)	(184,108)	(153,578)
of which: Discontinued Operations	*(32,703)*	*(33,108)*
of which: Continuing Operations	*(103,543)*	*(120,470)*
of which: change in scope of consolidation	*(47,862)*	-
Cash flows from (used in) financial activities (C)	(96,443)	93,738
of which: Discontinued Operations	*(14,089)*	*22,387*
of which: Continuing Operations	*(82,354)*	*71,351*
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**(39,016)**	**44,789**
Cash and cash equivalents at beginning of the year	**215,709**	**172,014**
Exchange effects on cash and cash equivalents	(2,935)	(1,094)
Cash and cash equivalents at the end of the year	**173,758**	**215,709**

Cash flows from operating activities

Cash flows from operating activities were positive at € 241.5 million for the year ending on 31 December 2021 and € 104.6 million for the year ending on 31 December 2020, showing an increase of € 136.9 million. This trend is mainly due to:

- the increase in cash flows generated by operating activities prior to changes in working capital, equal to € 67.6 million and mainly attributable to the increase in business volumes following the gradual loosening of measures adopted to fight the effects of the Covid-19 pandemic;
- the increase in cash flows generated by the net change in inventories, equal to € 3.5 million, mainly attributable to the start-up of business in Turkey, which required greater purchases of gaming materials in the year ending on 31 December 2021;
- the decrease in cash absorbed by the change in trade receivables and payables which jointly absorbed cash for € 47.7 million in the year ending at 31 December 2021 and for € 27.7 million in the year ending at 31 December 2020, as a consequence of: (i) the decrease in trade receivables mainly due to credit recovery activities implemented in 2021, partially offset by the increase in business volumes with respect to the same period the previous year, associated with the return to business as of June 2021; and (ii) the decrease in trade payables mainly due to the increase in payment times at 31 December 2020, partially offset by the reduction in trade volumes as a direct consequence of the restrictive provisions adopted by the Italian government to contain the Covid-19 pandemic;
- the decrease in cash absorbed by the change in other current assets and liabilities, which jointly absorbed cash for € 2.9 million in the year ending at 31 December 2021 and for € 39.1 million in the year ending at 31 December 2020. With reference to 2021, cash absorption is mainly associated with the decrease in tax payables for PREU due to the postponed payment of PREU payable instalments and the concession fee for 2020, partially offset by the increase in other tax payables. With reference to 2020, cash absorption is mainly due to the payment of the second down payment instalment for the NTNG Concession, offset by the greater accumulation of PREU payables, mainly due to the postponing of payments allowed by ADM in relation to the health emergency.
- During 2021, taxes totalling € 11.5 million were paid.

Net cash flows generated by operating activities of Discontinued Operations went from cash absorption of € 49.6 million in 2020 to cash generation of € 11.5 million, mainly due to cash flows generated prior to the change in working capital, partially offset by the stated change, mainly due to total cash absorbed by the change in trade payables and receivables.

Cash flows from (used in) investment activities

Cash flow absorbed by investment in the year ending on 31 December 2021 came to € 184.1 million, compared to € 153.6 million in the year ending on 31 December 2020.

The Group made significant investments to:

- guarantee its IT structures were constantly up to date, in compliance with legislative requirements for the gaming sector and at sales points in a constantly evolving and highly competitive market;
- prevent fraud through cybersecurity tools; and
- remodel and modernise the structures and furnishings in its sales points.

In particular, during the years which ended on 31 December 2021 and 2020, the Group saw cash absorption of € 42.2 million and € 53.2 million respectively, for investments in property, plant and equipment, continuing its investments to remodel its own sales points and make improvements to the Group's locations, among which we note the Group's new registered offices in via Ugo Bassi in Milan. In 2021 and 2020 the Group also saw cash absorbed for investments in intangible assets, respectively totalling € 61 million and € 69.3 million, mainly to develop new software applications for the Group's betting platforms, ADI and Lotteries.

For the year ending on 31 December 2021, also note a decrease in cash and cash equivalents equal to € 47.9 million, associated with the change in the scope of consolidation following the Mooney Demerger.

Net cash flow absorbed by investments by Discontinued Operations went from cash absorption of € 33.1 million in 2020 to cash absorption of € 32.7 million, mainly due to investments in intangible assets.

Cash flows from (used in) financial activities

Financial activities absorbed cash for € 96.4 million in the year ending on 31 December 2021 and generated cash for € 93.7 million in the year ending on 31 December 2020, showing greater absorption of € 190.2 million. This change is mainly due to:

- the outlay of € 24.3 million in 2021 relative to cash collateral guarantees issued by the Group to obtain the bank surety requested by the TAR of Lazio to guarantee the sums requested by ADM relative to the dispute with the same relative to the NTNG concession;
- repayment of medium/long-term loans for € 8.2 million in 2021, compared to 2020 in which the € 11.7 million loan was received, in addition to net use of the RCF revolving credit line for € 100 million;
- payment of leasing liabilities for € 24.9 million in 2021 and € 23.2 million in 2020;
- payment of net financial expense for € 23.6 million in 2021 and € 20.8 million in 2020;
- capital grants made by the shareholder of the Turkish subsidiary Sans Digital for € 3.7 million in 2020;

Cash flow generated by financing activities of Discontinued Operations went from cash generation of € 22.4 million in 2020 to cash absorption of € 14.1 million, mainly due to different trends in the use of revolving credit lines in the two years (€ 56.5 million in 2020 and € 9 million in 2021), partially offset by lower payments of financial expense and similar in the first ten months of 2021 (around € 13 million).

Other information

ACTIONS REQUIRED UNDER REGULATION (EU) 2016/679 AND ITALIAN LEGISLATIVE DECREE 196/2003

Pursuant to Regulation (EU) 2016/679 of the European Parliament and Council, dated 27 April 2016, the General Data Protection Regulation, and to Italian Legislative Decree 196/2003, note that the Group complies with measures regarding the protection of personal data.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

At 31 December 2021, the Group has 2,552 employees. There were no cases of death and/or serious injury in the workplace nor cases of occupational disease for employees or former employees, nor cases of workplace harassment.

With reference to possible environmental impacts deriving from corporate activity, note that during the year there were no cases of environmental damage attributed to the companies of the Group, nor were any definitive fines or penalties imposed upon the same for environmental crimes or damages.

RELATIONS WITH THE PARENT COMPANY AND RELATED-PARTY TRANSACTIONS

With regards to related party transactions, note that these cannot be classified as either atypical or unusual, as they can be considered normal operations for the companies of the Group. These transactions are carried out at arms-length, taking into account the features of the assets and services involved. Information on related-party transactions, included those required by the CONSOB Communication of 28 July 2006, is detailed in the Notes to the Consolidated Financial Statements at 31 December 2021.

With regards to relations with the parent company Schumann Investments S.A., which provides management and coordination, there are no specific commercial and/or financial relations with the same as of the end of the year.

NUMBER AND NOMINAL VALUE OF TREASURY SHARES

Neither the parent company nor any other company in the Group holds treasury shares, nor do they hold shares or units of parent companies, not even through fiduciary companies or intermediaries and during the year no purchases or sales of this type of share or unit took place.

Subsequent events

REGULATORY CHANGES

Covid-19

During 2021 a larger number of national regional regulations were issued to deal with the Covid-19 epidemiological emergency. Note that most recently, as of 10 January 2022 operators are subject to regulations on the Super Green Pass, the certificate issued by the relevant office of the Ministry of Health indicating vaccination or recovery from infection.

DISPUTES

NTNG Concession-Spending requirements for "communication and information" projects

With reference to this dispute, for which more details can be found in the section "Gaming concessions and sector regulations", on 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal's appeal. Holding that the TAR's arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

INTERNATIONALISATION

Foreign tenders

Tunisia

Through its subsidiary Sisal Lottery Italia S.p.A., on 17 February 2022 the Company presented its candidacy to participate in the tender issued by the public Tunisian company Promosport, to award the concession to finance, realise, manage and maintain a multichannel solution (with gaming accepted both through a physical network of sales points and an online channel) for fixed odd sporting event bets, virtual race bets, instantaneous lotteries known as "scratch and win", the lotto and other extraction games (lotteries) and online games, issued with the notice of indication of interest 01/2019 of 5 December 2019 and subsequently suspended due to the Covid emergency. After the tender is awarded, expected to occur by the end of April 2022, the winner will begin the process of finalising the concession contract with Promosport.

Morocco

The Company began the process of participating in the tender issued by MDJS (Marocaine des Jeux et des Sports), which manages the Moroccan national lottery and holds the monopoly on organising and operating betting on all sporting events throughout the country, with the exception of horse and dog racing, to award management of sporting event and virtual race betting in Morocco to a specialised operator.

Therefore, the Company will present its request to participate to MDJS, based on the terms and conditions contained in the Tender Regulation, also in joint venture with another operator, together with the documents requested in the Tender Regulation, acquiring and providing all the required guarantees and undertaking all the necessary commitments, including the obligations established for being selected as the winner upon completion of the tender procedure, expected to occur in June 2022.

Establishment of new foreign subsidiaries

Continuing the Growth Strategy begun by Sisal in the IT area, which includes internationalisation and near-shoring initiatives, with the objective of increasing its overall ability to develop software to support the growth of the Group's business and at the same time reduce overall costs, on 24 November 2021 the Sisal S.p.A. Board of Directors resolved to establish a new Turkish subsidiary, Sisal Technology Yazilim Anonim Sirketi, with registered offices in Istanbul. It was established on 14 February 2022 after 1 million Turkish lira were deposited as share capital (around € 65 thousand).

Russia/Ukraine conflict

The current geopolitical situation linked to the Russia/Ukraine conflict, which began on 24 February 2022, and the consequent restrictive measures imposed by the European Union and other countries, are creating global economic effects which require due consideration, in order to understand the implications for the markets in which the Group operates.

Additionally, it should be remembered that this is a dynamic situation with high levels of uncertainty, meaning it must be carefully monitored to understand the political, economic and other implications. In this context, Sisal has decided to suspend all betting, both through physical and online channels, regarding sporting events which occur in Russia and Belarus, but does not expect any significant impacts from these decisions, as turnover will move to other events.

Therefore, in relation to this conflict, given the nature of the business and the limited exposure to the Russian and Ukrainian markets, as well as the respective currencies, the directors do not expect any significant effects of a financial, operating or other nature which could create problems relative to the Group's operating and financial capacities in the foreseeable future, with respect to the date of these financial statements.

Business Outlook

The strategic guidelines and orientations developed by the company will continue to be pursued in 2022, with the objective of: (i) strengthening leadership in the Online Market in Italy, by implementing digital transformation projects and further developing its omnichannel strategy (ii) further developing international business by strengthening business in the countries in which the company operates and by assessing additional development opportunities in other countries, also thanks to its recent acquisition by Flutter Entertainment plc (iii) strengthen Retail business in Italy, through innovation in the gaming experience by integrating the physical and online channels.

The Company will continue to pursue its growth objectives considering responsibility and sustainability as essential values, integrating ESG aspects into its development strategy.

With business in 2021 significantly affected by the measures adopted to fight the pandemic, it is expected that in 2022 all business will be fully operational, making it possible to return to normality, as occurred in the final months of 2021. Based on these considerations, it is held that, also based on the very positive results achieved in the first two months of the current year, 2022 will be a year of further growth, in terms of both market share and profitability.

These forecasts will obviously be subject to progressive updates in consideration of changes in the pandemic and the effects the international geopolitical situation may have in the near future.

The strategic objectives, in line with that already defined in plans shared in previous years, will be pursued with the flexibility and reactivity the organisation has demonstrated, also in its handling of the pandemic, with a strong focus on sustainable business development and support initiatives, with a necessary emphasis on the financial sustainability of the company, which is solid and is expected to improve further.

Milan, 23 March 2022

For the Board of Directors

The Chairman

Aurelio Regina

Consolidated Financial Statements

Accounting Schedules

CONSOLIDATED INCOME STATEMENT SCHEDULE

(in thousands of Euros)	Note	Year ending on 31 December 2021	2020(*)
Revenues	11	524,741	388,095
Fixed-odds betting income	12	155,762	128,428
Other income	13	1,798	2,796
Total Revenues and Proceeds		**682,301**	**519,319**
Purchases of raw materials, consumables and goods	14	17,000	12,944
Costs for services	15	311,771	237,961
Personnel costs	16	95,225	77,217
Other operating expenses	17	60,567	42,717
Net impairment of financial assets	18	1,655	12,263
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	19	138,808	122,434
Operating profit (loss) (EBIT)		**57,275**	**13,783**
Financial income	20	11,563	9,717
Financial expenses	21	36,737	28,982
Profit (loss) before income taxes		**32,101**	**(5,482)**
Income taxes	22	(89,028)	7,700
Profit (loss) for the year - continuing operations		**121,129**	**(13,182)**
Profit (loss) for the year - discontinued operations	5	**(29,576)**	**(27,082)**
Profit (loss) for the year		**91,553**	**(40,264)**
attributable to non-controlling interests		(4,617)	(9,987)
- Continuing Operations		4,618	(671)
- Discontinued Operations		(9,235)	(9,316)
Profit (loss) for the year attributable to the Group		**96,170**	**(30,277)**
Of which:			
- Continuing Operations		**116,511**	**(12,511)**
- Discontinued Operations	5	**(20,341)**	**(17,766)**

(*) Amounts for the year ending on 31 December 2020 are restated pursuant to IFRS 5. For further details, please see Note 8 – “Information on IFRS 5” 5and Note 9 – “Restatement of comparative data”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ending on 31 December	
(in thousands of Euros)	Note	2021	2020(*)
Profit (loss) for the year		**91,553**	**(40,264)**
Other comprehensive income:			
Actuarial gains (losses) on defined benefit plans for employees	38	(374)	67
Fiscal effect	27	72	(16)
Other income components not to be reclassified in subsequent years (**)		**(302)**	**51**
Change in currency translation reserve	36	(5,545)	(2,700)
Other income components to be reclassified in subsequent years (**)		**(5,545)**	**(2,700)**
Comprehensive result for the year		**85,706**	**(42,913)**
attributable to non-controlling interests		(7,326)	(11,387)
- Continuing Operations		1,909	(2,071)
- Discontinued Operations		(9,235)	(9,316)
Comprehensive result for the year pertaining to the Group		**93,032**	**(31,526)**
Of which:			
- Continuing Operations		**113,373**	**(13,646)**
- Discontinued Operations		**(20,341)**	**(17,880)**

(*) Amounts for the year ending on 31 December 2020 are restated pursuant to IFRS 5. For further details, please see Note 8 – “Information on IFRS 5” 5and Note 9 – “Restatement of comparative data”.

(**) The amounts at 31 December 2021 and 31 December 2020 refer solely to continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Year ending on 31 December	
(in thousands of Euros)	Note	2021	2020(*)
Non-current assets			
Property, plant and equipment	23	198,002	245,872
Goodwill	24	260,974	795,076
Intangible assets	25	394,625	545,803
Equity investments in associated companies	26	20	20
Deferred tax assets	27	11,199	-
Other non-current assets	28	331,623	243,299
Total non-current assets		**1,196,443**	**1,830,070**
Current assets			
Inventories	29	6,366	11,823
Trade receivables	30	33,411	101,267
Current financial assets	31	25,670	-
Tax receivables	32	3,801	63
Other current assets	33	60,092	50,781
Restricted cash and cash equivalents	34	224,124	240,531
Cash and cash equivalents	35	173,758	215,709
Total current assets		**527,222**	**620,174**
Total assets		**1,723,665**	**2,450,244**
Equity			
Share capital		102,500	102,500
Reserves		495,818	337,343
Net result attributable to the Group		96,170	(30,277)
Total equity attributable to the Group		**694,488**	**409,566**
Equity attributable to non-controlling interests		5,854	(64,163)
Total equity	36	**700,342**	**345,403**
Non-current liabilities			
Non-current financial liabilities	37	332,189	1,209,219
Provisions for employee benefits	38	7,957	12,900
Provisions for risks and charges	39	50,210	27,074
Deferred tax liabilities	27	-	101,791
Other non-current liabilities	40	9,964	5,751
Total non-current liabilities		**400,320**	**1,356,735**
Current liabilities			
Trade payables	41	110,907	308,920
Current financial liabilities	37	134,882	41,937
Tax payables	42	4,533	19,029
Other current liabilities	43	372,681	378,220
Total current liabilities		**623,003**	**748,106**
Total equity and liabilities		**1,723,665**	**2,450,244**

(*) When IFRS 5 was applied, the equity balances at 31 December 2020 were not restated.

SCHEDULE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of Euros)	Notes	Share Capital	Legal Reserve	Share Premium Reserve	Other Reserves	Net result attributable to the Group	Total equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
Equity at 31 December 2019	**36**	**102,500**	**200**	**94,484**	**255,443**	**(11,535)**	**441,092**	**(63,491)**	**377,601**
Allocation of prior year net result		-	-	-	(11,535)	11,535	**-**	-	**-**
Change in scope of consolidation		-	-	-	-	-	**-**	5,501	**5,501**
Capital grants made by third parties		-	-	-	-	-	**-**	5,214	**5,214**
Comprehensive result for the year		-	-	-	(1,249)	(30,277)	**(31,526)**	(11,387)	**(42,913)**
Equity at 31 December 2020	**36**	**102,500**	**200**	**94,484**	**242,659**	**(30,277)**	**409,566**	(64,163)	**345,403**
Allocation of prior year net result		-	-	-	(30,277)	30,277	**-**	-	**-**
Mooney Demerger		-	-	-	193,400	-	**193,400**	77,343	**270,743**
Exercising of option to acquire Network Italia minority interests		-	-	-	(1,510)	-	**(1,510)**	-	**(1,510)**
Comprehensive result for the year		-	-	-	(3,138)	96,170	**93,032**	(7,326)	**85,706**
Equity at 31 December 2021	**36**	**102,500**	**200**	**94,484**	**401,134**	**96,170**	**694,488**	**5,854**	**700,342**

CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of Euros)	Note	Year ending on 31 December 2021	2020(*)
Profit (loss) before income taxes		**(7,991)**	**(41,419)**
Depreciation and amortisation of property, plant and equipment and intangible assets	19 23 25	137,771	122,187
Net impairment of financial assets	18	1,655	11,182
Other impairment of property, plant and equipment and intangible assets	19 23 25	1,036	247
Allocations to provisions for risks and provisions for personnel	17 38 39	25,943	11,546
Net financial expense	20 21	25,174	19,264
Other non-monetary items		5,695	1,464
Cash flow generated by operations prior to changes in the net working capital of Discontinued Operations		101,979	99,222
Cash flows generated by operations before changes in net working capital		**291,262**	**223,693**
Change in inventories	29	886	(2,630)
Change in trade receivables	30	38,097	10,273
Change in trade payables	41	(85,795)	(37,970)
Change in other current assets and liabilities	32 33 34 43	(2,887)	(39,128)
Income taxes paid		(11,529)	-
Net cash flow generated by operations from Discontinued Operations		11,501	(49,609)
Net cash flows generated by operations		**241,535**	**104,629**
Investments in property, plant and equipment	23	(42,218)	(53,217)
Investments in intangible assets	25	(61,029)	(69,333)
Deferred payment of price to acquire business units/equity investments	37	(2,265)	-
Change in other assets	28	1,969	2,080
Cash and cash equivalents transferred due to the change in scope of consolidation		(47,862)	-
Net cash flow absorbed by investments from Discontinued Operations		(32,703)	(33,108)
Net cash flow absorbed by investments		**(184,108)**	**(153,578)**
Establishment of medium/long-term loans	37	-	11,655
Current financial assets	31	(25,670)	-
Establishment of short-term financial liabilities	37	24,000	100,000
Repayment of short-term financial liabilities	37	(24,000)	-
Repayment of medium/long-term loans	37	(8,208)	-
Repayment of leasing liabilities	37	(24,926)	(23,213)
Capital increases by third parties	36	-	3,692
Net interest paid		(23,550)	(20,783)
Net cash flow (absorbed)/generated by financial activities from Discontinued Operations		(14,089)	22,387
Net cash flows (absorbed)/generated by financial activities		**(96,443)**	**93,738**
Total change in cash and cash equivalents		**(39,016)**	**44,789**
Available liquidity at start of period	35	**215,709**	**172,014**
Exchange effects on cash and cash equivalents		**(2,935)**	**(1,094)**
Available liquidity at period end	35	**173,758**	**215,709**

(*) Amounts for the year ending on 31 December 2020 are restated pursuant to IFRS 5. For further details, please see Note 8 – "Information on IFRS 5" and Note 9 – "Restatement of comparative data"

Notes
to the Consolidated Financial Statements

1. General information

Sisal S.p.A. (formerly Sisal Group S.p.A.[12], hereafter "**Sisal**", the "**Company**" or the "**Parent Company**") is a company, established in and with domicile in Italy, with its registered and administrative office in Milan, in Via Ugo Bassi, 6[13], and organised in compliance with the legal regulations of the Italian Republic.

Schumann Investments S.A. (hereafter, "**Schumann**") is the sole shareholder of the company, a Luxembourg company which is indirectly invested in, through corporate vehicles, by funds managed by the CVC Capital Partners Group, as well as by some of the Group's managers.

The Company and its subsidiaries (hereafter jointly, the "**Group**" or "**Sisal Group**") mainly operate: *i*) in the Italian gaming sector, mainly on the basis of concessions to accept bets for predictions, horse-racing and sporting events, as well as legal gambling using entertainment equipment "ADI", from the Italian "*apparecchi di intrattenimento*" (hereafter, the "**Gaming Business Unit**"); and, until November 2021 - *ii*) in the collection and payment services sector, through a specific authorisation received from the Bank of Italy (hereafter, the "**Payment Business Unit**"), and through sales of telephone top-ups and television content (hereafter, the "**Telco Business Unit** or, in combination with the Payment Business Unit, the "**Payment and Telco Business Unit**").

In July 2021, the Company began a corporate reorganisation intended to revise and rationalise the Group's various interests, rendering the Gaming Business Unit and the Payment and Telco Business Unit autonomous and independent. This corporate reorganisation was implemented through a process which included the partial proportional demerger of the Company in favour of the newly established SG2 S.p.A., created as a result of the demerger and 100% directly controlled by Schumann Investments S.A., to which the equity investment held in Mooney Group (previously SisalPay S.p.A.) was transferred (hereafter, the "Mooney Group Demerger"). Following the separation of the Gaming Business Unit, managed by Sisal, and the Payment and Telco Business Unit, managed by Mooney Group S.p.A., the ancillary agreements and relative obligations and commitments relative to the Payment and Telco Business Unit are no longer linked to Sisal. The Mooney Group Demerger and relative demerger plan were approved by the Extraordinary Shareholders' Meeting on 28 July 2021 and took effect in November 2021.

With reference to effects associated with the application of IFRS 5, please see the comments found in Note 8 - "Information on IFRS 5".

For the reconciliation of the comparative data found in the schedules and those published the previous year, please see Note 9 – "Restatement of the comparative data".

These consolidated financial statements, relative to the years ending on 31 December 2021 and 2020 (hereafter, the "**Consolidated Financial Statements**"), represent the Group's equity, economic and financial situation. These Consolidated Financial Statements were approved by the Company's Board of Directors on 23 March 2022.

2. Summary of Accounting Standards

Below are the main accounting standards applied to prepare the Consolidated Financial Statements.

BASIS OF PREPARATION

The Consolidated Financial Statements were prepared in accordance with the IFRS, meaning by which all the International Financial Reporting Standards, all the interpretations issued by the International Reporting Interpretations Committee (IFRIC), previously known as the Standard Interpretations Committee (SIC) which, as of the reporting date for the consolidated financial statements, have been endorsed by the European Union following the procedure established in Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002 (hereafter, the "**EU IFRS**").

The EU IFRS were applied consistently to all the periods included in this document, with the exception of that indicated in the section "*Newly applied standards*", with reference to the impacts of accounting standards applied for the first time in the years presented herein.

[12] Note that in July 2021, the Extraordinary Shareholders' Meeting of Sisal Group S.p.A. resolved to change the name of the Company to Sisal S.p.A.. In the remainder of this document, the Company is called by its official name as at 31 December 2021.

[13] Note that as of 1 April 2022, Sisal S.p.A. and its Italian subsidiaries changed the registered offices to Via Ugo Bassi, 6, Milan, Italy.

The Consolidated Financial Statements were prepared in Euros, which is the currency in the main economic environment in which the Group operates. All amounts included in this document are presented in thousands of Euros, unless otherwise indicated.

Below are the accounting schemes and relative classification criteria adopted by the Group, in the context of the options allowed under IAS 1 - *Presentation of Financial Statements*:

- the Consolidated Income Statement Schedule was prepared classifying operating costs by their nature;
- the Consolidated Statement of Comprehensive Income includes revenue and cost items not recognised in the income statement for the period, consistent with the EU IFRS;
- the Consolidated Statement of Financial Position was prepared by classifying assets and liabilities on the basis of the current/non-current criteria;
- the Consolidated Statement of Cash Flow was prepared by recognising cash flows deriving from operations using the "indirect method". In the statement of cash flow, cash flows from Group operating activities exclude effects deriving from changes in payables associated with jackpots for games managed, which have balancing entries under restricted cash and cash equivalents, in that cash flows generated through sales of various competitions and to be used to liquidate the winnings based on concession rules are deposited in dedicated current accounts. This allows for more clear representation of cash flows relative to the cash and cash equivalents effectively available to the Group, excluding financial dynamics linked to the payment of winnings which involve cash with a specific restricted destination. Consequently, liquidity at the beginning and end of the year shown in the Consolidated Statement of Cash Flow exclusively refer to the item *cash and cash equivalents* in the equity/financial situation, from which restricted accounts for jackpots have been excluded and classified under the item *Restricted cash and cash equivalents*.
- the Schedule of Changes in Consolidated Shareholders' Equity.

The Consolidated Income Statement Schedule and the Consolidated Statement of Cash Flow include the effects of the partial demerger of Sisal S.p.A. which involved the transfer to SG2 S.p.A. of the equity investment held in Mooney Group, after which the Group reconsolidated the Payment and Telco business units. With reference to the accounting effects of the partial demerger linked to application of IFRS 5, please see the comments found in Note 8 - "Information on IFRS 5".

Preparation standards

These financial statements were prepared on the basis of the conventional historic cost criteria, except when measuring financial assets and liabilities, in cases in which application of the fair value criteria is required. The going concern assumption was also utilised, as described below.

Directors' assessment on the going concern assumption

Based on the results obtained in financial years 2021 and 2020 and the forecasts for coming years, the Consolidated Financial Statements were prepared with the going concern assumption, given that it is reasonable to assume the Company will continue operating in the foreseeable future (and, in any case, for longer than twelve months).

The directors verified the lack of any indicators of a financial, operating or other nature that could suggest problems relative to the Group's ability to meet its obligations in the foreseeable future and, in particular, the next twelve months, with respect to the date of these financial statements. In their considerations, the directors took into account the impact of the Covid-19 emergency on the ability to continue as a going concern, based on economic and financial forecasts made through the end of 2026 (which hypothesise a negative impact in the short term, also due to containment and restrictive measures adopted by various government authorities, followed by a period of progressive normalisation). Recall that as of 1 June 2021, beginning in Friuli Venezia Giulia, Sardinia and Molise, and gradually including other regions, activities in gaming and betting rooms and bingo parlours began again.

NEWLY APPLIED STANDARDS

As of the date of these Consolidated Financial Statements, the relevant bodies of the European Union have completed the approval process required to adopt the following accounting standards and amendments:

Accounting standards, amendments and interpretations	Effective Date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	1 January 2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)	1 January 2021
Amendments to IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021(issued on 31 March 2021)	1 April 2021

The Group has determined that first time application of these above amendments did not have any significant effect on the Group's equity, financial and economic situation.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

As of the date this document was prepared, the following new standard, amendments and interpretations had been issued but were not yet applicable, and had not been adopted in advance by the Group:

Accounting standards, amendments and interpretations	Obligatorily applicable as of
Amendments to IFRS 3 "Business Combinations"	1 January 2022
Amendments to IAS 16 "Property, Plant and Equipment"	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	1 January 2022
Amendments, "Annual Improvements 2018-2020"	1 January 2022
Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies"	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates"	1 January 2023
IFRS 17 "Insurance Contracts"; including "Amendments to IFRS 17"	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"	1 January 2023
Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information" (issued 9 December 2021)	1 January 2023

CHANGE IN SCOPE OF CONSOLIDATION

The scope of consolidation for the Group includes the financial statements of Sisal S.p.A. (the parent company) and those of the companies over which it exercises control, directly or indirectly, starting on the date on which control was acquired and until the date on which control no longer exists.

The main changes in the scope of consolidation at 31 December 2021, compared to 31 December 2020, are described below.

Mergers

The following companies are no longer included in the scope of consolidation as they were merged into other Group companies in 2021.

Company merged	Merged into	Date
Sisal Point S.p.A.	Sisal Lottery Italia S.p.A.	1 August 2021

Demergers

July 2021 saw the start of the process that led to the partial proportional demerger of the parent company Sisal S.p.A. in favour of the newly established SG2 S.p.A., created as a result of the demerger and fully held by the sole shareholder Schumann Investments S.A., to which was transferred the 70% equity investment held in Mooney Group S.p.A. Following this operation, the gaming sector was separated from the Banking&Payments sector (managed by Mooney Group S.p.A.) and the company Mooney Group S.p.A. and its subsidiaries left the scope of consolidation:

Company demerged	Date
Mooney Group S.p.A.	11 November 2021
Mooney S.p.A.	11 November 2021
Mooney Servizi S.p.A.	11 November 2021
Pluservice S.r.l.	11 November 2021
MyCicero S.r.l.	11 November 2021

For more information bout the Mooney Group Demerger, please see Note 7 - "Significant events during the period", Note 8 - "Information on IFRS 5" and Note 9 - "Restatement of the comparative data".

Establishment of new companies

The following companies were included in the scope of consolidation for the current year, having been established during 2021.

Name	Date
Sisal Lottery Ltd	21 June 2021
Sisal Germany GmbH	6 July 2021

Name changes

To ensure better understanding of the scope of consolidation, below are name changes which occurred during the period:

Name	New name	Date
Sisal Group S.p.A.	Sisal S.p.A.	26 August 2021
Sisal S.p.A.	Sisal Lottery Italia S.p.A.	26 August 2021

Annex A provides a complete list of companies included in the scope of consolidation as at 31 December 2021.

CONSOLIDATION CRITERIA

Subsidiaries

Subsidiaries are companies over which the parent company exercises control, more specifically, when the parent company holds, directly or indirectly, decision-making power over the entity, or when it is exposed to or has the right to variable returns deriving from its relationship with the same and, at the same time, has the ability to affect these returns by exercising its power over the entity. Subsidiaries are consolidated on a line by line basis starting from the date on which control was effectively acquired and consolidation ceases on the date in which control is transferred to a third party. The financial statements for all subsidiaries have the same reporting date as those of the parent company. The criteria adopted for line by line consolidation is as follows:

- assets and liabilities, expense and income for subsidiaries are included line by line, when applicable attributing to non-controlling interests the portion of shareholders' equity and of the net result pertaining to them for the period; these amounts are shown separately under the equity and in the income statement;
- business combinations through which control over an entity is acquired are recognised, in accordance with the provisions contained in IFRS 3 Business Combinations, using the acquisition method. The cost of acquisition is represented by the current fair value of assets, liabilities and equity instruments issued and acquired as of the date of acquisition. Identifiable assets acquired, liabilities and potential liabilities obtained are recognised at the relative current value on the date of acquisition, with the exception of deferred tax assets and liabilities, assets and liabilities linked to employee benefits and assets held for sale, which are recognised in accordance with the relative accounting standards. The difference between the acquisition cost and the current value of the assets

and liabilities acquired is recognised among intangible assets as goodwill if positive. If negative, after checking the proper measurement of the current values of assets and liabilities acquired and the cost of acquisition, this difference is recognised directly in the income statement as proceeds. Accessory charges for the transaction are recognised in the income statement at the moment they are incurred;

- the cost of acquisition also includes the potential fee, recognised at fair value on the day control is acquired. Subsequent changes in fair value are recognised in the income statement if the potential fee is a financial asset or liability. Potential fees classified as shareholders' equity are not recalculated and subsequent payment is recognised directly in equity;
- units of shareholders' equity and profits attributable to non-controlling interests are recognised in specific shareholders' equity items; the portion of shareholders' equity pertaining to non-controlling interests on the date of acquisition can be measured either at fair value or proportionally with regards to the minority stake held in the identifiable assets and liabilities of the acquired entity. The choice of measurement method is made on a case by case basis. If business combinations through which control is acquired occur in multiple stages, the Group recalculates the stake it previously held in the acquired company at its respective fair value on the acquisition date and recognises any resulting profit or loss in the income statement;
- changes in the stake held in a subsidiary which do not involve acquiring or losing control are treated as "equity transactions". Therefore, for acquisitions which occur after the date on which control has been acquired, or for partial sales of subsidiaries that do not involve a loss of control, any positive or negative difference between the sale/purchase price and the corresponding portion of shareholders' equity is recognised directly in the Group's equity;
- in the case that a partial sale of a subsidiary leads to a loss of control, the equity investment which remains is adjusted to its relative fair value and this is included when calculating capital gains or losses deriving from the transaction;
- significant gains or losses, including relative tax effects, deriving from transactions carried out between different companies consolidated on a line by line basis and not yet realised with regards to third parties are eliminated. Additionally, intercompany debit and credit relationships, costs and revenues and financial income and expenses are also eliminated, if significant.

Associated companies

Associated companies are those over which the Group exercises significant influence, which is presumed to exist when the investor company holds, directly or indirectly, at least 20% of the votes which can be exercised at the investee company's Shareholders' Meeting. Equity-accounted companies are measured using the equity method and are initially recognised at cost. After acquisition, this amount is adjusted by changes in the portion of the investee's net assets pertaining to the investor company. In particular:

- the carrying value of these equity investments is in line with equity, as adjusted when necessary to reflect application of IFRS and including the recognition of greater/lesser values attributed to assets, liabilities and goodwill (if applicable), identified at the time of acquisition;
- profits or losses pertaining to the Group are recognised as of the date on which significant influence began and until the date on which the significant influence no longer exists. In the case that, due to losses, a company measured using the method above is found to have negative equity, the carrying value of this equity investment is cancelled and any excess amount pertaining to the Group, in the case that the Group has committed to fulfil the legal or implicit obligations of the investee, or in any case to cover its losses, is recognised in a specific provision; changes in the equity of companies measured with the equity method, not representing the results of the income statement, are recognised in consolidated comprehensive income.
- unrealised gains and losses generated through transactions carried out by the Company/subsidiary and the investee measured with the equity method, including distribution of dividends, are eliminated based on the value of the stake the Group holds in the investee.

MEASUREMENT CRITERIA

Below is a brief description of the most significant accounting standards and measurement criteria used to prepare the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised on a cost basis, at the purchase price or cost of production including any directly attributable accessory costs needed to make the asset ready to use, as well as any dismantling and removal charges that will be suffered based on contractual requirements which require that the asset be returned to its original conditions and any financial expenses directly attributable to the acquisition, construction or production of the asset.

Charges incurred for ordinary and/or cyclical maintenance or repair are directly recognised in the income statement during the financial year in which they are incurred. Capitalisation of costs relative to the extension, modernisation or improvement of structural elements owned or leased from third parties is done solely to the extent that these meet the requirements for separate classification as an asset or part of an asset, applying the “component approach”.

The 2017 Budget Law introduced to Italy, starting in 2018, the possibility for taxpayers established in the country to become a single taxpayer entity for VAT purposes, based on an option exercised by the same. A Ministry of Economy and Finance decree on 6 April 2018 implemented this law which, in turn, had adopted the European regulations on VAT groups within domestic legislation. The SISAL Group made use of this option as of financial year 2019, overcoming pre-existing distinctions within the Group between companies which made use of the option to dispense with duties for exempt transactions required under article 36 bis of Italian Presidential Decree 633/72 and companies following a pro-rata regime. Consequently, non-recoverable VAT, determined within the new Group VAT regime, is included in the cost to acquire an asset at the time of capitalisation, based on the Group’s provisional pro-rata, possibly adjusted at the end of the year after definitive determination of the pro-rata for the year.

Property, plant and equipment are systematically depreciated every year at constant rates based on the economic/ technical rates determined based on the residual possibility of using the assets. If the asset subject to depreciation consists of distinctly identifiable components, with significant differences in useful life relative to the other parts making up the asset, depreciation is carried out separately for each of the parts which make up the asset, applying the “component approach”.

The useful life estimated for various categories of property, plant and equipment is as follows:

Property, plant and equipment class	Useful life in years
Buildings	33
Systems	3-10
Gaming devices	1-9
Equipment	3-8
Other assets	
- Vehicles	4-5
- Furniture and furnishings	8
- Electronic office equipment	5
Leasehold improvements	the lesser of the estimated useful life of the asset and the duration of the lease

If investments made by the company refer to assets for gaming management obtained through concessions from the Monopolies Agency and returned free of charge to the same at the end of the concession, these are depreciated over the shorter of the useful life of the asset and the residual duration of the concession.

Depreciation begins when the asset is available for use, taking into account the moment at which this condition effectively arises.

Leased assets (IFRS 16)

Leasing contracts refer to contracts or parts of contracts which transfer the right to use an asset for a period of time, in exchange for a payment.

Rights of use for leased assets and financial liabilities for leased assets respectively represent an asset representing a right of use for the Company relative to the asset owned by third parties, and a liability representing an obligation to make the payments called for in the contract. Both items are recognised in the financial statements starting on the date on which the asset is made available for use by the Company and until the most recent date between the end of the useful life of the right of use and the duration of the lease. Nonetheless, in the case in which the lease transfers ownership of the leased asset to the lessee until the end of the lease, or if the value of the right of use asset also includes the fact that the lessee may exercise a right of acquisition, the right of use is subject to systematic amortisation throughout the useful life of the underlying asset.

The Group has defined the duration of a lease as the non-cancellable period of a contract, also considering the periods covered by options to extend the lease, when the Company is reasonably sure of exercising this option. In particular, when assessing reasonable certainty in terms of exercising renewal options, the Group considers all relevant factors which create an economic incentive to exercise the renewal option.

Liabilities for leased assets are initially recognised in an amount equal to the current value of payments due for the lease and not yet made as of the commencement date, including: i) fixed payments net of any lease incentives to be received, ii) variable payments due for the lease which depend upon an index or rate, an estimate of the payment made by the lessee to guarantee the residual value, iii) payment of a price to exercise the acquisition option, if the lessee is reasonably certain of exercising this right, and iv) payment of contractual penalties to terminate the lease, if the lessee is reasonably certain of exercising this option. The current value of future payments is calculated using a discount rate equal to the implicit interest rate of the lease or, if this cannot be easily determined, using the Company's incremental lending rate. After initial recognition, the carrying value of the liability for the leased asset is increased based on interest allocated in any period and reduced based on payments made. It is also redetermined, as a balancing entry to the carrying value of the correlated asset, in the case of a change in the payments due for the lease following contract renegotiation, changes in indexes or rates, or changes in the assessment of the likelihood of contractual options being utilised, including contract extension options.

The interest component is recognised as a financial expense throughout the entire duration of the lease and is determined using the effective interest method.

The right of use is initially recognised at cost, at the value of the initial amount of the lease liability, plus any initial direct costs incurred by the lessee, any payments made on or prior to the commencement date, and minus any incentives received from the lessor, plus any direct initial costs incurred and an estimate of costs to be incurred for dismantling. The right of use is amortised at constant rates based on the lesser of either the useful life of the asset or the duration of the underlying lease.

The Group applies the requirements established under IAS 36 “Impairment of Assets” to reduce the value of rights of use.

The Group makes use of the practical exemption allowed for short-term and low-value leases, recognising payments relative to these types of leases in the income statement as operating costs throughout the duration of the lease.

With reference to accounting for sub-leasing, IFRS 16 requires that the sub-lease and main lease are recognised as two separate contracts, applying the accounting requirements for both the lessor and lessee. Consequently, for a sublessor, the obligations that derive from the main lease contract are not generally eliminated by the terms and conditions of the sub-lease.

When classifying a sub-lease, the sublessor must evaluate the lease with reference to the rights of use assets deriving from the main lease and not with reference to the underlying asset, in that:

- a sublessor (a lessee who is sub-letting) does not own the underlying asset and does not recognise the underlying asset in their financial statements;
- the risks of a sublessor associated with a right of use asset can be converted into credit risk by stipulating a sublet contract, the duration of which covers most or all of the duration of the main lease contract;
- if the sublease lasts for the entire residual duration of the relative main lease, the sublessor no longer has the right to use the underlying asset. According to the IASB, in this case it is appropriate for the sublessor to remove from its financial statements the right of use asset and recognise the net investment in the sublease.

The Group recognises the net investment relative to sublease contracts under the item *Other assets*.

INTANGIBLE ASSETS

Intangible assets consist of non-monetary elements, identifiable and lacking physical consistency, controllable and suitable to generate future economic benefits. These elements are initially recognised at the acquisition and/or production cost, including directly attributable costs to prepare the asset for use. Any interest expense which accrues during and for development of the intangible assets is considered part of the cost of acquisition. In particular, in the context of the Group the following main intangible assets can be identified:

(a) Goodwill

Goodwill represents all those future economic benefits, deriving from business acquired through a business combination, which cannot be individually identified and separately recognised and is measured as the surplus for the price paid, measured at fair value, with respect to the fair value of the identifiable assets acquired, net of potential liabilities taken on as of the acquisition date.

Goodwill is not amortised, but is subject to periodic verification to identify any impairment, based on that described in the section below “Writedowns on property, plant and equipment and intangible assets”.

To determine the presence of impairment, on the acquisition date the goodwill is allocated to individual cash-generating units (CGU), or to groups of CGUs which should derive benefits from the synergies achieved through the business combination, regardless of whether other assets or liabilities of the acquired company are assigned to that unit or group of units. This verification is carried out at least once a year.

No other intangible assets with undefined useful life are recognised in the financial statements other than goodwill.

(b) Other intangible assets with defined useful life

Intangible assets with a defined useful life are recognised at cost, as previously described, net of cumulative amortisation and any impairment. Amortisation begins at the time the asset becomes available for use and is applied systematically in relation to the possibility of using the same, i.e. on the basis of its estimated useful life.

The useful life estimated by the Group for various categories of intangible assets is as follows:

Class of intangible asset	Useful life in years
Software and patents	3-8
Gaming concessions	Duration of the concession
Software user licences	Constant rates in relation to utilisation
NTNG physical and contractual network	11-20
ADI physical network	11
Brand	20
Online Customer Relationship	13, equal to the duration of the online concession

The amortisation period for concessions also includes a possible renewal period when considered at the time the asset is measured, in accordance with the reference accounting standards.

Additionally, costs for the development of new products and sales channels are capitalised, in particular with reference to software development (e.g., those for the website used for gaming and bet collection services online). In compliance with the EU IFRS, these costs are capitalised when it is held there are future economic benefits expected associated with gaming and services, also online, able to support the value of the capitalised costs.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Goodwill

As previously indicated, goodwill undergoes an Impairment Test annually or more frequently when there are indicators that could indicate the goodwill has suffered impairment.

The impairment test is carried out on each of the "***Cash Generating Units***" ("CGU") to which goodwill has been allocated, subject to monitoring by management. Any impairment of goodwill is recognised if the recoverable value of the same is less than its carrying value. Recoverable value means the greater of the CGU's fair value, net of disposal charges, and its relative value in use, meaning by which the current value of future cash flows estimated for the asset. When determining the value in use, expected future cash flows are discounted using a before tax discount rate which reflects current market valuations of the cost of money, proportional to the period of investment and specific risks of the asset. If the reduction in value measured by the impairment test is greater than the value of the goodwill allocated to the CGU, the residual excess amount is allocated to the assets included in the CGU, proportional to the carrying value.

The minimum limit for this allocation is the higher of:

- the fair value of the asset after sales expenses;
- the value in use as defined above;
- zero.

The original value of the goodwill cannot be restored when the reasons that led to impairment cease to exist.

(b) Tangible and intangible assets with defined useful life

At each financial reporting date a check is carried out to determine whether there are indications to suggest that property, plant and equipment and/or intangible assets have suffered impairment. Both internal and external sources of information are used in this process. With reference to internal sources, the following are considered: obsolescence or physical deterioration of an asset, any significant changes in the use of an asset and the economic performance of the asset with respect to that forecast. The following external sources are considered: market price trends for the asset, any changes in technology, whether market or regulatory, the trend of interest rates on the market or the cost of capital used to measure the investments.

If these indications are found, the recoverable value of the asset in question is evaluated, recognising in the income statement any impairment with respect to the carrying value. The recoverable value of an asset is represented by the greater of its fair value, net of accessory costs for the sale, and its relative value in use, meaning by which the current value of future cash flows estimated for the asset. When determining the value in use, expected future cash flows are discounted using a before tax discount rate which reflects current market valuations of the cost of money, proportional to the period of investment and specific risks of the asset. For assets that do generate cash flows in a sufficiently independent manner, the recoverable value is determined in relation to the cash generating unit to which they belong.

Impairment is recognised in the income statement when the carrying value of the asset, or of the CGU to which it is associated, exceeds the recoverable value. Impairment of CGUs is initially recognised as a decrease in the carrying value of any goodwill assigned to the CGU and then as a decrease in other assets, proportional to their carrying value and within the limits of their relative recoverable value. If the reasons behind previously recognised impairment cease to exist, the carrying value of the asset is restored with recognition in the income statement, within the limits of the net carrying value the asset in question would have had if the impairment was not recognised and relative amortisation/depreciation had been recognised.

TRADE RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, based on the effective interest rate method. Trade receivables are included under current assets, with the exception of those with a contractual maturity that exceeds twelve months after the reporting date, which are classified in non-current assets.

Impairment of receivables is recognised in the financial statements using the "expected credit loss method". In particular, impairment of trade receivables and contract assets is carried out with a simplified approach, which estimates expected loss throughout the life of the receivable at the time of initial recognition and in subsequent assessments. For each customer segment, the estimate is mainly made by determining average expected non-payment, based on historical statistical indicators, possibly adjusted by using forward looking elements. For certain credit categories which feature special risk elements, specific assessments are instead carried out on individual creditor positions.

In the case that in subsequent periods the reasons behind previously recognised impairment cease to exist, the value of the asset is restored up to the value that it would have had if the amortised cost method had been applied.

FINANCIAL ASSETS

At the time of initial recognition, financial assets must be classified in one of the categories indicated in IFRS 9 (Financial assets at amortised cost, Financial assets at fair value through other comprehensive income, Financial assets at fair value through profit and loss), based on the following elements:

- the business model the entity uses to manage the financial assets; and
- the features of the contractual cash flows associated with the financial assets.

Financial assets are then derecognised from the accounts when one of the following conditions is met:

- the contractual right to receive cash flows from the asset has expired;
- the Group has transferred substantially all of the risks and benefits associated with the asset;
- the Group has not transferred nor maintained substantially all the risks and benefits connected with the financial asset but has ceded control.

Financial assets, that are non-derivative financial instruments, with fixed or determinable payments and with a set maturity, and which the Company has the intention and capacity to hold to maturity, are classified as financial assets at amortised cost, as they meet both of the following conditions:

- the financial asset is held under a business model in which the objective is achieved through collecting the contractually established cash flows (Hold to Collect Business Model); and
- the contractual terms for the financial asset call for, on periodic dates, cash flows represented solely by payments of principal and interest ("SPPI test" passed).

At initial recognition, these assets are recognised at fair value, including any transaction costs or revenue directly attributable to the instrument in question. Subsequently, these financial assets are measured using the amortised cost method, using the effective interest rate criteria, adjusted in the case of impairment. This method is not applied to assets measured at historic cost which are of such a short duration that application of discounting would have a negligible effect, nor is it used for those without a defined maturity and revocable lines of credit.

Impairment of receivables is recognised in the financial statements using the "expected credit loss method", in compliance with the same standards described above in relation to trade receivables.

INVENTORIES

Inventories of play slips and rolls of paper for gaming terminals are recognised at the lesser of the purchase cost, determined using the average weighted cost method, and the realisable value based on market trends.

Inventories of spare parts for gaming terminals are recognised at the average weighted cost, determined based on the purchase price.

Obsolete stock and slow turnover inventory are written down in relation to their possibility of use or realisation through the establishment of a specific provision, recognised as a direct decrease in the corresponding asset item.

Inventories of food and beverages is recognised at the average weighted cost, determined based on the purchase price.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents mainly include the balances of accounts relative to the jackpots for national numeric totalizator gaming (NTNG), as well as the balance of current accounts which hold the deposits of players who participate in online gaming methods.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank deposits available and other forms of short-term investments, with original maturity dates of three months or less. Cash and cash equivalents are recognised at their nominal value or amortised cost, based on their nature.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value, net of any directly attributable accessory costs and are subsequently measured at amortised cost, applying the effective interest rate criteria. If there is a change in estimated expected cash flows, the value of the liability is recalculated to reflect this change on the basis of the current new value of expected cash flows and the effective internal rate initially determined. Financial liabilities are classified among current liabilities, unless the contractual maturity is more than twelve months after the reporting date and in the case of liabilities for which the Group has an unconditional right to defer payment for at least twelve months after the reference date.

Financial liabilities are recognised on the trade date and are removed from the financial statements when they have been paid and when the Group has transferred all risks and charges relative to the instruments in question.

TRANSLATION OF TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Transactions in currencies other than the entity's functional currency are translated using the exchange rate in effect on the transaction date. Exchange gains and losses generated by the completion of the transaction or the translation carried out at the end of the year for assets and liabilities in currencies other than the Euro are recognised in the income statement in the item "*Financial Expense*".

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

Assets and liabilities of foreign companies in currencies other than the Euro which are included in the scope of consolidation are converted using the exchange rates in effect on the reporting date. Equity items are translated using historic rates, while the relative revenues and costs are translated using the average exchange rates during the year.

Translation differences resulting from the application of this method are classified as a equity item until the full disposal of the equity investment, or when the equity investment ceases to be classified as a subsidiary or controlled entity.

The financial statements used for translation are those expressed in the functional currency of the foreign company.

Below is a summary of the exchange rates used in the Consolidated Financial Statements at 31 December 2020 and at 31 December 2021:

	At 31 December		Year ending on 31 December	
	2021	2020	2021	2020
Moroccan Dirham	10.483	10.919	10.626	10.824
Turkish Lira	15.234	9.113	10.512	8.055
Albanian Lek	120.71	123.70	122.44	123.79

EMPLOYEE BENEFITS

Short-term benefits include salaries, wages, associated social security charges, indemnities replacing holidays and incentives paid in the form of bonuses payable within twelve months of the reporting date. These benefits are recognised as components of personnel expense during the period in which the work is provided.

Benefits received after the employment relationship has ceased can be broken down into two categories: defined contribution programs and defined benefit programs.

In defined contribution programs contribution charges are recognised in the income statement when they are incurred, based on their relative nominal value.

In defined benefit programs, which also include the severance indemnity due to employees pursuant to article 2120 of the Civil Code (TFR), the Long-Term Incentive Plan (LTI) and the Retention Plan, the amount of the benefit to be paid to the employee can only be quantified when the employment relationship ceases, and is linked to one or more factors such as age, years of service and salary. Therefore, the relative charge is recognised in the statement of comprehensive income based on actuarial calculations. Liabilities recognised in the financial statements for defined benefit plans correspond to the current value of the obligation as of the reporting date. Defined benefit plan obligations are determined annually by an independent actuary, using the projected unit credit method.

The current value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that for high-quality corporate bonds issued in Euros and takes into account the duration of the relative pension plan.

As of 1 January 2007, the 2007 Financial Law and the relative implementation decrees introduced amendments to TFR regulations, including the ability for workers to make a choice about the destination of their own accruing TFR. In particular, new TFR amounts can be directed by workers to pre-selected pension structures or kept within the company. When destined for external pension structures, the company is solely responsible for making a defined contribution to the selected fund, and as of that date the newly accruing amounts are classified as defined contribution plans and not subject to actuarial change.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current and non-current assets of groups held for sale are classified as held for sale if the corresponding carrying value will be recovered primarily through sale rather than continued use. This condition is considered to have been met when the sale is highly probable and the asset of group subject to disposal is available for immediate sale in its current state. In the case of plans for the sale of a subsidiary that involves a loss of control, all assets and liabilities of this subsidiary are classified as held for sale, regardless of whether a stake is maintained or not after transfer. Verification of compliance with the conditions established for classification of an item as held for sale requires company management to make subjective assessments, developing reasonable and realistic hypotheses based on available information.

Non-current assets held for sale, current assets and non-current assets belonging to groups subject to disposal and directly connected liabilities are recognised in the balance sheet separately from the company's other assets and liabilities.

Immediately before classification as held for sale, the assets and liabilities associated with a group held for sale are measured using the accounting standards applicable to the same. Subsequently, non-current assets held for sale are not subject to amortisation and are measured at the lesser of the carrying value and the corresponding fair value, minus sales costs.

Classifying equity investments measured using the equity method as "held for sale" implies suspending the use of this measurement criteria. Therefore, in such cases, the carrying value is equal to value deriving from application of the equity method at the reclassification date.

Any negative difference between the carrying value and the fair value minus sales costs is recognised in the income statement as impairment. Any subsequent recoveries of value are recognised up to the level of previous impairment, including that recognised prior to classification of the asset as "held for sale".

Non-current assets and current and non-current assets (and any liabilities linked to the same) associated with groups classified as held for sale constitute a discontinued operation if, alternatively: (i) they represent an autonomous sector of significant business or a significant geographic area of business; (ii) they are part of a disposal programme for a significant autonomous sector of business or a significant geographic area of business; or (iii) they refer to a subsidiary acquired exclusively to be sold. The results of discontinued operations, as well as any capital gains/losses realised after disposal, are indicated separately in the income statement in a specific item, net of relative tax effects, also for financial years used for comparison purposes.

Neither IFRS 5 nor IAS 1 provide indications on how to present transactions between Continuing and Discontinued Operations. The method chosen by the Company led to the presentation of these transactions as if the Discontinued Operations had already left the Sisal Group scope of consolidation and hence as if the transaction had already occurred on 1 January 2021.

In particular, the criteria adopted made it possible to represent the result of Continuing Operations in a method comparable to the results the Group will have after the disposal of the Discontinued Operations.

With reference to the comparative data, note that in this document:

- all economic and cash flow data relative to financial year 2020 has been restated to allow for homogeneous comparison with those for financial year 2021;
- Equity data at 31 December 2020 is instead that published in the 2020 Consolidated Financial Statements and, therefore, includes the amounts for the Payment and Telco Business Units.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated to cover losses and charges, certain or probable, for which the amount or date of payment cannot be determined at the end of the year. They are recognised only when: *i*) there is a current obligation (legal or implicit) involving a future outflow of economic resources as a consequence of past events; *ii*) it is probable this outflow will be required to fulfil the obligation; and iii) the amount of the obligation can be reliably estimated. The amount represents the best discounted estimate of the spending required to fulfil the obligation. When the financial effect over time is significant and the payment date for the obligations can be reliably estimated, provisions are measured at the current value of the outflow expected using a rate which reflects market conditions, the change in the cost of money over time and the specific risk associated with the obligation. An increase in the value of a provision, determined by changes in the cost of money over time, is recognised as interest expense. Risks for which the manifestation of a liability is only possible are indicated in the specific disclosure on potential liabilities and no provisioning is carried out.

RECOGNITION OF REVENUES

In compliance with the provisions of IFRS 15 - Revenue from Contracts with Customers, recognition of revenues requires the following conditions to be met:

- the contract with the customer has been identified: to identify a contract the parties must have approved the contract (in writing or with respect to other common commercial practices) and must have committed to fulfilling their respective obligations;
- all the separate performance obligations have been identified, meaning the contractual promises to transfer assets and/or services contained in the contract;
- the transaction price has been determined: if the fee is variable, it is estimated by the entity, to the extent it is highly probable that when the uncertainty linked to the variable fee is resolved no significant decreases will be seen in the amount of cumulative revenues recognised;
- the transaction price has been allocated to the separate performance obligations identified:if a contract calls for the delivery/supply of several goods or services, the fees established must be allocated to the individual goods/services based on the prices for the stand-alone sale of each good or service;
- the performance obligation in the contract has been fulfilled: goods and services must have been effectively transferred to the customer.

Revenues are recognised when (or as) the obligation is fulfilled through the transfer of the promised good or service to the customer. An asset is transferred when (or as) the customer acquires control.

In particular, control over an asset or service is transferred over time and, therefore, the contractual obligation is fulfilled over time, if one of the following criteria is met:

- the customer simultaneously receives and utilised the benefits deriving from the performance of the entity gradually as the latter provides it;
- the Group's performance creates or improves the asset (for example, work in progress) which the customer controls gradually as the asset is created or improved;
- the Group's performance does not create an asset with an alternative use and the Group has the enforceable right upon payment for the completed performance until the date considered.

If these criteria are not met, the contractual obligation is fulfilled at a point in time, meaning the Group recognises the revenue at the time the customer acquires control of the promised asset.

In particular, in relation to revenues relative to gaming services in which the Group is the "principal", the Group has identified a single performance obligation that is met at a point in time.

These revenues are recognised at the fair value of the payment received, net of winnings paid and bonuses recognised to players, as well as tax withdrawals, and before the remuneration component paid to the agency, manager or operator and any associated concession fees.

With reference to the NTNG concession, in which Sisal is classified as an "agent", revenues are recognised in an amount equal to the earnings accrued on the transaction pertaining to the concessionaire. The residual balance of the upfront fee paid in relation to the NTNG concession, existing as of the reporting date, is classified under the item *Other non-current assets*.

FIXED-ODDS BETTING INCOME

Turnover linked to fixed-odds betting is initially recognised as a financial liability in accordance with IFRS 9 on the date the bet is accepted. Subsequent changes in the value of the financial liability are recognised in the income statement under the item fixed-odds betting income until the date on which the event linked to the bet occurs.

PUBLIC CONTRIBUTIONS

Public contributions are recognised in the income statement only in the presence of a formal decision of attribution and, in any case, when the right to receive them is held definitive, as there is reasonable certainty that the Group will respect the conditions established by the government, entity or similar local, national or international entity to receive them. These contributions are recognised in the income statement in years in which the Group recognises as costs the relative expenses that the contributions are intended to offset. Operating grants are recognised under the item *Other proceeds*.

ACQUISITION COST FOR ASSETS AND SERVICES

The acquisition costs for assets and services are recognised in the Income Statement on an accrual basis. Non-deductible VAT, calculated on the basis of the "pro-rata ratio", is classified as a general cost and recognised under other operating expenses when it refers to acquisitions of goods and services classified within cost items, while it is recognised as an increase of the asset in the case of acquisitions regarding intangible or tangible fixed assets.

FINANCIAL INCOME AND EXPENSE

For all financial assets and liabilities at amortised cost, interest income and expense are recognised using the effective interest method. The effective interest rate is the rate that precisely discounts estimated future payments and cash flows throughout the expected life of the financial asset at the net book value of the financial asset or liability.

Interest income is recognised to the extent it is probable that the Group will received the economic benefits and their amount can be reliably measured.

INCOME TAXES

Income taxes are allocated based on a forecast of the tax charges for the financial year, with reference to the regulations in effect. The expected payable is recognised under *"Tax payables"*.

Deferred tax assets and liabilities are calculated against all differences which emerge between the taxable base of an asset or liability and its relative carrying value, with the sole exception of goodwill at initial recognition and that relative to differences deriving from equity investments in subsidiaries, when the time for reversing these differences can be controlled by the Group and it is probable that they will not be reversed within a reasonably foreseeable period of time.

Deferred tax assets and liabilities are offset when they are applied by the same tax authority, there is a legal right to offset them and payment of the net balance is expected. The balance of the offsetting, if positive, is recognised under the item "deferred tax assets" and, if negative, under the item "deferred tax liabilities". When the results of transactions are recognised directly to equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised to equity.

Deferred taxes are determined using the tax rates expected to be applied in the year in which the underlying temporary differences will be realised or eliminated, provided they have already been approved as of the reporting date.

Any expenses linked to disputes with tax authorities are recognised under "taxes" for the portion relative to the tax evaded and the corresponding fines.

3. Management of Financial Risk

The Group's activities are exposed to various types of financial risk: market risk, defined as exchange risk and interest rate risk, bank risk, liquidity risk, credit risk and capital risk.

The Group's risk management strategy is intended to minimise potential negative effects on the Group's financial performance. Risk management is centralised within the Finance Department which identifies, measures and ensures coverage of financial risks in close cooperation with the Group's operating departments. The Finance department provides indications on how to monitor risk management, as well as providing specific guidance for individual departments regarding interest rate risk and exchange risk.

With reference to the Covid-19 pandemic, no material impacts were identified with respect to the financial risks to which the Group is exposed, therefore the directors did not consider it appropriate to adopt significant changes to the management, risk control and risk assessment systems.

Instead, effective plans were implemented to ensure business continuity and to ensure the normal operation of the business, guaranteeing the health and safety of employees and the highest level of service for customers.

For further details, see the section on Significant events during the period "Covid-19".

MARKET RISK

Exchange rate risk

The Group is exposed to the risk that significant changes in exchange rates occur and the measures adopted to neutralise these changes are inadequate, with possible negative effects on its business and its economic, equity and financial situation.

The Group also does business in countries outside of the Eurozone (Turkey, Morocco and Albania) and, therefore, the revenues, costs, receivables and payables of some of the Group's business are in currencies other than the Euro.

This means the Group is exposed to the following risks associated with changes in exchange rates: (i) economic exchange rate risk that is the risk that revenues and costs in currencies other than the Euro take on different values with respect to the time at which the price conditions were established; (ii) translation risk, deriving from the fact that the Group, while it prepares its financial statements in Euro, holds controlling interests in companies that prepare their financial statements in other currencies and, consequently, translates assets and liabilities expressed in currencies other than the Euro; (iii) transaction risk, deriving from the fact that the Group carries out investment, deposit conversion and/or financial operations in currencies other than that used in its financial statements.

As of the reporting date, the Group does not make use of any hedging tools to protect against oscillations in exchange rates and, therefore, it cannot be excluded that future changes in exchange rates could have a negative impact on the Group's results, significantly affecting the comparability of results from individual years.

Interest rate risk

The Group is theoretically exposed to risks associated with oscillations in interest rates in relation to variable rate loans, specifically the short-term revolving credit line and the variable rate shareholder's loan (Turkish overnight rate), which was repaid on 31 December 2021.

In particular, the Group normally makes use of short-term debt to finance its working capital needs and makes use of medium or long-term financing to cover investments made and correlated with business, as well as for extraordinary transactions. Financial liabilities that expose the Group to interest rate risk are in part medium/long-term loans indexed to a variable rate.

With reference to interest rate risk, sensitivity analysis was carried out to determine the impact that would be seen on the Consolidated Income Statement Schedule and the Schedule of Changes in Consolidated Shareholders' Equity from a hypothetical 100 basis point increase or decrease with respect to the rates effectively recognised in each period.

The analysis was carried out mainly with regards to the following items:

- cash and cash equivalents;
- current and non-current financial liabilities.

With reference to cash and cash equivalents, reference was made to the average balance and return rate for the period, while for current and non-current financial liabilities, the impact was calculated precisely.

The following tables show the impact of sensitivity analysis done on changes in interest rates with reference to the years ending on 31 December 2021 and 2020.

		Income Statement		Equity	
(in thousands of Euros)	**as at 31 December 2021**	**+1% profit / (loss)**	**-1% profit / (loss)**	**+1% profit / (loss)**	**-1% profit / (loss)**
Net financial debt - Sisal (*)	(148,176)	(119)	114	(119)	114

		Income Statement		Equity	
(in thousands of Euros)	**as at 31 December 2020**	**+1% profit / (loss)**	**-1% profit / (loss)**	**+1% profit / (loss)**	**-1% profit / (loss)**
Net financial debt - Sisal (*)	(1,035,447)	(2,320)	9	(2,320)	9

(*) Note that the portion of debt with a variable rate is not significant and the reference rates on the date the sensitivity analysis was done were negative. For more information on the definition of net financial debt - Sisal, please see Note 37 "Current and non-current financial liabilities".

With specific reference to the direct consequences of the economic crisis, caused by the Covid-19 pandemic, and to interest rate risk, no particular critical issues are identified, also in light of the current context characterised by predominantly negative short-term interest rates.

BANK RISK

Bookmaking is the activity that involves determining odds for fixed-odds bets, which represent a de facto contract between the bookmaker (bank), which undertakes to pay a pre-determined amount (quotation), and the player, who accepts the bank's proposal and decides the amount of their bet within the limits established under the regulations in effect.

The implicit risk of these activities is managed by the Group through the systematic and professional work of its own odds-making staff in the "Risk management department", which also makes use of external consultation to properly determine odds and limits on the possibility of speculative gaming.

LIQUIDITY RISK

Liquidity risk refers to the risk of not being able to fulfil one's own future or present obligations due to insufficient available funds. The Group manages this risk by working to achieve balance between cash outflows and sources of short and long-term financing, distributing due dates over time with reference to medium and long-term funding. In particular, prudential management of liquidity risk means maintaining an adequate level of cash and cash equivalents and an adequate amount of funds that can be accessed through credit lines.

The Group had credit lines for a total of € 100.6 million as at 31 December 2021, and for € 159.2 at 31 December 2020 (of which € 99.9 million relative to the Gaming business unit and € 59.3 million relative to Mooney Group). Note that these amounts are shown net of accessory charges and include interest accrued and not paid on those dates.

At 31 December 2021 and 2020 the current account overdraft line of € 25 million had not been used and was fully available.

The following tables show the distribution in future years of contractual cash flows associated with *Current and non-current financial liabilities*, *Trade payables* and *Other current and non-current liabilities*.

		At 31 December 2021			
(in thousands of Euros)	**Carrying value**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**
Current and non-current financial liabilities (*)	470,602	136,967	321,603	12,032	470,602
Trade payables	110,907	110,907	-	-	110,907
Other current and non-current liabilities	370,088	360,124	3,039	6,925	370,088
Total	**951,597**	**607,998**	**324,642**	**18,957**	**951,597**

(*) The amount does not include upfront fees

		At 31 December 2020			
(in thousands of Euros)	**Carrying value**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**
Current and non-current financial liabilities (*)	1,277,214	205,277	335,099	736,838	1,277,214
Trade payables	308,920	308,920	-	-	308,920
Other current and non-current liabilities	382,332	370,708	11,624	-	382,332
Total	**1,968,466**	**884,905**	**346,723**	**736,838**	**1,968,466**

(*) The amount does not include upfront fees

During the year in question, the Group complied with all the contractual conditions established for its existing loans. With specific reference to the impact of the Covid-19 pandemic on the Group's liquidity risk, no critical elements were identified as the level of available liquidity is adequate to meet the Group's financial needs and investment plans.

CREDIT RISK

The potential risk found in existing commercial relationships, essentially with betting shops, based on partnership contracts, is guaranteed through specific procedures used to select sales points in the generalist channel and managers of specialised sales points and assign operating limits for bet acceptance on gaming terminals when applicable, as well as daily checks on credit trends which will block terminals in the case of unpaid amounts, followed by revocation of authorisation to serve as a Sisal betting shop in the case of recidivism.

Potential risk in existing commercial relationships with agencies managed by third parties, based on partnership contracts and with entities which manage entertainment equipment, used to collect legal betting on the Group's account, is guaranteed through the issuing of promissory notes or sureties when contracts are stipulated. These relationships are also monitored and periodically reviewed by the Group.

Gaming credit which may be granted to individual players, based on internal procedures, is subject to examination and authorisation by company management based on technical/commercial assessments.

The amount of financial assets deemed unlikely to be collected is covered by appropriate allocations to the bad debt provision.

The following table breaks down current assets relative to customers at 31 December 2021 and 2020, separated into homogeneous macro-risk classes.

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Receivables due from customers, generalist channel - gaming	13,248	80,572
Receivables due from customers, specialised channel	11,328	24,405
Receivables due from customers, “providing” channel	10,637	11,450
Trade receivables from international	6,134	5,513
Receivables due from customers, payment services	-	33,607
Other trade receivables	348	1,719
Provision for impairment of trade receivables	(8,284)	(55,999)
Total Trade Receivables	**33,411**	**101,267**
Other receivables due from public entities	12,038	11,916
Other current assets	14,687	27,732
Provision for impairment of other receivables	(309)	(5,006)
Total Other Receivables	**26,416**	**34,642**
Total	**59,827**	**135,909**

Receivables due from customers, generalist channel, mainly consisting of coffee and tobacco shops, mainly represents receivables due from bet collection in which the method of payment occurs through weekly automated payment flows. The large number of customers in this channel exposes the Group to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by management, is duly covered by a specific provision for impairment of trade receivables.

Receivables due from customers, specialised channel represents receivables due from VLT rooms and agencies operating under partnership contracts, net of fees accrued by the same and not yet liquidated. These mainly consist of horse-racing and sporting bets, received by agencies and not yet transferred to the Group’s current accounts. The large number of betting shop customers exposes the Group to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by management, is duly covered by a specific provision for impairment of trade receivables.

Receivables due from customers, “providing” channel includes receivables due from sales points with collection mainly carried out through the use of employees or AWP managers resulting from legal gambling turnover using entertainment equipment, including single tax withdrawal (PREU) which the Group, through its subsidiaries which hold gaming concessions, must periodically pay to the tax authorities; the large number of these entities and the significance of the sums collected exposes the Group to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by management, is duly covered by a specific provision for impairment of trade receivables.

The item *Other trade receivables* includes insurance receivables, receivables from suppliers for distribution fees, receivables from third party customers for integrated digital solutions for transport and mobility services, receivables from employees and other receivables not included in the previous categories. The Group has not identified any significant risks associated with this category of receivable.

Tax receivables were excluded from this analysis, given that no significant correlated risk is held to exist.

Receivables due from public entities mainly include receivables due from the Customs and Monopolies Agency deriving from management of games carried out in accordance with the specific concessions.

The following tables provide details on exposure to credit risk, with reference to relative age at 31 December 2021 and 2020:

(in thousands of Euros)	At 31 December 2021	Breakdown of receivables by due date: falling due	overdue less than 90 days	overdue between 90 and 180 days	overdue over 180 days
Expected loss rate	**19.9%**	**1.6%**	**27.8%**	**86.4%**	**91.1%**
Trade receivables	41,695	32,341	1,145	462	7,747
Bad debt provision	(8,284)	(513)	(318)	(399)	(7,054)
Net value	**33,411**	**31,828**	**827**	**63**	**693**
Other receivables	26,725	26,725	-	-	-
Bad debt provision	(309)	(309)	-	-	-
Net value	**26,416**	**26,416**	**-**	**-**	**-**
Total	**59,827**	**58,244**	**827**	**63**	**693**

(in thousands of Euros)	At 31 December 2020	Breakdown of receivables by due date: falling due	overdue less than 90 days	overdue between 90 and 180 days	overdue over 180 days
Expected loss rate	**35.6%**	**0.1%**	**29.6%**	**46.8%**	**91.0%**
Trade receivables	157,266	88,256	9,625	2,163	57,222
Bad debt provision	(55,999)	(75)	(2,850)	(1,012)	(52,062)
Net value	**101,267**	**88,181**	**6,775**	**1,151**	**5,160**
Other receivables	39,648	32,158	1,547	702	5,241
Bad debt provision	(5,006)	(14)	-	-	(4,992)
Net value	**34,642**	**32,144**	**1,547**	**702**	**249**
Total	**135,909**	**120,325**	**8,322**	**1,853**	**5,409**

The Group has overdue payables that have not been recognised as impaired of modest value, for which no real problems are expected with collection. The Group monitors existing credit risk essentially relative to betting shops, thanks to specific procedures used to select sales points, assign operating limits for bet acceptance on gaming terminals and daily checks on credit trends which will block terminals in the case of unpaid amounts, followed by revocation of authorisation to serve as a SISAL betting shop in the case of recidivism.

With reference to the impacts deriving from the Covid-19 pandemic, at the reporting date, although in a context of significant economic uncertainty, which has also led to situations of recovery of potentially critical credit items, management considers the impacts on credit risk of the events deriving from the pandemic to be limited, also by virtue of risk management policies, monitoring activities and remedial actions implemented by the Group.

CAPITAL RISK

The Group's goal in managing capital risk is mainly to guarantee returns to shareholders and benefits to other stakeholders, protecting the business as a going concern. The size of debt, deriving from the operation in which the CVC Capital Partners investment fund entered the shareholding structure, was decided after an assessment of the Group's ability to constantly generate income and financial cash flow adequate to its needs to pay back the same, while satisfying the relative charges and self-financing ordinary operations and investments to develop business. Additionally, in the presence of investment opportunities intended to strengthen the value and stability of the Group, the international character of the shareholders which control and the relative equity amounts guarantee the Group's ability to take advantage of these opportunities, also through risk capital.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

To complete the information on financial risks, below is a reconciliation of classes of financial assets and liabilities, as identified in the Group's Consolidated Statement of Financial Position, in accordance with the categories identified under IFRS 9:

(in thousands of Euros)	At 31 December 2021 Financial assets and receivables at amortised cost	Financial liabilities and payables at amortised cost	Total
Current financial assets	25,670		25,670
Trade receivables	33,411		33,411
Other assets (current and non-current)	391,715		391,715
Restricted cash and cash equivalents	224,124		224,124
Cash and cash equivalents	173,758		173,758
Total assets	**848,678**		**848,678**
Borrowing from banks and other lenders	-	467,071	467,071
Trade payables and other payables	-	110,907	110,907
Other liabilities (current and non-current)		382,645	382,645
Total liabilities	**-**	**960,623**	**960,623**

(in thousands of Euros)	At 31 December 2020 Financial assets and receivables at amortised cost	Financial liabilities and payables at amortised cost	Total
Current financial assets	-		-
Trade receivables	101,267		101,267
Other assets (current and non-current)	294,080		294,080
Restricted cash and cash equivalents	240,531		240,531
Cash and cash equivalents	215,709		215,709
Total assets	**851,587**	**-**	**851,587**
Borrowing from banks and other lenders		1,251,156	1,251,156
Trade payables and other payables		308,920	308,920
Other liabilities (current and non-current)		383,971	383,971
Total liabilities	**-**	**1,944,047**	**1,944,047**

In the financial years in question, the Group did not reclassify any financial assets to different categories.

Given the short-term characteristics of trade receivables and payables, it is held that the carrying value, net of any provisions for bad debt, represents a good approximation of their fair value.

In consideration of their short-term nature, the carrying value of other assets and liabilities is considered a reasonable approximation of their fair value. Similarly, other non-current assets and liabilities are adjusted or measured at market rates and it is therefore held that the fair value of these is substantially in line with current carrying values.

The items *Current and non-current financial liabilities* include the value of the *senior secured bonds,* for € 280 million at 31 December 2021 (€ 278 million at 31 December 2020), for which the fair value, calculated based on the market price (level 1 in the fair value hierarchy) is € 278 million at 31 December 2021 (€ 284 million at 31 December 2020). At 31 December 2020, the same items also included the value of the senior secured floating rate notes, relative to the Mooney Group, for € 511.8 million, for which the fair value, calculated based on the market price (level 1) was € 531 million.

FAIR VALUE ESTIMATE

In relation to the assets and liabilities recognised in the Consolidated Statement of Financial Position, IFRS 13 requires that these values be classified on the basis of a hierarchy, which reflects the significance of the inputs used to determine fair value.

Below is the classification of the fair value of financial instruments based on the following fair value hierarchy:

Level 1: fair value determined using (non-adjusted) prices from active markets for identical financial instruments. Therefore, in Level 1 emphasis is placed on determining the following elements:

- the main market for the asset or liability or, in the absence of a main market, the most advantageous market for the asset or liability;
- the possibility for the entity to carry out at transaction with the asset or liability at the price on that market on the measurement date.

Level 2: fair value determined using measurement techniques that refer to variables observable on active markets. The inputs for this level include:

- listed prices for similar assets or liabilities on active markets;
- listed prices for identical assets or liabilities on inactive markets;
- data other than listed observable prices for assets or liabilities, for example:
    - interest rates and return curves observable at commonly listed intervals;
    - implicit volatility;
    - credit spreads;
- market-backed input.

Level 3: fair value determined using measurement techniques that refer to non-observable market variables.

The Consolidated Statement of Financial Position at 31 December 2021 and at 31 December 2020 does not includes assets or liabilities measured with the fair value method.

4. Estimates and assumptions

Preparation of financial statements requires management to apply accounting standards and methods which, under certain circumstances, are supported by evaluations and estimates based on historical experience and assumptions which are considered reasonable and realistic at the time in question, based on the relative circumstances. Application of these estimates and assumptions influences the amounts found in the consolidated financial statements, including the Consolidated Statement of Financial Position, the Consolidated Income Statement Schedule and the Consolidated Statement of Cash Flow, as well as the information provided. The final results for financial statement items relative to which these estimates and assumptions were used may differ from those reported in financial statements indicating the effects of the manifestation of the event being estimated, due to the uncertainties involved in the assumptions and the conditions on which estimates are based.

Below is a brief description of the accounting standards which for the Sisal Group require greater subjectivity from the Directors in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on consolidated financial figures.

(A) PROVISIONS FOR RISKS AND CHARGES

Provisions representing the risk of a negative result are allocated against legal and tax risks. The value of the provisions recognised in the financial statements represents the best estimate as of that date made by management. This estimate involves making assumptions which depend on factors which may change over time and, therefore, could have significant effects with respect to the current estimates made by the Directors in preparing the Group's Consolidated Financial Statements.

(B) IMPAIRMENT OF ASSETS

Goodwill

Group assets are divided into three operating segments: Retail Italy, Online Italy and International. Based on the accounting standards used and its impairment procedure, the Group annually tests to determine whether goodwill has suffered impairment. The recoverable value is determined based on a calculation of value in use. This calculation requires the use of estimates.

For more details on the Goodwill impairment test, please see Note 24 - "Goodwill".

Property, plant and equipment and intangible assets with defined useful life

Based on the accounting standards applied by the Group and its impairment procedure, property, plant and equipment and intangible assets with defined useful life are subject to verification to ascertain whether impairment exists, which is recognised through a write-down, when there are indications that suggest difficulties in recovering the relative net carrying value through use. Verification of whether these indicators exist requires management to make subjective assessments based on information available within the Group and on the market, as well as on historical experience. Additionally, when impairment is identified, the Group determines the amount using measurement techniques deemed valid. Proper identification of potential impairment indicators, as well as estimation of the amount of the same, depend on factors which may vary over time, influencing measurements and estimates made by the Directors.

During 2021, the Group verified the existence of indicators of possible impairment in its operating segments. Based on these tests, the Group did not write down any assets, in that no lasting loss of value was identified. For more information, please see Note 24 - “Goodwill”.

Bad debt provision

Impairment of receivables is recognised in the financial statements using the “expected credit loss method”, in compliance with the provisions of standard IFRS 9. In particular, impairment of trade receivables is carried out with a simplified approach, which estimates expected loss throughout the life of the receivable at the time of initial recognition and in subsequent assessments. For each customer segment, the estimate is mainly made by determining average expected non-payment, based on historical statistical indicators, possibly adjusted by using forward looking elements. For certain credit categories which feature special risk elements, specific assessments are instead carried out on individual creditor positions.

(C) AMORTISATION/DEPRECIATION

The cost of fixed assets is amortised/depreciated at constant rates throughout the estimated useful life. The useful economic life of the Group’s fixed assets is determined by management at the time the fixed asset is acquired. This is based on historical experience for similar fixed assets, market conditions and forecasts of future events which could have an impact on useful life, including changes in technology. Therefore, effective useful life may differ from estimated useful life. The Group periodically assesses technological and sector changes to update residual useful life. This periodic update may include changes in the amortisation/depreciation period and, hence, also in the amortisation/depreciation rates used in future years.

(D) DEFERRED TAX ASSETS

Recognition of deferred tax assets is done on the basis of expected income for future years. Measurement of expected income for the purpose of recognising deferred taxes depends on factors which may vary over time, determining significant effects on the measurement of this item.

(E) LEASING

Recognition and measurement of liabilities linked to lease contracts and the corresponding rights of use may be influenced by various estimates.

Specifically, the Group estimates the internal debt rate to discount expected rent. Additionally, management considers all facts and circumstances that create an economic incentive to exercise renewal options. In fact, renewal options are only included in the total duration of a lease when it is reasonably certain that the option will be exercised. The assessment made with regards to renewal options is revised only and if a significant event occurs which influences this assessment and is under the control of the lessee.

5. Gaming concessions and associated disputes

GAMING CONCESSIONS

Below is a summary of the main concession relationships held by the Group's companies and developments in the relative disputes:

Holder	Description	Country	Concession in effect or ended during 2021	
			Start	End
Sisal Lottery Italia S.p.A. (concession ended)	National numeric totalizator gaming (NTNG)	Italy	26 June 2009	30 November 2021
Sisal Lottery Italia S.p.A.	National numeric totalizator gaming (NTNG)	Italy	1 December 2021	30 November 2030
Sisal Entertainment S.p.A.	Operation of the network for digital management of legal gaming using entertainment and gaming equipment	Italy	20 March 2013	20 March 2022 **
Sisal Entertainment S.p.A.	"Bersani" sporting bet acceptance	Italy	28 March 2007	30 June 2022 **
Sisal Entertainment S.p.A.	"Bersani" horse-racing bet acceptance	Italy	28 March 2007	30 June 2022 **
Sisal Entertainment S.p.A.	"Giorgetti" horse-racing bet acceptance	Italy	3 July 2009	30 June 2022 **
Sisal Entertainment S.p.A.	"Monti" horse-racing and sporting bet acceptance	Italy	31 July 2013	30 June 2022 **
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	12 November 2013	31 December 2022
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	7 November 2019	31 December 2022
Sisal Loterie Maroc S.a.r.l	Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).	Morocco	1 January 2019	31 December 2028
Sisal Sans *	Concession to accept bets for numeric games, instant lotteries and online gaming	Turkey	29 August 2020	28 August 2030
Sisal Entertainment S.p.A.	Concession to accept bets for online gaming	Spain	4 July 2019	3 July 2029

* Sisal Sans Interaktif Hizmetler Teknoloji Yatirim Anonim Sirketi

** The concessions in question were extended until 30 June 2022 , applying the provisions of article 103, paragraph 2 of Italian Decree Law 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which "All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended."

Concession to manage numeric gaming for national totalizators, complementary and optional games and the relative remote forms of participation, as well as additional numeric games based on a single national totalizator.

In compliance with Italian Budget Law 2017, Law 232 of 11/12/2016, in article 1 paragraph 576, ADM[14] began the selection procedure to aware the concession to manage National Numeric Totalizator Gaming.

With a deed of 2 December 2019, ADM declared that Sisal Lottery Italia S.p.A. had been awarded the concession. Following the Covid-19 epidemiological emergency, article 101 of Decree Law 104 of 14 August 2020, converted with Law 126 of 13 October 2020, established that the date for stipulation and efficacy of the agreement for the concession to manage national numeric totalizator gaming was set, due to the extraordinary and unforeseeable nature of the events caused by the current COVID-19 epidemiological emergency, at 1 December 2021. As of 1 December 2021, the concession took effect.

Disputes:

Spending requirements for "communication and information" projects

With a note dated 18 December 2020 and subsequently with a payment request dated 5 February 2021, ADM, in relation to article 15, paragraph 2 of the Concession Convention, on the subject of spending requirements for "communication and information", ordered that Sisal Lottery Italia S.p.A. had to pay the tax authorities the amount of € 24,288,420.22 (from which would be deducted any sums incurred in June 2020), as the amount of spending the company was held to allocate during the period in question (1 July 2018 to 30 June 2020) for the aforementioned purposes of communication and information.

ADM also anticipated that, in line with other concessions, it would similarly assess the remaining period of extension, that is from 1 July 2020 through to 1 December 2021 (the date on which the new concession begins).

Holding that these requirements for the concession were no longer applicable in its current format but must be recalculated as a function of the new regulatory provisions, after the Dignity Decree took effect in 2018 and based on communications with ADM regarding the effects of this decree on specific concession requirements, Sisal Lottery Italia challenged the cited ADM notes with the Regional Administrative Court (TAR - Tribunale Amministrativo Regionale) of Lazio, asking for them to be suspended.

On 11 February 2021, a decree issued by the presiding judge of the TAR granted this suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021. To guarantee the entire sum requested by ADM, the Lazio TAR asked that Sisal Lottery provide the same agency with a first request bank surety. Sisal Lottery delivered this surety on 6 April 2021, the deadline indicated by the Lazio TAR.

On 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal's appeal. Holding that the TAR's arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

Baglivo writ of summons

With a writ of summons dated 10 July 2014, Giovanni Baglivo, the holder of a contract for physical bet acceptance for the NTNG and, at the time, the chairman of the bet acceptance union STS, disputed the amount due for fees established in the same contract given that they were inherent to the supply, by the Company, of services in part already due pursuant to the concession and in part lacking any utility for the owner of the sales point. Sisal Lottery holds these claims to be ungrounded and authorised its attorneys to prepare the relative defence.

With judgement 11767/2017, published on 22 November 2017, the Court of Milan held the request made by Giovanni Baglivo to be partially founded, partially nullifying the agreements contained in article 8 of the Contract between the Concessionaire and the Sales Point for, in particular, that regarding some of the services indicated in Annex 2 to the Contract.

In fact, in the opinion of the Court of Milan, the performances associated with the aforementioned services should be understood to be included in that which Sisal is already required to carry out based on the Convention signed with AAMS[15].

[14] Customs and Monopolies Agency

[15] Autonomous Administration of Monopolies of the State, now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM).

Holding that this judgement was flawed by both erroneous assessments of law and fact, an appeal was filed with the Milan Court of Appeals.

With a judgement issued on 3 December 2019, the Court of Appeals de facto confirmed the first level judgement, although it granted the aspect of the Sisal appeal regarding the date on which interest began to accrue (as of the date of the request until the balance and not as of the date of each individual payment). Sisal S.p.A. filed an appeal with the Supreme Court on 30 July 2020.

Concession to activate and operate the network for digital management of legal gaming using entertainment and gaming equipment, as well as associated activities and functions.

With a notice published in the Official Journal of the European Union on 8 August 2011, AAMS began the procedure to assign the "concession to create and operate the network for digital management of legal gaming using entertainment and gaming equipment envisaged under article 110, paragraph 6, TULPS, as well as associated activities and functions". Sisal Entertainment S.p.A. was awarded the tender, with the 9 year contract signed on 20 March 2013, and expiring on 30 March 2022, extended to 30 June 2022 in application of the provisions of article 103, paragraph 2 of Italian Decree Law 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which "All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended."

Disputes:

Extra limit setting for entertainment equipment (ADI)

With a provision issued on 5 August 2013, regarding compliance with article 1, paragraph 81, letter f) of Italian Law 220/2010, ADM (Customs and Monopolies Agency) requested payment from Sisal Entertainment S.p.A., in the form of an administrative fine, in the amount of € 300 for each individual piece of entertainment and gaming equipment exceeding the number established in the rules in effect from January to August 2011 regarding the extra limits set for the same.

Based on that claimed by ADM, the AAMS/SOGEI databases identified, with reference to January - August 2011, excess amounts not relative to an individual network concessionaire but determined by the presence, in the same location, of equipment relative to multiple concessionaires, among which Sisal Entertainment S.p.A. This latter challenged the provision with the TAR of Lazio, asking that it be annulled and noting the erroneous action of ADM in determining that these excess amounts could be charged to Sisal Entertainment S.p.A., and therefore requesting that these amounts claimed be deemed illegitimate, which would amount to € 4,293,258.16, according to ADM.

With a judgement issued on 10 January 2022, the TAR of Lazio accepted the appeal.

2015 and 2016 Stability Laws

The 2015 Stability Law established a € 500 million decrease in the fees due to entertainment equipment concessionaires for concession-related activities. This same law established that the reduction was to be divided up between the concessionaires as a function of the number of entertainment equipment dispensations held by each of these as of 31 December 2014. Calculation of the amount due from each concessionaire was done through a specific directorial decree issued by the Customs and Monopolies Agency on 15 January 2015. The concessionaires, after redrafting the contracts with operators along the supply chain responsible for bet acceptance, applied the aforementioned reduction pro rata to the fees of the latter.

Since that established in the 2015 Stability Law was deemed to be unjust and illegitimate constitutionally, Sisal Entertainment S.p.A., in line with other concessionaires, filed an appeal with the TAR of Lazio, which held that the claims of unconstitutionality made by the Company could be heard and transferred the case to the Constitutional Court.

The 2016 Stability Law also took action in this area, through a comprehensive revision of the aforementioned reduction of the fees, introducing a criteria for division among supply chain operators based on the participation of each operator in distribution of the payment, taking into account the contractual agreements and their duration relative to 2015.

In the light of the changes introduced by the 2016 Stability Law and after legal/regulatory investigation, Sisal Entertainment S.p.A. came to the conclusion that the aforementioned law, solving the problem of the lack of quantification for dividing the reduction in fees among various supply chain operators, ordered autonomy and independence not solely for the items to be compensated, but also for the relative payables applying to individual operators. With reference to that due from other supply chain operators on the basis of that established in the 2015 Stability Law, the Company was therefore not obliged, and was to pay ADM the amounts pertaining to it when and to the extent that these were collected by the same from the various operators.

With a judgement published on 13 June 2018, the Constitutional Court ordered the return of the deeds to the TAR of Lazio so that, after the 2016 Stability Law took effect, it could again evaluate the question of constitutional legitimacy raised with regards to that established in the 2015 Stability Law.

After this new assessment by the initial judges, a judgement was issued on 3 October 2019 which found that these doubts had been removed by the new law (2016 Stability Law), declaring the appeal could not be proceeded with due to a lack of interest and a lack of standing. While the writer of this decision seems to have adhered to the regulatory structure, clearly distinguishing between the amount due from the concessionaires and that due from the supply chain, also again noting the parameter under the law is solely “contractual fees in effect in 2015”, the decision can still be attacked in terms of the constitutionality of the measure after the application law takes effect. Therefore, the decision was made to appeal the judgement with the Council of State.

With an order issued 31 August 2020, the Council of State sent the deeds to the Court of Justice of the European Union, submitting two questions. In the first, the judges asked whether an action such as that established by the 2015 Stability Law, which reduces earnings and fees solely for a specific category of operator is compatible with the principle of the freedom of establishment and the freedom to provide services. In the second, they asked whether a norm introduced for solely economic reasons is compatible with European law. On 27 January 2022 the hearing to discuss the appeals was held and at present we are awaiting the filing of the judgement by the European Court of Justice.

In the light of the above, the amounts due from supply chain operators as an effect of the 2015 Stability Law and not paid to the concessionaire are not recognised in the financial statements (in terms of both receivables due from operators and corresponding payables due to the Administration).

Concession for horse-racing and sporting bet acceptance

The concessions to accept horse-racing and sporting bets held by the concessionaire Sisal Entertainment S.p.A. expired on 30 June 2016, after which the duration of the concessions was extended year after year through to 31 December 2020.

With a law dated 24 April 2020, the expiration of 31 December 2020 was extended for an additional six months against the payment of an annual amount of € 7,500 by right for sales points for which sales of public gaming products are their main business, including regularised acceptance points, and of € 4,500 by right for sales points for which the sales of public gaming products are an accessory activity.

Sisal Entertainment S.p.A. renewed 1,375 sales points for which the sales of public gaming products are their main business and 471 sales points for which sales of public gaming products are an accessory activity. The Covid-19 emergency regulations subsequently extended the duration of the concessions through 31 March 2022, later further extended to 30 June 2022 based on the provisions contained in article 103, paragraph 2 of Italian Decree Law. 18 of 17 March 2020, converted with amendments by Law 27 of 24 April 2020, based on which “All certificates, certifications, permits, concessions, authorisations and other enabling deeds however called expiring between 31 January 2020 and the date on which the Covid-19 epidemiological state of emergency is declared ended shall maintain valid for the ninety days after the date on which the state of emergency is declared ended.”

Disputes

Concession for national totalizator fixed odd horse-racing bets (Lodo di Majo)

After the merger by incorporation with Sisal Match Point S.p.A. in 2013, Sisal Entertainment S.p.A. became the holder of the concessions to accept horse-racing bets for the national fixed-odd totalizator, assigned after the tender issued through Ministry of Finance notice 109 of 11 May 1999.

The aforementioned concessions call for the payment of guaranteed minimum amounts to UNIRE[16], which constitutes the predetermined lump sum amount due by the winner of the tender to exercise the concession activities. The mechanism underlying these guaranteed minimums establishes that after the annual accounting for the year, carried out by the Ministry of Finance, if the concessionaire has not collected amounts sufficient to reach the minimum offered during the tender procedure, they must pay the Administration an amount corresponding to the relative difference. Sisal Entertainment S.p.A. (formerly Sisal Match Point S.p.A.). As did other concessionaires in this sector, declined to pay certain amounts associated with these minimums, holding them inadequate with respect to the market due to what occurred after the signing of the concessions in 2000, and also holding that the requirements for a request for compensation from the Ministry of Economy and Finance and UNIRE were met, as they did not guarantee the economic and market conditions promised in the tender held to award the concessions. Relative to this last aspect, in relation to certain historic concessions arbitration had begun with certain concessionaires which were acquired by Sisal Entertainment S.p.A., after the arbitration had been declared. The arbitration hearing on 26 May 2003 which issued a result in favour of the concessionaires was subsequently annulled through the judgement filed by the Rome Court of Appeals on 21 November 2013, which Sisal Entertainment S.p.A. appealed on 2 July 2014 with the Supreme Court. With an interlocutory judgement of 11 December 2019, the case was transferred to the Unified Court in that there was an

[16] Unione Nazionale Incremento Razze Equini - the holder of horse-race betting activities to be exercised directly or through assignment to third parties

issue of jurisdiction relative to the ordinary and administrative courts. With a judgement filed on 26 October 2020, the Unified Court annulled the Appeals Court judgement, confirming jurisdiction for the ordinary court and transferring the case to a different section of the Appeals Court for a decision, also with regards to Supreme Court costs. The case was therefore returned to the Appeals Court. The first hearing for discussion is set for 8 June 2022.

Guaranteed minimums, historic concessions

Again with reference to the cited concessions for acceptance of horse-racing bets, with a writ of summons dated 3 August 2017 Sisal Entertainment S.p.A. began a dispute with the Customs and Monopolies Agency intended to obtain compensation for damages consequent to the granting body's non-fulfilment of the obligations deriving from the contractual concession relations, in particular due to the non or late implementation of all types of bets, the non and/or late issuing of regulations for the acceptance of on-line bets by the concessionaire, as well as neglecting to protect the betting market from illegal and online phenomenon and, in any case, not establishing and maintaining the market conditions promised in the concession deed and under the responsibility of the granting body. On 2 July 2021, the presiding judge withheld the case for judgement at a later date, granting the legal terms for filing of the final briefs and responses. At present the judgement has not yet been issued.

With reference to the same concession, to the request for payment of the horse-racing minimums sent in 2018 and in the initial months of 2019 sent by ADM to the concessionaires holding the "historic" concessions, Sisal Entertainment S.p.A. sent a detailed response, highlighting the case in progress at the Civil Court of Rome and disputing the legitimacy of the payment request.

Concession fees

With a note dated 23 January 2018, Sisal Entertainment informed the Betting and Totalizator Sporting Games Office, Central Office for Management of Taxes and Game Monopoly, ADM, that in compliance with that established in the current concession agreements and the regulatory provisions in article 1, paragraph 1048 of Italian Law 205 of 27 December 2017, it had paid the concession fees, solely for the rights active as of 31 December 2017, based on which it continued bet acceptance activities for the year 2018. Sisal indicated that it had not paid the fees relative to concessions 4300 and 4802 as these had been partially used to offset the respective credit due to it pursuant to that established in the relative agreement. In fact, in contrast to that stated by ADM, that the fees paid by the concessionaires in relation to the agreements for bet acceptance do not necessarily have to be equal to or less than 1% of annual bets accepted by the concessionaire, Sisal Entertainment holds that the stated 1% found in the text of the agreements is the maximum amount attributable to the annual concession fees.

This interpretation dispute led Sisal Entertainment to file a case with the TAR of Lazio, through an appeal dated 18 May 2018, in order to see its claims accepted. Relative to this case, the date for the hearing on merits has not yet been set.

Remote gaming concessions (GAD)

GAD Concession 15155

The Company holds the concession for accepting "remote" bets for public gaming, issued to Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), pursuant to and in accordance with article 24, paragraph 13, letter a) of Law 88/2009, by the Monopolies Administration (now ADM), following the tender issued through Directorial Decree 2011/190/CGV.

As established by the TAR of Lazio in its judgement of 17 November 2021, the concession is in effect until 31 December 2022.

GAD Concession 15467

On 4 November 2020, with a deed notarised by the notary Stefano Campanella, Sisal Entertainment acquired from Gioco Servizi S.r.l., with registered office in Milan, Via Poliziano 18, tax ID and VAT no. 10266160968, registered with the Chamber of Commerce and Business Registry of Milan under no. R.E.A. 2518063, a business unit involving, among other things, the remote gaming convention (GAD) 15467, expiring on 31 December 2022.

National instantaneous lotteries (Gratta&Vinci - Scratch & Win) concession

Disputes:

In December 2017, the Customs and Monopolies Agency extended the instant lottery concession through 30 September 2028, exclusively in favour of the concessionaire at that time.

Sisal Lottery Italia S.p.A. holds that this extension was ordered in violation of both EU principles and national laws on the awarding of concessions. In fact, these principles hold that concessions must necessarily be awarded through the holding of public tenders. Additionally, the granting of the extension in the exclusive favour of the current concessionaire is an additional violation of the law which calls for the awarding of multiple concessions for this type of concession.

In the light of the above, Sisal Lottery Italia S.p.A. filed an appeal against this extension with the TAR of Lazio. After an investigation of the merits, the TAR rejected the appeal with a judgement published on 4 October 2018. Holding this judgement to be deficient and in some ways illogical, Sisal Lottery Italia S.p.A. appealed again to the Council of State.

After the IV Section of the Council of State examined the merits of the appeal, it was found that there are doubts that the continuation of the exclusive concession for management of bet acceptance for the national instant lottery as ordered by ADM may be in conflict with fundamental rights which are doubly protected (nationally and in the EU), such as legal certainty, freedom to provide to services, non-discrimination, transparency, impartiality and freedom of competition. The Council of State therefore transferred the case to the European Court of Justice which held, in a judgement issued on 2 September 2021, that the national regulations which required the renewal of the concession were not in conflict with European law, given that the regulations constitute the implementation of a clause contained in the original concession contract, which established the option of the renewal. On 18 November 2021 the hearing was set for the case to be newly taken up by the Council of State, at the end of which the body reserved its judgement; on 24 January 2022, in its judgement, the Council of State definitively rejected the appeal filed by Sisal Lottery Italia S.p.A.

Concession to accept bets for online gaming in Spain

In July 2019 Sisal Entertainment S.p.A. was awarded the tender issued by the Spanish General Directorate for Gambling Regulation (DGOJ). More specifically, the 10 year contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

Concession to accept bets for numeric games, instant lotteries and online gaming in Turkey

In September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract. Starting in August 2020 and lasting for ten years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL) in Morocco

In February 2018 Sisal Lottery Italia Spa and the subsidiary Sisal Loterie Maroc S.a.r.l. were awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 year concession, starting on 1 January 2019, includes management and development of a portfolio which includes fixed-odd numeric games, national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).

New concessions for gaming using entertainment equipment

Italian Law 160 of 27 December 2019, establishing the government budget for financial year 2020 and a multi-year budget for 2020-2022, stated that, by 31 December 2020 (a deadline then postponed by six months by Law 27 of 24 April 2020) ADM was to issue a call for tender to assign the following concessions:

a) 200,000 rights for AWPR equipment (remote AWP) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 1,800 per right, with a minimum of 10,000 rights;

b) 50,000 rights for VLT (Video Lottery Terminals) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 18,000 per right, with a minimum of 2,500 rights;

c) 35,000 rights to operate sales points in coffee and tobacco shops, in which AWPR can be placed; minimum bid of no less than € 11,000 per sales point, with a minimum of 100 rights;

d) 2,500 rights to operate locations in which AWPR and VLT can be placed; minimum bid of no less than € 35,000 per sales point, with a minimum of 100 rights.

The cited law also called for the issuing of a tender to award rights to accept remote bets. To that end, by 31 December 2020 (deadline extended by six months by Law 27 of 24 April 2020), ADM was to have issued a call for tender to assign 40 rights to offer remote gaming, with a minimum bid of no less than € 2,500,000 per right.

All of the above concessions shall have a duration of nine years, non-renewable.

However, this new public tender procedure has still not been issued due to the Covid-19 emergency and ADM has not issued any regulatory deed that specifies the terms and conditions for the new tender.

6. Other legal and tax disputes

Below is a summary of the main legal and tax disputes. Note that for disputes relative to concession contracts signed by the companies in the Sisal Group, information can be found in the section "Gaming concessions and regulatory framework".

INTRALOT

With reference to the procedure for outsourcing the service to create and operate a new automated management system for acceptance of bets for public gaming in Morocco, Sisal Lottery Italia S.p.A. was awarded the contract in 2018 through the relative tender procedure and, with the then newly established Sisal Loterie Maroc S.a.r.l, a 100% subsidiary, signed the relative convention in July 2019 (with a total duration of 10 years), investing its best efforts in creating the technological, commercial and organisational structure needed to begin operating the concession activities, which occurred punctually on 1 January 2019.

On 19 December 2018, close to the go-live date for the new concession, Intralot S.A., Integrated Lottery Systems and Services (a Greek company which is the parent of Intralot Maroc S.a.r.l.), the previous holder of the concession, presented Sisal Lottery Italia S.p.A. with a warning letter intended to impede the use of Microlot Terminals in Morocco.

The Greek company claims that these Terminals cannot be used in Morocco as this use would violate the territorial restrictions of the Software license it holds, installed on each piece of equipment.

Sisal Lottery Italia S.p.A. responded to the letter, claiming that Intralot's claims were entirely unfounded.

Between December 2018 and February 2019 additional correspondence was had by the two companies with the aim of beginning negotiations with the aim of amicably settling the issue, as called for in the same supply contract.

In substance, Intralot did not comply with the requirement to begin friendly negotiations and in April 2019 began an arbitration procedure, as called for under the same contract to resolve disputes arising between the parties in relation to its execution and interpretation.

In the arbitration request filed, Intralot requested that the Arbitration Chamber: (i) prohibit Sisal Lottery Italia S.p.A. from using Microlot terminals in Morocco; (ii) compensate them for damages which derived from the claimed violation of the usage license by Sisal Lottery Italia S.p.A., quantified in the amount of € 5 million.

Sisal Lottery Italia S.p.A. presented itself to the Arbitration Chamber specifically disputing Intralot's claims and demonstrating the legitimacy of its actions, introducing a counter-claim of compensation for damages in the amount of € 2 million.

Subsequently, filing its final declaration of its claims and maintaining its request for prohibition of use, Intralot further added to its compensation for damage claims, asking the Arbitration Chamber to order Sisal Lottery Italia S.p.A.:

a) **principally**, pay a total sum of € 25,330,598, plus 5% annual interest as of 1 January 2019 through to full payment. This request is based on the claim that Sisal S.p.A. could not have been awarded the tender in Morocco or in any case could not have made a bid with the proposed terms if it had not offered Microlot terminals. A consequence of the asserted structural illegitimacy of the bid made by Sisal S.p.A. would be that Intralot would have been awarded the tender and, consequently had the right to compensation for the losses suffered, quantified as above. This claim is contested due not only to the lack of merit, but also the illegitimacy of the request as it is entirely new and not a modification of the request initially filed for arbitration;

b) **secondarily**, if the above claims are not accepted, to compensate for damages due to the unauthorised use, without a mandate and, in any case, in bad faith, of the TAPIS software. Based on the complainant's reconstruction, this damage is to be quantified through Sisal paying Intralot the profits achieved during the period of unauthorised use of the software. The damage is quantified in the amount of € 1,031,068 for each year of asserted unauthorised use, plus 5% annual interest.

c) **thirdly**, to compensation for the damage deriving from the undue enrichment that Sisal benefited from. The damage is quantified in the same amount as point b), plus 5% annual interest.

d) **fourthly**, compensation for damages in the form of Sisal returning the full net profits generated through the contract with SGLN or as dividends perceived as the result of the activities of the Moroccan subsidiary, estimated by the complainant, for the entire duration of the contract, as € 10,310,682, through 31 December 2028 or until another date as determined by the Arbitration Chamber. In this case, the quantification per year would be € 1,145,631.33. A 5% annual interest adds to all the above.

To these demands for compensation are added the request for payment of arbitration costs by Sisal Lottery Italia S.p.A. in the case of an adverse judgement.

Following the preliminary stage and after setting the schedule for the proceedings, the arbitration procedure was formally begun.

The arbitration decision, filed in the initial days of November 2021, rejected all of Intralot's requests for compensation, while also requiring Sisal to withdraw from the terminal sales point network involved in the dispute, by 31 December 2021.

JAMAGI SESO SERVICE SARL

Jamagi Seso Service Sarl, a Moroccan company, sent a writ of summons to the Company in May 2020, requesting a sum as compensation for damages due to the asserted pre-contractual liability of Sisal S.p.A., as the latter had not executed a letter of intent signed between the two parties in 2018, conditional upon the awarding of the tender to the Company and upon the signing of the contract with SGLN (National Lottery Management Company of Morocco), in which they agreed upon future cooperation, postponing until later a subsequent agreement to define the subject of that cooperation/fees/duration.

Jamagi claims that the Company had been dilatory with the aim of not finalising the contract called for in the letter of intent and then abandoning the negotiations in progress.

This non-signing of the contract is claimed to have caused damage to Jamagi, quantified by the company in the amount of over € 1,558,869.

In its response, the Company disputed that claimed by the counterparty, presenting a reconstruction of the negotiations which, in contrast to that claimed by the latter, had taken place between the parties. The court proceedings having been concluded, the filing of the judgement is awaited.

SISAL ENTERTAINMENT S.P.A. / PLAY LINE S.R.L.

At the beginning of 2020, Sisal Entertainment S.p.A. sued Play Line s.r.l. (a former gaming room manager) to demand and obtain payment of the amount due from the latter, of € 126,000, due to the termination of the contract for breach by Play Line.

The case followed assisted negotiation in which the parties were unable to reach an agreement.

The counterparty presented a counter-claim against Sisal Entertainment, requesting the sum of € 801,755 as compensation for damages due to a delay by the latter in the digital transfer of the location.

At present all requests made by the counterparty have been denied (oral examination, technical expert and discovery disclosure order) and the hearing to specify conclusions has been set for 24 June 2021.

With a judgement of 11 January 2022, the Judge rejected the adversary's demand and granted Sisal Entertainment's requests, ordering the counterparty to pay the following, in addition to legal costs:

- € 61,852.44 for sums unduly withheld and not paid;
- € 3,500.00 as a penalty for the VLT connection, € 1,000.00 as a penalty for the administrative and installation expenses relative to the AWP contract and € 12,000.00 as a penalty for the VLT equipment, for a total penalty of € 16,500.00.

On 18 February 2022 a settlement agreement was signed in which La Play Line s.r.l. offered Sisal Entertainment S.p.A., which accepted, the all-inclusive sum of € 60,000.00 (sixty thousand and zero cents), resolving any claim put forward in the case and any other claim deriving, correlated with and/or in any way connected to arguments in the case involving the above-referenced judgement.

TAX DISPUTES

As of the end of the financial year, certain disputes were pending with regards to certain companies of the Group.

More specifically during 2009, Sisal Lottery Italia was the subject of a tax audit by the Revenue Agency, Lombardy Regional Office, intended to audit certain transactions carried out in that period, specifically with reference to the extraordinary transaction which involved the Company, in terms of direct taxes, VAT and IRAP (regional production tax). This audit ended with the issuing of a findings report (PVC) on 22 October 2009 which was presented as a notice of findings issued by the local Milan 2 Revenue Agency Office on 17 December 2009. This report identified an undue deduction of VAT in the amount of € 530,000 in financial year 2005, in addition to interest, applying a fine of the same amount. The company promptly appealed this notice of findings in 2010 with the Milan Provincial Tax Commission and the first hearing, also in relation to that indicated below, was set for the end of October 2012. Following the hearing, the assigned Tax Commission accepted the Company's appeal on the merits. This decision was then appealed by the counterparty with the relevant Regional Tax Commission (hearing in January 2014) which overturned the decision made by the first level judge, holding that the deduction in question referred to costs not classifiable as activities intended to produce income for the Company. In December 2014 it decided to appeal to the Supreme Court, represented by the attorney Maisto, with the aim of demonstrating the ungrounded nature of this assumption. In the meantime, following the decision issued by the Regional Tax Commission, the company received a payment order for provisional collection of the higher tax plus 100% fines, as well as interest and collection fees, for a total of around € 1.3 million which was properly paid in January 2015.

In a judgement issued on 17 September 2020, the Supreme Court accepted the Company's appeal and ordered that the proceedings be newly taken up with the Regional Tax Commission. At the hearing held on 23 February 2022, the Provincial Tax Commission of Milan ruled in favour of the company with a sentence filed on 18 March 2022, which confirmed the conclusions of the previous favourable judgement issued by the Provincial Tax Commission of Milan.

On the other hand, relative to the dispute arising after a 2015 audit carried out by the Revenue Agency, Lombardy Regional Office, Large Taxpayer Office regarding VAT non-deductibility, which gave rise to notices of findings for 2010-2013 for a total of around € 8.5 million including taxes and fines, after unsuccessfully having attempted a tax settlement proposal, Sisal S.p.A. filed its appeals. The first level hearing was held on 9 September 2019 and the Milan Provincial Tax Commission issued a judgement in favour of the company, accepting its claims and ordering the Revenue Agency to pay legal expenses. Consequently, the Revenue Agency promptly filed an appeal with the Regional Tax Commission. At present the date for the hearing has not been set. Additionally, at the end of 2019 and during 2021, the company received notices of findings for the same question, relative to the years 2014 and 2015, for a total of around € 5.4 million in taxes and fines, of which 2.9 relative to 2014 and 2.4 relative to 2015. The company filed an appeal against these notices of findings with the Provincial Tax Commission. The first level discussion will occur during 2022.

7. Significant events during the period

REGULATORY CHANGES

Covid-19

As in 2020, 2021 was marked by the Covid-19 pandemic, which heavily influenced trends in the gaming market and the Company's business results, as the lockdown period imposed by authorities as of 6 November 2020 continued through part of 2021.

Following the second wave of contagion, as of 26 October 2020 the government imposed a new period which suspended business for gaming and betting rooms and bingo parlours throughout Italy, while also introducing certain restrictions relative to the generalist channel. This restriction did not apply when Regions were classified as "white" (as of the end of May 2021) and, as of 1 July 2021, also did not apply to Regions classified as "yellow", pursuant to Decree Law 52 of 22 April 2021, converted by Law 87 of 17 June 2021.

Only as the contagion curve fell did the Italian governmental authorities gradually loosen these measures, allowing people to move freely and businesses to reopen.

In particular, the last quarter of 2021 saw a +48.4% increase with respect to the same period in 2020, assisted by the combined effects of the accelerated growth seen in the Online channel and the rapid recovery of the Retail channel, which both saw positive performance, although they did not reach pre-pandemic levels due to lower consumer traffic in the generalist channel.

In contrast with the initial lockdown in 2020, during the second closure window ordered by the authorities Lottery product sales within the generalist channel (tobacco and newspaper stands) were not suspended.

Note that in addition to the precautionary measures cited, which continue to change, as of 6 August 2021 access to gaming and betting rooms and bingo parlours is allowed solely to people holding a "Green Pass", the certificate issued by the relevant office of the Ministry of Health indicating vaccination, a negative Covid-19 test (rapid or molecular) within the previous 48 hours, or recovery from an infection.

The business of foreign subsidiaries was also negatively affected by the Covid-19 pandemic:

- in Morocco the local authorities did not order any periods of total closure during 2021, however, during two different periods sales points were ordered to close early, from January to the end of March and from August to the end of September.
- in Turkey, from January to the end of June local authorities imposed various restrictive measures relative to the opening of agencies, including weekend closures and early closure on weekdays. Note that between the last week of April and 19 May 2021, full closure was imposed. Only as of 1 July 2021 were all restrictions lifted, allowing the sales points to function fully.
  Relative to business trends in Turkey, note that the pandemic affected the performance of the subsidiary and the emergency situation, which constitutes a case of force majeure, also based on external legal opinions, did not make it possible to achieve the minimum turnover and pay-out mechanisms established in the contract signed with the Turkey Wealth Fund.
- in Spain no special restrictions were imposed on the business, given that it is entirely online. Hence any negative effects were linked to the elimination or postponing of sporting events.

The Sisal Group implemented all the measures intended to protect the health of its employees and, simultaneously, "minimise" the impacts on its business and on its ability to generate the cash flow necessary to manage and develop business.

In particular, use of remote working was strengthened, while stringent measures were implemented to guarantee workplace health and safety (cleaning, specific safety protocols to limit contagion, etc.).

Following the introduction of the "Green Pass", Sisal also installed a system of control operations at all offices, including its direct Retail network, with specially appointed personnel, in compliance with privacy regulations.

At the macroeconomic level, based on the most recent forecasts available[17], the recovery strengthened in the United States and other advanced countries, even if the new outbreak of the pandemic continues to affect growth, especially in the Eurozone, where a slowdown has been seen mainly due to the effects of new contagion and the relative collateral effects, in particular on the supply chain.

Inflation reached its highest levels since the start of the monetary union, due to exceptional increases in the energy component, in particular gas which in Europe is also suffering from geopolitical factors.

(17) Source: Bank of Italy Bulletin, no. 1 2022

Growth in Italy, which remained high in the third quarter of 2021, has begun to slow down due to greater consumer caution, again linked to the increase in contagion. Nonetheless, assuming the pandemic weakens in the spring, as demonstrated by the trend in the contagion curve and improvement in the overall healthcare situation, Italian GDP may return to pre-pandemic levels by the beginning of the second half of 2022.

Realignment of statutory and fiscal values of goodwill and intangible assets

Article 110 of Italian Decree Law 104 of 14 August 2020 ("**August Decree**"), introduced the possibility for companies that prepare their annual financial statements using the IAS/IFRS to realign differences between fiscal and statutory values assigned to tangible and intangible goods as determined at 31 December 2019 and also appearing in the financial statements at 31 December 2020. Subsequently, Law 178/2020 ("**2021 Budget Law**") added to article 110 of Decree Law 104/2020, extending this realignment to intangible assets without legal autonomy, including goodwill and other multi-year expenses.

This provision allows elimination of the stated difference through payment of a substitute tax, calculated at 3% of the amount of the object being realigned, to be amortised for solely tax purposes over 50 years (period added with the 2022 Budget Law).

The alternative options allowed under the law in question were:

- extend the amortisation period for realigned assets from 18 years up to 50 years;
- maintain the 18 year amortisation period with payment of a substitute tax, net of the 3% already paid, if applicable, in the amount of:
  - 12% up to € 5 million of greater value;
  - 14% between € 5 and 10 million;
  - 16% above € 10 million.

The Group restated the effects of the realignment in both scenarios, confirming the economic expedience of the first alternative, which in fact does not change the effects of the realignment, although it has a longer time horizon for the fiscal benefit.

However, a company which adjusts the tax values must establish a restricted equity reserve in an amount equal to the realigned difference, net of the substitute tax, to which a tax suspension regime is applied.

The companies which made use of this option are: Sisal Lottery Italia and Sisal Entertainment.

More specifically, Sisal Lottery Italia realigned a trademark and goodwill, which arose due to the extraordinary transactions which occurred in 2005, for the respective amounts of: € 7.9 million and € 64.4 million. Consequently a non-distributable restriction was placed on equity reserves existing at 31 December 2020 ("**Tax suspension reserves**"), equal to the realigned amount net of the substitute tax of € 2.2 million, hence for € 70.1 million. From a fiscal point of view, Sisal Lottery Italia can begin to deduct amortisation relative to the above assets for a period of 50 years starting in financial year 2021, for a total tax savings (IRES and IRAP) of € 20.4 million.

On the other hand, Sisal Entertainment recognised among its intangible assets goodwill deriving from extraordinary transactions which occurred over the years, also through the incorporated company Sisal Match Point S.p.A. The value of the assets realigned was around € 232 million to which is added an additional around € 7 million in residual fiscal value at 31 December 2020, bringing the total amortisable value to around € 239 million. Consequently a non-distributable restriction was placed on equity reserves existing at 31 December 2020 ("**Tax suspension reserves**"), equal to the realigned amount net of the substitute tax of about € 7 million, hence for about € 225 million. From a fiscal point of view, Sisal Entertainment can begun to deduct amortisation relative to the goodwill for a period of 50 years starting in financial year 2021, for a total tax savings (IRES and IRAP) of around € 67 million.

In conclusion, through the realignment of accounting and tax values, as indicated above, Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A. can deduct a total of over € 300 million in greater amortisation between 2021 and 2070, with a corresponding tax savings (IRES and IRAP) of around € 88 million, against the payment of substitute tax of € 9 million.

Patent box

With Law 190/2014, lawmakers introduced, for holders of business income, a subsidised optional tax regime ("***Patent box***") for income deriving from the utilisation or concession to use certain types of intangible assets (article 1, paragraphs 37 - 45 of Law 190/2014 and Ministerial Decree 28.11.2017).

The subsidy consists in the exclusion from total income of 50% (when fully operational) of income deriving from the concession to use or direct use of the relevant intangible assets. Therefore, to make use of this subsidy it is necessary to insert a decrease in the INCOME form and IRAP declaration.

The percentage excluded from the relevant portion of income was equal to 30% for 2015, 40% for 2016 and 50% from 2017 to 2019.

Sisal S.p.A., Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A. in 2015, presented a request for a ruling from the Tax Authorities, pursuant to article 31-ter of Presidential Decree 600/73, to determine the economic contribution to the production of business income (or loss) in the case of the direct use of intangible assets, which in the case in question involved trademarks registered by the companies, for tax periods from 2015 to 2019.

In July 2017, official discussions began with the functionaries of the Lombardy Regional Office, for Sisal S.p.A. and Sisal Lottery S.p.A., and with functionaries of the Central Office for Sisal Entertainment S.p.A., in the context of which various information was requested, all of which the companies supplied.

However, on 30 July 2019 the Provision was issued to implement the regulations pursuant to article 4 of Decree Law 34 of 30 April 2019, converted with amendments by Law 58 of 28 June 2019. Among other things, this provision allowed tax-paying companies the possibility, for those "*(…) which have in course a Patent Box procedure on the day the Growth decree takes effect (…)*" to exercise the option to directly determine the Patent Box in accordance with the formalities established in the same Provision. The companies hence decided to refrain from continuing the prior agreement procedure in progress, so as to make use of the self-payment option for the Patent Box, directly calculating the benefit in their income statements.

Due to this, in 2021 the companies formally withdrew from the prior agreement procedures and independently made calculations to determine the subsidisable income.

In the light of the above, based on the calculations made by the relevant companies, the subsidisable income amounted to around € 165 million, leading to a benefit of around € 73 million, corresponding to around € 21 million less in taxes at the Group level. The table below shows the tax benefits obtained by the three companies for tax periods 2015 to 2019:

Amounts in thousands of euros

Sisal Entertainment	subsidisable income	97,498.97
	PB benefit	43,150.13
	tax effect (28.2%)	**12,168.34**
Sisal Lottery Italia	subsidisable income	43,888.06
	PB benefit	19,525.71
	tax effect (28.2%)	**5,506.25**
Sisal	subsidisable income	23,808.29
	PB benefit	10,371.68
	tax effect (28.2%)	**2,924.81**
Total	subsidisable income	165,195.32
	PB benefit	73,047.52
	tax effect (28.2%)	**20,599.40**
	- of which IRES (24%)	*17,531.41*
	- of which IRAP (4.2%)	*3,068.00*

EXTRAORDINARY TRANSACTIONS

Mooney Group Demerger

Preliminarily, note that during 2019 the Group carried out an extraordinary transaction to separate payment, collection and telephone and television top-up services (Payment and Telco Business Units), after which the business units in question were transferred to the company Mooney Group S.p.A., at the time 70% held by Sisal and 30% by Banca 5 S.p.A.

In July 2021, a corporate reorganisation operation began to restructure and rationalise the Group's business, making payment service sector activities independent of gaming sector activities. This corporate reorganisation was implemented through a process which included the partial proportional demerger of the parent company Sisal S.p.A. in favour of the newly established SG2 S.p.A., created as a result of the demerger and fully held by the sole shareholder Schumann Investments S.A., to which was transferred the 70% equity investment held in Mooney Group S.p.A. (formerly SisalPay S.p.A.) (the "(**Mooney Group Demerger**"). Following the separating of the Sisal gaming sector from the payment business managed by Mooney Group S.p.A., all the ancillary agreements connected to the investment agreement with

Banca 5 and the relative obligations and commitments are no longer linked to Sisal. The Mooney Group Demerger and relative demerger plan were approved by the Extraordinary Shareholders' Meeting of the Company on 28 July 2021. The Mooney Group Demerger deed was signed on 5 November 2021 and the Mooney Group Demerger took effect legally on 11 November 2021 ("**Demerger Effective Date**"). In consideration of the proportional nature of the operation and the fact that, after the Mooney Group Demerger, Schumann Investments S.A. holds all of the share capital of the Issuer and SG2 S.p.A., it was not necessary to determine any exchange ratios.

Below is a summary of the equity values of Discontinued Operations as of the demerger effective date:

(in thousands of Euros)	At 31 October 2021
Non-current assets	
Property, plant and equipment	61,957
Goodwill	534,102
Intangible assets	123,618
Other non-current assets	649
Total non-current assets	**720,326**
Current assets	
Inventories	4,014
Trade receivables	116,852
Tax receivables	340
Other current assets	15,213
Restricted cash and cash equivalents	81,417
Cash and cash equivalents	47,862
Total current assets	**265,698**
Total assets	**986,024**
Equity	
Share capital	10,050
Reserves	(280,793)
Total equity	**(270,743)**
Non-current liabilities	
Non-current financial liabilities	866,357
Provisions for employee benefits	6,203
Provisions for risks and charges	436
Deferred tax liabilities	6,647
Other non-current liabilities	901
Total non-current liabilities	**880,544**
Current liabilities	
Trade payables	195,321
Current financial liabilities	78,367
Tax payables	1,332
Other current liabilities	101,203
Total current liabilities	**376,223**
Total equity and liabilities	**986,024**

After finalisation of the transaction above, consolidated shareholders' equity fell by € 270,743 thousand, equal to the net value of the assets involved in the demerger in the context of the Discontinued Operations.

Sisal Lottery Italia Demerger

In July 2021, the Group began a corporate reorganisation process intended to rationalise and reorganise the chain of control, to also be achieved through the demerger of some of the assets of the subsidiary Sisal Lottery Italia S.p.A. (formerly Sisal S.p.A.). This reorganisation was implemented through a demerger process that included the partial demerger of Sisal Lottery Italia S.p.A. to the parent company Sisal S.p.A. (formerly Sisal Group S.p.A.) (the "**Sisal Lottery Italia Demerger**"). The Sisal Lottery Italia Demerger and relative demerger plan were approved by the Shareholders' Meeting of Sisal Lottery Italia S.p.A. on 28 July 2021. The deed for the Sisal Lottery Italia Demerger was signed on 5 November 2021, after authorisation was received from the relevant Italian authorities, that is authorisation from the Customs and Monopolies Agency, which was obtained on 14 October 2021 and took effect on 12 November 2021. In consideration of the fact that both before and after the Sisal Lottery Italia Demerger the parent company was the sole shareholder of Sisal Lottery Italia S.p.A., this demerger occurred without the assignment of shares and did not lead to the determination of any exchange ratios. The Sisal Lottery Italia Demerger, as a reorganisation operation within the context of the Group, had no effects on the consolidated financial statements of the same.

Listing Project

During 2021, the parent company and sole shareholder initiated a project to evaluate the consolidation and enhancement of the Company through listing on Euronext Milan, organised and managed by Borsa Italiana S.p.A., the ordinary shares of the same (the "**Listing Project**").

Approved with a Board resolution on 24 September 2021 and formally begun with the presentation of an authorisation request to Consob and Borsa Italiana on 12 October 2021, the Listing Project would have allowed the Company to acquire status that the market generally recognises as suitable to guaranteeing the transparency of its management mechanisms and that would allow it to enhance opportunities to develop the Company and the Gaming Business Unit it continues to head, as well as implement its business growth strategy.

Additionally, listing would have guaranteed increased visibility for the Company and the Gaming Business Unit both nationally and internationally.

However, following the agreement made on 23 December 2021 between the CVC Capital Partners Fund and Flutter Entertainment plc involving the transfer to the latter of the entirety of the Company's share capital, indirectly held by the former, the listing process was formally interrupted, with the relative letter signed by the Company sent to Consob and Borsa Italiana on 23 December 2021.

Flutter Acquisition

On 23 December 2021, Flutter Entertainment, the largest online betting group in the world, announced it had acquired 100% of Sisal from the CVC Capital Partners Fund, for a total price of 1.62 billion British pounds (around € 1.913 billion).

Consequently, the authorisation processes to obtain the necessary regulatory authorisation from the ADM in Italy and the corresponding authorities in Turkey (TWF) and Morocco (SGLN) were begun, as well as with regards to antitrust regulations. Subordinate to receiving these authorisations, the operation is expected to be completed in the second quarter of 2022.

The Group expects benefits in terms of operational efficiency from this acquisition, principally through the centralisation of negotiations with certain international suppliers, as well as further strengthening its leadership in the markets in which it operates.

Note that the approvals indicated above are a condition precedent for the transaction and that they had not yet been met as of the date these financial statements were approved.

Acquisition of minority interest in Network Italia S.r.l.

On 29 December 2021, the subsidiary Sisal Entertainment S.p.A., sent the appropriate communication indicating it was exercising the option to acquire the stake held by Games Lodi S.p.A., equal to 40% of the share capital of Network Italia S.r.l., pursuant to article 14 of the By-Laws of Network and the relative shareholders' agreement signed on 9 October 2018 between Sisal Entertainment and Games Lodi.

Following negotiations between the parties, an agreement was reached on the purchase price to be paid by Sisal Entertainment for the stake held by Games Lodi, which was set at € 1,510,000. On 21 February 2022, Sisal Entertainment and Games Lodi signed the deed to sell Games Lodi stake, against payment of the relative amount. This deed was then registered with the relevant Companies Register on 24 February 2022.

INTERNATIONALISATION

Tender for the Fourth National Lottery Licence

The Company participated in the tender for the concession for the National Lottery issued by the Gambling Commission, to assign the "Fourth National Lottery Licence", to manage gaming products in the national lottery category within the United Kingdom, including the Isle of Man.

Hence, on 15 October 2021 the offer for Phase 2 of the tender was submitted, the final phase.

On 15 March 2022, the Gambling Commission announced that the provisional concession had been awarded to *Allwyn Entertainment Ltd*.

Following the appeal lodged by Camelot on 31 March 2022, the Gambling Commission acknowledged the suspensive effect of the appeal, which may or may not be maintained depending on the evolution of the litigation.

INCENTIVE PLANS

Long-term incentive plan (LTI) 2021-2026

On 28 July 2021, the Sisal Lottery Italia Board of Directors approved its monetary incentive plan known as "*Long-term incentive plan 2021-2026*" (hereafter, also "**LTI Plan**"), reserved for certain beneficiary employees, specifically individuals that play a key role in achieving Sisal's strategic objectives. The plan lasts for several years and is broken down into three vesting periods, each lasting three years. For each beneficiary, the LTI Plan calls for the payment of a bonus, serving as a monetary incentive, for each vesting period, under the terms and conditions established in the relative regulation. More specifically, payment of the bonus is conditional upon achieving certain performance objectives, as well as meeting all the other conditions established in the regulation.

The achievement of performance objectives will be verified by the Board of Directors after the end of each vesting period, in accordance with the regulation.

At the accrual date, the Board of Directors will determine the effective amount of the monetary incentive to be paid to each beneficiary for each vesting period, without prejudice to the fact that the effective monetary bonus paid to each beneficiary cannot exceed 150% of the objective bonus.

Activation of the LTI Plan is subordinate to meeting a "gateway objective", shared by all beneficiaries. If the gateway objective consists of multiple conditions and the "gateway" performance level is not reached for all the conditions, the plan is not activated. On the other hand, if the "gateway" performance level is achieved for all conditions, the effective accrual and payment of the bonus is calculated based on the performance level achieved for each objective during the individual vesting periods.

Retention plan 2021-2026

On 28 July 2021, the Sisal Lottery Italia Board of Directors approved the monetary incentive plan known as "*Retention Plan 2021-2026*", reserved for its beneficiaries, individuals who play a key role in the Sisal Control Departments. The Plan lasts for several years and is broken down into three vesting periods, each lasting three years. For each beneficiary, the Plan calls for the payment of a bonus, serving as a monetary incentive, for each vesting period, under the terms and conditions established in the relative regulation. In particular, payment of the bonus is conditional upon achieving certain qualitative objectives, as well as meeting all the other conditions established in the regulation.

Achievement of the qualitative performance objectives will be verified by the Board of Directors, after hearing the opinion of the Control, Risk and Sustainability Committee, upon the conclusion of each vesting period.

At the accrual date, the Board of Directors will determine the effective amount of the monetary incentive to be paid to each beneficiary for each vesting period, without prejudice to the fact that the effective monetary bonus paid to each beneficiary cannot exceed 100% of the objective bonus. Non-achievement of the qualitative performance objective will disallow payment of the monetary incentive, for each vesting period, with an on/off clause associated with achievement of the performance objective.

DISPUTES

NTNG Concession-Spending requirements for "communication and information" projects

With reference to this dispute, for which more information can be found in the section "Concessions and disputes", recall that on 11 February 2021, the presiding judge of the TAR of Lazio granted a suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021.

Guaranteeing the entire sum requested by ADM, € 24.3 million, the TAR of Lazio asked Sisal Lottery Italia to issue a first request bank surety in favour of ADM. Sisal Lottery Italia provided this surety on 6 April 2021, by the deadline indicated by the Lazio TAR.

To that end, note that parent company provided support to Sisal Lottery Italia to deal with the above financial requirement, making it necessary to present cash collateral to obtain the bank surety requested by ADM.

On 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal's appeal. Holding that the TAR's arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

FINANCING

Establishment of revolving credit line

On 21 April 2021, Sisal Lottery Italia S.p.A. and UniCredit S.p.A. signed a short-term revolving loan contract (hereafter, the "**2021 Revolving Loan Contract**") for a maximum of € 40 million, for which the main conditions are:

- 12-month duration as of the signing date;
- upfront fee of 0.25%;
- commitment fee of 0.35% and cost of use equal to the Euribor plus a spread of 3.5%.

At 31 December 2021, the credit line had not been utilised.

Early repayment of Shareholder Loan Agreement

With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and minority shareholder Sans Digital amended the existing Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 31 March 2024, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan was repaid in full in advance in 2021, using the available financial resources.

OTHER EVENTS

Record honours at the 2021 EGR Awards

The Group announced that it had received five awards during the EGR Awards, beating the record for honours at a single edition. More specifically, Sisal online gaming offerings won the awards for operator of the year, internal product innovation, socially responsible operator, best lottery operator and customer service operator.

During the competition that awards excellence in the sector at the national level, Sisal distinguished itself due to the significant attention it pays to responsibility, its constant investments in innovation and its continued attention to caring for its customers. All of these characteristics serve as the foundation for the successful model that led Sisal to its position today as the largest operator in the online gaming sector.

Innovation Lab

In June 2021, the Group announced the opening of its first Innovation Lab, the new technology centre of excellence promoted internally by the Company, to offer a selected group of young digital experts an opportunity for interaction and growth.

The Innovation Lab, which will be located within the Agnelli Foundation in Turin, is part of the economic and employment plan that the Company is implementing with constancy and determination with regards to innovation, which currently includes over 500 people - a fourth of the workforce - dedicated to the implementation of new technology and writing of code.

8. Information on IFRS 5

DEMERGER

As described in detail in Note 1 - “General Information” and in Note 7 – “Significant events during the period”, to which the reader is referred, in July 2021 the Group began a corporate reorganisation to revise and rationalise the Group’s business, making the Gaming Business Unit and Payment and Telco Business Units autonomous and independent. This corporate reorganisation was implemented through a process which included the Mooney Group Demerger, that is the partial proportional demerger of the parent company Sisal S.p.A. in favour of the newly established SG2 S.p.A., created as a result of the demerger and fully held by the sole shareholder Schumann Investments S.A., to which was transferred the 70% equity investment held in Mooney Group S.p.A. (formerly SisalPay S.p.A.).

The Group hence lost control over the Payment and Telco Business Units as of the date the demerger took effect, 11 November 2021.

The Payment and Telco Business Units represent autonomous business units and, therefore, taking into account the demerger, the Group’s loss of control over these represents a Discontinued Operation, governed by IFRS 5, the application of which led to the following effects on the financial statements:

- Income Statement: recognition of a single amount, both in relation to 2021 and 2020, representing total profits or losses of discontinued operations, net of fiscal effects, and classified under the item “result of Discontinued Operations”. The result of discontinued operations consisted in a loss of € 29.6 million for 2021 and of € 27.1 million in 2020.
- Balance sheet: the assets and liabilities associated with the Payment and Telco Business Units at 31 December 2020 were not restated;
- in the Statement of Cash Flow for 2021 and, for comparison purposes, that for 2020, cash flows generated by the assets that constitute the Discontinued Operations were reclassified to specific dedicated items.

Presentation of existing relationships between Continuing Operations and Discontinued Operations

Recall that neither IFRS 5 nor IAS 1 provide indications on how to present transactions between Continuing and Discontinued Operations. The method chosen led to the presentation of these transactions as if the Discontinued Operations had already left the Group’s scope of consolidation. Therefore, in the Consolidated Financial Statements, economic items relative to Discontinued Operations also include the effect of the consolidated elision of relations between the two Operations.

The economic values of these relations are shown in the tables below. The criteria adopted made it possible to represent the result and margins of Continuing Operations in a method comparable to the results and margins the Group will have after the disposal of the Discontinued Operations.

Below are the main economic and financial data for the Discontinued Operations for the period which ended at 11 November 2021, the Demerger Effective Date, and for the comparison year ending on 31 December 2020. These figures, shown net of intercompany items, were approved by the Mooney Group S.p.A. Board of Directors on 15 March 2022.

(in thousands of Euros)	Year ending on 31 December 2021	2020
Revenues	284,470	308,737
Other income	2,273	191
Total Revenues and Proceeds	**286,743**	**308,928**
Purchases of raw materials, consumables and goods	2,541	3,192
Costs for services	196,623	219,101
Personnel costs	21,757	21,902
Other operating expenses	5,532	3,000
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	54,124	44,978
Operating profit (loss) (EBIT)	**6,166**	**16,755**
Financial income	50	34
Financial expenses	46,307	52,725
Profit (loss) before income taxes	**(40,091)**	**(35,936)**
Income taxes	(10,515)	(8,854)
Profit (loss) for the year - discontinued operations	**(29,576)**	**(27,082)**
attributable to non-controlling interests	(9,325)	(9,316)
Profit (loss) for the year attributable to the Group - Discontinued Operations	**(20,341)**	**(17,766)**

9. Restatement of the comparative data

As already described in Note 8 - "Information on IFRS 5", after the Mooney Group Demerger involving the Payment and Telco Business Units, comparison figures relative to the Consolidated Income Statement Schedule and the Consolidated Statement of Cash Flow for cash and cash equivalents were restated to identify the contribution made by the discontinued operation, as required under IFRS 5.

Below is the reconciliation of the amounts published in the 2020 Consolidated Financial Statements and those now included in the schedules for comparison purposes.

CONSOLIDATED INCOME STATEMENT

	Restatement of comparison economic figures		
(in thousands of Euros)	**Year ending on 31 December 2020**	**Mooney Group Demerger**	**Year ending on 31 December 2020 - restated**
Revenues	696,489	(308,394)	388,095
Fixed-odds betting income	128,428	-	128,428
Other income	2,988	(192)	2,796
Total Revenues and Proceeds	**827,905**	**(308,586)**	**519,319**
Purchases of raw materials, consumables and goods	16,136	(3,192)	12,944
Costs for services	456,722	(218,761)	237,961
Personnel costs	99,119	(21,902)	77,217
Other operating expenses	57,227	(14,510)	42,717
Net impairment of financial assets	12,263	-	12,263
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	155,901	(33,467)	122,434
Operating profit (loss) (EBIT)	**30,537**	**(16,754)**	**13,783**
Financial income	579	9,138	9,717
Financial expenses	72,535	(43,553)	28,982
Share of profit/(loss) of equity-accounted companies	-	-	-
Profit (loss) before income taxes	**(41,419)**	**35,937**	**(5,482)**
Income taxes	(1,155)	8,855	7,700
Profit (loss) for the year - continuing operations	**(40,264)**	**27,082**	**(13,182)**
Profit (loss) for the year - discontinued operations	**-**	**(27,082)**	**(27,082)**
Profit (loss) for the year	**(40,264)**	**-**	**(40,264)**
attributable to non-controlling interests	(9,987)	-	(9,987)
Profit (loss) for the year attributable to the Group	**(30,277)**	**-**	**(30,277)**
Of which:			
- Continuing Operations	(30,277)	17,766	(12,511)
- Discontinued Operations	-	(17,766)	(17,766)

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euros)	Restatement of comparison financial figures Year ending on 31 December 2020	Mooney Group Demerger	Year ending on 31 December 2020 - Restated
Profit (loss) before income taxes	**(41,419)**	**-**	**(41,419)**
Depreciation and amortisation of property, plant and equipment and intangible assets	163,653	(41,466)	122,187
Net impairment of financial assets	15,644	(4,462)	11,182
Other impairment of property, plant and equipment and intangible assets	247	-	247
Allocations to provisions for risks and provisions for personnel	13,613	(2,067)	11,546
Net financial expense	71,955	(52,691)	19,264
Other non-monetary items	-	1,464	1,464
Cash flow generated by operations prior to changes in the net working capital of Discontinued Operations	-	99,222	99,222
Cash flows generated by operations before changes in net working capital	**223,693**	**-**	**223,693**
Change in inventories	(1,125)	(1,505)	(2,630)
Change in trade receivables	(4,706)	14,979	10,273
Change in trade payables	2,615	(40,585)	(37,970)
Change in other current assets and liabilities	(115,669)	76,541	(39,128)
Income taxes paid	(179)	179	-
Net cash flow generated by operations from Discontinued Operations	-	(49,609)	(49,609)
Net cash flows generated by operations	**104,629**	**-**	**104,629**
Investments in property, plant and equipment	(59,441)	6,224	(53,217)
Investments in intangible assets	(94,331)	24,998	(69,333)
Acquisitions net of acquired cash and cash equivalents	(1,278)	1,278	-
Change in other assets	1,472	608	2,080
Net cash flow absorbed by investments from Discontinued Operations	-	(33,108)	(33,108)
Net cash flow absorbed by investments	**(153,578)**	**-**	**(153,578)**
Establishment of medium/long-term loans	11,655	-	11,655
Establishment of short-term financial liabilities	157,353	(57,353)	100,000
Repayment of medium/long-term loans	(410)	410	-
Repayment of leasing liabilities	(26,432)	3,219	(23,213)
Capital increases by third parties	3,692	-	3,692
Net interest paid	(52,120)	31,337	(20,783)
Net cash flow (absorbed)/generated by financial activities from Discontinued Operations	-	22,387	22,387
Net cash flows (absorbed)/generated by financial activities	**93,738**	**-**	**93,738**
Total change in cash and cash equivalents	**44,789**	**-**	**44,789**
Available liquidity at start of period	**172,014**	**-**	**172,014**
Exchange effects on cash and cash equivalents	(1,094)	-	(1,094)
Available liquidity at period end	**215,709**	**-**	**215,709**

For more details, please see that found in Note 8 - “Information on IFRS 5”.

10. Segment reporting

Information on business areas has been prepared in accordance with IFRS 8 “Operating Segments” (hereafter, “**IFRS 8**”), which calls for the information to be presented in line with the methods adopted by the Directors to make operating decisions. Therefore, identification of operating sectors and the information presented is determined on the basis of internal reports used by management, for the purposes of allocating resources to various operating segments and to analyse their performance. An operating sector is defined by IFRS 8 as a component of an entity that: *i*) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); *ii*) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; *iii*) for which discrete financial information is available.

The Group’s organisational and reporting structure is organised around three operating segments (Retail Italy, Online Italy and International), with three product divisions (Lottery, Betting, Gaming Machines & Online Casino).

Below is a brief description of the three operating segments:

- **Retail Italy**, responsible for managing and developing activities relative to entertainment equipment, fixed-odds betting and traditional sporting event predictions, as well as activities linked to management of NTNG turnover, for which the Group is the exclusive concessionaire. This segment manages the physical sales points distributed throughout Italy for both the Branded and Affiliated channels.
- **Online Italy**, responsible for managing online betting and gaming acceptance through the concession for remote gaming, in effect for the Italian market through the sisal.it website, which can be used with both desktop and mobile devices, and through various applications (or Apps) for smart phones. The Group’s online offerings include an entire portfolio of the various types of products allowed under current regulations, including sport and horse-racing bets, virtual race bets, totocalcio and totogol, online casino games, slots, poker, lotteries and bingo.
- **International**, dedicated to the international development of the Group, currently present in Morocco, Turkey and Spain. In these markets the Group offers products that range from online offerings to lotteries, betting and entertainment equipment (ADI).

Group management monitors its operating segments on the basis of: *i*) revenues and profits and *ii*) EVITDA, defined as annual profit (loss), adjusted by the following items: *a*) taxes; *b*) share of profit (loss) for equity-accounted companies; *c*) financial expense; *d*) financial income; *e*) amortisation, depreciation and writedowns on tangible and intangible assets; *f*) net impairment of financial assets; *g*) non-monetary gains and losses; *h*) Corporate reorganisation costs; *i*) accessory costs for the acquisition of equity investments and start-up of new businesses; and *l*) income and expense which, due to their nature, cannot be reasonably expected to be repeated in future years.

EBITDA therefore does not include items relative to the results of financial management (financial income and expense), given that it is not directly linked to the scope of managerial responsibility in terms of the segments in question. Similarly, items relative to impairment or depreciation/amortisation are not included, nor are other non-monetary items relative to impairment, depreciation and amortisation, the relevant portions of profits or losses from associated companies, or income taxes or tax proceeds, which must be indicated separately pursuant to IFRS 8.

In terms of the equity structure, segment activities are not included in the information revised by management.

The tables below show the revenues and other income and EBITDA items by operating sector for the years ending on 31 December 2021 and 2020:

	Year ending on 31 December 2021					
(in thousands of Euros)	**Retail Italy**	**Online Italy**	**International**	**Total**	**Adjustments, IFRS 5**	**Total - Continuing Operations**
Revenues and other income	324,143	247,753	111,948	683,844	(1,543)	682,301
EBITDA	**82,187**	**143,107**	**22,753**	**248,047**	**(1,497)**	**246,550**

	Year ending on 31 December 2020					
(in thousands of Euros)	**Retail Italy**	**Online Italy**	**International**	**Total**	**Adjustments, IFRS 5**	**Total - Continuing Operations**
Revenues and other income	329,595	153,826	40,338	523,759	(4,440)	519,319
EBITDA	**86,180**	**90,650**	**(508)**	**176,322**	**(3,943)**	**172,379**

The table below provides a reconciliation between profit (loss) for the year and EBITDA:

	Year ending on 31 December	
(in thousands of Euros)	2021	2020
Profit (loss) for the year	**121,129**	**(13,182)**
Income taxes	(89,028)	7,700
Financial expenses	36,737	28,982
Financial income	(11,563)	(9,717)
Amortisation, depreciation, impairment and impairment reversal of property, plant and equipment and intangible assets	138,808	122,434
Net impairment of financial assets	1,655	12,263
Non-monetary costs (a)	26,331	11,668
Corporate reorganisation costs (b)	2,758	5,628
Start-up costs linked to new business (c)	8,783	4,319
Non-recurring costs associated with Covid-19 management	828	1,721
Listing costs	6,336	-
Other extraordinary (income) and expense (d)	3,776	563
EBITDA - Continuing Operations	**246,550**	**172,379**
Adjustments, IFRS 5	1,497	3,943
EBITDA	**248,047**	**176,322**

a) This item mainly includes:

   i) the recognition in the income statement of the relevant portion of the multi-year prepayment for the NTNG concession for the years ending on 31 December 2021 and 2020;

   ii) the provisioning done relative to the dispute with ADM relative to the NTNG concession for the years ending on 31 December 2021 and 2020; and

   iii) impairment of the receivable for the security deposit granted to guarantee service levels for the years ending on 31 December 2021 and 2020.

b) This item mainly includes costs associated with the corporate reorganisation process incurred to separate the Payment and Telco Business Units from the Gaming Business Unit and for internal reorganisation.

c) This item mainly includes costs incurred for business start-up in the United Kingdom, Turkey, Spain and Morocco.

d) The item mainly includes costs incurred at the time the acquisition by Flutter occurred and accessory costs to acquire equity investments and penalties.

11. Revenues

Below is the breakdown of *Revenues* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Gaming and Betting Revenue	453,732	324,205
Sales point revenues	71,734	61,558
Revenues from third parties	1,439	2,450
Portion for the year of one-time NTNG charges	(2,164)	(118)
Total	**524,741**	**388,095**

In particular, *Gaming and Betting Revenue* can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Gaming machines	140,230	133,229
Online Gaming	111,059	71,405
NTNG	58,282	49,916
Revenues from Virtual Races	30,191	26,650
International revenues	111,841	40,269
Horse-racing bets	1,815	2,516
Sporting event predictions	310	215
Big betting revenues	4	5
Total	**453,732**	**324,205**

The item *Sales point revenues* mainly includes fees charged to betting shops with the requirements to serve as horse-racing and sporting event betting points, based on that established in the "Bersani" Decree and revenues relative to affiliation fees paid by Sisal betting shops based on contractual conditions, with particular reference to the MySisal contract, which involves an innovative package of support and sales assistance service for the sales network, introduced in September 2021.

Given the type of services and products sold by the Group, there are no issues of significant concentration of revenues coming from individual customers.

Gaming and Betting Revenue by geographical area can be broken down as as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Italy	341,891	283,936
Turkey	102,579	35,800
Morocco	8,627	3,848
Spain	635	621
Total	**453,732**	**324,205**

The increase in the item Gaming and Betting Revenue with respect to 2020 is mainly due to growth in volumes seen from September 2021 on, made possible by the return to a full schedule for the main football leagues, overall lower gaming taxes (thanks to reaching the € 50 million ceiling established for the "Save Sport Tax" in mid-August, with regards to the Italian market), the significant contribution made by online gaming and the greater contribution made by the International business unit, led in particular by Turkey. As the relative concession began in August 2020, it affected the two years differently.

Sales point revenues and *Revenues from third parties* both refer entirely to Italy.

12. Fixed-odds betting income

Below is the breakdown of *Fixed-odds betting income* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Proceeds from fixed-odds sporting event bets	151,590	125,658
Proceeds from fixed-odds horse-racing bets	4,172	2,742
Proceeds from horse-racing bets with reference	-	28
Total	**155,762**	**128,428**

13. Other income

The item *Other proceeds*, totalling € 1,798 thousand in the year ending on 31 December 2021 (€ 2,796 thousand in the year ending on 31 December 2020), mainly includes contributions received by certain Group companies in the context of measures to support companies with the Covid-19 emergency.

For more details, please see Note 46 - Law 124/2017.

14. Purchases of raw materials, consumables and goods

Below is the breakdown of *Purchases of raw materials, consumables and goods* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Acquisition of gaming materials	12,057	7,270
Acquisition of spare parts	2,367	2,720
Acquisition of various materials	2,701	3,594
Change in inventories	(125)	(640)
Total	**17,000**	**12,944**

The change seen in the year ending on 31 December 2021, with respect to the previous year, is mainly due to the growth of business in Turkey, also considering that this business affected 2020 only from August on.

15. Costs for services

Below is the breakdown of *Costs for services* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	2021	2020
Gaming management costs	**166,545**	**121,641**
Commercial services	**22,181**	**16,633**
- of which: Marketing and commercial expenses	18,857	13,450
- of which: Other commercial initiatives	1,743	1,606
- of which: Other Commercial Services	1,581	1,577
Consulting	**26,164**	**15,145**
Other services	**96,076**	**82,325**
- of which: Platform management costs	19,557	16,008
- of which: Maintenance costs	13,263	11,724
- of which: Banking expenses	14,409	11,658
- of which: TLC	7,714	10,389
- of which: Other third party services	14,266	9,741
- of which: Utilities	5,498	4,548
- of which: Logistics	4,369	4,031
- of which: Expense reports	3,053	2,881
- of which: Satellite TV production and editing	1,858	1,794
- of which: Directors and auditors fees	1,488	1,036
- of which: Insurance	3,156	2,539
- of which: Sundry services	7,445	5,976
Leases	**805**	**2,217**
Total	**311,771**	**237,961**

The item *Gaming management costs* mainly includes fees paid to the gaming supply chain and distribution network, based on remuneration plans directly correlated to trends in turnover and revenue. The increase in this item is due to growth in gaming revenues, commented on above, as the effect of the recovery in business after the period of closure due to the Covid-19 pandemic.

The item *Consulting* mainly includes strategic, technical/accounting, tax and legal consulting, mainly relative to the listing process and for internationalisation, as well as for the corporate reorganisation which is mentioned in Note 7 - "Significant events during the period".

Within the section "Other Services", the item *Platform management costs* mainly includes costs to manage the online platforms relative to the *Gaming* sector.

The item Other third party services mainly refers to trade marketing services, IT support and assistance, online streaming services and media content.

Note that fees paid to the independent auditors for the audit of the Group's annual accounts (including these consolidated financial statements, certain recurrent activities mainly relating to the various requirements foreseen in existing concessions and other non-recurring activities) amounted to around € 855 thousand (VAT excluded), compared to € 1,037 thousand in 2020.

Also note that the fees due to the parent company's statutory auditors for providing their services for other companies included in the scope of consolidation cumulatively amount to around € 70 thousand.

Lease costs include costs that do not fall under the scope of application of IFRS 16 as they refer to lease contracts with a duration of 12 months or contracts with an underlying asset of modest value.

16. Personnel costs

Below is the breakdown of *Personnel costs* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	2021	2020
Salaries and Wages	65,972	50,743
Social Security Charges	23,397	18,765
Severance Indemnity (TFR)	5,226	4,832
Other Personnel Costs	630	2,877
Total	**95,225**	**77,217**

The item Personnel costs includes € 905 thousand for the Incentive Plans described in Note 7 "Significant events during the period", to which the reader is referred.

The change in the item Personnel costs with respect to the same period the previous year is mainly due to the increase in the number of employees.

The table below shows the number of employees during the years in question, broken down by categories:

	Year ending on 31 December		
	2021	2020	2020
	Gaming	Gaming	Gaming, Payments and Telco
Executives	59	45	67
Middle Managers	196	149	254
Office Workers	2,005	1,696	2,210
Labourers	102	101	113
Total	**2,362**	**1,991**	**2,644**

17. Other operating expenses

Below is the breakdown of *Other operating expenses* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	2021	2020
Gaming concession fees	14,609	12,920
Non-deductible VAT	15,599	11,822
Provisioning (releases) for risks and charges	24,558	11,380
Non-income taxes	2,248	2,382
Gifts and donations	1,755	1,474
Other operating expenses	1,798	2,739
Total	**60,567**	**42,717**

The item *Gaming concession fees* mainly includes concession fees required under the regulations in effect in relation to the acceptance of legal bets through entertainment equipment, acceptance of sporting event and horse-racing bets and national numeric totalizator games.

The item Provisioning (releases) for risks and charges refers mainly to the provision of € 25,688 thousand (€ 11,550 thousand in 2020) made against the dispute with the Customs and Monopolies Agency (ADM), in the context of the NTNG concession, in relation to spending obligations for Sisal Lottery Italia for "communication and information" projects, shown net of releases made during the year. This item also includes the approximately € 1.5 million release associated with the finalisation of the Intralot dispute. For more details, please see the Notes "Concessions and disputes" and "Provisions for risks and charges".

18. Net impairment of financial assets

The item *Net impairment of financial assets*, equal to € 1,655 thousand and to € 12,263 respectively in the years ending on 31 December 2021 and 2020, includes provisioning carries out with regards to non-performing receivables.

The significant reduction in this item relative to the previous year can be attributed to the results achieved by the credit management and collection projects implemented by the Group during 2021.

The detailed schedule of changes in the bad debt provision for the years ending on 31 December 2021 and 2020 is found under Note 30 - "Trade Receivables".

19. Amortisation, depreciation, impairment and impairment reversal of property, plant and equipment and intangible assets

Below is the breakdown of *Amortisation, depreciation, impairment and impairment reversal of property, plant and equipment and intangible assets* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Amortisation of intangible assets	82,795	73,908
Depreciation of property, plant and equipment	54,976	48,279
Other writedowns on property, plant and equipment and intangible assets	1,037	247
Total	**138,808**	**122,434**

20. Financial income

Below is the breakdown of *Financial income* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Financial income from bank current accounts	1,272	274
Other financial income	270	271
Financial income relative to Mooney Group and Schumann	10,021	9,172
Total	**11,563**	**9,717**

Financial income from bank current accounts mainly includes interest income accrued on bank current accounts for gaming business in Turkey.

Financial income relative to Mooney Group and Schumann include interest income on the loan to the shareholder Schumann, previously due from Mooney Group in the context of the partial demerger of Sisal S.p.A. to SG2 S.p.A., after the Payment and Telco Business Unit was transferred to Mooney during 2019. After the demerger mentioned above, Mooney Group transferred the payable to Schumann Investments S.A. For more information, please see Note 28 - "Other non-current assets".

21. Financial expenses

Below is the breakdown of *Financial expenses* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Interest and other financial expenses	28,717	27,231
Realised translation differences	6,109	(509)
Unrealised translation differences	1,911	2,260
Total	**36,736**	**28,982**

For the year ending on 31 December 2021, the item Interest and other financial expense mainly refers: i) for around € 25,032 thousand to interest, fees and commissions relative to the bond loan and the Group's revolving credit line (€ 24,109 thousand for the year ending on 31 December 2020); ii) for € 2,380 thousand to interest expense deriving from application of IFRS 16 (€ 2,039 thousand in 2020); and iii) for around € 636 thousand to financial charges on the credit line provided by the Turkish minority interest Sans Digital to Sisal Sans (€ 700 thousand in the year ending on 31 December 2020), fully repaid on 31 December 2021. For more information on the item Interest and other financial expense, please see Note 37 "Current and non-current financial liabilities".

Realised translation differences of € 6,108 thousand for the year ending 31 December 2021 mainly refer to the translation of the loan in Turkish Lira provided by the Group to its subsidiary Sisal Sans, to support the start up of business in Turkey, repaid in 2021 and, residually, to trade receivables from the same in currencies other than the Turkish Lira.

Unrealised translation differences, equal to € 1,911 thousand for the year ending on 31 December 2021 (€ 2,260 thousand for 2020), are mainly associated for 2021 with payables for security deposits for the Turkish subsidiary Sisal Sans and for 2020 the translation of the loan in Turkish Lira provided by the Group to its subsidiary Sisal Sans to support the start up of business Turkey.

22. Income taxes

Below is the breakdown of *Income taxes* for the financial years ending on 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Current income taxes	5,902	12,351
Current income taxes relative to previous years	(10,946)	321
Deferred income taxes	(93,101)	(4,972)
Substitute tax on realignment of statutory and fiscal values	9,117	-
Total	**(89,028)**	**7,700**

The change seen between the two years in question is mainly due to the realignment operation involving the statutory and fiscal values of the Group's intangible assets and goodwill carried out in 2021, which led to the recognition of deferred tax assets and the release of deferred tax liabilities relative to the assets fiscally revalued for € 86,153 thousand, partially offset by the recognition of substitute tax in the amount of € 9,117 thousand. Additional deferred tax assets for € 5,811 thousand were recognised with reference to the Patent Box benefit. For more information, please see Note 7 "Significant events during the period".

The table below provides a reconciliation of the theoretical tax and the effective impact on the result for the year:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Profit (loss) before income taxes	32,101	(5,482)
Nominal tax rate	24%	24%
Theoretical taxes	**7,704**	**(1,316)**
Dividends	940	747
Covid-19 contributions	(73)	(301)
Greater depreciation of tangible goods	(1,064)	-
ACE	(1,420)	-
Patent box	(5,811)	-
Business combinations	-	-
Other changes	2,091	4,921
IRES taxes	**2,367**	**4,051**
IRAP taxes	**3,070**	**1,722**
Other current taxes	9,267	-
Current income taxes relative to previous years	(11,740)	321
Deferred income taxes relative to previous years	(91,992)	1,606
- of which for realignment of statutory and fiscal values	*(86,153)*	
Total effective taxes	**(89,028)**	**7,700**

23. Property, plant and equipment

The table below provides a breakdown and information on changes in the item in question for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Land, offices and sales points	Plant and machinery	Gaming devices	Industrial and commercial equipment	Other assets	Total
Balance at 31 December 2019	**85,254**	**9,100**	**21,376**	**101,975**	**7,046**	**224,751**
Of which:						
- historical cost	*136,569*	*38,211*	*269,883*	*199,724*	*26,683*	*671,070*
- provision for amortisation/ depreciation	*(51,315)*	*(29,111)*	*(248,507)*	*(97,749)*	*(19,637)*	*(446,319)*
Change in scope of consolidation	480	58	-	16	683	1,237
Investments - Continuing Operations	13,695	2,342	52,386	2,332	12,324	83,079
Investments - Discontinued Operations	4,110	621	-	7,759	2,143	14,633
Disposals	(5,963)	(36)	-	(644)	(148)	(6,791)
Amortisation/Depreciation - Continuing Operations	(20,162)	(3,145)	(12,316)	(7,727)	(4,929)	(48,279)
Amortisation/Depreciation - Discontinued Operations	(1,704)	(145)	-	(16,111)	(1,161)	(19,121)
Writedowns	-	-	-	-	(247)	(247)
Exchange Differences	(51)	(5)	(29)	(724)	(957)	(1,766)
Reclassifications	-	-	(2)	(147)	149	-
Other changes	(1,635)	2	-	232	(223)	(1,624)
Balance at 31 December 2020	**74,024**	**8,792**	**61,415**	**86,961**	**14,680**	**245,872**
Of which:						
- historical cost	*147,137*	*41,260*	*322,238*	*196,340*	*37,596*	*744,571*
- provision for amortisation/ depreciation	*(73,113)*	*(32,468)*	*(260,823)*	*(109,379)*	*(22,916)*	*(498,699)*
Investments - Continuing Operations	36,697	2,739	27,375	6,995	6,419	80,225
Investments - Discontinued Operations	8,078	109	-	5,812	1,473	15,472
Disposals	-	(46)	(8)	-	-	(54)
Amortisation/Depreciation - Continuing Operations	(22,298)	(3,137)	(16,265)	(8,507)	(4,769)	(54,976)
Amortisation/Depreciation - Discontinued Operations	(1,719)	(201)	-	(14,501)	(1,029)	(17,450)
Writedowns	(8)	(218)	(53)	(171)	(202)	(652)
Exchange Differences	61	(44)	(5,891)	(2,113)	(385)	(8,372)
Reclassifications	-	-	22	101	(229)	(106)
Change in scope of consolidation	(9,531)	(458)	-	(48,739)	(3,229)	(61,957)
Balance at 31 December 2021	**85,304**	**7,536**	**66,595**	**25,838**	**12,729**	**198,002**
Of which:						
- historical cost	*179,059*	*42,526*	*342,058*	*85,963*	*39,460*	*689,066*
- provision for amortisation/ depreciation	*(93,755)*	*(34,990)*	*(275,463)*	*(60,125)*	*(26,731)*	*(491,064)*

The item *Land, offices and sales points* mainly includes, land, owned properties and leased properties used for offices and sales points. Investments in land and buildings by Continuing Operations, totalling € 36,697 thousand are mainly associated with new lease contracts falling under the scope of IFSR 16, including the contract for the new registered offices in Milan, in via U. Bassi.

The item *Plant and machinery* mainly includes electrical and fire prevention systems, alarms, air conditioning, video conferencing and other general systems at sales points and offices of Group companies.

The item *Gaming devices* mainly refers to equipment for NTNG business and entertainment equipment (ADI), more specifically AWP (Amusement With Prize) and VLT (Video Lottery Terminal). In particular, note investments for € 27,375 thousand in next generation equipment for NTNG business, i.e. "Galileo" terminals, other Lottery terminals and development of ADI management activities.

The item *Industrial and commercial equipment* mainly includes hardware and ADSL network systems for corporate operations management.

The item *Other assets* mainly includes furnishings and fittings for the Group's direct sales points as well as project to modernise offices, as well as rights of use relative to vehicle leases

Right of use assets

The table below provides a breakdown of right of use assets at 31 December 2021 and 2020:

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Offices and sales points	70,071	55,685
Plant and machinery	-	3,978
Industrial and commercial equipment	3,867	5,327
Other assets	4,536	5,458
Total	**78,474**	**70,448**

The Group leases real estate, hardware and vehicles. In particular, during 2021 and 2020 net investments in right of use assets were respectively made for € 39,293 thousand and € 17,582 thousand (of which € 9.4 million relative to discontinued operations), mainly for leased offices and sales points.

The following table provides key economic and financial information about the leasing contracts held by the Company.

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Amortisation of rights of use - Offices and sales points	18,686	16,646
Amortisation of rights of use - Industrial and commercial equipment	1,743	1,828
Amortisation of rights of use - Other assets	2,633	2,352
Total amortisation of rights of use	**23,062**	**20,826**
Interest expense for leasing	**2,380**	**2,039**
Leasing expense for assets of modest value and short-term leases	**805**	**449**
Covid-19 lease reductions	**-**	**(1,118)**

24. Goodwill

The item *Goodwill* amounts to € 260,974 thousand at 31 December 2021 (€ 795,076 thousand at 31 December 2020) and is monitored by Group management, which tests it separately to determine the existence of any impairment at the level of the Online Italy operating unit and, in the context of the Retail Italy operating sector, with reference to the Lottery CGU and the Retail Gaming CGU, which consists of the CGUs for Betting, AWP and VLT products, which share investments in the distribution channel and the regulatory guidelines which impact strategic decisions. The International operating segment has no associated goodwill.

The *Goodwill* recognised in the financial statements at 31 December 2021 is divided as followed between the CGUs and groups of CGUs subject to impairment testing.

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Retail Italy	170,472	170,472
of which: Lottery	*50,138*	*50,138*
Retail Gaming	*120,334*	*120,334*
Online Italy	90,502	90,502
Payments and Services	-	534,102
Total	**260,974**	**795,076**

The change seen at 31 December 2021 with respect to 31 December 2020, of € 534,102 thousand, refers to the goodwill linked to the Payments and Services CGU, involved in the Mooney Group Demerger.

The value of *Goodwill*, in accordance with that required by the reference accounting standards, was subjected to an impairment test.

Based on the reference EU IFRS, the "recoverable value" "of the CGU or groups of CGUs to be considered for the purposes of the impairment test is greater than the larger of the "fair value net of disposal costs" and the "value in use".

To determine value in use, the Group uses five-year projections of cash flows for the CGUs in question, approved by top management.

More specifically, the key assumptions used for the goodwill impairment test are the estimate of growth levels for (*a*) turnover, (*b*) EBITDA, (*c*) investments, (*d*) the hypothesised nine year renewal of the NTNG concession, betting rights and ADI concessions, taking into account the information currently available in relation to the law and negotiations in progress, and (*e*) the growth rate of the terminal value and average weighted cost of capital (discount rate), taking into consideration past economic/income and financial performance and future expectations derived from the 2022-2026 Future Cashflow Prospectus prepared by management for the years 2022-2026, specifically approved by the Chief Executive Officer of Sisal S.p.A.

The impairment test for the CGUs was carried out with reference to the value in use determined with the Discounted Cash Flows (DCF) measurement criteria. The discount rate used to discount operating cash flows is equal to a post-tax WACC of 6.8%, applied indistinctly to each CGU. The growth rate, in the light of market data and information available to Company management, relative to reasonable estimated growth rates for the sector over the long term, is 0%.

The base scenario in the plan already reflects management's best estimate of the impacts of Covid-19 on cash flows during the years in question.

The impairment test indicated that the recoverable value of the CGUs exceeds the carrying value of the capital invested by the Group, including goodwill, attributed to each CGU. Hence it was necessary to recognise any impairment for the item in question.

Considering the above parameters, the excess recoverable value for operating segments with respect to the relative carrying value is detailed in the table below:

(millions of Euros)	**At 31 December 2021**
Retail Italy	
of which: Lottery	100.2
Retail Gaming	94.6
Online Italy	1,169.3

The following table provides the values which the post-tax growth rate and terminal growth rate would need to have, considered individually and keeping the other assumptions unchanged, to make the recoverable value of the CGUs equal to their carrying value (so-called break even rates).

	At 31 December 2021	
(millions of Euros)	**WACC**	**Terminal growth rate**
Retail Italy		
of which: Lottery	10.3%	-5.8%
Retail Gaming	8.6%	-2.5%
Online Italy	n.a	n.a

With respect to the Online Italy CGU, considering the entity of the values reported in terms of the difference between value in use and carrying amount, the change in the value assigned to the basic assumptions, in terms of hypothesised terminal growth rate and discount rate, is relative to unreasonable parameters.

25. Intangible assets

The table below provides a breakdown and information on changes in the item in question for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Gaming concessions	Brands and licenses	Software and patents
Balance at 31 December 2019	**161,717**	**125,936**	**46,693**
Of which:			
- historical cost	*726,683*	*174,938*	*163,411*
- provision for amortisation/depreciation	*(564,966)*	*(49,002)*	*(116,718)*
Change in scope of consolidation	-	12	14,164
Investments - Continuing Operations	12,020	3,771	51,613
Investments - Discontinued Operations		1,288	21,080
Disposals	-	(4)	(669)
Amortisation/Depreciation - Continuing Operations	(19,059)	(12,847)	(28,300)
Amortisation/Depreciation - Discontinued Operations	-	(2,640)	(16,003)
Exchange Differences	-	(8)	(287)
Reclassifications	307	-	121
Balance at 31 December 2020	**154,985**	**115,508**	**88,412**
Of which:			
- historical cost	*739,011*	*179,997*	*262,301*
- provision for amortisation/depreciation	*(584,026)*	*(64,489)*	*(173,889)*
Investments - Continuing Operations	391	7,227	53,031
Investments - Discontinued Operations	-	4,343	23,796
Disposals	(17)	-	
Amortisation/Depreciation - Continuing Operations	(18,320)	(12,482)	(38,374)
Amortisation/Depreciation - Discontinued Operations	-	(9,003)	(18,982)
Writedowns	-	-	(513)
Exchange Differences	-	67	(2,026)
Reclassifications	-	-	106
Change in scope of consolidation	-	(22,162)	(38,408)
Balance at 31 December 2021	**137,039**	**83,498**	**67,042**
Of which:			
- historical cost	*739,385*	*150,699*	*224,516*
- provision for amortisation/depreciation	*(602,346)*	*(67,201)*	*(157,474)*

The item *Gaming concessions* mainly includes costs incurred to be awarded concession rights for numbers games, scratch and win, online gaming and remote gaming, as well as management of games through entertainment equipment and the acceptance of horse-racing and sporting event bets.

Note that the concession for horse-racing and sporting bet acceptance, held by Sisal Entertainment S.p.A., expired on 30 June 2016, after which the duration of the concession has been extended on an annual basis through 31 March 2022, at which point it was further extended to 30 June 2022. For more details on concessions in existence during the periods in question, please see Note 5 - “Gaming concessions and associated disputes”.

The item *Software and patents* mainly includes costs incurred to acquire, internally develop and update software associated with systems to manage the digital acceptance network for AWP and VLT equipment and for corporate

Physical and contractual network	Customer Relationship (Online)	Intangible assets in progress	Other intangible assets	Total
50,650	**75,901**	**689**	**73,027**	**534,613**
60,258	*99,500*	*689*	*125,092*	*1,350,571*
(9,608)	*(23,599)*	-	*(52,065)*	*(815,958)*
-	-	-	-	14,176
-	-	1,158	1,108	69,670
		2,292	-	24,660
-	-	(97)	-	(770)
(3,912)	(7,654)	-	(2,136)	(73,908)
			(3,700)	(22,343)
-	-	-	-	(295)
-	-	-	(428)	-
46,738	**68,247**	**4,042**	**67,871**	**545,803**
60,258	*99,500*	*4,042*	*126,201*	*1,471,310*
(13,520)	*(31,253)*	-	*(58,330)*	*(925,507)*
-	-	-	473	61,122
-	-	-	-	28,139
		(260)	-	(277)
(3,912)	(7,654)	-	(2,053)	(82,795)
-	-	-	(3,087)	(31,072)
-	-	-	-	(513)
-	-	-	-	(1,959)
-	-	35	(35)	106
-	-	(2,292)	(61,067)	(123,929)
42,826	**60,593**	**1,525**	**2,102**	**394,625**
60,258	*99,500*	*1,525*	*52,551*	*1,328,434*
(17,432)	*(38,907)*	-	*(50,449)*	*(933,809)*

operations management. Investments by Continuing Operations during the year totalled € 53,031 thousand, mainly to acquire and internally develop software to create new gaming platforms and for new projects.

The items *Physical and contractual network* and *Customer relationship (online)* mainly include the enhancement of intangible assets identified at the time of the Purchase Price Allocation (PPA) in relation to the Group's entry into the CVC Capital Partners Fund in 2017.

At both 31 December 2021 and 2020 no indications of impairment were seen relative to intangible assets with defined useful life and therefore no impairment test was carried out on these assets.

26. Equity investments in associated companies

The item *Equity investments in associated companies* amounts to € 20 thousand at 31 December 2021 and 2020.

This item includes the investment held in Rete Servizi Integrati S.r.l., established on 29 January 2020, which offers management and commercial services for the network of sales points, with share capital subscribed at the time of establishment for € 40 thousand, and paid in for € 10 thousand. The Group company Sisal Entertainment S.p.A. holds 49% of share capital. At 31 December 2021 the company was not yet operating.

On 22 December 2020 the sale to Univest S.r.l. was finalised relative to the entire stake held in the associated company Sistema S.r.l., equal to 49% of its share capital, for the amount of € 1. This investment was entirely written down in previous years.

Details of equity investments in associated companies as at 31 December 2021 and 2020 are provided below:

(in thousands of Euros)	% held	Carrying value, end of year	Share capital	Total assets	Total liabilities	Total Revenues	Result for the year	Shareholders' equity, end of year	Value based on stake held in SE
At 31 December 2021									
Rete Servizi Integrati S.r.l.	49%	20	40	41	3	-	(1)	38	19
Associated companies		**20**	**40**	**41**	**3**	**-**	**(1)**	**38**	**20**
At 31 December 2020									
Rete Servizi Integrati S.r.l.	49%	20	40	42	3	-	-	39	20
Associated companies		**20**	**40**	**42**	**3**	**-**	**-**	**39**	**20**

27. Deferred tax assets and liabilities

The following table shows the net change in *Deferred tax liabilities* for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Net deferred tax assets and liabilities
At 31 December 2019	**(116,071)**
Provisioning/releases to the income statement	15,272
Provisioning/releases to the statement of comprehensive income	(16)
Other changes	(976)
At 31 December 2020	**(101,791)**
Provisioning to the income statement	(6,560)
Releases to the income statement - continuing operations	99,661
Releases to the statement of comprehensive income - continuing operations	72
Releases to the income statement - discontinued operations	12,028
Translation difference	1,142
Change in scope of consolidation	6,647
At 31 December 2021	**11,199**

The significant changes that had a positive impact on the income statement are associated with the recognition of deferred tax assets and the release of deferred tax liabilities for a total of € 86,153 thousand in relation to the realignment of statutory and fiscal values for intangible assets and goodwill, as well as the recognition of deferred tax assets for € 5,852 thousand associated with fiscal effects deriving from the Patent Box, as better described in Note 7 "Significant events during the period".

Deferred tax assets and liabilities can be broken down as follows:

	At 31 December			
	2021		2020	
(in thousands of Euros)	**Amount of temporary differences**	**Fiscal effect**	**Amount of temporary differences**	**Fiscal effect**
Provisioning for impairment of receivables	7,454	1,788	40,007	9,602
Provisioning for risks and impairment	51,047	14,236	26,636	7,397
Losses on unrealised translation differences	-	-	2,085	500
Discounting of TFR Provision (employee severance indemnity)	794	191	344	83
Amortisation/depreciation	276,329	77,572	15,032	3,869
Maintenance costs	-	-	302	72
Patent Box benefit	24,211	6,683	-	-
Tax losses	-	-	45,904	11,309
Other temporary differences	6,131	1,596	7,657	2,094
Total deferred tax assets	**365,966**	**102,066**	**137,967**	**34,926**
Amortisation/depreciation	(7,752)	(2,185)	(35,505)	(10,012)
Business combinations	(301,942)	(84,256)	(434,123)	(126,606)
Discounting of TFR Provision (employee severance indemnity)	-	-	(398)	(96)
Other temporary differences	(15,822)	(4,426)	(7)	(3)
Total deferred tax liabilities	**(325,516)**	**(90,867)**	**(470,033)**	**(136,717)**
Total deferred tax assets and liabilities	**40,450**	**11,199**	**(332,067)**	**(101,791)**
Tax losses for which no advance taxes were recognised	38,587	9,261	92,145	11,621

The Group expects to have future taxable income capable of absorbing the deferred tax assets recognised. Tax losses excluded from the determination of deferred tax assets refer: i) for € 36,573 thousand to tax losses realised by the former parent company Schumann S.p.A., prior to the completion of the inverse merger with the Company, for which the tax authorities, following a request, did not grant the possibility recognise this amount in tax consolidation and ii) for € 2,014 thousand to tax losses from the year ending on 31 October 2006, prior to the establishment of the tax consolidation regime with the Company serving as the consolidating entity.

The portion of deferred tax assets associated with the Patent Box refers to the third part of the tax benefit to be recognised as a decrease when calculating the taxes due for the year 2022.

As better documented in Note 7 - "Significant events during the period", after making use of the possibility to realign statutory and fiscal values for goodwill and the brand, during the year deferred tax assets were recognised for around € 75 million relative to the fiscal amortisation of goodwill with no fiscal relevance as of the date this possibility was used. Additionally, deferred tax liabilities for € 11 million were released relative to the fiscal amortisation of goodwill and the brand, deducted in previous fiscal years.

28. Other non-current assets

Below is the breakdown of *Other non-current assets* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
NTNG down payment	195,278	222,108
Financial assets, shareholders	119,467	-
Tax receivables for reimbursement	10,679	12,693
Security deposits	6,199	8,498
Total	**331,623**	**243,299**

The item *NTNG down payment* includes the down payment for the new NTNG concession, effective as of 1 December 2021, which the Group was awarded in 2019. The change is due to the portion allocated to the year based on the duration of the concession, equal to € 2,164 thousand, as well as reclassification of the current portion equal to € 24,667 thousand.

At 31 December 2021, the item *Financial assets, shareholders* mainly refers to the financial receivable due from the shareholder Schumann Investments SA following the transfer on 5 November 2021 of the financial receivable due from Mooney Group, originally for € 100 million and equal to € 109,450 thousand as at 31 December 2020. Payment of this receivable is expected to be postpone and will not occur until six months after full repayment of the bond loan held by Mooney Group (maturing on 17 December 2026). It bears interest at a fixed rate of 9%. The portion of interest accruing in 2021 and not yet paid is equal to around € 10 million (€ 9,450 thousand for the year ending on 31 December 2020).

At 31 December 2021 this financial receivable was not payable to the Company in the twelve months after the reporting date. Payment of this receivable prior to that contractually established is conditional on the finalisation of the Flutter acquisition (relative to the schedule for this, please see Note 7 "Significant events during the period"), as well as renegotiation of the Group's overall debt structure.

29. Inventories

Below is the breakdown of *Inventories* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Repairable spare parts inventory	2,769	3,594
Pay slips	1,384	2,281
Consumable spare parts inventory	1,160	1,819
Gaming Terminal rolls inventory	973	1,076
Food & Beverage inventory	52	61
VLT Ticket inventory	26	20
Raw and subsidiary materials and consumables	**6,364**	**8,851**
Virtual top-up inventory	-	2,566
ADI finished product inventory	2	406
Finished product and goods	**2**	**2,972**
Total	**6,366**	**11,823**

The following table shows the net change in the provision for impairment due to obsolescence for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Provision for impairment due to obsolescence
At 31 December 2019	**3,374**
Net provisioning	261
Use	-
At 31 December 2020	**3,635**
Net provisioning - continuing operations	648
Net provisioning - discontinued operations	30
Change in scope of consolidation	(192)
At 31 December 2021	**4,121**

The provision for obsolescence, equal to € 4,121 thousand at 31 December 2021, substantially refers to spare parts for terminals and specific gaming equipment.

30. Trade receivables

Below is the breakdown of *Trade receivables* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	2021	2020
Receivables due from customers, generalist channel	13,248	80,572
Receivables due from customers, “providing” channel	10,637	11,450
Receivables due from customers, specialised channel	11,328	24,405
Trade receivables from international	6,134	5,513
Receivables due from customers, payment services	-	33,607
Other Receivables	348	1,719
Provision for impairment of trade receivables	(8,284)	(55,999)
Total	**33,411**	**101,267**

The item Receivables due from customers, generalist channel - gaming refers to receivables due to the Group for gaming in the last month of the year. The significant decrease in this item with respect to the previous year is due to the full segregation of the Payment & Telco Business Units, finalised during 2021, relative to payment services which the Parent Company previously also offered the Mooney Group and which gave rise to a corresponding receivable relative to the latter.

The item *Receivables due from customers, providing channel* includes receivables ADI manager customers for which Sisal Entertainment S.p.A., as the concessionaire, provides the service to connect to the Customs and Monopolies Agency (ADM) digital network. The aforementioned receivable consists of the Concessionaire fee, the Single Tax Withdrawal (PREU) and the ADM Concession Fee.

Receivables due from customers, specialised channel consists of horse-racing and sports bets accepted by agencies operating under a partnership contract and not yet transferred to the Group's current accounts.

The item *Other receivables* includes current receivables deriving from components not closely connected to bet acceptance and Group business.

The items in question include non-performing receivables, which mainly refer to unpaid amounts generated by *SDD* amounts subject to collection, mainly with regards to betting shops, which are subject to collection also through legal action, with the exception of the portion attributable to natural occurrences which can be resolved in the short-term.

The following table shows the net change in the provision for impairment of trade receivables for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Provision for impairment of trade receivables
At 31 December 2019	**84,914**
Change in scope of consolidation	479
Net provisioning	16,876
Use	(46,270)
At 31 December 2020	**55,999**
Net provisioning - continuing operations	1,655
Net provisioning - discontinued operations	6,716
Translation difference	(29)
Use	(44,185)
Change in scope of consolidation	(11,872)
At 31 December 2021	**8,284**

Allocations to the provision for impairment recognised in 2021 and 2020 reflect trends in insolvencies (in particular with reference to the larger network of betting shops).

Use recorded in 2021 and 2020 mainly refers to write-offs of non-performing positions which are no longer recoverable.

31. Current financial assets

The item *Current financial assets* at 31 December 2021 includes the security deposit issued for the new offices, for € 1,382 thousand and cash collateral of € 24,288 thousand, representing the guarantee issued by the Group to obtain the bank surety requested by the TAR of Lazio to guarantee the sum requested by ADM in reference to the dispute with the same relative to the NTNG concession. For more details, please see Note 7 “Significant events during the period”.

32. Tax receivables

Below is the breakdown of *Tax receivables* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	2021	2020
Receivable due from Revenue Agency-IRES	3,761	44
Receivable due from Revenue Agency-IRAP	40	19
Total	**3,801**	**63**

The increase of € 3,738 thousand with respect to the previous year is substantially due to the IRES credit transferred by subsidiaries included in tax consolidation, based on the results presented in their financial statements as at 31 December 2021.

33. Other current assets

Below is the breakdown of *Other current assets* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
NTNG down payment	24,667	-
Other receivables due from the Revenue Agency	9,009	15,949
Other receivables due from public entities	12,038	11,916
Other receivables from third parties	7,509	19,207
receivables for advance charges	4,649	8,049
Receivables due from Mooney	2,229	-
Other receivables from employees	300	666
Provision for impairment of other receivables	(309)	(5,006)
Total	**60,092**	**50,781**

The short-term portion of the NTNG down payment includes the current portion of the down payment paid by the Group for the new NTNG concession, which began on 1 December 2021 and which the Group was awarded.

The item *Other receivables due from the Revenue Agency* mainly consists of VAT credits and tax subsidies deriving from provisions to support companies in relation to the Covid-19 pandemic.

The item *Other receivables due from public entities* mainly includes:

- receivables due from the Customs and Monopolies Agency for the security deposit made in the context of concession relationships to accept legal bets through entertainment equipment in the amount of € 8,358 thousand at 31 December 2021 (€ 8,623 thousand at 31 December 2020);
- receivables for the Single Tax Withdrawal (PREU) and fees equal to € 3,509 thousand at 31 December 2021 (€ 3,265 thousand at 31 December 2020);
- receivables relative to the recovery of main category Win for Life winnings of € 32 thousand at 31 December 2021 (€ 28 thousand at 31 December 2020).

Receivables for advance charges mainly refer to prepaid expenses incurred for the issuing of bank sureties, for charges associated with healthcare policies and to purchase supplies.

Other receivables from third parties mainly include prepaid expenses relative to the insurance policy taken out as part of managing the national numeric totalizator game (Win for Life Vinci Casa), equal to € 3,663 thousand at 31 December 2021 (€ 6,432 thousand at 31 December 2020).

34. Restricted cash and cash equivalents

Restricted cash and cash equivalents, equal to € 224,124 thousand at 31 December 2021 (€ 240,531 thousand at 31 December 2020), includes the balances of accounts for national numeric totalizator game jackpots (NTNG and other numeric totalizator games), equal to € 202,742 thousand at 31 December 2021 (€ 159,862 thousand at 31 December 2020), as well as the balance of current accounts relative to the Online segment, equal to € 21,382 thousand at 31 December 2021 (€ 19,527 thousand at 31 December 2020) and, solely for 31 December 2020, restricted cash and cash equivalents deriving from funds received from customers in compliance with the Payment Services Directive (PSD2), equal to € 61,142 thousand, in the context of services provided by Mooney S.p.A. as an Electronic Money Institution (EMI).

These deposits are managed by the Group but are restricted to payment of jackpots accumulated for the relative games and the payout of any withdrawals made from deposits for online gaming.

35. Cash and cash equivalents

Below is the breakdown of *Cash and cash equivalents* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	2021	2020
Bank and postal deposits	165,993	211,760
Cash and cash on hand	7,765	3,949
Total	**173,758**	**215,709**

For an analysis of the trends which influenced the change in cash and cash equivalents, please see that found in the Consolidated Statement of Cash Flow.

36. Equity

Share capital at 31 December 2021 and 2020, fully paid in and deposited, consists of 102,500,000 ordinary shares with no nominal value, for a value of € 102,500 thousand.

At 31 December 2021, the item *Other Reserves* came to € 401,134 thousand, showing an increase of € 158,475 thousand with respect to 31 December 2020, mainly due to the extraordinary demerger operation relative to the Mooney investment.

At 31 December 2021, the item *Equity pertaining to minority interests* includes the value of minority interests in certain minor Italian subsidiaries and the Turkish company Sisal Sans, established in 2019 with the partner Sans Digital which, as of August 2020, manages and develops business in Turkey relative to numeric games, scratch and wins and online gaming.

For an analysis of the trends which influenced the change in equity, please see that found in the Consolidated Statement of Cash Flow schedules.

37. Current and non-current financial liabilities

Below is the breakdown of *Current and non-current financial liabilities* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	2021	2020
Financing	**380,626**	**1,169,613**
of which the current portion	108,765	13,738
of which the non-current portion	271,861	1,155,875
Liabilities for leased assets	**80,838**	**75,181**
of which the current portion	20,510	24,690
of which the non-current portion	60,328	50,491
Other financial liabilities	**5,607**	**6,362**
of which the current portion	*5,607*	*3,509*
of which the non-current portion	-	*2,853*
Total	**467,071**	**1,251,156**
of which the current portion	*134,882*	*41,937*
of which the non-current portion	*332,189*	*1,209,219*

The table below provides a breakdown of *Financing* by type:

	At 31 December	
(in thousands of Euros)	2020	2019
Payables, bond loans	280,042	790,098
Payables, revolving credit lines	100,584	159,238
Shareholder loans	-	214,239
Other financial payables to third parties	-	6,038
Total financing	**380,626**	**1,169,613**

Bond Loans

At 31 December 2021, the Group had a fixed rate bond loan (Senior secured notes - SSN) equal to € 280 million (€ 278 million at 31 December 2020).

These bonds, issued by the parent company in 2016, mature a half-yearly coupon detachment for interest (on 31 January and 31 July of each year), with bullet capital repayment on 31 July 2023. Interest is calculated using an annual fixed rate of 7%.

The Company has the option to repay all or part of the bond loan in question without any penalty.

At 31 December 2020, the amount also included an additional variable rate bond loan of € 512 million (Senior Secured Floating Rate Notes - FRN) relative to the Mooney Group. The Senior Secured Floating Rate Notes were subscribed during the year ending on 31 December 2019 by Mooney S.p.A. and involve a quarterly coupon for interest and a bullet repayment of the capital at 17 December 2026. Following the Mooney Group Demerger, this bond loan is no longer included in the Group's consolidated financial statements.

Revolving credit lines

At 31 December 2021 and 2020 the Group had a ssRCF (Super Senior Revolving Facility) credit line obtained from a pool of banks in 2016 for a total of € 125 million, maturing on 30 September 2022, with interest calculated on the periodic Euribor rate, plus a 3.50% spread, subject to reduction if certain financial ratios are achieved.

Following an agreement with one of the lenders (Unicredit S.p.A.) in January 2017, this loan could be used for € 100 million in the form of a credit line and for € 25 million in the form of a current account overdraft.

The credit line was used for € 100 million at 31 December 2021 and 2020.

The current account overdraft was entirely available at 31 December 2021 and 2020.

At 31 December 2020, the also had an additional Senior Secured Revolving Credit Facility, stipulated in 2019 by Mooney S.p.A. as part of the corporate reorganisation which led to the issuing of the bond loan described above for a total of € 92.5 million, maturing in 2026. Interest is calculated based on the Euribor rate for the period plus a spared of 3%. The margin is subject to reduction down to 2% based on the achievement of certain financial ratios.

At 31 December 2020, the available credit line was used for hedging requirements on working capital for a total of € 61.5 million, in addition to approximately € 1.5 million used to issue guarantees in favour of the MasterCard group. The accounting balance of € 59 million is shown net of directly attributable fees. Following the Mooney Group Demerger, this credit line is no longer included in the Group's consolidated financial statements.

Below are details on loans existing at 31 December 2021 and 2020 and on the relative maturity dates:

(in thousands of Euros)	Company	Type	At 31 December 2021	At 31 December 2020	Maturity	Repayment
SSN bond (fixed rate)	Sisal	Bullet	275,000	275,000	31 July 2023	at maturity
SSFRN bond (variable rate)	Mooney	Bullet	-	530,000	17 December 2026	at maturity
Super Senior Revolving Credit Facility	Sisal	Revolving facility	100,000	100,000	30 September 2022	at maturity
Senior Secured Revolving Credit Facility	Mooney	Revolving facility	-	61,500	18 July 2005	at maturity
Total including accessory charges			**375,000**	**966,500**		
Interest payment			9,131	9,847		
Accessory charges connected to financing			(3,505)	(27,011)		
Total payables for bond loans and revolving credit lines			**380,626**	**949,336**		

While existing financing agreements do not require compliance with maintenance covenants, certain financial parameters still must be respected in relation to the revolving credit line, including the guarantor coverage test and quarterly calculation of the leverage ratio which determines the margin applied to the line. These parameters were complied with at the end of the year.

Additionally, the Group must comply with a series of restrictions including, among other things, limitations on: *i*) mergers, demergers, corporate restructuring, joint ventures, *ii*) acquisitions and investments, *iii*) dispositions involving all or part of its assets, *iv*) increasing financial debt. These limitations may be derogated if authorised by the lending banks and entities which hold the bonds issued.

Finally, note that financing contracts are guaranteed by a first call pledge on shares representing 100% of the share capital of Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A., as well as parent company shares held by the controlling company Schumann Investments S.A.

Shareholder loans

The item *Shareholder loans* at 31 December 2020 included the financing granted in 2020 to the subsidiary Sisal Sans by the partner Sans Digital (a member of the Turkish Demiroren Group).

The loan was disbursed in four tranches and accrues interest at a variable rate indexed to the overnight Turkish rate plus a 2.5% spread, with six-monthly repayment of capital starting in March 2022.

With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and shareholder Sans Digital amended the existing Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 14 April 2021, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan will be repaid in advance in 2021, using the available financial resources. At 31 December 2021 this liability had been entirely extinguished.

At 31 December 2020, the Group had a shareholder loan relative to the “Deferred Purchase Price Agreement” signed in 2019 after the partnership operation relative to payment services with regards to the minority shareholder Banca 5 S.p.A. The loan matured interest at an annual rate of 9%. The carrying value at 31 December 2020, including interest, was € 204 million. Following the Mooney Group Demerger, this shareholder loan is no longer included in the Group’s consolidated financial statements.

Liabilities for leased assets

Liabilities for leased assets mainly refer to financial liabilities associated with real estate, hardware and vehicles.

This liability is recognised in an amount equal to the current value of payments due for leases not yet made as of the commencement date, calculated by adopting a discount rate equal to the implicit interest rate of the lease or, if this cannot be easily determined, the Group’s incremental lending rate.

The table below shows the changes in *Liabilities for leased assets* during the period in question, as well as analysis of the schedule of payments due for leases, net of discounting.

(in thousands of Euros)	Liabilities for leased assets
Balance at 31 December 2019	**81,826**
Net increases	17,155
Interest	2,227
Payments	(26,432)
Change in scope of consolidation	70
Translation difference	(116)
Other changes	451
Balance at 31 December 2020	**75,181**
Net increases - continuing operations	38,841
Net increases - discontinued operations	9,152
Interest - continuing operations	2,265
Interest - discontinued operations	479
Payments - continuing operations	(24,926)
Payments - discontinued operations	(2,000)
Translation difference	(435)
Other changes	1,174
Change in scope of consolidation	(18,893)
Balance at 31 December 2021	**80,838**

Other financial liabilities

The item *Other financial liabilities* includes:

- the payable which arose in reference to the put option relative to the minority shareholder and minority interests of Network Italia. Note that in the final days of 2021, the Group exercised the option to purchase the minority interests, which was finalised in February 2022 for € 1,510 thousand.
- the payable due to the former shareholder of Slot Italia S.r.l., acquired at the end of 2019, for the portion of the fee to acquire the company itself, payment is through half-yearly instalments with the final one due in December 2022, equal to € 2,806 thousand at 31 December 2021 (€ 4,126 thousand at 31 December 2020). During 2020 the entire amount was adjusted on the basis of the adjustment mechanism after a deed of acknowledgement signed by the parties.
- the payable due to the former shareholder of Di.Vi. S.r.l., acquired at the end of 2019, for the portion of the fee to purchase the company, equal to € 972 thousand at 31 December 2021 (€ 1,194 thousand at 31 December 2020).
- payables relative to the acquisitions of various business units associated with the exercising of rights for public gaming, horse-racing and sporting events betting and turnover associated with entertainment equipment (AWP and VLT), equal to a total of € 319 thousand at 31 December 2021 (€ 1,042 thousand at 31 December 2020).

At 31 December 2020 the item *Other financial payables to third parties* amounted to € 6,038 thousand referred to the following loans and current account overdrafts:

- loan payable by Mooney S.p.A. for € 132 thousand;
- loan payable by Pluservice for € 2,603 thousand;
- loan payable by MyCicero for € 1,508 thousand, as well as a loan for advance on invoices of € 900 thousand;
- current account overdrafts relative to the subsidiaries Pluservice and MyCicero, for a total of € 894 thousand.

Note that these latter financial liabilities are not included in the Group's consolidated financial statements at 31 December 2021, following completion of the Mooney Group Demerger. For a description of the same, please see Note 7 "Significant events during the period".

Below is the Group's Net Financial Debt - ESMA at 31 December 2021 and 2020, determined in compliance with that established in paragraph 175 of the recommendations contained in ESMA document 32-382-1138 of 4 March 2021:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
A. Cash	173,758	215,709
B. Cash equivalents	-	-
C. Other current financial assets	25,670	-
D. Liquid assets (A +B +C)	**199,428**	**215,709**
E. Current financial payables	(106,191)	(4,031)
F. Current portion of non-current financial payables	(28,691)	(37,906)
G. Current financial debt (E + F)	**(134,882)**	**(41,937)**
- of which guaranteed	*(100,584)*	-
- of which not guaranteed	*(34,298)*	*(41,937)*
H. Net current financial debt (G + D)	**64,546**	**173,772**
I. Non-current financial payables	**(60,328)**	**(428,101)**
J. Debt instruments	**(271,861)**	**(781,118)**
K. Trade payables and other non-current payables	**(6,885)**	**(4,850)**
L. Non-current financial debt (I + J + K)	**(339,074)**	**(1,214,069)**
- of which guaranteed	*(275,000)*	*(375,867)*
- of which not guaranteed	*(64,074)*	*(838,202)*
M. Total net financial debt (H + L)	**(274,528)**	**(1,040,297)**

Below is the reconciliation between Net Financial Debt - ESMA and the Group's net financial debt as monitored by the Company (hereafter, "**Net Financial Debt - Sisal**") at 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Net financial debt - ESMA	(274,528)	(1,040,297)
Financial assets relative to Schumann Investments SA	119,467	-
Trade payables and other non-current payables	6,885	4,850
Net financial debt - Sisal	**(148,176)**	**(1,035,447)**

38. Provisions for employee benefits

The following table shows the net change in *Provisions for employee benefits* for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Severance Indemnity (TFR)	LTI Plan	Retention Plan	Total provisions for employee benefits
At 31 December 2019	**10,125**	**-**	**-**	**10,125**
Change in scope of consolidation	3,248	-	-	3,248
Current cost	536	-	-	536
Financial expenses	73	-	-	73
Actuarial losses	(61)	-	-	(61)
Contributions paid - Benefits paid	(1,021)	-	-	(1,021)
At 31 December 2020	**12,900**	**-**	**-**	**12,900**
Current cost	249	880	25	1,154
Financial expenses	33	2	-	35
Actuarial losses	397	-	-	397
Contributions paid - Benefits paid	(560)	-	-	(560)
Current cost - discontinued operations	234			234
Change in scope of consolidation	(6,203)	-	-	(6,203)
At 31 December 2021	**7,050**	**882**	**25**	**7,957**

The decreases seen during the period in question are associated with use for advances and liquidations which occurred during the course of the year.

Below is a breakdown of the economic and demographic assumptions used for actuarial measurements in 2021 and 2020:

	At 31 December	
	2021	**2020**
Economic and financial assumptions		
Annual discount rate	1.00%	0.50%
Annual inflation rate	1.80%	0.50%
Annual salary increase rate	1.00%	1.50%

	At 31 December	
	2021	**2020**
Demographic assumptions		
Expected mortality rate	RG48 mortality tables	ISTAT 2017 mortality schedule
Expected disability rate	INPS tables, by age and sex	CNR tables, reduced by 70%
Expected resignations/advances (annual)	1% - 3%	3%

The following table summarises the sensitivity analysis done on the discount rate, showing the effects (in absolute value) that would have occurred following reasonably possible changes in the rate at 31 December 2020, 2019 and 2018.

	At 31 December	
(in thousands of Euros)	2021	2020
Discount rate +0.25%	7,839	12,444
Discount rate -0.25%	8,241	13,236

The average financial duration of the obligation is around 14 years. The table below provides the estimate at 31 December 2021 of the future outlays predicted for the next 5 years of the plan:

(in Euro)	Predicted outlays - Actuarial calculation
Years	
1	431,888
2	280,034
3	386,164
4	453,809
5	599,189

39. Provisions for risks and charges

The following table shows the net change in *Provisions for risks and charges* for the years ending on 31 December 2021 and 2020:

(in thousands of Euros)	Total provisions for risks
At 31 December 2019	**17,686**
Net provisioning	11,509
Reclassification	2,402
Use	(4,636)
Other	113
At 31 December 2020	**27,074**
Net provisioning - continuing operations	24,789
Net provisioning - discontinued operations	130
Reclassification	(29)
Uses - continuing operations	(1,102)
Uses - discontinued operations	(54)
Translation difference	(162)
Change in scope of consolidation	(436)
At 31 December 2021	**50,210**

Net provisioning in 2021 came to € 24,789 thousand (€ 11,509 thousand in 2020), mainly consisting of provisioning of € 25,688 thousand (€ 11,550 thousand in 2020) relative to the dispute with the Monopolies Agency regarding violation of concessionaire obligations pursuant to article 15, paragraph 2 of the previous NTNG Concession (signed on 26 June 2009), involving spending requirements for "communication and information" projects, partially offset by the release of € 1,501 thousand with reference to the Intralot dispute. For more details, please see Note 5 "Gaming concessions and associated disputes".

The provisioning was done in the amount of the residual 50% not allocated in the financial statements at 31 December 2020 for the amount of spending, based on that communicated by ADM, the Company was to have made in the period in question (1 July 2018 to 30 June 2020) for the aforementioned communication and information purpose, as well as the estimate of the amount due for the residual period of time until the end of the concession in question (30 November 2021). In fact, while the Group considers ADM's request to be ungrounded, given the significance of the amount requested, as well as the receipt of the State Attorney's opinion, in a note dated 27 February 2020, followed by another of 18 December 2020, which holds there is a requirement to pay the sums not spent on communication as taxes and, as well, the fact that the current TAR order is still subject to appeal by the ADM and hence a ruling from the Council of State, it carried out the above provisioning, reflecting the relative amount in the financial statements for 2021 and 2020.

As of the date this document was prepared, based on available information, despite uncertainties it is not held that the cases and proceedings in course could give rise to liabilities not already reflected in the financial statements or leading to significant consequences.

Similarly, note that as of the end of 2021 certain audits and tax investigations were pending relative to which in any case it is not considered that additional charges will be applied to the Group with respect to those already shown in the financial statements.

Uses, totalling € 1,102 thousand in 2021, mainly refer to legal expenses incurred in relation to the Intralot dispute.

Uses, totalling € 4,636 thousand in 2020, mainly refer to the negative conclusion of the dispute regarding the Social Security Institution's notice of findings regarding the legal classification of collaborators used to carry out company activities by the Group company Sisal Entertainment S.p.A relative to which the latter had appealed. This appeal was rejected in a judgement filed on 13 January 2020.

40. Other non-current liabilities

The item *Other non-current liabilities* amounts to € 9,964 thousand at 31 December 2021 (€ 5,751 thousand at 31 December 2020).

At both 31 December 2021 and 2020 this item included payables due to the network of sales points in Turkey for the security deposits paid by the same to guarantee the technological equipment received to accept bets for € 6,885 thousand at 31 December 2021 (€ 4,850 thousand at 31 December 2020) and € 2,039 thousand relative to the portion of substitute tax arising from the operation to align the fiscal and statutory values of intangible assets and goodwill.

41. Trade payables

Below is the breakdown of *Trade payables* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	2021	2020
Trade payables	107,838	133,201
Payables due to service partners	11	172,996
Payables due to ADI and sales point managers	1,376	1,143
Concessionaire trade payables	1,396	1,548
Trade payables due to Mooney	62	-
Other trade payables	224	32
Total	**110,907**	**308,920**

The item *Trade payables* mainly refers to technological, commercial and operating supplies received by the Group during the final months of the year.

The item *Payables due to service partners*, associated with the Payment & Telco business, was reduced to almost nothing with respect to the 2020 balance following the exit of the Mooney Group from the Company's scope of consolidation, as described in the section on the Mooney Demerger Extraordinary Transaction.

The item *Payables due to ADI and sales point managers* mainly includes amounts to be paid to managers of entertainment equipment (AWP and VLT) in relation to bet acceptance as well as payables due to sales points for weekly management of turnover and payouts at the same sales points.

The item *Concessionaire trade payables* mainly represents the debt component due to concessionaires relative to Tax Withholdings and Concession Fees relative to the ADI concession.

42. Tax payables

Below is the breakdown of *Tax payables* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Payables due to the Revenue Agency, IRAP	4,495	4,777
Payables due to the Revenue Agency, IRES	38	14,252
Total	**4,533**	**19,029**

The item mainly includes the IRAP payable and the reduction with respect to the previous year is primarily due to payment of IRES and IRAP taxes relative to the years 2019 and 2020.

43. Other current liabilities

Below is the breakdown of *Other current liabilities* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Gaming payables	98,013	114,901
Payables for winnings	214,191	178,174
Employee payables	17,454	13,310
Other current liabilities	13,829	54,895
Social security payables	9,513	8,273
Other payables due to the Revenue Agency	13,261	8,400
Payables to collaborators	378	267
Other payables due to Mooney	6,042	-
Total	**372,681**	**378,220**

The item Other payables due to Mooney mainly includes the balance due to the Mooney Group in relation to compensatory indemnities calculated with regards to Group VAT, which both Groups continue to participate in even after the corporate demerger operation.

Gaming payables

Below is the breakdown of *Gaming payables* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Payables due to the Revenue Agency for gaming	62,902	82,309
NTNG subscriptions	2,742	2,285
Remote Gaming Payables	26,923	25,045
Bet Management Payable	5,446	5,262
Gaming payables	**98,013**	**114,901**

Payables due to the Revenue Agency for gaming mainly include: *i)* tax withdrawals for NTNG events relative to the last eleven days of the year, *ii)* payables for PREU and concession fees on entertainment equipment relative to turnover in the fifth and sixth two-month periods of the year which involved instalment plans during the Covid-19 pandemic, based on specific ministerial decrees, *iii)* tax withdrawals relative to turnover in December, for sporting event predictions, horse-racing and sports bets and online gaming products.

The decrease in the item with respect to the previous year is mainly linked to the ability to pay PREU in instalments which the Group made use of in 2020, offered by the government to assist gaming concessionaires to combat the effects of the Covid-19 pandemic.

The item *Remote Gaming Payables* indicates the value of sums deposited by players to make digital bets.

The item *Bet Management Payables* mainly shows the value of sums collected against bets which accrue in the next year and payables due to the Revenue Agency for prescribed payouts.

The item *NTNG subscriptions* includes the payable for subscriptions relative to SuperEnalotto competitions and the SuperStar game, SiVinceTutto Superenalotto, Vinci per la vita - Win for life and Eurojackpot.

Payables for winnings

Payables for winnings include the jackpots managed by the Group for winners of sporting event predictions and bets at the reporting date and hence yet to be liquidated. These payables are offset mainly by the restricted bank deposits found in the balance sheet assets.

Below is the breakdown for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Jackpot payable, Super Enalotto-SuperStar	198,708	160,298
Jackpot payable, Win for Life	11,545	14,674
Jackpot payable, SVT-Superenalotto	221	272
Payouts, Tris and Horse-racing bets	182	182
Payouts, CONI games	373	-
Payout payable, VLT	2,344	2,535
Payout payable, Eurojackpot	749	163
Payout payable, Play Six	50	50
Payout payable, Bets	19	-
Total payables for winnings	**214,191**	**178,174**

Fluctuations between the periods in question mainly depend on the jackpot levels for each game, linked to turnover during the period and the winnings assigned and not yet paid out at the end of the year.

Employee payables

This item includes the “fourteenth month” pay, bonuses, holidays, former holiday/ROL, amounts due and overtime accrued but not yet paid.

Other payables due to the Revenue Agency

Below is the breakdown of *Other payables due to the Revenue Agency* for the financial years ending on 31 December 2021 and 2020:

	At 31 December	
(in thousands of Euros)	**2021**	**2020**
Payables due to the Revenue Agency, IRPEF	2,745	2,978
Payables due to the Revenue Agency for substitute tax	6,268	4
Payables due to the Revenue Agency, VAT	941	754
Other tax payables	3,307	4,664
Total	**13,261**	**8,400**

The item *Other tax payables* substantially consists of the short-term component of tax settlement proposals signed by certain Group companies to resolve disputes with the Revenue Agency and for tax payables involving real estate owned or leased by the Group.

Social security payables

The item mainly represents payables due to INPS, INAIL and supplementary social security funds.

Other current liabilities

This item mainly includes:

- payables for security deposits received from the network for around € 6,924 thousand at 31 December 2021 (€ 6,740 thousand at 31 December 2020);
- non-deductible VAT on invoices to be received fro € 5,830 thousand at 31 December 2021 (€ 6,914 thousand at 31 December 2020);
- other payments in the form of accrued expenses and deferred income for around € 280 thousand at 31 December 2021 (€ 5,303 thousand at 31 December 2020).

At 31 December 2020, this item also included:

- payables due to holders of prepaid cards for the relative deposits acquired against electronic money issued by IMEL SisalPay S.p.A.,for € 15,588 thousand;
- payables for payment accounts including payables due to customers against deposits in accounts, or accounts opened to provide digital bill payment services and for services provided as a payment facilitator relative to Banking & Payments business, for € 7,348 thousand.

44. Related-parties transactions

Relations between the Group and related parties are mainly of a non-financial nature. The Company holds that all relationships with related parties are substantially carried out at an arms-length basis.

The table below provides details on equity balances with related parties at 31 December 2021 and 2020:

(in thousands of Euro and as a percentage)	Mooney Group S.p.A.	Schumann Investments SA	Demiroren	Top management	Other related parties	Total	Total, financial statement item	Impact on financial statement item
Trade receivables								
At 31 December 2021	348	-	-	-	118	**466**	33,411	**1%**
At 31 December 2020	2,262	-	-	-	2	**2,264**	101,267	**2%**
Other current assets								
At 31 December 2021	2,229	-	-	-	-	**2,229**	60,092	**4%**
At 31 December 2020	1,856	-	-	-	-	**1,856**	50,781	**4%**
Other non-current assets								
At 31 December 2021	-	119,467	-	-	-	**119,467**	331,623	**36%**
At 31 December 2020	109,450	-	-	-	-	**109,450**	243,299	**45%**
Trade payables								
At 31 December 2021	62	-	282	-	160	**504**	110,907	**0%**
At 31 December 2020	48,158	-	-	-	49	**48,207**	308,920	**16%**
Provisions for employee benefits								
At 31 December 2021	-	-	-	126	-	**126**	7,957	**2%**
At 31 December 2020	-	-	-	121	-	**121**	12,900	**1%**
Long-term financial liabilities								
At 31 December 2021	-	-	-	-	-	**-**	332,189	**0%**
At 31 December 2020	-	-	10,662	-	-	**10,662**	1,209,219	**1%**
Other current liabilities								
At 31 December 2021	6,028	-	-	2,418	15	**8,461**	372,681	**2%**
At 31 December 2020	3,265	-	-	1,717	15	**4,997**	378,220	**1%**

The table below details the economic effects of related party transactions during the years ending on 31 December 2021 and 2020:

(in thousands of Euro and as a percentage)	Mooney Group S.p.A.	Schumann Investments SA	Demiroren	Top management	Other related parties	Total	Total, financial statement item	Impact on financial statement item
Revenues and other income								
Year ending on 31 December 2021	1,537	-	-	-	17	**1,554**	682,301	**0%**
Year ending on 31 December 2020	4,440	-	-	-	-	**4,440**	519,319	**1%**
Purchases of raw materials, consumables and goods								
Year ending on 31 December 2021	-	-	-	-	115	**115**	17,000	**1%**
Year ending on 31 December 2020	-	-	-	-	153	**153**	12,944	**1%**
Costs for services								
Year ending on 31 December 2021	48	-	5,367	1,184	359	**6,958**	311,771	**2%**
Year ending on 31 December 2020	497	-	-	811	93	**1,401**	237,961	**1%**
Personnel costs								
Year ending on 31 December 2021	-	-	-	3,663	-	**3,663**	95,225	**4%**
Year ending on 31 December 2020	-	-	-	3,180	-	**3,180**	77,217	**4%**
Other operating expenses								
Year ending on 31 December 2021	-	-	-	-	-	**-**	60,567	**0%**
Year ending on 31 December 2020	-	-	-	-	50	**50**	42,717	**0%**
Financial income								
Year ending on 31 December 2021	8,599	1,422	-	-	-	**10,021**	11,563	**87%**
Year ending on 31 December 2020	9,712	-	-	-	-	**9,712**	9,717	**100%**
Financial expenses								
Year ending on 31 December 2021	-	-	531	-	-	**531**	36,736	**1%**
Year ending on 31 December 2020	-	-	705	-	-	**705**	28,982	**2%**

Key Management Personnel

The following figures within the Group are considered to be key management personnel: *i*) Chief Executive Officer, *ii*) Chief Financial & Legal Officer, *iii*)Gaming Machines & Online Casino Managing Director, *iv*) Chief Risk & Compliance Officer, *v*) International Managing Director, *vi*) Chief People Officer, *vii*) Retail Managing Director, *viii*) Chief Institutional Affairs & Communication Officer, *ix*) Chief Information Officer, *x*) Internal Audit Director, *xi*) Lottery Managing Director, *xii*) Betting Managing Director, *xiii*) Online Managing Director.

The table below provides a breakdown of fees accrued by Group key management personnel in the years ending on 31 December 2021 and 2020.

	Year ending on 31 December	
(in thousands of Euros)	**2021**	**2020**
Salaries and wages	3,410	2,974
Severance indemnity	253	206
Total	**3,663**	**3,180**

45. Commitments and guarantees

As of the reference date, the Group's commitments and guarantees are as follows:

	At 31 December	
(in thousands of Euros)	2021	2020
Customs and Monopolies Agency	194,462	217,791
Other guarantees issued	46,040	36,318
Non-gaming services	2,239	143,500
Total	**242,741**	**397,609**

The item *Customs and Monopolies Agency* refers to the cumulative amount of guarantees and/or commitments granted to the administration by certain Group companies which hold concessions, in relation to the awarding of the concessions and to develop various games and the associated tax and management requirements.

The item *Other guarantees given* mainly refers to guarantees given for concession responsibilities established by the relevant authorities in relation to the Group's international gaming business.

The item Non-gaming services refers to the guarantees issued by Sisal S.p.A. and Sisal Lottery Italia S.p.A., which are now included in the contribution scope, to partner customers mainly in connection with agreements relating to payment services and the sale and/or distribution of telephone top-ups, respectively, for which these companies are required to guarantee the timely payment, net of their own amounts, of the amounts collected in accordance with the agreed terms. Note that after the Mooney Group Demerger, these guarantees no longer are associated with the Sisal Group.

Also note that payables deriving from financing contracts are guaranteed by a first call pledge on shares representing 100% of the share capital of Sisal Lottery Italia S.p.A. and Sisal Entertainment S.p.A., as well as parent company shares held by the controlling company Schumann Investments S.A.

46. Italian Law 124/2017

Paragraph 125 of Law 124/2017 of 4 August 2017 introduced, starting in financial year 2018, the requirement for companies who receive subsidies, contributions, paid positions and, in any case, economic advantages of any type from public administrations and entities pursuant to the first sentence of the same paragraph, to publish these amounts in the notes to their financial statements.

Based on that established under the stated law, note that in 2021 the Group recognised receivables and contributions for a total amount of € 952 thousand (€ 972 thousand in 2020) relative to economic aid established by the government during the year in question to restore economic losses suffered due to the Covid-19 pandemic.

In particular, at 31 December 2021 the Group recognised tax receivables for rent paid during the year for a total of € 395 thousand, following the issuing of Decree Law 34 of 19 May 2020 ("Relaunch").

With reference to 31 December 2020, the Group recognised tax receivables for rent paid during the year for a total of € 617 thousand, of which: *i*) € 497 thousand following the issuing of Decree Law 18 of 17 March 2020 ("Cure Italy"); *ii*) € 92 thousand following the issuing of Decree Law 34 of 19 May 2020 ("Relaunch"); and *iii*) € 28 thousand following Decree Law 137 of 28 October 2020 ("Restore").

The Group also recognised grants for a total of € 462 thousand at 31 December 2021, relative both to Decree Law 41/2021 ("Supports") and Decree Law 73/2021 ("Supports-bis"). At 31 December 2020, grants amounted to € 344 thousand, of which € 259 thousand following the issue of Decree Law 137 of 28 October 2020 ("Restore"); and € 85 thousand following Decree Law 34 of 19 May 2020 ("Relaunch").

Additionally, the Group recognised tax receivables for changes made to working areas, sanitisation and purchases of protective equipment for a total of € 95 thousand at 31 December 2021 (€ 11 thousand at 31 December 2020), following the issue of Decree Law 34 of 19 May 2020 ("Relaunch").

Also note the Group made use of a social safety net to mitigate the economic impacts of the Covid-19 pandemic, including the use of the Pay Supplement Fund for around € 4,690 thousand in 2021 (€ 4,958 thousand in 2020), due to the blockage of business consequent to the Covid-19 restrictive measures.

47. Subsequent events

REGULATORY CHANGES

Covid-19

During 2021 a larger number of national regional regulations were issued to deal with the Covid-19 epidemiological emergency. Note that most recently, as of 10 January 2022 operators are subject to regulations on the Super Green Pass, the certificate issued by the relevant office of the Ministry of Health indicating vaccination or recovery from infection.

DISPUTES

NTNG Concession-Spending requirements for “communication and information” projects

With reference to this dispute, for which more details can be found in the section “Gaming concessions and sector regulations”, on 3 December 2021, the Lazio TAR filed its judgement rejecting Sisal’s appeal. Holding that the TAR’s arguments were legally arguable, Sisal filed an appeal with the Council of State, and on 8 February 2022 the council chambers accepted the request to suspend the cited TAR judgement, making this suspension conditional upon the appellant extending the sureties provided in favour of the Administration. At the same time, the public hearing to discuss the merits of the case was set for 17 May 2022.

INTERNATIONALISATION

Foreign tenders

Tunisia

Through its subsidiary Sisal Lottery Italia S.p.A., on 17 February 2022 the Company presented its candidacy to participate in the tender issued by the public Tunisian company Promosport, to award the concession to finance, realise, manage and maintain a multichannel solution (with gaming accepted both through a physical network of sales points and an online channel) for fixed odd sporting event bets, virtual race bets, instantaneous lotteries known as “scratch and win”, the lotto and other extraction games (lotteries) and online games, issued with the notice of indication of interest 01/2019 of 5 December 2019 and subsequently suspended due to the Covid emergency. After the tender is awarded, expected to occur by the end of April 2022, the winner will begin the process of finalising the concession contract with Promosport.

Morocco

The Company began the process of participating in the tender issued by MDJS (Marocaine des Jeux et des Sports), which manages the Moroccan national lottery and holds the monopoly on organising and operating betting on all sporting events throughout the country, with the exception of horse and dog racing, to award management of sporting event and virtual race betting in Morocco to a specialised operator.

Therefore, the Company will present its request to participate to MDJS, based on the terms and conditions contained in the Tender Regulation, also in joint venture with another operator, together with the documents requested in the Tender Regulation, acquiring and providing all the required guarantees and undertaking all the necessary commitments, including the obligations established for being selected as the winner upon completion of the tender procedure, expected to occur in June 2022.

Establishment of new foreign subsidiaries

Continuing the Growth Strategy begun by Sisal in the IT area, which includes internationalisation and near-shoring initiatives, with the objective of increasing its overall ability to develop software to support the growth of the Group’s business and at the same time reduce overall costs, on 24 November 2021 the Sisal S.p.A. Board of Directors resolved to establish a new Turkish subsidiary, Sisal Technology Yazilim Anonim Sirketi, with registered offices in Istanbul. It was established on 14 February 2022 after 1 million Turkish lira were deposited as share capital (around € 65 thousand).

Russia/Ukraine conflict

The current geopolitical situation linked to the Russia/Ukraine conflict, which began on 24 February 2022, and the consequent restrictive measures imposed by the European Union and other countries, are creating global economic effects which require due consideration, in order to understand the implications for the markets in which the Group operates.

Additionally, it should be remembered that this is a dynamic situation with high levels of uncertainty, meaning it must be carefully monitored to understand the political, economic and other implications. In this context, Sisal has decided to suspend all betting, both through physical and online channels, regarding sporting events which occur in Russia and Belarus, but does not expect any significant impacts from these decisions, as turnover will move to other events.

Therefore, in relation to this conflict, given the nature of the business and the limited exposure to the Russian and Ukrainian markets, as well as the respective currencies, the directors do not expect any significant effects of a financial, operating or other nature which could create problems relative to the Group's operating and financial capacities in the foreseeable future, with respect to the date of these financial statements.

Milan, 23 March 2022

For the Board of Directors

The Chairman

Aurelio Regina

Annex A - Scope of consolidation

Below is a list of companies consolidated on a line by line basis.

			Share capital		% stake at 31 December	
Name	**Country**	**Registered Office**	**Currency**	**Amount at 31 December 2021 (in Euro)**	**2021**	**2020**
Sisal Lottery Italia S.p.A. (formerly Sisal S.p.A.)	Italy	Milan	Euro	125,822,467	100%	100%
Sisal Lotérie Maroc S.a.r.l.	Morocco	Casablanca	Dirham	67,395,000	100%	100%
Sisal Albania Sh.P.K.	Albania	Tirana	Lek	39,600,000	100%	100%
Sisal Şans Interaktif Hizmetler Ve Şans Oyunlari YAT.A.Ş.	Turkey	Istanbul	Turkish Lira	66,000,000	49%	49%
Sisalşans Digital ve Elektronik Şans Oyunları ve Yayıncılık A.Ş.	Turkey	Istanbul	Turkish Lira	50,000	49%	49%
Sisal Entertainment S.p.A.	Italy	Milan	Euro	2,131,622	100%	100%
Acme S.r.l.	Italy	Milan	Euro	20,000	100%	100%
Sisal Gaming S.r.l. (formerly Friulgames S.r.l.)	Italy	Milan	Euro	130,000	100%	100%
Sisal Juego Espana S.A.	Spain	Ceuta (ES)	Euro	60,000	100%	100%
Network Italia S.r.l.	Italy	Milan	Euro	2,560,000	60%	60%
Sisal Lottery UK Ltd	United Kingdom	London	British Pound	100	100%	n.a.
Sisal Germany GmbH	Germany	Frankfurt	Euro	25,000	100%	n.a.

Below is a list of companies consolidated with the equity method:

			Share capital		% stake at 31 December	
Name	**Country**	**Registered Office**	**Currency**	**Amount at 31 December 2021 (in Euro)**	**2021**	**2020**
Rete Servizi Integrati S.r.l.	Italy	Rome	Euro	40,000	49%	49%


Week 0
Week 1
Week 2
Week 3
Week 4
Week 5
All Users
100%
3.9%
3%
1.6%
0.3%
1.2%
Jul 16 - Jul 22
Jul 23 - Jul 29
Jul 30 - Aug 5
Aug 6 - Aug 12
Aug 13 - Aug 19
Aug 20 - Aug 26
Last 6 weeks
COHORT ANALYSIS REPORT
ACTIVE USERS REPORT
Where are your users?
Sessions by country
Czechia
85.2%
Slovakia
10.8%
What are your top devices?
Sessions by device

Independent Auditors' Report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholder of Sisal SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Sisal Group (the Group), which comprise the statement of financial position as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Sisal SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

In the consolidated financial statements for the year ended 31 December 2021 the Group used the option to align the goodwill and specific intangible assets in accordance with Law No. 126 of 13 October 2020, converting with amendments Law Decree No. 104 of 14 August 2020.

The effects of the realignement are reflected in the consolidated financial statements and illustrated in the notes to the consolidated financial statements in the paragraph titled "Significant events during the period – Realignment of statutory and fiscal values of goodwill and intangible assets".

Our opinion is not qualified for this matter.

PricewaterhouseCoopers SpA

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sisal SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (ISA Italia) 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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 Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Sisal SpA are responsible for preparing a report on operations of the Sisal Group as of 31 December 2021, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Sisal Group as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Sisal Group as of 31 December 2021 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 8 April 2022

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Sisal

Sisal