



# 2014 First Half Results

Ended June 30, 2014

September 10<sup>th</sup>, 2014

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# Agenda

## Agenda

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1. H1 2014 Business Update
2. H1 2014 Financial Results
3. Q&A

## Speakers

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**Emilio Petrone**  
Group CEO



**Corrado Orsi**  
Group CFO

# Agenda

**1. H1 2014 Business Update – Emilio Petrone (Group CEO)**

**2. H1 2014 Financial Results – Corrado Orsi (Group CFO)**

**3. Q & A**

# Key Factors affecting H1 2014

## ■ Macroeconomic factors:

- In the first half 2014, the **Italian GDP** was slightly down by 0.2%<sup>a</sup> compared to the same period of 2013
  - A still soft private consumption and macroeconomic environment, but with **clear signs of trend reversal**
- 
- Consumption softness affected the Italian **Gaming market** turnover, which, based on our estimates, was down by 3.1%<sup>b</sup> to approximately €41.5 billion<sup>b</sup>
- 
- Total **Convenience Payments Services market** confirmed the ongoing **positive trend**. Services turnover grew by 4.2%, reaching €46.5 billion<sup>c</sup>, mainly driven by the expansion of payment and financial services

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

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

<sup>c</sup> Based on Osservatorio dei Pagamenti - Roland Berger - H1 2014 Release.

# Sisal Key Achievements – H1 2014

- **Turnover** amounted to **€6.9 billion** in H1 2014, **up 1.9%** vs H1 2013, reflecting the continuation of the soft macroeconomic environment and private consumption, though many indicators show **clear signs of trend reversal**
- **Revenues** amounted to **€404.3 million** in H1 2014, **up 3.0%** vs H1 2013. Payments and Services revenues (+10% vs H1 2013) and Virtual Races revenues (launched in December 2013), whose performance has gone beyond expectations, allowed to offset Gaming machines and NTNG revenues, affected by consumption softness and a lottery low average jackpot level. Fixed odds betting achieved a very positive H1 2014 result (+12% vs H1 2013) mainly driven by the excellent performance in sport betting
- **Adj. Ebitda<sup>b</sup>** reached **€91.9 million** (approx. **up 2%** vs €90.2 million in H1 2013). Adj. Ebitda Margin is in line with H1 2013 (22,7% vs 23,0%). In July the Group launched the new NTNG game “Vincicasa” and Q2 2014 reported an increase of advertising expenses (+€7,2 M vs Q2 2013), mainly due to the launch of “Vincicasa” and to the World Cup promotional activities
- **Slot case charges full deductibility:** in May the relevant Central Office Tax Department confirmed the full deductibility of the charges incurred in 2013 related to the €73,5 M Slot case, resulting in a €22,9 M tax asset for the Group

(b) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies.

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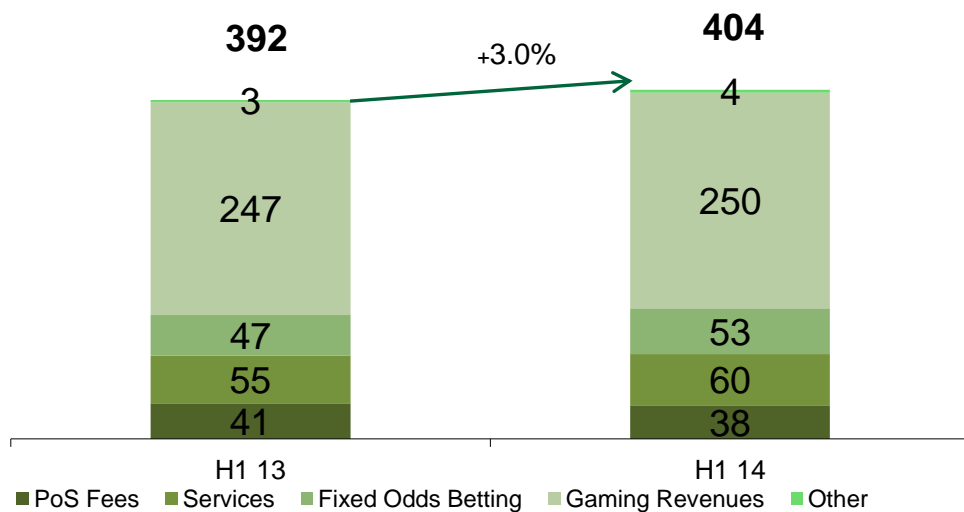
1. H1 2014 Business Update – Emilio Petrone (Group CEO)

2. H1 2014 Financial Results – Corrado Orsi (Group CFO)

3. Q & A

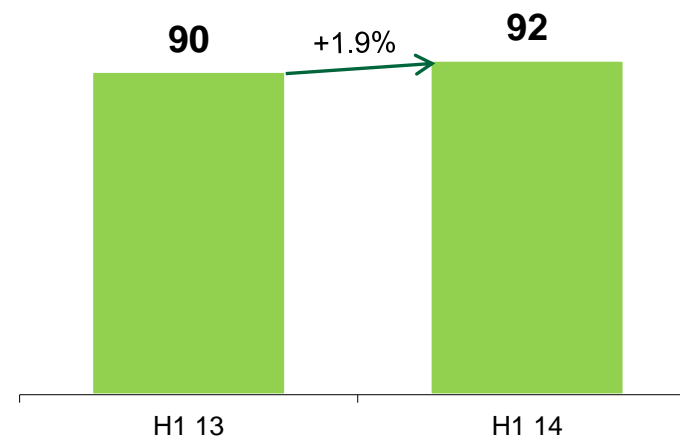
# Sisal Results Highlights – H1 2014

## Revenues



Figures in € M

## Adj. Ebitda<sup>(a)</sup>



## Adj. Ebitda Margin %

23.0%

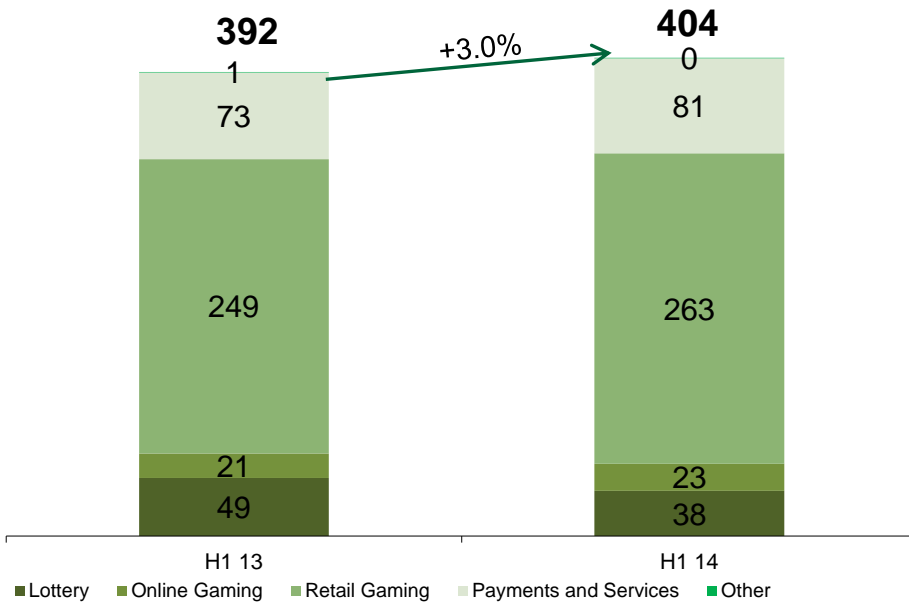
22.7%

(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies.



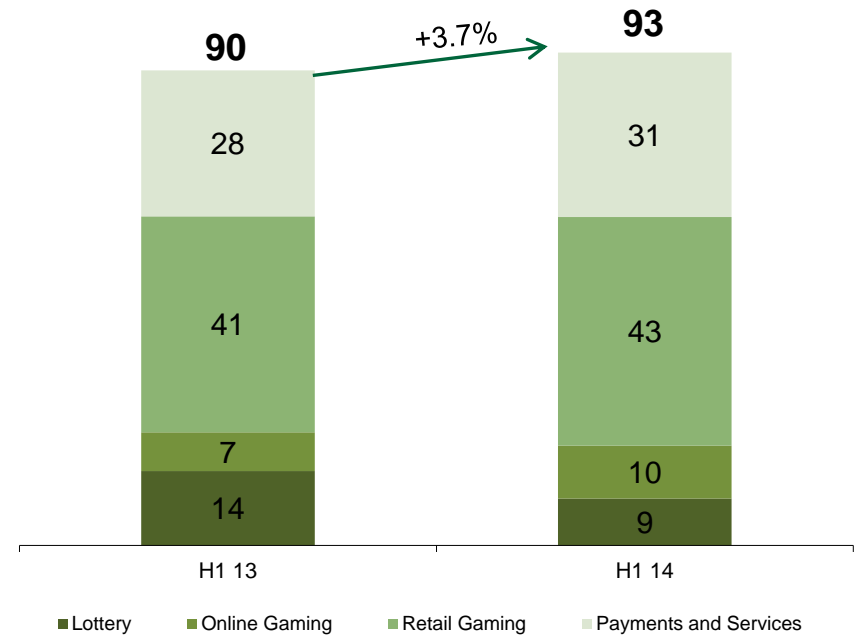
# Segments Results Highlights – H1 2014

## Revenues



Figures in € M

## Operating Segments Ebitda



## Operating Segments Ebitda Margin %

	H1 13	H1 14
<b>Total</b>	<b>22.8%</b>	<b>23.0%</b>
Retail Gaming	16.3%	16.4%
Online Gaming	35.6%	43.8%
Lottery	28.5%	23.1%
Payments & Services	37.7%	38.5%

# Sisal Key Figures – H1 2014 vs H1 2013

## P&L and simplified cash flow

(€m)	H1-14	H1-13	Change
<b>Turnover</b>	<b>6.890</b>	<b>6.759</b>	<b>1,9%</b>
<b>Revenues</b>	<b>404,3</b>	<b>392,4</b>	<b>3,0%</b>
<i>Retail Gaming</i>	262,6	249,1	5,4%
<i>Online Gaming</i>	22,8	20,6	10,5%
<i>Lottery</i>	38,1	49,0	(22,1)%
<i>Payments and services</i>	80,5	73,1	10,1%
<i>Other</i>	0,3	0,6	(52,3)%
<b>Operating Segments EBITDA</b>	<b>92,9</b>	<b>89,6</b>	<b>3,7%</b>
<b>Adj. Ebitda</b>	<b>91,9</b>	<b>90,2</b>	<b>1,9%</b>
<i>% margin</i>	22,7%	23,0%	
<b>Ebitda</b>	<b>88,0</b>	<b>89,3</b>	<b>(1,4)%</b>
<i>% margin</i>	21,8%	22,8%	
<b>Cash Flow</b>			
Ebitda	88,0	89,3	
Change in trade W/C	(45,8)	(31,0)	
Change in other assets and liabilities <sup>(a)</sup>	(7,4)	(19,6)	
Capex	(18,2)	(19,1)	
Other non-Current Assets	0,0	(12,0)	
Acquisitions	(10,0)	(3,5)	
Cash taxes	(0,0)	(0,7)	
Cash interest	(34,6)	(24,5)	
<b>Total</b>	<b>(28,0)</b>	<b>(21,2)</b>	
<b>Net Financial Position<sup>(b)</sup></b>	<b>939,6</b>	<b>871,9</b>	
<b>Leverage Ratio (LTM)<sup>(c)</sup></b>	<b>5,3x</b>	<b>4,6x</b>	

- Strong performance in sport betting and Virtual Races, partially offset by a soft turnover in VLT

- Strong performance in online sport betting, Slot and Casino games and successful launch of Virtual Races, partially offset by Poker games weak market trend

- Low average SuperEnalotto jackpot and delay in new games approval

- Revenues growth mainly driven by payment and financial services

- Working Capital movements mainly related to H1-14 unfavourable cash collection cut-off date

- Capex mainly related to tangible and intangible assets and in line with H1-13

- Acquisitions related to € 10M instalment payments of Merkur Win Sport Betting Business completed at the end of 2013

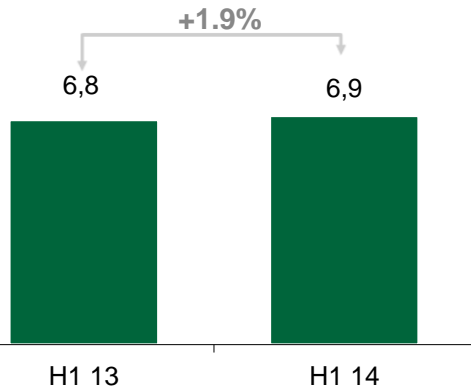
(a) Includes the impact of payables of unpaid winnings net of the restricted cash balance

(b) We define Net Financial Position as Sisal Group net debt plus Gaming Invest (GI) net debt which consists of the principal amount of total debt of the Issuer and its consolidated subsidiaries excluding amounts due under the Shareholder Loans and net of unrestricted cash of the Issuer and its subsidiaries, plus amounts due by GI under the Mezzanine Facilities Agreement and the Second Lien Facilities Agreement net of cash at GI

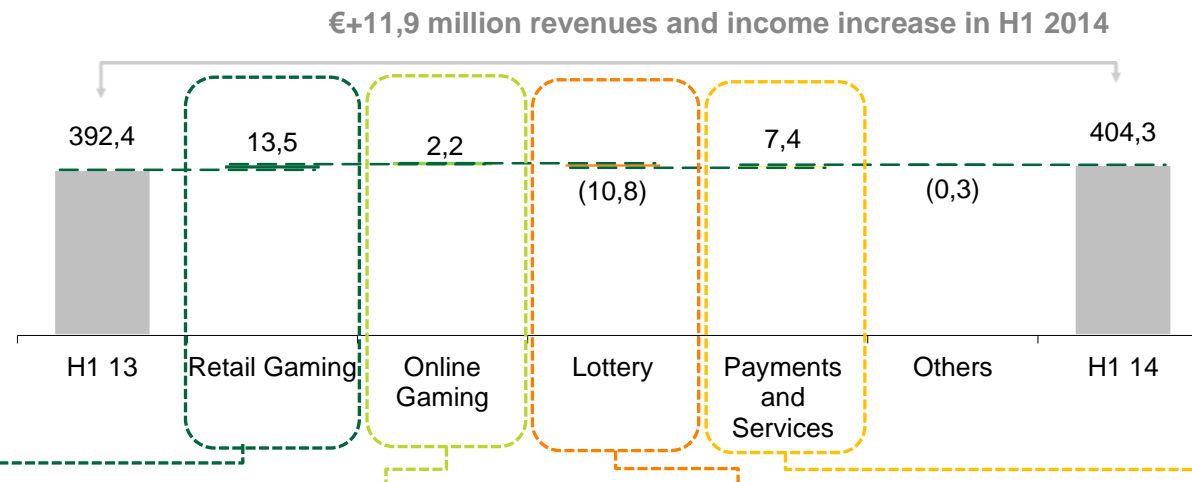
(c) Computed based on Adjusted EBITDA LTM (€177.2M in H1 2014 and € 191,5M in H1 2013)

# H1 2014 vs H1 2013 comparison: Revenues

Turnover (€ BN)



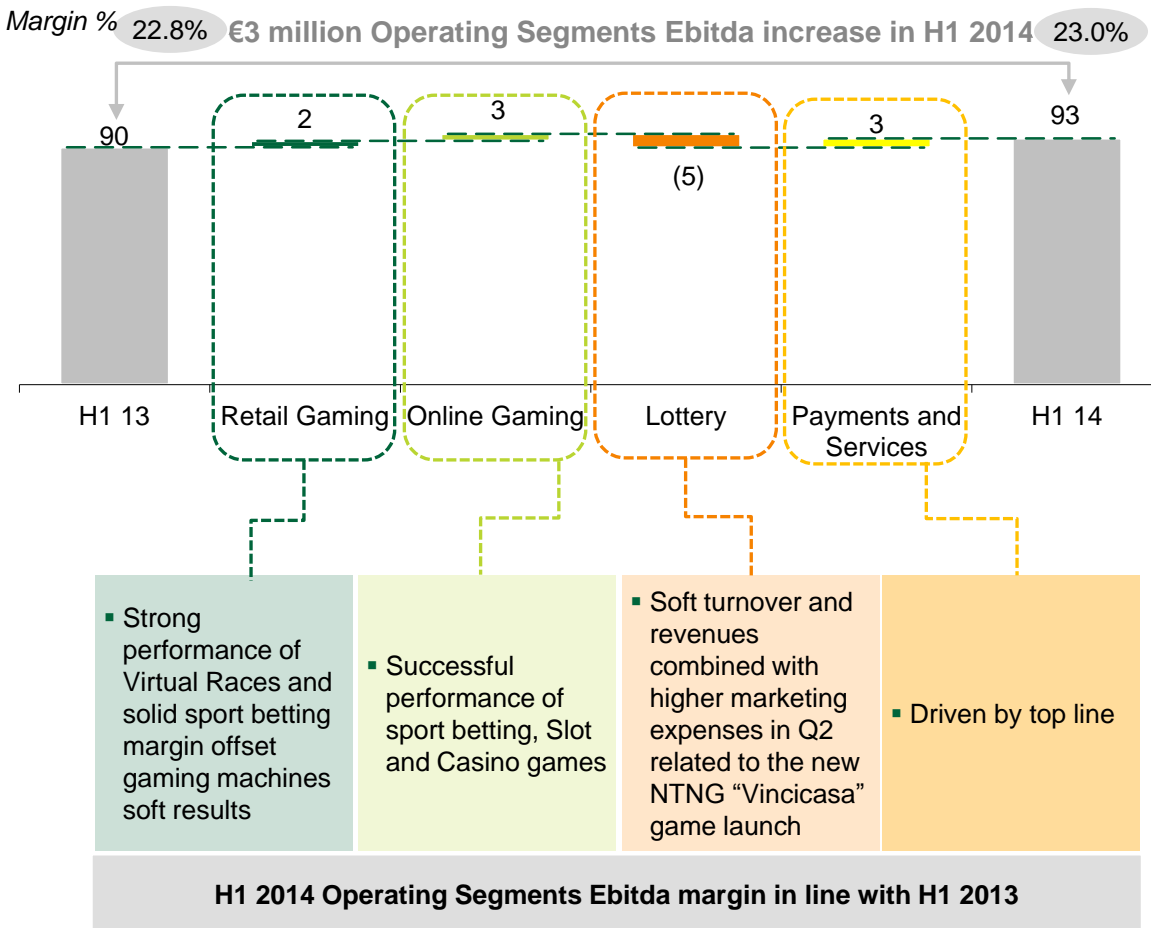
Revenues and income (€ M)



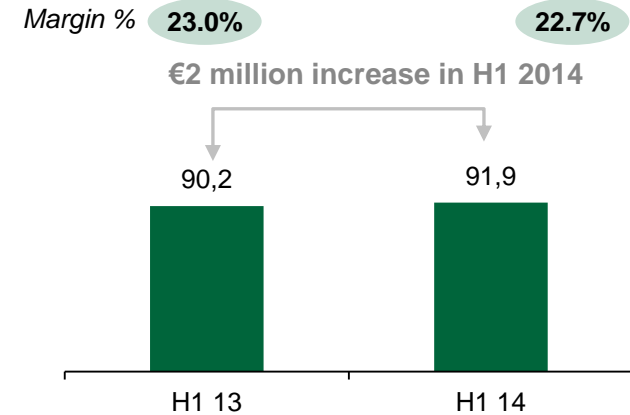
	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers			
<b>Gaming machines</b>	(4.6)	<ul style="list-style-type: none"> <li>Impact of VLTs soft turnover</li> </ul>	<b>Digital games</b>	0.9	<ul style="list-style-type: none"> <li>Strong performance of Slot and Casino games, partially offset by Poker games weak market trend</li> </ul>	<b>Lottery</b>	(5.4)	<ul style="list-style-type: none"> <li>Soft turnover driven by both low average jackpot and delays in refreshing the product offering. "Vincicasa" game launched in July</li> </ul>	<b>Services</b>	5.7	<ul style="list-style-type: none"> <li>Mainly driven by payment and financial services</li> </ul>
<b>Sport Betting</b>	4.2	<ul style="list-style-type: none"> <li>Strong performance in sport betting, positively impacted also by the World Cup</li> </ul>	<b>Betting online</b>	1.3	<ul style="list-style-type: none"> <li>Strong performance in online sport betting, positively impacted also by the World Cup</li> </ul>	<b>Point of Sale fees</b>	(5.5)	<ul style="list-style-type: none"> <li>Decrease primarily as a result of retail network optimization program</li> </ul>	<b>Point of Sale fees</b>	1.7	<ul style="list-style-type: none"> <li>Increase driven by services turnover and roll out of service-only POS</li> </ul>
<b>Other revenues</b>	13.9	<ul style="list-style-type: none"> <li>Strong Virtual Races performance</li> </ul>									

# H1 2014 vs H1 2013 comparison: Profitability

## Operating Segments Ebitda (€ M)



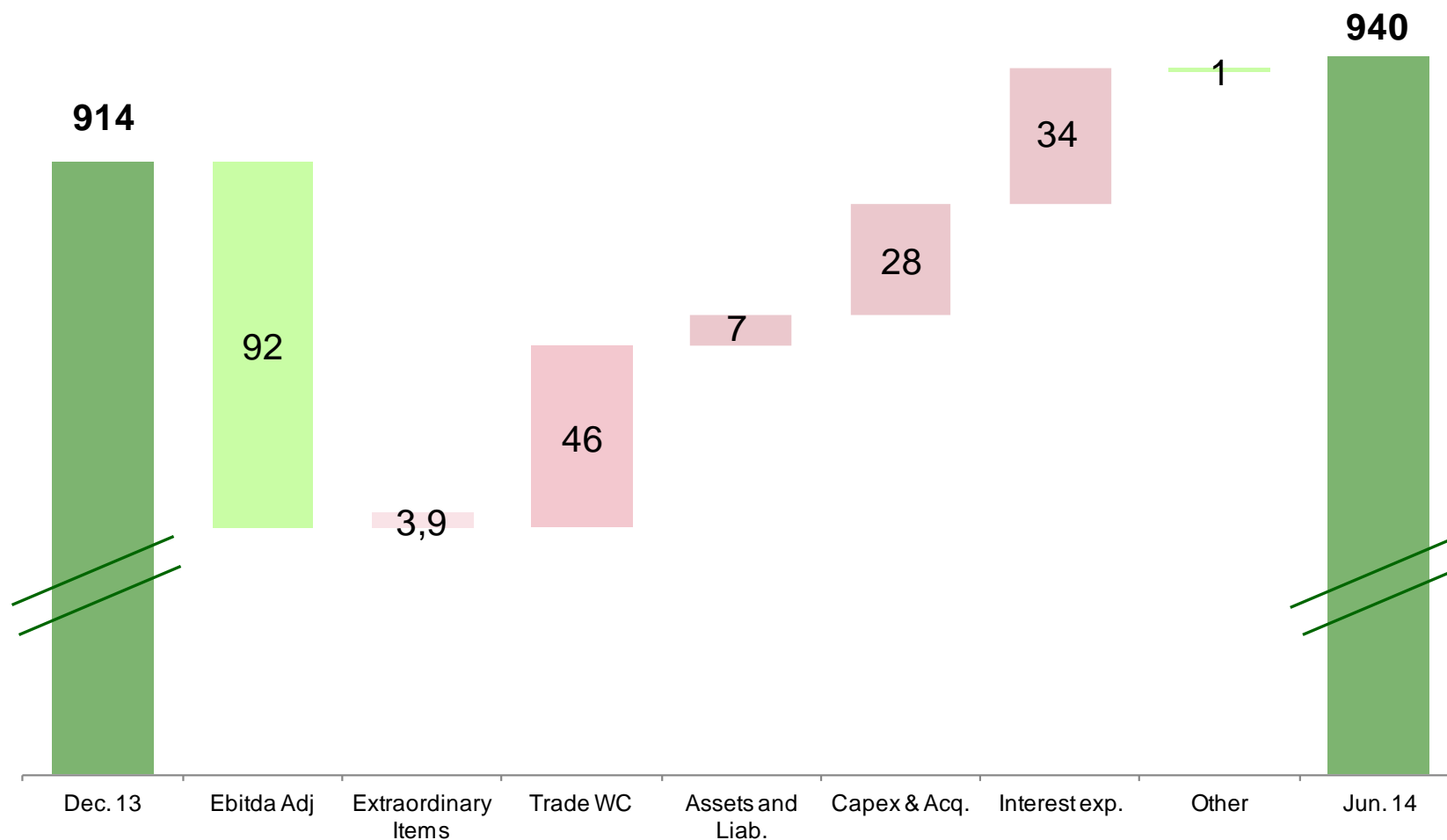
## Adj. Ebitda (€ M)



- Adj. Ebitda margin in line with previous year and mainly driven by:
  - strong performance of sport betting and Virtual Races
  - top line growth in the online and payment and services segments
  - retail strategy execution
  - cost efficiency programs

# Net Financial Position<sup>(a)</sup> Bridge – H1 2014

Figures in € M



(a) We define Net Financial Position as Sisal Group net debt plus Gaming Invest (GI) net debt which consists of the principal amount of total debt of the Issuer and its consolidated subsidiaries excluding amounts due under the Shareholder Loans and net of unrestricted cash of the Issuer and its subsidiaries, plus amounts due by GI under the Mezzanine Facilities Agreement and the Second Lien Facilities Agreement net of cash at GI

Note: GI Principal Amount of debt at 30 June 2014 equal to € 290,3M and H1 2014 GI Interest expenses equal to € 13,3M

# Consolidated Sisal Group Income Statement – H1 2014

Figures in € M (except ratios)

Income Statement	H1 14	H1 13	% Change
Revenues	350,6	343,7	2,0%
Fixed odd betting income	52,7	47,2	11,7%
Other revenues and income	1,0	1,5	(33,3)%
<b>Total revenues and Income</b>	<b>404,3</b>	<b>392,5</b>	<b>3,0%</b>
<b>Adj. Ebitda</b> <sup>(a)</sup>	<b>91,9</b>	<b>90,2</b>	<b>1,9%</b>
<i>Margin (%)</i>	<i>22,7%</i>	<i>23,0%</i>	
<b>Ebitda</b>	<b>88,0</b>	<b>89,3</b>	<b>(1,4)%</b>
<i>Margin (%)</i>	<i>21,8%</i>	<i>22,7%</i>	
<b>Ebit</b>	<b>32,8</b>	<b>37,0</b>	<b>(11,4)%</b>
Net financial expenses and similar	45,0	36,2	24,3%
<b>Income before tax</b>	<b>(12,2)</b>	<b>0,8</b>	<b>n.m.</b>
<b>Net Income</b>	<b>7,8</b>	<b>(3,5)</b>	<b>n.m.</b>

(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies.

Note: Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables

# Consolidated Sisal Group Balance Sheet – H1 2014

Figures in € M

Balance Sheet	H1 14	FY 13
Non-Current Assets	392,7	401,5
Goodwill	880,0	880,0
Net Working Capital/Other <sup>(a)</sup>	(281,1)	(345,0)
<b>Total assets</b>	<b>991,5</b>	<b>936,5</b>
Net Financial Position <sup>(b)</sup>	1.035,7	988,7
Total Equity	(44,2)	(52,2)
<b>Total Liabilities and Equity</b>	<b>991,5</b>	<b>936,5</b>
Payables for unpaid winnings	66,7	81,2
Restricted cash balance	66,4	76,7

(a) Includes Payables for unpaid winnings

(b) Includes amounts due under the Shareholder Loans and restricted cash balance

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