



# **Sisal Holding Istituto di Pagamento S.p.A.**

Condensed consolidated interim  
financial statements

**As of and for the 9 month period  
ended September 30, 2013**

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# Management Discussion & Analysis

## Sisal Group Profile

Sisal Group ("Sisal" or the "Company") is the second largest gaming company and the second largest convenience payment services provider in Italy based on turnover. Sisal was the first Italian company to operate in the gaming sector as a government concessionaire and it has been operating for over 65 years. In addition to gaming, Sisal operates in the convenience payment services market.

The Company offers slot machines and video lottery terminals, betting, lottery games and convenience payment services. The Sisal distribution network includes approximately 46,000 points of sale, nearly all of which also offer convenience payment services. The Group network is made up of newsstands, bars, tobacconists, betting shops and corners, points of sale that are dedicated to gaming machines, multifunctional gaming halls and our online gaming platform.

The Group operates through three business units: (i) Entertainment, (ii) Digital Games and Services and (iii) Lottery.

**Entertainment:** the Entertainment business unit is dedicated to the operation of (i) gaming machines (slot machines and video lottery terminals ("VLTs")), (ii) horse betting and sports betting at betting shops and betting corners and (iii) traditional Italian gaming products, such as Totocalcio (the original and well-known football pool game) and Tris (a horse race prediction game).

**Digital Games and Services:** the Digital Games and Services unit offers players the opportunity to place online bets and play online games such as Sisal Casino, Sisal Slot, Sisal Bingo, Sisal Poker, Sisal Skill Games and Sisal Quick Games, as well as lottery games.

Since 2002, the Group has also offered fast, simple and secure payment solutions through a wide distribution network with terminals located throughout Italy. The Group offers customers the ability to pay approximately hundreds types of bills, fines and certain taxes such as TV licenses, as well as top-up prepaid mobile phones and debit cards, with partnerships with utilities, prepaid services providers and municipal governments.

**Lottery:** the Lottery unit is responsible for operating the exclusive concession for national totalisator number games ("NTNG"), of which the most popular product is SuperEnalotto. Additionally, the Group diversified its lottery product offering by introducing WinForLife!, the first Italian annuity lottery game, and EuroJackpot, a multi-jurisdictional lottery. Sisal manages lottery games through its distribution network as well as its own website.

## Key Factors Affecting Operations In The Nine Months Ended September 30, 2013

In the first nine months of 2013, the Italian GDP was down 2.1%<sup>1</sup> compared to the same period of last year confirming the ongoing trend. The consumption softness affected the Italian gaming market turnover, which, based on our estimates, was down by 3.9%, compared to the first nine months of 2012, to approximately €62.1 billion<sup>2</sup>. Convenience Payments Services market confirmed the ongoing positive trend. Services turnover grew by 2.9%, reaching €13.2 billion<sup>3</sup>, mainly driven by the expansion of payment and financial services.

Sisal recorded €9.9 billion turnover for the nine months ended September 30, 2013, a decrease of 4.3% compared to the same period in 2012. Payment Services turnover reached €4.7 billion for the nine months ended September 30, 2013, an increase of 6.2% from €4.4 billion for the nine months ended September 30, 2012, partially offsetting weak Gaming turnover reflecting a soft macroeconomic environment and an even softer private consumption.

<sup>1</sup> Based on Istat; Conti economici trimestrali; OECD; Interim Assessment; Economic Outlook. Percentage changes from same period of the last year

<sup>2</sup> Sisal Market Intelligence Estimate based on AAMS, Agicos, Agipro, Agimeg.

<sup>3</sup> Based on Osservatorio dei Pagamenti - Roland Berger - Q3 2013 Release.

The overall performance of the period ended September 30, 2013 has also been affected by the definition of legal case related to the gaming machines disputed penalties. The legal case was defined in November 2013 and, consequently, all charges related to the settlement have been accrued in the third quarter interim financial statements impacting the related results for the total amount of €73.5 million plus approx. €3.0 million of interest charges, booked in the Provision for risk and charges in the current liabilities section of the Statement of Financial Position.

## Results of Operations

<i>(€ in millions)</i>	Nine months ended September 30,		2013	% of total revenues and income	% change 2012-2013
	2012	% of total revenues and income			
Revenues	561.3	93.3%	503.3	89.0%	-10.3%
Fixed odds betting income	38.5	6.4%	60.6	10.7%	57.4%
Other revenues and income	2.0	0.3%	1.9	0.3%	-5.0%
<b>Total revenues and income</b>	<b>601.8</b>	<b>100.0%</b>	<b>565.8</b>	<b>100.0%</b>	<b>-6.0%</b>
Purchases of materials, consumables and merchandise	13.6	2.3%	7.7	1.4%	-43.4%
Costs for services	391.2	65.0%	335.1	59.2%	-14.3%
Lease and rent expenses	12.0	2.0%	14.7	2.6%	22.5%
Personnel costs	56.3	9.4%	62.9	11.1%	11.7%
Other operating costs	23.9	4.0%	96.8	17.1%	305.0%
<b>Total costs</b>	<b>497.0</b>	<b>82.6%</b>	<b>517.2</b>	<b>91.4%</b>	<b>4.1%</b>
<b>Gross operating profit before amortization, depreciation, provisions and impairment losses and reversals</b>	<b>104.8</b>	<b>17.4%</b>	<b>48.6</b>	<b>8.6%</b>	<b>-53.6%</b>
Amortization, depreciation, provisions and impairment losses and reversals	74.4	12.4%	78.0	13.8%	4.8%
<b>Net operating profit / (loss) (EBIT)</b>	<b>30.4</b>	<b>5.1%</b>	<b>(29.4)</b>	<b>-5.2%</b>	<b>n.a.</b>
Finance income and similar	3.6	0.6%	1.8	0.3%	-50.0%
Finance expenses and similar	55.7	9.3%	62.5	11.0%	12.2%
<b>Loss before income taxes</b>	<b>(21.7)</b>	<b>-3.6%</b>	<b>(90.1)</b>	<b>-15.9%</b>	<b>n.a.</b>
Income taxes	1.9	0.3%	1.0	0.2%	-47.4%
<b>Loss from continuing operations</b>	<b>(23.6)</b>	<b>-3.9%</b>	<b>(91.1)</b>	<b>-16.1%</b>	<b>n.a.</b>
<b>Loss for the period</b>	<b>(23.6)</b>	<b>-3.9%</b>	<b>(91.1)</b>	<b>-16.1%</b>	<b>n.a.</b>
<b>Total comprehensive loss for the period</b>	<b>(23.6)</b>	<b>-3.9%</b>	<b>(91.1)</b>	<b>-16.1%</b>	<b>n.a.</b>

## Revenues and income

The following table sets forth our revenues and income for the periods indicated in absolute numbers and as a percentage of total revenues and income:

(€ in millions)	Nine months ended September 30,				Change	
	% of total revenues and income		% of total revenues and income		(amount)	%
	2012	2013	2012	2013		
Gaming revenues	414.5	358.6	68.9%	63.4%	(55.9)	-13.5%
Fixed odds betting income	38.5	60.6	6.4%	10.7%	22.1	57.4%
Services and non-gaming product revenues	82.3	82.1	13.7%	14.5%	(0.2)	-0.2%
Point of sales fees	63.8	61.0	10.6%	10.8%	(2.8)	-4.4%
Other revenues and income	2.7	3.5	0.4%	0.6%	0.8	29.6%
<b>Total</b>	<b>601.8</b>	<b>565.8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(36.0)</b>	<b>-6.0%</b>

Revenues and income amounted to €565.8 million for nine months ended September 30, 2013, a decrease of €36.0 million or 6.0% from €601.8 million for the nine months ended September 30, 2012. The decrease was primarily attributable to a decrease in gaming revenues which was partially offset by an increase in fixed odds betting income.

## Gaming Revenues

The following table sets forth our gaming revenues for the periods indicated.

(€ in millions)	Nine months ended September 30,				Change	
	% of total revenues and income		% of total revenues and income		(amount)	%
	2012	2013	2012	2013		
Gaming machines	334.1	292.5	55.6%	51.7%	(41.6)	-12.5%
NTNG revenues	52.6	39.3	8.7%	7.0%	(13.3)	-25.2%
Horse race betting revenues	12.2	9.7	2.0%	1.7%	(2.5)	-20.8%
Online game revenues	11.5	14.2	1.9%	2.5%	2.7	23.3%
Bingo revenues	3.4	2.3	0.6%	0.4%	(1.1)	-31.8%
Sports pools revenues	0.7	0.6	0.1%	0.1%	(0.1)	-20.5%
<b>Total</b>	<b>414.5</b>	<b>358.6</b>	<b>68.9%</b>	<b>63.4%</b>	<b>(55.9)</b>	<b>-13.5%</b>

The overall decrease of €55.9 million in gaming revenues was mainly attributable to a combination of the following factors:

- *Gaming machine* revenues amounted to €292.5 million for the nine months ended September 30, 2013 a decrease of €41.6 million, or 12.5%, from €334.1 million for the nine months ended September 30, 2012. The decrease in gaming machine revenue is mainly due to the combined impact of VLTs soft turnover and lower revenue/turnover ratio of VLTs related to direct taxation increase. Total gaming machine turnover decreased from €3,426 million for the nine months ended September 30, 2012, of which 51.7% related to slot machines and 48.3% related to VLTs to €3,106 million for the nine months ended September 30, 2013, of which 56.7% related to slot machines and 43.3% related to VLTs.
- *NTNG* revenues amounted to €39.3 million for the nine months ended September 30, 2013 a decrease of €13.3 million, or 25.2%, from €52.6 million for the nine months ended September 30, 2012. The decrease in NTNG revenues is mainly related to softer turnover driven by both lower average jackpots and delays in refreshing the product offering.
- *Horse betting* revenues amounted to €9.7 million for the nine months ended September 30, 2013 a decrease of €2.5 million, or 20.0%, from €12.2 million for the nine months ended September 30, 2012, due to soft consumption and decrease in the related games appeal.
- *Online games* revenues amounted to €14.2 million for the nine months ended September 30, 2013 an increase of €2.7 million, or 23.3%, from €11.5 million for the nine months ended September 30, 2012,

primarily as a result of the successful launch of Slot games, partially offset by Poker games weak market trend.

- *Bingo* revenues amounted to €2.3 million for the nine months ended September 30, 2013 a decrease of €1.1 million, or 31.8%, from €3.4 million for the nine months ended September 30, 2012, due to soft consumption and weak market trend.
- *Sports pools* revenues were substantially unchanged amounting to €0.6 million for the nine months ended September 30, 2013 and €0.7 million for the nine months ended September 30, 2012.

### ***Fixed odds betting income***

Fixed odds betting income amounted to €60.6 million for the nine months ended September 30, 2013 an increase of €22.1 million, or 57.4%, from €38.5 million for the nine months ended September 30, 2012, primarily as a result of the strong performance in sport betting over the reference period, compared to an unusually soft performance in the same period of the previous year.

### ***Services and non-gaming product revenues***

Services and non-gaming product revenues were substantially unchanged, amounting to €82.1 million for the nine months ended September 30, 2013 and €82.3 million for the nine months ended September 30, 2012. The number of payment and financial services transactions that we processed slightly decreased from 148.3 million for the nine months ended September 30, 2012 to 143.0 million for the nine months ended September 30, 2013, as a consequence of the increase of the number of prepaid card and payment transactions and a decrease of the telco transactions that are smaller in size.

### ***Point of sale fees***

Point of sale fees amounted to €61.0 million for the nine months ended September 30, 2013 a decrease of €2.8 million, or 4.4%, from €63.8 million for the nine months ended September 30, 2012, primarily as a result of a reduction of the number of active points of sale.

### ***Other revenues and income***

Other revenues and income slightly increased from €2.7 million for the nine months ended September 30, 2012 to €3.5 million for the nine months ended September 30, 2013.

## **Costs**

### ***Purchases of materials, consumables and merchandise***

Purchases of materials, consumables and merchandise amounted to €7.7 million for the nine months ended September 30, 2013 a decrease of €5.9 million, or 43.4%, from €13.6 million for the nine months ended September 30, 2012, primarily as a result of lower consumption of games materials due in particular to the decrease in revenues in the lottery segment, combined with cost savings.

### ***Costs for services***

Costs for services amounted to €335.1 million for the nine months ended September 30, 2013 a decrease of €56.1 million, or 14.3%, from €391.2 million for the nine months ended September 30, 2012.

Costs for services amounted to 59.2% of total revenues and income for the nine months ended September 30, 2013 compared to 65.0% of total revenues and income for the nine months ended September 30, 2012. The following table sets forth an analysis of costs for services for the periods indicated.

(€ in millions)	Nine months ended September 30,				Change	
	% of total revenues and income		% of total revenues and income		(amount)	%
	2012	2013	2012	2013		
Sales channel- Gaming	217.3	36.1%	195.2	34.4%	(22.1)	-10.2%
Sales channel- Non gaming revenues	51.6	8.6%	50.1	8.9%	(1.5)	-2.9%
Commercial services	46.3	7.7%	18.7	3.3%	(27.6)	-59.6%
Consulting	11.5	1.9%	9.0	1.6%	(2.5)	-21.7%
Others	64.5	10.7%	62.1	11.0%	(2.4)	-3.7%
<b>Total cost for services</b>	<b>391.2</b>	<b>65.0%</b>	<b>335.1</b>	<b>59.2%</b>	<b>(56.1)</b>	<b>-14.3%</b>

The decrease in costs for services was primarily attributable to the combined effect of the following items:

- *Sales channel-gaming costs* amounted to €195.2 million for the nine months ended September 30, 2013 a decrease of €22.1 million, or 10.2%, from €217.3 million for the nine months ended September 30, 2012. As a percentage of total revenues and income, sales channel gaming costs amounted to 34.4% for the nine months ended September 30, 2012 and 36.1% for the nine months ended September 30, 2013. The decrease is mainly due to softer gaming machines turnover.
- *Sales channel non-gaming services costs* amounted to €50.1 million for the nine months ended September 30, 2013 a decrease of €1.5 million, or 2.9%, from €51.6 million for the nine months ended September 30, 2012. The decrease in such costs was mainly attributable to a slight decrease in transaction volumes, related to top up prepaid mobile phones and cards.
- *Commercial services* amounted to €18.7 million for the nine months ended September 30, 2013 a decrease of €24.5 million, or 56.7%, from €43.2 million for the nine months ended September 30, 2012. The decrease in commercial services is primarily a result of a significant reduction in advertising and other promotional activities related to *NTNG* products also as consequence of delay in refreshing the product offering and cost savings.

### Lease and rent expenses

Lease and rent expenses amounted to €14.7 million for the nine months ended September 30, 2013 an increase of €2.7 million, or 22.5%, from €12.0 million for the nine months ended September 30, 2012. The increase in lease and rent expenses is primarily a result of increased building leases and related expenses in connection with the expansion of the distribution network and in particular the opening of new directly managed points of sale during 2012.

### Personnel costs

Personnel costs amounted to €62.9 million for the nine months ended September 30, 2013 an increase of €6.6 million, or 11.7%, from €56.3 million for the nine months ended September 30, 2012. The increase in personnel costs is mainly related to the increase in the average number of people employed by us. Our average workforce, expressed in full time equivalents increased from 1,458 for the nine months ended September 30, 2012 to 1,590 for the nine months ended September 30, 2013, partly as a result of organic growth and partly as a result of the acquisition of Friulgames in January 2013.

### Other operating costs

Other operating costs amounted to €96.8 million for the nine months ended September 30, 2013 an increase of €72.9 million from €23.9 million for the nine months ended September 30, 2012. The increase in other operating costs is primarily related to the accrued charges related the above mentioned settlement of the Corte dei Conti legal proceedings for €73.5 million, partially offset by lower gaming concession fees.

## **Gross profit, before amortization, depreciation, provisions and impairment losses and reversals**

As a result of the factors explained above, gross profit before amortization, depreciation, provisions and impairment losses and reversals amounted to €48.6 million for the nine months ended September 30, 2013 a decrease of €56.2 million, or 53.6%, from €104.8 million for the nine months ended September 30, 2012. Gross margin was 8.6% for the nine months ended September 30, 2013 compared to 17.4% for the nine months ended September 30, 2012.

The decrease in gross margin is primarily attributable to the impact of the final settlement amount of the Gaming Machines disputed penalties; excluding these charges operating profit before amortization, depreciation, provisions and impairment losses and reversals amounted to €122.1 million for the nine months ended September 30, 2013 an increase of €17.3 million, or 16.5%, from €104.8 million for the nine months ended September 30, 2012, due mainly to decrease in costs of services as a percentage of revenues and income.

## **Amortisation, depreciation, provisions and impairment losses and reversals**

Amortisation, depreciation, provisions and impairment losses and reversals amounted to €78.0 million for the nine months ended September 30, 2013 an increase of €3.6 million, or 4.8%, from €74.4 million for the nine months ended September 30, 2012. The increase is primarily related to depreciation of equipment, relating to capital expenditures (for hardware and gaming machines).

## **Net operating profit / (loss)**

Net operating loss amounted to €29.4 million for the nine months ended September 30, 2013 a decrease of €59.8 million from net operating profit of €30.4 million for the nine months ended September 30, 2012.

Net margin was (5.2)% for the nine months ended September 30, 2013 compared to 5.1% for the nine months ended September 30, 2012.

Excluding the non recurring costs related to the disputed penalties, net operating profit amounted to €44.1 million for the nine months ended September 30, 2013 an increase of €13.7 million, or 45.1%, from €30.4 million for the nine months ended September 30, 2012.

## **Finance income and similar**

Finance income and similar amounted to €1.8 million for the nine months ended September 30, 2013 a decrease of €1.8 million, or 50.0%, from €3.6 million for the nine months ended September 30, 2012, primarily as a result of lower average ordinary bank accounts balances in the relevant period.

## **Finance expenses and similar**

Finance expenses and similar amounted to €62.5 million for the nine months ended September 30, 2013 an increase of €6.8 million, or 12.2%, from €55.7 million for the nine months ended September 30, 2012, primarily as a result of finance expenses on third party financial liabilities. Finance expenses on third party financial liabilities amounted to €30.4 million for the nine months ended September 30, 2013 (included €3.0 million interest charges related to the settlement of the disputed penalties) compared to €25.3 million for the nine months ended September 30, 2012. Interest on our shareholders loan amounted to €30.2 million and €32.1 million for the nine months ended September 30, 2012 and 2013, respectively.

## **Income taxes**

Income taxes amounted to €1.0 million for the nine months ended September 30, 2013 a decrease of €0.9 million, or 47.4%, from €1.9 million for the nine months ended September 30, 2012, primarily as a result of the decrease in pre-tax income.

Due to actual uncertainty about tax deductibility of the charges related to the definition of the disputed penalties and pending the related ruling to tax authority to be shortly submitted, so far Income tax for the nine months ended September 30, 2013 do not reflect this item as tax relevant both under current and deferred taxation.

## Segment Information

<i>(€ in millions)</i>	Nine months ended September 30,			
	2012	2013	2012	2013
	<b>Revenues and income</b>		<b>Segment Gross operating Profit</b>	
Entertainment	382.7	356.6	83.3	80.5
Lottery	91.5	69.4	27.4	36.0
Digital Games and Services	127.1	139.1	53.2	63.7
Other	0.5	0.7	-	-
<b>Segment Gross Operating Profit</b>			163.9	180.2
Corporate costs			59.1	131.6 <sup>(1)</sup>
<b>Total</b>	<b>601.8</b>	<b>565.8</b>	<b>104.8</b>	<b>48.6</b>

(1) Including €73.5 million non recurring costs related to the legal case definition. See note 23 of the Condensed Consolidated Interim Financial Statements as of and for the nine months ended September 30, 2013.

**Entertainment:** Entertainment segment results for the nine months ended September 30, 2013 have been mainly driven by a soft turnover and tax increase in VLTs, partly offset by a strong performance in sport betting over the same 2012 reference period. As a percentage of total entertainment revenues and income, entertainment gross operating profit amounted to 22.6% for the nine months ended September 30, 2013 compared to 21.8% for the nine months ended September 30, 2012.

**Digital Games & Services:** Digital games and services segment results for the nine months ended September 30, 2013 have been mainly driven by a strong performance in online sport betting and the successful launch of Slot games, partially offset by the Poker games weak market trend. Services revenues were substantially unchanged. As a percentage of total digital games and services revenue and income, digital games and services gross operating profit amounted to 45.8% for the nine months ended September 30, 2013 compared to 41.9% for the same period in 2012 driven by the increase in revenues for online and services activities.

**Lottery:** Lottery segment results for nine months ended September 30, 2013 have been mainly driven by low SuperEnalotto jackpot during the period reducing game appeal to customers and delay in approving games rejuvenation. As a percentage of total lottery revenues and income, lottery gross operating profit amounted to 51.8% for the nine months ended September 30, 2013 compared to 29.9% for the same period in 2012 driven by cost savings and lower marketing expenses, which more than offset the decrease in revenues.

## Liquidity and Working capital

The following table sets forth our changes in working capital for the periods indicated.

<i>(€ in millions)</i>	Nine months ended September 30,	
	2012	2013
Movements in trade receivables	(0.2)	(4.4)
Movements in inventories	6.2	2.6
Movements in trade payables	0.5	(54.9)
<b>Movements in trade working capital</b>	<b>6.5</b>	<b>(56.7)</b>
Movements in other assets and liabilities	(22.2)	59.4
Movements in payables for winnings	(55.5)	(4.3)
<b>Total movements in working capital</b>	<b>(71.3)</b>	<b>(1.6)</b>
<b>Restricted Cash as of September 30</b>	<b>88.8</b>	<b>88.3</b>

Movements in working capital are generally connected to timing of cash collections and convenience service payments and business turnover trends. The high cash absorption at trade working capital level, in the first nine months 2013, is mainly related to timing in convenience services trade payables, turnover softness and a lower cost base in the nine months ended September 30, 2013. The positive movement of Other assets and liabilities is due to the accrual of the charges related to the disputed penalties which have been cashed out in November.

## CASH FLOWS

The following table sets forth a summary of our cash flow statement for the periods indicated.

<i>(€ in millions)</i>	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2013</b>
Cash provided by operations before changes in working capital, interest and taxes	105.6	49.3
Changes in working capital	(71.2)	(1.6)
Interests and taxes paid	(48.3)	(52.5)
Cash flows provided by (used in) operating activities	(13.9)	(4.8)
Cash flows provided by (used in) investing activities	(42.7)	(43.7)
Cash flows provided by (used in) financing activities	(19.7)	(20.5)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(76.3)</b>	<b>(69.0)</b>
<b>Net cash at the beginning of the period</b>	<b>283.7</b>	<b>242.1</b>
<b>Net cash at the end of the period</b>	<b>207.4</b>	<b>173.1</b>

Our cash used in operating activities amounted to €4.8 million for the nine months ended September 30, 2013 compared to €13.9 million for the nine months ended September 30, 2012. The decrease in cash used in operating activities is principally related to the decrease in cash provided by operations before changes in working capital, interest and taxes (including the accrued non recurring costs), which was more than offset by an increase in cash provided from working capital.

Our cash flows used in investing activities amounted to €43.7 million for the nine months ended September 30, 2013 compared to €42.7 million for the nine months ended September 30, 2012. The cash used in investing activities in the nine months ended September 30, 2013 is mainly related to investments in tangible and intangible assets amounting to €27.8 million, new acquisition net cash impact for residual €3.9 million and €12.0 million related to the cash deposit provided upfront as a guarantee for the installments payment of the NTNG minimum guaranteed penalty agreed with the Gaming Authority. Cash flow used in investing activities for the nine months ended September 30, 2012 was also affected by approximately €12.4 million investment in Lottery terminals.

Cash flows used in financing activities amounted to €20.5 million for the nine months ended September 30, 2013 compared to €19.7 million for the nine months ended September 30, 2012. The cash used in financing activities is mainly related to repayment of borrowings. In particular, during the nine months ended September 30, 2013, repayments of €14.3 million were made to the Senior Credit Agreement and repayments of €2.2 million and €2.9 million were made to finance lease liabilities and to VAT receivables factoring liabilities respectively. In addition, as further explained below in May 2013 we issued €275 million of senior secured notes, the proceeds of which were used to refinance a portion of our existing debt, and in particular, to repay a portion of the senior secured credit facilities.

## Capital Resources

The following table sets forth the principal amounts of our external debt as of December 31, 2012 and September 30, 2013. The table below does not include amounts due under our shareholders loan which, including capitalized interest amounted to € 440.3 million as of September 30, 2013 and € 420.0 million as of December 31, 2012. In May 2013 we issued €275 million of senior secured notes, the proceeds of which were used to refinance a portion of our existing debt and, in particular, to repay a portion of the senior secured credit facilities. The notes bear fixed rate interest of 7.25% per annum and mature in 2017. In connection with the issuance of the senior secured notes we also entered into an amendment of the senior secured facilities

agreement, whereby the remaining amounts outstanding after the repayments from the proceeds of the senior secured notes will mature in September 2017.

<i>(€ in millions)</i>	<u>As of December 31,</u> <b>2012</b>	<u>As of September 30,</u> <b>2013</b>
Senior Secured Credit Facilities	713.9	424.6
Senior secured notes	-	275.0
Other financial liabilities	10.0	6.3
<b>Total external financial liabilities</b>	<b>723.9</b>	<b>705.9</b>

## Other Financial Information

<i>(€ in millions)</i>	<u>2012</u>	<u>2013</u>
EBITDA <sup>(1)</sup>	104,8	48,6
Adjusted EBITDA <sup>(2)</sup>	104,8	122,1
Adjusted EBITDA margin <sup>(3)</sup>	17,4%	21,6%

<i>(€ in millions)</i>	<u>As of December 31,</u> <b>2012</b>	<u>As of September 30,</u> <b>2013</b>
Unrestricted cash <sup>(4)</sup>	152,9	84,8
SHIP net senior secured debt <sup>(5)</sup>	561,0	614,8

(1) We define EBITDA as profit (or loss) for the period plus net finance expenses and similar, income taxes and depreciation, amortization and impairments and impairments of receivables. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA.

<i>(€ in millions)</i>	<u>Nine months ended September 30,</u>	
	<b>2012</b>	<b>2013</b>
Profit/(loss) for the period	(23.6)	(91.1)
Net finance expense and similar	52.1	60.7
Income taxes	1.9	1.0
Amortisation, depreciation and impairments	74.4	78.0
Impairment of receivables		
<b>EBITDA</b>	<b>104.8</b>	<b>48.6</b>

(2) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items. During the nine months ended September 30, 2013 extraordinary item amounted to €73.5 million and related to the settlement of disputed penalties.

(3) We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenues and income.

(4) Unrestricted cash represents cash and cash equivalents from our statement of financial position, less restricted cash relating to bank accounts which are managed by us but for which the cash is restricted to the payment of prize winnings and, to a lesser extent, deposits made by players for our online games.

(5) SHIP net senior secured debt consists of the principal amount due under the Senior Secured Facilities and the senior secured notes, less unrestricted cash. Net senior secured debt does not include debt under finance leases, factoring of VAT receivables and other sundry financial liabilities.

*Information Relating To The Financial Liabilities of Gaming Invest*

**Gaming Invest Information**

<i>(€ in millions)</i>	<u>As of December 31,</u> <b>2012</b>	<u>As of September 30,</u> <b>2013</b>
Principal amount of debt	270.4	280.2

**Gaming Invest Information**

<i>(€ in millions)</i>	<u>Nine months ended September 30,</u>	
	<b>2012</b>	<b>2013</b>
Interest expense	20.2	18.8

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2013**



(In Euro)

	September 30, 2013	December 31, 2012
<b>A) NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	110,633,712	126,606,135
Goodwill	875,156,896	869,563,727
Intangible assets	226,622,652	249,108,475
Investments accounted for using the equity method	25,970	25,970
Deferred tax assets	19,888,406	16,799,742
Other non-current assets	28,698,855	14,924,890
Assets held for sale or discontinued operations	0	0
<b>Total non-current assets</b>	<b>1,261,026,491</b>	<b>1,277,028,939</b>
<b>B) CURRENT ASSETS</b>		
Inventories	7,289,963	9,881,492
Trade receivables	149,420,321	151,314,937
Current financial assets	1,549	1,549
Other current assets	39,631,386	42,484,565
Taxes receivable	2,574,912	6,285,100
Cash and cash equivalents	173,082,714	242,120,067
<b>Total current assets</b>	<b>372,000,845</b>	<b>452,087,710</b>
<b>TOTAL ASSETS</b>	<b>1,633,027,336</b>	<b>1,729,116,649</b>
<b>A) EQUITY</b>		
Share capital	102,500,000	102,500,000
Legal reserve	200,000	200,000
Share premium reserve	94,484,316	94,484,316
Other reserves	(151,611,873)	(112,165,384)
Total comprehensive loss for the year	(91,409,025)	(39,808,380)
<b>Total equity attributable to owners of the Parent</b>	<b>(45,836,582)</b>	<b>45,210,552</b>
<b>Equity attributable to non-controlling interests</b>	<b>1,101,020</b>	<b>334,536</b>
<b>Total equity</b>	<b>(44,735,562)</b>	<b>45,545,088</b>
<b>B) NON-CURRENT LIABILITIES</b>		
Long-term debt	1,102,600,787	1,010,168,287
Provision for employee severance indemnities	9,115,023	9,095,582
Deferred tax liabilities	27,397,699	28,166,129
Provisions for risks and charges	8,690,489	8,863,252
Other non-current liabilities	11,742,035	3,244,631
Liabilities relating to assets held for sale or discontinued operations	0	0
<b>Total non-current liabilities</b>	<b>1,159,546,033</b>	<b>1,059,537,881</b>
<b>C) CURRENT LIABILITIES</b>		
Trade and other payables	233,243,946	284,306,010
Short-term debt	15,000,000	34,406,438
Current portion of long-term debt	10,883,401	94,157,547
Other current liabilities	181,835,960	210,942,847
Taxation payable	778,318	220,838
Provisions for risks and charges	76,475,240	0
<b>Total current liabilities</b>	<b>518,216,865</b>	<b>624,033,680</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,633,027,336</b>	<b>1,729,116,649</b>

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**



	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
Revenues	503.357.791	561.334.450	159.616.710	180.867.047
Fixed odds betting income	60.584.726	38.517.832	13.399.591	5.540.294
Other revenues and income	1.886.216	1.963.783	435.234	(66.078)
<b>Total revenues and income</b>	<b>565.828.733</b>	<b>601.816.065</b>	<b>173.451.535</b>	<b>186.341.263</b>
Purchases of materials, consumables and merchandise	7.745.363	13.641.239	2.730.885	4.352.848
Costs for services	335.077.618	391.155.671	106.285.064	119.771.388
Lease and rent expenses	14.669.363	11.956.259	5.087.661	4.136.413
Personnel costs	62.880.110	56.329.674	19.360.487	15.903.316
Other operating costs	96.836.268	23.942.804	80.881.837	7.111.750
<b>Total costs</b>	<b>517.208.722</b>	<b>497.025.647</b>	<b>214.345.934</b>	<b>151.275.715</b>
<b>Gross operating profit before amortisation, depreciation, provisions and impairment losses and reversals</b>	<b>48.620.011</b>	<b>104.790.418</b>	<b>(40.894.399)</b>	<b>35.065.548</b>
Amortisation, depreciation, provisions and impairment losses and reversals	78.043.258	74.446.237	25.479.174	23.166.521
<b>Net operating profit (EBIT)</b>	<b>(29.423.247)</b>	<b>30.344.181</b>	<b>(66.373.573)</b>	<b>11.899.027</b>
Finance income and similar	1.778.701	3.550.456	611.131	975.501
Finance expenses and similar	62.545.142	55.661.098	25.263.641	17.794.006
Share of profit/(loss) of companies accounted for by the equity method	0	54.688	0	54.688
<b>Loss before income taxes</b>	<b>(90.189.688)</b>	<b>(21.821.149)</b>	<b>(91.026.083)</b>	<b>(4.974.166)</b>
Income taxes	1.012.479	1.941.599	(3.270.703)	(710.466)
<b>Loss from continuing operations</b>	<b>(91.202.167)</b>	<b>(23.762.748)</b>	<b>(87.755.380)</b>	<b>(4.263.700)</b>
Result attributable to assets held for sale or discontinued operations				
<b>LOSS FOR THE PERIOD</b>	<b>(91.202.167)</b>	<b>(23.762.748)</b>	<b>(87.755.380)</b>	<b>(4.263.700)</b>
Other comprehensive income				
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(91.202.167)</b>	<b>(23.762.748)</b>	<b>(87.755.380)</b>	<b>(4.263.700)</b>
<b>Profit attributable to non-controlling interests</b>	<b>206.858</b>	<b>(5.203)</b>	<b>(79.344)</b>	<b>6.905</b>
<b>Loss attributable to owners of the Parent</b>	<b>(91.409.025)</b>	<b>(23.757.545)</b>	<b>(87.676.036)</b>	<b>(4.270.605)</b>
<b>Total comprehensive income attributable to non-controlling interest:</b>	<b>206.858</b>	<b>(5.203)</b>	<b>(79.344)</b>	<b>6.905</b>
<b>Total comprehensive loss attributable to owners of the Parent</b>	<b>(91.409.025)</b>	<b>(23.757.545)</b>	<b>(87.676.036)</b>	<b>(4.270.605)</b>
<b>Basic earning (loss) per share</b>	<b>(0,89)</b>	<b>(0,23)</b>	<b>(0,86)</b>	<b>(0,04)</b>
<b>Diluted earnings (loss) per share</b>	<b>(0,89)</b>	<b>(0,23)</b>	<b>(0,86)</b>	<b>(0,04)</b>

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**



(In thousands of Euro)

	Share capital	Legal Reserve	Share premium reserve	Other Reserves	Retained earnings (Accumulated deficit)	Non-controlling interests	Total Equity
<b>Equity at December 31, 2011</b>	102,500	200	94,484	1,607	(114,523)	639	84,907
Profit and loss recorded directly in equity							0
Profit and loss for the period					(23,758)	(5)	(23,763)
<b>Total comprehensive loss for the period</b>	0	0	0	0	(23,758)	(5)	(23,763)
Other changes				375	1	(43)	333
<b>Equity at September 30, 2012</b>	102,500	200	94,484	1,982	(138,280)	591	61,477

<b>Equity at December 31, 2012</b>	102,500	200	94,484	2,092	(154,065)	334	45,545
Profit and loss recorded directly in equity							0
Profit and loss for the period					(91,409)	207	(91,202)
<b>Total comprehensive loss for the period</b>	0	0	0	0	(91,409)	207	(91,202)
Other changes				362	0	560	922
<b>Equity at September 30, 2013</b>	102,500	200	94,484	2,454	(245,474)	1,101	(44,735)

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**



(In thousands of Euro)

	September 30, 2013	September 30, 2012
<b>Loss for the period before income taxes</b>	<b>(90,190)</b>	<b>(21,821)</b>
Amortisation and depreciation	69,495	65,228
Impairment of receivables in current assets	8,210	10,385
Impairment of investment	0	55
Provision for risks and charges - accruals (releases)	339	(1,166)
Employee severance indemnities - accrual	329	434
Other accruals	362	375
Finance (income) expenses	60,767	52,111
<b>Cash provided by operations before changes in working capital, interest and taxes</b>	<b>49,312</b>	<b>105,601</b>
<i>Change in working capital</i>	<i>(1,641)</i>	<i>(71,193)</i>
<i>Net interest paid</i>	<i>(49,454)</i>	<i>(26,798)</i>
<i>Taxes (paid) /reimbursed</i>	<i>(3,068)</i>	<i>(21,513)</i>
<b>Cash flows provided by (used in) operating activities</b>	<b>(4,851)</b>	<b>(13,903)</b>
Increase (-) decrease (+) in intangible assets	(16,350)	(6,370)
Increase (-) decrease (+) in property, plant and equipment	(11,450)	(25,085)
Increase (-) decrease (+) in investments	0	(50)
Increase (-) decrease (+) in other non-current assets	(12,000)	(1,979)
Acquisitions (net of cash)	(3,870)	(9,168)
<b>Cash flows provided by (used in) investing activities</b>	<b>(43,670)</b>	<b>(42,652)</b>
Increase (+) Decrease (-) in loans	(18,321)	(16,005)
Increase (+) Decrease (-) in leases payable	(2,195)	(3,687)
<b>Cash flows provided by (used in) financing activities</b>	<b>(20,516)</b>	<b>(19,692)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(69,037)</b>	<b>(76,247)</b>
<b>Net cash at the beginning of the period</b>	<b>242,120</b>	<b>283,692</b>
<b>Net cash at the end of the period</b>	<b>173,083</b>	<b>207,445</b>

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

**1. General information**

Sisal Holding Istituto di Pagamento S.p.A. (SHIP S.p.A.) has two main activities. The first is represented by the supply of collection and payment services, performed under appropriate authorization issued by the Bank of Italy, to third parties commercial partners and subsidiaries; the second is represented by the ownership of a controlling interest in Sisal S.p.A. a company which operates directly and indirectly through its subsidiaries in Italy in the gaming industry, through a network of more than 45,000 points of sale and about 200 betting agencies throughout the country, principally on the basis of concessions for wagers in pools, horse racing and sports bets and legal gaming using Amusement With Prize gaming machines (AWP gaming machines) and the operation of a Bingo hall in the city of Naples. The same subsidiary carries out marketing activities for telephone top-ups and TV content recharges. The Company also renders management and strategic services to the main subsidiaries subject to its direction and coordination activities.

The company is a limited liability stock company established under the law of the Republic of Italy. The company's registered office is at Via Tocqueville, 13 in Milan, Italy.

**2. Basis of preparation**

These condensed interim financial statements as of and for the nine months ended September 30, 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements compared to the information required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union, given that the entity has prepared financial statements compliant with IFRS for the previous financial year. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRSs. Unless otherwise stated, all amounts are disclosed in thousands of Euro.

**3. Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**4. Recently issued accounting standards**

The Group has not early adopted the accounting standards already endorsed by the European Union but not yet effective for the Group.

In particular, the following have not been early adopted by the Group:

- IFRS 10—Consolidated Financial Statements, applicable from January 1, 2014;

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- IFRS 11—Joint Arrangements, applicable from January 1, 2014;
- IFRS 12—Disclosure of Interests in Other Entities, applicable from January 1, 2014;
- IAS 27 (revised)—Separate Financial Statements, applicable from January 1, 2014;
- IAS 28 (revised)—Associates and Joint Ventures, applicable from January 1, 2014;
- IAS 32 Financial Instruments: Presentation—Amendment 2012, applicable from January 1, 2014.

The Group is currently assessing the impact of the applicability, if any, of the above standards on its financial statements.

Moreover, the following standards and amendments are in the process of being endorsed by the European Union and therefore to date are not applicable to the Group:

- IFRS 9 Financial Instruments;
- Improvements to IFRSs 2009-2011.

## **5. Change in the scope of consolidation**

In January 2013 we acquired 60% of Friulgames Srl, an Italian operator of approximately 2,000 slot machines and 170 VLTs for consideration of €5.5 million. We consolidated Friulgames Limited from the date of acquisition. There are no other changes in the scope of consolidation compared to 2012.

## **6. Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

## **7. Financial risk management**

### *7.1 Financial risk factors*

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and bookmaker risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at December 31, 2012. There have been no changes in the risk management department since year end or in any risk management policies.

### *7.2 Liquidity risk*

As previously reported, in May 2013 we entered a significant refinancing and restructuring of existing debt deal, based in particular on the issuance of new senior secured notes totalling €275 million. As a result of this

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**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

operation the contractual cash flows of our debt and the related matured profile have changed and, in particular, substantial portion of our debt now matures in 2017.

**7.3 Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's assets and liabilities that are measured at fair value at September 30, 2013.

**As of September 30, 2013** (In thousands of Euro)

<b>Financial assets/liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
1. Financial assets measured at fair value recognised in the statement of comprehensive income				
2. Available-for-sale financial assets	2			2
3. Hedging derivatives				
<b>Total</b>	<b>2</b>			<b>2</b>
1. Financial assets measured at fair value recognised in the statement of comprehensive income				
2. Hedging derivatives				
<b>Total</b>				

**As of December 31, 2012**

<b>Financial assets/liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
1. Financial assets measured at fair value recognised in the statement of comprehensive income				
2. Available-for-sale financial assets	2			2
3. Hedging derivatives				
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>
1. Financial assets measured at fair value recognised in the statement of comprehensive income				
2. Hedging derivatives				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2013, no financial assets/liabilities measured at fair value have been transferred between different categories.

**8. Seasonality of operations**

The operations of the Group are subject to sports scheduling and other seasonal factors as well as extraordinary events, which may adversely affect results of operations. The professional football season in Italy usually runs from late August to mid-May. As a result, the Group has historically recorded higher betting revenues and income in these months. The volumes of bets collected are also affected by the schedules of other significant sporting events that occur at regular but infrequent intervals, such as the FIFA Football World

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
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Cup, UEFA European Football Championship and the Olympics. As a result of the seasonality for the sporting season, income from offline and online betting activities can vary significantly throughout the year, and on a year-to-year basis. Lottery business unit is also affected by seasonality, as the sale of lottery tickets typically decreases in the summer months while some customers are on vacation.

**9. Operating segment information**

The Group's operating activities are organized and managed separately in three Business Units which ensure an effective control over operations and identify the operating segments as set out in IFRS 8:

- Entertainment, engaged in retail, AWP gaming machines and betting activities
- Lottery, engaged in National Totalisator Number Games (NTNG) activities
- Digital Games and Services, engaged in online games and payment services activities

The identification of the operating segments and the relative information reported under segment reporting is confirmed by the elements that management uses to make operating decisions consistently with the organizational, management and control model in use.

Management makes decisions about resources to be allocated and the assessment of the performance by the different segments principally on the basis of the "gross operating margin".

The valuation of this margin conforms with accounting standards applicable to the consolidated financial statements of the Group, thus the main items in reconciliation between the results of the segments and the "Gross operating margin before amortization, depreciation, provisions and impairment losses and reversals" presented in the consolidated financial statements refer to the costs of the corporate structure excluded from the gross operating margin of the various operating segments.

Such costs are mainly in reference to the following:

- IT/Telecommunications services across the different operating segments
- advertising and institutional communication
- coordination, control and strategic guidelines of the Group's business
- planning and centralized management of human resources and financing
- management of administrative, fiscal and legal/corporate obligations
- non-recurring or exceptional costs not related to the underlying performance of the Business Units

For presentation purposes only, so that this different criterion has no effect on the valuation of the various financial statements items, the portion of revenues paid to the supply chain for the Entertainment and Digital games and Services Business Units, is shown in management reports net of the relative costs. Likewise, there are certain categories of cost presented in the consolidated financial statements as a deduction of revenues which in the management reports are included in operating costs.

**SISAL HOLDING INSTITUTO DI PAGAMENTO S.P.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

(In thousands of Euro)

	Nine months ended September 30, 2013	
	Total revenues	Gross Operating Margin
<b>Entertainment</b>		
Revenues	180,985	
Supply Chain / Other revenues	175,549	
<b>Total</b>	<b>356,534</b>	<b>80,563</b>
<b>Lottery</b>		
Revenues	69,428	
Supply Chain / Other revenues	(7)	
<b>Total</b>	<b>69,421</b>	<b>35,985</b>
<b>Digital Games &amp; Services</b>		
Revenues	93,508	
Supply Chain / Other revenues	45,636	
<b>Total</b>	<b>139,144</b>	<b>63,673</b>
<b>Other revenues</b>	<b>729</b>	<b>0</b>
IT / Telecommunications		(16,193)
Corporate Marketing		(4,803)
General & Administrative		(22,702)
Other operating costs		(14,344)
Items with different classification		(73,558)
	<b>565,828</b>	<b>48,621</b>

	Nine months ended September 30, 2012	
	Total revenues	Gross Operating Margin
	187,106	
	195,631	
	<b>382,737</b>	<b>83,333</b>
	91,500	
	(12)	
	<b>91,488</b>	<b>27,367</b>
	81,002	
	46,119	
	<b>127,121</b>	<b>53,225</b>
	<b>469</b>	<b>0</b>
		(17,918)
		(5,295)
		(22,780)
		(12,049)
		(1,092)
	<b>601,815</b>	<b>104,791</b>

(In thousands of Euro)

	Three months ended September 30, 2013	
	Total revenues	Gross Operating Margin
<b>Entertainment</b>		
Revenues	51,401	
Supply Chain / Other revenues	56,056	
<b>Total</b>	<b>107,457</b>	<b>19,852</b>
<b>Lottery</b>		
Revenues	20,435	
Supply Chain / Other revenues	(2)	
<b>Total</b>	<b>20,433</b>	<b>10,576</b>
<b>Digital Games &amp; Services</b>		
Revenues	30,698	
Supply Chain / Other revenues	14,686	
<b>Total</b>	<b>45,384</b>	<b>20,682</b>
<b>Other revenues</b>	<b>176</b>	<b>0</b>
IT / Telecommunications		(4,937)
Corporate Marketing		(1,696)
General & Administrative		(7,175)
Other operating costs		(4,668)
Items with different classification		(73,528)
	<b>173,450</b>	<b>(40,894)</b>

	Three months ended September 30, 2012	
	Total revenues	Gross Operating Margin
	54,202	
	65,216	
	<b>119,418</b>	<b>21,425</b>
	27,762	
	(4)	
	<b>27,758</b>	<b>16,480</b>
	24,620	
	15,259	
	<b>39,879</b>	<b>16,138</b>
	<b>(716)</b>	<b>0</b>
		(5,181)
		(1,415)
		(6,985)
		(3,823)
		(1,573)
	<b>186,339</b>	<b>35,066</b>

Total revenues by operating segment refer entirely to third parties as there are no intersegment revenues.

**SISAL HOLDING ISTITUTO DI PAGAMENTO S.P.A.**  
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*Items with different classification* for the nine months ended September 30, 2013 and third quarter 2013 reflect the impact of the charges accrued in relation to the definition of the disputed penalties, which, due to their exceptional and non recurring nature, have been excluded from the gross operating margin of the operating segments.

The Group currently operates almost exclusively in Italy, therefore no information is reported by geographical area.

There are no significant non-recurring items included in segment revenues or gross operating profit for the nine month periods ended September 30, 2013 and 2012, with the exception of the above mentioned settlement of the gaming machines legal dispute.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

From the standpoint of the financial position, segment assets are not included in the information reviewed by management.

**10. Business combinations**

On January, 2013, we acquired 60% of Friulgames srl, an Italian operator of approximately 2,000 slot machines and 170 VLTs, for a total consideration of Euro 5.5 million. As a result of the acquisition, the group has expanded its retail distribution network enabling it to benefit from economies of scale and has helped increase revenues and income by allowing the Group to capture a larger share of the gaming and convenience payment services value chain.

**11. Income taxes**

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

**12. Property, plant and equipment and other tangibles assets**

	(In thousands of Euro)	
	PPE	Other intangible assets
<b>Nine months ended September 30, 2013</b>		
<b>Opening net book amount as at January 1, 2013</b>	<b>126,606</b>	<b>249,108</b>
Additions	11,450	16,350
Change in the scope of consolidation	3,232	8
Disposals	(2)	0
Depreciation and amortisation	(30,652)	(38,843)
Impairment	0	0
<b>Closing net book amount as at September 30, 2013</b>	<b>110,634</b>	<b>226,623</b>

Property, plant and equipment additions are mainly related to gaming machines and gaming machines network investment (€4.9 million), improvements and renovations as well as the furnishing of some points of sale (€3.1 million) and hardware and other equipment (€3.4 million). Other intangibles assets additions are mainly related

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to operational software (€8.9 million) and to the new betting licenses, related to the so called 2,000 betting rights tender held in late 2012 (€6.6 million), assigned in June 2013 and other intangible additions for €0.9 million.

**13. Goodwill**

(In thousands of Euro)

<b>At September 30, 2013</b>	
At the beginning of the period	869,564
Acquisition of a subsidiary	5,593
<b>At the end of the period</b>	<b>875,157</b>

Additions to goodwill in the nine months ended September 30, 2013 relate to the acquisition of Friulgames S.r.l. in January 2013.

**14. Cash and cash equivalents**

(In thousands of Euro)

	<b>At September 30, 2013</b>	<b>At December 31, 2012</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	79,119	150,027
Restricted bank accounts	88,261	89,171
Cash and cash equivalents in hand	5,703	2,922
<b>Total</b>	<b>173,083</b>	<b>242,120</b>

Restricted cash relating to bank accounts which are managed by us but for which the cash is restricted to the payment of prize winnings and, to a lesser extent, deposits made by players for our online games.

**15. Share capital**

As of September 30, 2013, share capital amounted to €102,500 thousand, it is fully paid in and consist of 102,500,000 ordinary shares. Share capital is unchanged compared to December 31, 2012.

**16. Borrowings and loans**

(in thousands of Euro)

<b>Non-current debt</b>	<b>At September 30, 2013</b>	<b>At December 31, 2012</b>
Loans from financing pool Royal Bank of Scotland	393,420	588,023
Loans from other banks	1,635	710
Loans from other lenders – leasing	519	1,439
Loans from ultimate parent Gaming Invest S.a.r.l.	440,342	419,997
Senior secured notes	266,685	0
<b>Sub-total</b>	<b>1,102,601</b>	<b>1,010,169</b>
<b>Current</b>	<b>25,883</b>	<b>128,564</b>
<b>Total</b>	<b>1,128,484</b>	<b>1,138,733</b>

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Movements in borrowings are analysed as follows:

	September 30, 2013	September 30, 2012
<b>Nine months ended September 30, 2013</b>		
<b>Opening amount as at January 1</b>	<b>1,138,733</b>	<b>1,145,241</b>
Acquisition of subsidiary (Note 9)	2,309	0
New borrowings	289,322	33,284
- <i>una tantum fee amortization</i>	2,328	1,430
- <i>compounded and accrued interests</i>	20,309	27,142
- <i>short term balances (due to cut off)</i>		4,712
- <i>senior secured notes</i>	266,685	
Repayments of borrowings	301,880	24,404
- <i>new una tantum fees on SCA</i>	6,364	
- <i>borrowings repayments</i>	295,516	24,404
<b>Closing amount as at September 30</b>	<b>1,128,484</b>	<b>1,154,121</b>

New borrowings and repayments of borrowings significant changes are mainly related to Senior secured notes issue as above described in the Management Discussion & Analysis section under Capital Resources paragraph.

### 17. Provisions for risks and charges

(In thousands of Euro)

	At December 31, 2012	Changes during the period		At September 30, 2013
		increase	decrease	
Sundry risks and charges provisions	7,356	600	(1,111)	6,845
Department of the State Auditors proceedings provision		76,475		76,475
Technological updating provision	1,507	339		1,846
<b>Total</b>	<b>8,863</b>	<b>77,414</b>	<b>(1,111)</b>	<b>85,166</b>

It mainly relates to the settlement of the Corte dei Conti legal proceedings (see Note 23). Movements in sundry risks and charges provisions of €600 thousand mainly relates to provisions related to the business combination.

### 18. Revenues

(In thousands of Euro)

Revenues	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
Gaming revenues	358,621	414,506	112,102	132,349
Services and non-gaming products revenues	82,097	82,265	26,971	26,890
Points of sale revenues	60,954	63,842	19,990	21,404
Other revenues	1,686	721	554	224
<b>Total</b>	<b>503,358</b>	<b>561,334</b>	<b>159,617</b>	<b>180,867</b>

(In thousands of Euro)

Gaming revenues	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
NTNG revenues	39,342	52,629	11,872	14,410
Slot machines revenues	292,444	334,067	92,378	109,728
Horse race betting revenues	9,726	12,161	2,685	3,824
Big bets revenues	28	36	8	8
Sports pools revenues	555	698	137	153
Online game revenues	14,225	11,539	4,357	3,305
Bingo revenues	2,301	3,376	665	921
<b>Total</b>	<b>358,621</b>	<b>414,506</b>	<b>112,102</b>	<b>132,349</b>

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**19. Fixed odds betting income**

	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
<b>Fixed odds betting income</b>				
Fixed odds sports betting income	60,024	38,182	13,220	5,429
Fixed odds horse race betting income	183	(4)	57	(22)
Reference horse race betting income	378	340	123	133
<b>Total</b>	<b>60,585</b>	<b>38,518</b>	<b>13,400</b>	<b>5,540</b>

**20. Finance income and finance expense**

	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
<b>Finance income and similar</b>				
Other finance income	1,779	3,550	611	975
Other income on derivative instruments	0	0	0	0
<b>Total</b>	<b>1,779</b>	<b>3,550</b>	<b>611</b>	<b>975</b>

(In thousands of Euro)

	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
<b>Finance expenses and similar</b>				
Interest and other finance expenses - Group	32,138	30,234	10,968	10,262
Interest and other finance expenses - third parties	30,412	23,605	14,297	7,154
Other expenses on sundry instruments	0	1,680	0	323
Exchange (gains) losses realised	(5)	158	(1)	122
Exchange (gains) losses unrealised	0	(16)	(0)	(68)
<b>Total</b>	<b>62,545</b>	<b>55,661</b>	<b>25,264</b>	<b>17,793</b>

(In thousands of Euro)

**21. Contingent liabilities**

There have been no significant changes in contingent liabilities compared to December 31, 2012, with the exception of the Slot case definition (see note 23).

**22. Related party transactions**

With regard to transactions with the ultimate parent, Gaming Invest S.à.r.l., the Parent company has a loan payable totaling approximately €440.3 million. The interest expense on the loan during the nine months ended September 30, 2013 amounted to €32.1 million (€30.2 million in the nine months ended September 30, 2012).

**23. Events occurring after the reporting period**

On October 15, 2013 Sisal S.p.A. ("Sisal") filed a request for the settlement of the Slot case pursuant to Law Decree no. 102/2013, proposing the payment of 25%, amounting to approximately €61 million, of the payable under the Court of Auditors first instance ruling.

On October 29, 2013, Law Decree no. 102/2013 was converted into law with amendments allowing also a settlement by paying a minimum amount equal to 20% of the amount payable under the Court of Auditors' (Corte dei Conti) first instance rulings, provided that the settlement request is submitted together with the payment of the settlement amount before November 4, 2013 and that the settlement request is approved by Court of Auditors.

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Considering the above, Sisal submitted a new request to settle the case by way of payment of 20% of the amount payable under the Court of Auditors' first instance ruling (€245 million) and paid the corresponding amount of €49 million.

At a hearing held on October 30, 2013, the Court Auditors approved the first request filed by Sisal, subject to the increase of the settlement amount to 30% of the amount payable under the ruling (the maximum amount permitted by law), setting the deadline for payment November 15, 2013. The decision was published on November 4, 2013.

Further to the above, at a new hearing held on November 8, 2013, the Court of Auditors rejected the second settlement proposal filed by Sisal, confirming its decision dated October 30, 2013.

Therefore, on November 14, 2013, Sisal paid an additional 10% (€24.5 million) of the amount stated by the first instance ruling, complying with the conditions imposed by the Court of Auditors for the approval of the settlement and thereby settling conclusively the case.

In addition, interest charges of €3.0 million have been accrued for as a provision for risks and charges. The total liability recognised on the September 30, 2013 balance sheet amounted to € 76.5 million.

On October 30, 2013 Sisal completed the acquisition of Merkur Interactive S.p.A. betting business, consisting of 104 sport betting rights. As a result of this transaction, Sisal acquired 75 retail sport betting stores and 29 rights to perform sport betting activities in retail shops.

With reference to the *Pending Litigation Regarding Payments to the AAMS of Certain Minimum Guaranteed Amounts*<sup>(1)</sup>, on November 20, 2013 the Corte Costituzionale declared not compliant to constitutional principles Law 44/2012 which required the payment of 95% of the minimum guaranteed amounts.

(1) A summary of the Legal Case can be found at pag. 106 of the Offering Memorandum