



Schumann S.p.A.

Condensed consolidated interim
financial statements

**At and for the three month period
ended March 31, 2017**

Management Discussion & Analysis

Schumann Group Profile

Schumann S.p.A. group (the “**Group**” or “**Sisal**”) is the second largest gaming company and the largest convenience payment services provider in Italy based on turnover¹. Sisal was the first Italian company to operate in the gaming sector as a government concessionaire and it has been operating for over 70 years. In addition to gaming, the Group operates in the convenience payment services market.

The Group offers slot machines and video lottery terminals, betting, lottery games and convenience payment services. Sisal distribution network includes approximately 45,000 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 four business units: (i) Retail Gaming, (ii) Lottery (iii) Online Gaming and (iv) Payments and Services.

Retail Gaming: which is dedicated to the operation of (i) gaming machines (slot machines and video lottery terminals “VLTs”), (ii) horse race betting and sports betting in betting shops and betting corners, (iii) new Virtual Races and (iv) traditional Italian gaming products, such as Totocalcio (the original and well-known football pool game) and Tris (a horse race prediction game).

Lottery: which operates the exclusive concession for national totalizer 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.

Online Gaming which 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.

Payments and Services: 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 possibility to pay approximately 500 types of bills, fines and certain taxes such as TV licenses, as well as top-ups prepaid mobile phones and debit cards, in partnerships with utilities, prepaid services providers and municipal governments.

Key Factors affecting operations in the three months ended March 31, 2017

In the first three months 2017, the Italian GDP was slightly up 0.8%² compared to the same period of last year. The Italian gaming market turnover confirmed the 2016 trend reaching approximately €25.5 billion (+6.3%)³.

Total Payments & Services addressable market, compared to the same period of 2016 like-for-like, slightly decreased at €30.8 billion⁴ (-0.6%).

The Group recorded €4.4 billion turnover for the three months ended March 31, 2017, an increase of 10.4% compared to the same period in 2016, mainly driven by Online Gaming, Lottery, VLTs and Payments and Services.

¹Based on ATK estimates

²Istat data

³ADM data

⁴Sisal Market Intelligence Estimate

Schumann S.p.A. is a new holding company set up in March 2016. In December 2016, Schumann S.p.A. successfully completed the acquisition of 100% of Sisal Group S.p.A. shares for a total consideration of about €459 million, net of transaction costs. This deal triggered a full refinancing of the Target group, completed through a new equity injection for about €300 million and new bonds' issuance for €725 million, which allowed the full repayment of Target group's pre-existent debt.

In order to allow a performance comparison, in the following analysis we prepared the Target group's first three months results in 2016, both under economic and cash flows perspective.

<i>(€ in millions)</i>	Three months ended March 31,				
	2016	% of total revenues and income	2017	% of total revenues and income	% change 2016-2017
Revenues	164.2	85.3%	186.8	91.6%	13.8%
Fixed odds betting income	28.0	14.6%	16.9	8.3%	(39.6%)
Other revenues and income	0.2	0.1%	0.2	0.1%	0.0%
Total revenues and income	192.4	100.0%	203.9	100.0%	6.0%
Purchases of materials, consumables and merchandise	2.8	1.5%	2.9	1.4%	3.6%
Costs for services	100.8	52.4%	110.7	54.3%	9.8%
Lease and rent expenses	5.6	2.9%	5.6	2.7%	0.0%
Personnel costs	21.2	11.0%	21.5	10.5%	1.4%
Other operating costs	8.6	4.5%	8.5	4.2%	(1.2%)
Amortization, depreciation, provisions and impairment losses and reversals	26.0	13.5%	23.2	11.4%	(10.8%)
Net operating profit (EBIT)	27.3	14.2%	31.4	15.4%	15.0%
Finance income and similar	0.1	0.1%	0.1	0.0%	0.0%
Finance expenses and similar	21.5	11.2%	13.9	6.8%	(35.3%)
Profit (loss) before income taxes	6.0	3.1%	17.6	8.6%	193.3%
Income taxes	3.9	2.0%	6.5	3.2%	66.7%
Total comprehensive profit (loss) for the period	2.1	1.1%	11.1	5.4%	428.6%

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:

<i>(€ in millions)</i>	Three months ended March 31,				Change	
	2016	% of total revenues and income	2017	% of total revenues and income	(amount)	%
Gaming revenues	106.7	55.4%	128.4	63.0%	21.7	20.4%
Fixed odds betting income	28.0	14.5%	16.9	8.3%	(11.1)	(39.8%)
Payments and other services	35.8	18.6%	36.4	17.8%	0.6	1.6%
Points of sale revenues	20.0	10.4%	20.6	10.1%	0.6	3.0%
Other revenues	1.9	1.0%	1.6	0.8%	(0.3)	(15.1%)
Total	192.4	99.9%	203.9	100.0%	11.5	6.0%

Revenues and income amounted to €203.9 million for the three months ended March 31, 2017, an increase of €11.5 million, or 6.0%, compared to €192.4 million for the three months ended March 31, 2016. Revenues results were mainly driven by an excellent performance of Gaming revenues, partially offset by a weak performance of fixed odds sport betting income.

Gaming Revenues

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

<i>(€ in millions)</i>	Three months ended March 31,				Change	
	2016	% of total revenues and income	2017	% of total revenues and income	(amount)	%
Gaming machines revenues	78.2	40.6%	94.2	46.2%	16.0	20.5%
NTNG revenues	12.4	6.4%	14.6	7.1%	2.1	17.2%
Virtual Races	7.6	3.9%	7.1	3.5%	(0.5)	(6.5%)
Online game revenues	6.2	3.2%	10.5	5.1%	4.3	70.0%
Horse race betting revenues	2.2	1.1%	2.0	1.0%	(0.2)	(8.6%)
Sports pools revenues	0.2	0.1%	0.1	0.1%	(0.1)	0.0%
Total	106.7	55.4%	128.4	63.0%	21.7	20.4%

The overall gaming revenues amounted to €128.4 million for the three months ended March 31, 2017 an increase of €21.7 million, or 20.4%, compared to €106.7 million for the three months ended March 31, 2016, mainly driven by a combination of the following factors:

- Gaming machines revenues amounted to €94.2 million for the three months ended March 31, 2017 an increase of €16.0 million, or 20.5%, from €78.2 million for the three months ended March 31, 2016, driven by gaming machines turnover, increased from €1,039 million for the three months ended March 31, 2016, of which 54% related to slot machines and 46% to VLTs to €1,045 million for the three months ended March 31, 2017, of which 49% related to slot machines and 51% related to VLTs and slot machines pay out reduction (from 74% to 70%).
- NTNG revenues amounted to €14.6 million for the three months ended March 31, 2017 an increase of €2.1 million, or 17.2%, from €12.4 million for the three months ended March 31, 2016. The increase in NTNG revenues is mainly driven by new SuperEnalotto game, which was launched in February 2016.
- Virtual Races revenues amounted to €7.1 million for the three months ended March 31, 2017, a decrease of €0.5 million, or 6.5%, from €7.6 million for the three months related to March 31, 2016. This product, launched in December 2013, still confirms a good success.
- Online game revenues amounted to €10.5 million for the three months ended March 31, 2017, a significant increase of €4.3 million, or 70%, from €6.2 million for the three months ended March 31, 2016, primarily as a result of strong performance in Slot and Quick games, also related to a further increase in the number of monthly active players (+20% compared to first quarter 2016).
- Horse race betting revenues amounted to €2.0 million for the three months ended March 31, 2017, a decrease of €0.2 million, or 8.6%, from €2.2 million for the three months related to March 31, 2016, due to the constant reduction in the appeal for this kind of games.
- Sports pools revenues were substantially unchanged amounting to €0.1 million for the three months ended March 31, 2017 and €0.2 million for the three months ended March 31, 2016.

Fixed odds betting income

Fixed odds betting income amounted to €16.9 million for the three months ended March 31, 2017, a decrease of €11.1 million, or 39.8%, from €28.0 million for the three months ended March 31, 2016, primarily as a result of lower performance in sport betting, mainly driven by a higher payout in February and March 2017, despite a positive turnover trend.

Payments and other services

Payments and other services amounted to €36.4 million for the three months ended March 31, 2017 an increase of €0.6 million, or 1.6%, from €35.8 million for the three months ended March 31, 2016 mainly thanks to a higher number of payment and financial services transactions, which reached 18.2 million for the three months ended March 31, 2017, an increase of 2.1 million, or 13.0%, from 16.1 million for the three months ended March 31, 2016.

Point of sale revenues

Point of sale fees amounted to €20.6 million for the three months ended March 31, 2017 an increase of €0.6 million, or 3.0%, from €20.0 million for the three months ended March 31, 2016.

Other revenues and income

Other revenues amounted to €1.6 million for the three months ended March 31, 2017 a decrease of €0.3 million, or 15.1%, from €1.9 million for the three months ended March 31, 2016.

Costs

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise were substantially unchanged, amounting to €2.9 million for the three months ended March 31, 2017 and €2.8 million for the three months ended March 31, 2016.

Costs for services

Costs for services amounted to €110.7 million for the three months ended March 31, 2017 an increase of €9.9 million, or 9.8%, from €100.8 million for the three months ended March 31, 2016.

Costs for services amounted to 54.3% of total revenues and income for the three months ended March 31, 2017, compared to 52.4% of total revenues and income for the three months ended March 31, 2016. The following table sets forth an analysis of costs for services for the indicated periods.

<i>(€ in millions)</i>	Three months ended March 31,				Change	
	2016	% of total revenues and income	2017	% of total revenues and income	(amount)	%
Sales channel- gaming revenues	52.9	27.5%	64.2	31.5%	11.3	21.4%
Sales channel- payments services	19.6	10.2%	18.9	9.2%	(0.8)	(3.9%)
Commercial services	6.1	3.2%	5.5	2.7%	(0.6)	(10.1%)
Consulting	2.2	1.1%	2.5	1.2%	0.3	14.4%
Others services costs	20.0	10.4%	19.7	9.6%	(0.3)	(1.5%)
Total cost for services	100.8	52.4%	110.7	54.3%	9.9	9.8%

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

- *Sales channel – Gaming revenues* amounted to €64.2 million for the three months ended March 31, 2017 an increase of €11.3 million, or 21.4%, from €52.9 million for the three months ended March 31, 2016. As a percentage of total revenues and income, sales channel gaming amounted to 31.5% for the three months ended March 31, 2017 and 27.5% for the three months ended March 31, 2016. The increase is mainly driven by Gaming machines network operators' higher remuneration due to the above commented gross revenues trend.

- *Sales channel – Payments services* amounted to €18.9 million for the three months ended March 31, 2017 a decrease of €0.8 million, or 3.9% from €19.6 million for the three months ended March 31, 2016, mainly due to the effect of commercial policies implemented over the period. As a percentage of total revenues and income, sales channel payment services amounted to 9.2% for the three months ended March 31, 2017 and 10.2% for the three months ended March 31, 2016.
- *Commercial services* amounted to €5.5 million for the three months ended March 31, 2017 a decrease of €0.6 million, or 10.1%, from €6.1 million for the three months ended March 31, 2016. As a percentage of total revenues and income, Commercial services amounted to 2.7% for the three months ended March 31, 2017 and 3.2% for the three months ended March 31, 2016. The decrease is mainly due to higher spending in the first three months 2016 related to the relaunch of the SuperEnalotto game.
- *Consulting and Other services* were substantially unchanged amounting to €22.2 million for both the three months ended March 31, 2017 and March 31, 2016. As a percentage of total revenues and income, Consulting and Other services amounted to 9.6% for the three months ended March 31, 2017 and 10.4% for the three months ended March 31, 2016.

Lease and rent expenses

Lease and rent expenses were substantially unchanged amounting to €5.6 million for both the three months ended March 31, 2017 and March 31, 2016. As a percentage of total revenues and income, Lease and rent expenses amounted to 10.5% for the three months ended March 31, 2017 and 11.0% for the three months ended March 31, 2016.

Personnel costs

Personnel costs amounted to €21.5 million for the three months ended March 31, 2017 a slight increase of €0.3 million, or 1.4%, from €21.2 million for the three months ended March 31, 2016. Our average workforce, expressed in full time equivalents, reached 1,685 for the three months ended March 31, 2017, an increase of 20 from 1,665 for the three months ended March 31, 2016. The increase in Personnel costs is substantially aligned to the workforce trend.

Other operating costs

Other operating costs were substantially unchanged amounting to €8.5 million for the three months ended March 31, 2017 and €8.6 million for the three months ended March 31, 2016. As a percentage of total revenues and income, Other operating costs amounted to 4.2% for the three months ended March 31, 2017 and 4.5% for the three months ended March 31, 2016.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals amounted to €23.2 million for the three months March 31, 2017 a decrease of €2.8 million, or 10.8%, from €26.0 million for the three months ended March 31, 2016. The decrease is mainly due to lower amortization of tangible and intangible assets.

Net operating profit (EBIT)

Net operating profit (EBIT) amounted to €31.4 million for the three months ended March 31, 2017 an increase of €4.1 million, or 15.0%, from €27.3 million for the three months ended March 31, 2016.

Net margin was 15.4% for the three months ended March 31, 2017 compared to 14.2% for the three months, ended March 31, 2016.

Such a performance was mainly driven by revenues and costs trends as commented above.

Finance income and similar

Finance income and similar were substantially unchanged amounting to €0.1 million for both the three months ended March 31, 2017 and March 31, 2016.

Finance expenses and similar

Finance expenses and similar amounted to €13.9 million for the three months ended March 31, 2017 a decrease of €7.6 million, or 35.3%, from €21.5 million for the three months ended March 31, 2016. The decrease is mainly due to the deleveraging impact deriving from the new financing structure implemented in December 2016.

Income taxes

Income taxes amounted to €6.5 million for the three months ended March 31, 2017 compared to €3.9 million for the three months ended March 31, 2016, primarily as a result of higher taxable income.

Segment Information

(€ in millions)	Three months ended March 31,			
	2016	2017	2016	2017
	Revenues and income		Segment EBITDA	
Retail gaming	111.0	118.0	21.3	17.2
Lottery	21.0	23.3	7.3	12.4
Online gaming	14.8	16.2	7.2	7.0
Payment and services	45.6	46.3	17.5	18.1
Other	0.1	0.1		
Segment EBITDA ⁽¹⁾			53.3	54.7
Items with different classification			(0.1)	(0.2)
Total	192.4	203.9	53.2	54.5

(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.

Retail Gaming: Retail Gaming segment results for the three months ended March 31, 2017 have been mainly driven by VLTs turnover performance and slot machines pay out reduction impact from one side and weak sport betting margin from the other. 14.6% margin for the three months ended March 31, 2017 compared to 19.2% for same period in 2016.

Lottery: Lottery segment results for the three months ended March 31, 2017 have been mainly driven by the launch of the new SuperEnalotto game starting early in February 2016, which significantly improved the game appeal for customers. 53.1% margin for the three months ended March 31, 2017, compared to 35.0% for the same period in 2016, is mainly related to higher volumes and revenues on the first quarter and higher promotional, selling and operational expenses in the first quarter 2016 related to the above launch.

Online Gaming: Online Gaming segment results for the three months ended March 31, 2017 were mainly driven by Slot and Quick games strong performance on one side and weak sport betting margin performance on the other. 43.3% margin for the three months ended March 31, 2017 compared to 48.9% for the same period in 2016 was mainly driven by the above-mentioned factors.

Payments and Services: Payments and Services results for the three months ended March 31, 2017 were mainly driven by revenues growth. 39.2% margin for the three months ended March 31, 2017 compared to 38.4% for the same period in 2016 was driven by top line, in particular by payments and financial services segment.

Liquidity and Working capital

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

<i>(€ in millions)</i>	Three months ended March 31,	
	2016	2017
Movements in trade receivables	(4.4)	28.7
Movements in inventories	3.3	(0.8)
Movements in trade payables	(11.0)	(32.7)
Movements in trade working capital	(12.0)	(4.8)
Movements in other assets and liabilities	4.4	(30.5)
Total movements in working capital	(7.7)	(35.3)

Movements in working capital are generally connected to timing of cash collections and convenience service payments and business turnover trends. The overall higher cash absorption in the first three months 2017, compared to that recorded in the first three months 2016, is mainly due to a less favorable trade working capital performance cut-off date with particular regard to both gaming taxation liabilities settlement and restricted cash accounts funding.

Cash flows

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

<i>(€ in millions)</i>	Three months ended March 31,	
	2016	2017
Cash provided by operations before changes in working capital, interest and taxes	53.4	54.7
Tax paid	-	(0.1)
Changes in working capital	(7.7)	(35.3)
Cash flows provided by (used in) operating activities	45.8	19.4
Cash flows provided by (used in) investing activities	(4.8)	(7.1)
Cash flows provided by (used in) financing activities	(19.5)	(36.5)
Increase/(Decrease) in cash and cash equivalents	21.5	(24.3)
Net cash at the beginning of the period	139.7	135.2
Net cash at the end of the period	161.2	110.9

Cash provided by operating activities amounted to €19.4 million for the three months ended March 31, 2017, compared to cash provided of €45.8 million for the three months ended March 31, 2016. The movement is mainly related to the performance in working capital.

Cash flows used in investing activities amounted to €7.1 million for the three months ended March 31, 2017 compared to €4.8 million for the three months ended March 31, 2016, mainly due to the higher investments in tangible assets.

Cash flows provided by financing activities amounted to €36.5 million for the three months ended March 31, 2017 compared to cash used of €19.5 million for the three months ended March 31, 2016. The cash flows related to financing activities for both the three months ended March 31, 2017 and March 31, 2016 included net interest paid, respectively €20.5 million and €19.0 million. In addition, 2017 cash flows include repayments of revolving and ancillary facilities for €15.6 million.

Capital Resources

The following table sets forth the amounts of our external debt (principal amounts plus accrued interest for the reference period) at December 31, 2016 and March 31, 2017. At both dates no shareholders loan were active.

<i>(€ in millions)</i>	As of December 31, 2016	As of March 31, 2017
Senior revolving Facility	92.1	76.4
Senior Secured notes	740.9	733.1
Other financial liabilities	1.7	1.2
Total external financial liabilities	834.6	810.7

Other Financial Information

<i>(€ in millions)</i>	Three months ended March 31,	
	2016	2017
EBITDA ⁽¹⁾	53.2	54.5
Non recurring items	-	0.1
Adjusted EBITDA ⁽²⁾	53.2	54.6
Adjusted EBITDA margin ⁽³⁾	27.7%	26.8%

(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 table sets forth a reconciliation between the profit for the period and the EBITDA.

(2) We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items and provisions related to disputes with regulatory bodies.

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

<i>(€ in millions)</i>	Three months ended March 31,	
	2016	2017
Profit/(loss) for the period	2.1	11.1
Net finance expense and similar	21.4	13.8
Income taxes	3.9	6.5
Amortisation, depreciation and impairments	22.4	20.3
Impairment of receivables	3.5	2.8
EBITDA	53.2	54.5

<i>(€ in millions)</i>	As of December 31, 2016	As of March 31, 2017
Unrestricted cash ⁽⁴⁾	135.2	110.9
SCHUMANN GROUP net senior secured debt ⁽⁵⁾	697.7	698.6

(4) Unrestricted cash represents cash and cash equivalents that do not include restricted cash relating to bank accounts managed by the Group 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) Schumann Group net senior secured debt consist of the 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, and other sundry financial liabilities.

SCHUMANN S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AT MARCH 31, 2017

<i>(in thousands of Euros)</i>	<i>Notes</i>	For the three months ended March 31,
		2017
Revenues	9	186,779
Fixed odds betting income	10	16,860
Other revenues and income		212
Total revenues and income		203,851
Purchases of materials, consumables and merchandise		2,928
Costs for services		110,743
<i>of which related parties</i>	19	490
<i>of which non-recurring</i>	20	71
Lease and rent expenses		5,564
Personnel costs		21,516
<i>of which related parties</i>	19	950
Other operating costs		8,481
<i>of which non-recurring</i>	20	5
Amortisation, depreciation, provisions and impairment losses and reversals		23,213
Net operating profit (EBIT)		31,406
Finance income and similar		92
Finance expenses and similar	11	13,852
Profit (loss) before income taxes		17,646
Income taxes		6,573
Total comprehensive profit (loss) for the period		11,073
Attributable to non-controlling interest		27
Attributable to owner of the parent		11,046
Basic earnings (loss) per share (in Euro)		1.11
Diluted earnings (loss) per share (in Euro)		1.11

SCHUMANN S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2017 AND DECEMBER 31, 2016

	<i>Notes</i>	At March 31, 2017	At December 31, 2016
<i>(in thousands of Euros)</i>			
A) NON-CURRENT ASSETS			
Property, Plant and Equipment	12	87,883	91,097
Goodwill	13	895,324	895,324
Intangible assets	12	103,159	113,157
Investments accounted for using the equity method		0	0
Deferred tax assets		15,841	20,529
Other non-current assets		23,310	23,655
Total non-current assets		1,125,517	1,143,762
B) CURRENT ASSETS			
Inventories		9,927	9,171
Trade receivables		147,213	178,650
Current financial assets		0	0
Taxes receivable		203	546
Restricted bank deposits	14	198,004	297,630
Cash and cash equivalents	15	110,882	135,181
Other current assets		46,077	40,457
Total current assets		512,306	661,635
TOTAL ASSETS		1,637,823	1,805,397
A) EQUITY			
Share capital	16	9,920	9,920
Share premium reserve		289,580	289,580
Retained earnings (accumulated deficit)		(24,827)	(35,873)
Total equity attributable to owners of the Parent		274,673	263,627
Equity attributable to non-controlling interests		489	462
Total equity		275,162	264,089
B) NON-CURRENT LIABILITIES			
Long-term debt	17	693,505	692,642
Provisions for employees severance indemnities		9,304	9,486
Deferred tax liabilities		9,427	10,148
Provisions for risks and charges	18	14,179	14,142
Other non-current liabilities		0	0
Total non-current liabilities		726,415	726,418
C) CURRENT LIABILITIES			
Trade and other payables		248,624	281,305
Short-term debt	17	76,386	92,070
Current portion of long-term debt	17	9,143	17,052
Taxation payable		3,165	943
Other current liabilities		298,928	423,520
<i>of which related parties</i>		436	1,880
Total current liabilities		636,246	814,890
TOTAL LIABILITIES AND EQUITY		1,637,823	1,805,397

SCHUMANN S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

<i>(In thousands of Euros)</i>	For the three months ended March 31,
	2017
Profit (loss) for the period before income taxes	17,646
Amortization and depreciation	20,329
Impairment of current receivables	2,757
Provisions for risks and charges, accruals and employee severance indemnities	194
Finance (income) expenses	13,760
Net cash generated from operating activities before changes in working capital, interest and taxes	54,686
Changes in trade receivables	28,680
Changes in inventories	(756)
Changes in trade payables	(32,681)
Change in other assets and liabilities	(30,517)
Taxes (paid)/reimbursed	(51)
Net cash generated from operating activities	19,361
Increase in property, plant and equipment	(5,291)
Increase in intangible assets	(1,827)
Acquisitions (net of cash)	0
Net cash used in investing activities	(7,118)
decrease in medium-/long-term debt	(159)
Increase (decrease) in lease payables	(272)
Increase (decrease) in short-term debt	(15,631)
Net interests paid	(20,480)
Net cash used in financing activities	(36,542)
Net change in cash and cash equivalents	(24,299)
Net cash at the beginning of the period	135,181
Net cash at the end of the period	110,882

SCHUMANN S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017

	Share capital	Legal reserve	Share premium reserve	Other reserves	Retained earnings (accumulated deficit)	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
<i>(in thousands of Euros)</i>								
Equity at December 31, 2016	9,920	0	289,580	0	(35,873)	263,627	462	264,089
Remeasurement of defined benefit plans					0	0	0	0
Profit/(loss) for the period					11,046	11,046	27	11,073
Total comprehensive profit (loss) for the period	0	0	0	0	11,046	11,046	27	11,073
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0
Transactions with shareholders	0	0	0	0	0	0	0	0
Equity at March 31, 2017	9,920	0	289,580	0	(24,827)	274,673	489	275,162

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1. General information

Schumann S.p.A. (hereafter the “**Company**”) is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Del Vecchio Politecnico 9, organized under the laws of the Republic of Italy. The Company was formerly named Sisal Holding Istituto di Pagamento S.p.A.

The Company and its subsidiaries (together the “**Group**”) operate principally: i) in the gaming sector, mainly on the basis of concessions for pool game wagers, horse and sports betting and legal gaming with AWP (Amusement With Prizes) gaming machines (slot machines and video lottery terminals) and ii) in the collection and payment services sector, by specific authorization of the Bank of Italy, and in the marketing of telephone and TV content top-ups.

The sole shareholder of the Company is currently Schumann Investments S.A. (“**Schumann Inv.**”), a company indirectly owned, through vehicle companies, by funds promoted by the CvC group, as well as certain executives of the Group.

2. Basis of preparation

These condensed consolidated interim financial statements for the three months ended September 30, 2016 (hereafter the “**Condensed Consolidated Interim Financial Statements**”) have been prepared following 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 from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter “**IFRS**”), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2016 (the “**Annual Consolidated Financial Statements**”).

The Condensed Consolidated Interim Financial Statements include the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the illustrative notes.

Unless otherwise stated, all amounts are disclosed in thousands of Euros.

These Condensed Consolidated Interim Financial Statements has been approved by the board of directors of Schumann S.p.A. on May 29, 2017.

In December 2016 the Company acquired Sisal Group control through the completion of 100% acquisition of Sisal Group S.p.A. shares for a total amount of approximately Euros 459 million, net of transaction charges of about Euros 7 million. Given the acquisition process timing (the economic values of the group acquired were recorded in 2016 consolidated financial statements starting from December 1, 2016) these financial statements and notes do not include any

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comparative balances with regards to March 2016 financials. Please refer to MD&A section for comparative analysis on a pro forma basis.

3. Going concern

Net profit for the three months ended March 31, 2017 amounted to Euros 11,073 thousand, while the group acquired recorded a consolidated profit of Euros 2,100 thousand for the three months ended March 31, 2016; at March 31, 2017 the consolidated equity was equal to Euros 275,162 thousand (Euros 264,089 thousand at December 31, 2016) and net working capital at March 31, 2017 was negative for Euros 149,293 thousand (Euros 179,314 thousand at December 31, 2016).

With regard to working capital, the Group business is characterized by a financial cycle where the cash flows due to the partners and the State are collected from the network before the related company cash out. Therefore, a negative working capital should be considered a specific characteristic of the Group.

Following the financial restructuring in connection with Schumann acquisition, the Group achieved a more balanced of capital resources and debt structure. At the same time the Company was able to extend the maturities compared to the previous debt structure. In particular the floating rate and fixed rate notes fall in July 2022 and July 2023, respectively.

<i>(In thousands of Euros)</i> <i>(Percentage computed on total debt and equity)</i>	At March 31, 2017	%	At December 31, 2016	%
Long term debt	693,505		692,642	
Short-term debt and current portion of long-term debt	85,529		109,122	
Funding from third parties	779,034	73.9%	801,764	75.2%
Equity	275,162	26.1%	264,089	24.9%
Total debt and equity	1,054,196	100.0%	1,065,853	100.0%

Despite a challenging macroeconomic and regulatory context, 2016 target group's gross profit and operating profit levels (net of the impact of non-recurring expenses) were essentially in line with 2015.

On the basis of the assessments and ongoing developments previously illustrated and also with particular reference to the current and expected profitability of the Group, the directors believe that there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments, and in any case for a period of time beyond three months, and has therefore prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

4. Accounting policies

The accounting policies adopted are consistent with those that applied to the Annual Consolidated Financial Statements.

- Taxes on income which, in the interim periods, are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- The following accounting standard applicable since January 2017 and adopted for the first time.

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Accounting Standards, Amendments and Interpretations applicable and adopted for the first time

Since January 2017, no accounting standards, amendments and interpretations have been endorsed by the European Union.

Accounting standards, amendments and interpretations issued by the IASB but not yet endorsed by the European Union or not yet effective

At the date and preparation of these interim financial statements, the following standards and interpretations issued by the IAS were not yet endorsed by the European Union or endorsed but not yet effective.

- IFRS 9 (Financial Instruments)
- IFRS 15 (Revenue from Contracts with Customers)
- IFRS 16 (Leases)
- Amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture
- Amendments to IAS 12 (Income Taxes): Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 (Statement of Cash Flows): Disclosure initiative
- Clarifications to IFRS 15 (Revenue from Contracts with Customers)
- Amendments to IFRS 2 (Share-based Payment): Classification and measurement of share-based payment transactions
- Amendments to IFRS 4 (Insurance Contracts): applying IFRS 9 (Financial Instruments) with IFRS 4 (Insurance contracts)
- Annual improvements to IFRS Standards 2014-2016 Cycle
- IFRIC Interpretation 22 (Foreign Currency transactions and advance consideration)
- Amendment to IAS 40 (Investment properties): Transfers of Investment Property

Any impacts from the application of these standards and amendments are currently being assessed.

5. Estimates

The preparation of Condensed Consolidated 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 Consolidated Interim Financial Statements, the significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Consolidated Financial Statements.

6. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate, interest rate and bookmaker risk), liquidity risk and credit risk and capital risk.

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The Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosures required for a financial statements prepared according to IFRS. They should be read in conjunction with the Annual Consolidated Financial Statements, which include the full financial risk management disclosure. There were no changes in the risk management department since year end or in any risk management policies.

Liquidity risk

At March 31, 2017, the Group has a revolving line of credit under the Super Senior Revolving Facility and related ancillary facility Agreements for a total of Euros 125.0 million, expiring in September 2022. At March 31, 2017, these facilities were partially drawn down for a total of Euros 76.4 million.

Fair value estimation

Financial instruments carried at fair value are reported by valuation method. The different valuation levels are 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).

Both at March 31, 2017 and December 31 2016 the Group reported no outstanding assets and liabilities measured at fair value.

7. Operating segment information

The Group's business is organized in the following operating segments:

- Retail Gaming, engaged in activities involving slot machines and VLTs, fixed-odds sports betting, virtual races and also traditional sports pools, as well as bingo;
- Lottery, engaged in activities for the exclusive concession of NTNG (national totalizator number games);
- Online Gaming, engaged in activities for online games and placing online bets through the sisal.it website and through the mobile phone channel;
- Payments and services, engaged in activities for payment and financial services such as: (i) payment of bills, utilities, fines, taxes, subscriptions etc.; (ii) top-ups of prepaid debit cards; (iii) mobile phone top-ups and pay-for-view TV cards and (iv) marketing of some products such as gadgets and mini-toys.

The following table presents: i) Revenues and income; ii) Revenues and income net of revenues paid back to the revenue chain; and iii) EBITDA of the operating segments.

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<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2017	
	Total Revenues	EBITDA
Retail Gaming		
Revenues	67,058	
Supply Chain / Other revenues	50,957	
Total	118,015	17,193
Lottery		
Revenues	23,275	
Supply Chain / Other revenues	0	
Total	23,275	12,351
Online Gaming		
Revenues	19,643	
Supply Chain / Other revenues	(3,424)	
Total	16,219	7,022
Payments and services		
Revenues	27,482	
Supply Chain / Other revenues	18,778	
Total	46,260	18,123
Other revenues	82	
Total operating segment	203,851	54,689

A reconciliation between operating segments EBITDA and the Group's operating profit (EBIT) is set out in the following table:

<i>(In thousands of Euros)</i>	For the three months ended March 31,	
	2017	
Total operating segment		54,689
Non-recurring expenses		(76)
Items with different classification		(122)
Amortization of intangible assets		(11,825)
Depreciation of property, plant & equipment		(8,504)
Other impairment losses on fixed assets		0
Impairment losses on current receivables		(2,756)
Net operating profit (EBIT)		31,406

Given the range of services and products sold by the Group there are no significant concentrations of revenues with individual customers.

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

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

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volumes of bets collected are also affected by the schedules of other significant sporting events, such as the FIFA Football World Cup, UEFA European Football Championship and the Olympics. As a result of the sport events' seasonality, 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, since lottery tickets sales typically decrease in the summer months, due to the summer vacation peak.

9. Revenues

The following table sets forth an analysis of Revenues:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2017	
Gaming revenues		128,444
Payments and other services		36,367
Points of sale revenues		20,580
Other revenues		1,388
Total		186,779

The gaming revenues are analyzed as follows:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2017	
Gaming machines revenues		94,206
NTNG revenues		14,551
Virtual Races		7,096
Online game revenues		10,473
Horse race betting revenues		2,002
Sports pools revenues		112
Big bets revenues		4
Total		128,444

10. Fixed odds betting income

The following table sets forth an analysis of Fixed odds betting income:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2017	
Fixed odds sports betting income		16,420
Fixed odds horse race betting income		350
Reference horse race betting income		90
Total		16,860

11. Finance expense and similar

The following table sets forth an analysis of Finance expense and similar:

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<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2017	
Interest and other finance expenses - third parties		13,843
Exchange (gains) losses realised		5
Exchange (gains) losses unrealised		4
Total		13,852

12. Property, plant and equipment and other intangibles assets

The composition and movements of property, plant and equipment are as follows:

<i>(in thousands of Euros)</i>	PPE	Other intangible assets
Three months ended March 31, 2017		
Opening net book amount as at January 1, 2017	91,097	113,157
Increases	5,290	1,827
Depreciation, amortisation and impairment	(8,504)	(11,825)
Closing net book amount as at March 31, 2017	87,883	103,159

13. Goodwill

There were no movements in goodwill during the period

14. Restricted bank deposits

Restricted bank deposits include mainly the balances of the accounts for the payment of winnings, including the amounts deposited for the special winnings of the Vinci per la Vita – Win for Life games and for the so-called SuperStar Reserve Fund which comprises the difference between available prize money and winnings payables calculated for each single game, in addition to the bank balances of the online game players deposits.

Restricted bank deposits are managed by the Group but their use is restricted to the payment of the cumulative winnings on the relative games and the payment of any winnings from online games.

15. Cash and cash equivalents

Cash and cash equivalents at March 31, 2017 and December 31, 2016 are as follows:

<i>(in thousands of Euros)</i>	At March 31, 2017	At December 31, 2016
Bank and postal accounts	105,442	129,225
Cash and cash equivalents in hand	5,440	5,956
Total	110,882	135,181

16. Share capital

At March 31, 2017, share capital amounts to Euros 9,919,809, it is fully paid in and consists of 9,919,809 ordinary shares. This share capital is referred to the new parent company, Schumann S.p.A., and it is unchanged compared to December 31, 2016.

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17. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in thousands of Euros)</i>	At March 31, 2017	At December 31, 2016
Senior Revolving and ancillary facilities	73,335	88,882
Senior Secured Notes	704,458	711,210
Loans from related parties	0	0
Loans from other banks	756	915
Payable to other lenders - leasing contracts	485	757
Other loans from third parties	1,241	1,672
Total	779,034	801,764
<i>of which current</i>	<i>85,529</i>	<i>109,122</i>
<i>of which non-current</i>	<i>693,505</i>	<i>692,642</i>

Movements in borrowings are analysed as follows:

<i>(in thousands of Euros)</i>	Three months ended March 31, 2017
Opening amount as at January 1	801,764
Accrued interest and other expenses	(6,668)
Repayments of borrowings	16,062
Closing amount as at March 31	779,034

At March 31, 2017, the market price of the senior secured notes was a total of Euros 737.8 million compared to a face total value of Euros 725 million.

18. Provisions for risks and charges

The movements in the provisions for risks and charges are the following:

<i>(in thousands of Euros)</i>	At January 1, 2017	Changes during the period		At March 31, 2017
		increase	decrease	
Sundry risks and charges provisions	14,017	0	(91)	13,926
Technological updating provision	125	128	0	253
Total	14,142	128	(91)	14,179

19. Related party transactions

With regard to transactions with the ultimate parent, Schumann Investments S.A., at March 31, 2017 there are no items to be disclosed.

Related party costs for services, amounting to Euros 490 thousand in the three months ended March 31, 2017, are mainly related to compensation for executives who are also company directors; salaries and employee severance indemnities of key management charged with strategic responsibilities, amounting to Euros 950 thousand in the three months ended March 31, 2017, are reported under Personnel costs.

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20. Significant non-recurring events and transactions

During the three months ended March 31, 2017, the Group did not recognize material non-recurring expenses. Anyway, some net non-recurring expenses, amounting to Euros 76 thousand, were recognized during the period, mainly due to restructuring and reorganization costs.

21. Commitments

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately Euros 10.0 million; such capital expenditure will be financed by net cash generated from operating activities.

22. Significant events occurring after the end of period

Art. 6 of the decree law 24 April 2017 no. 50, with an immediate effect, increased the taxation on slot machines from 17.5% to 19% and on VLT from 5.5% to 6%.

From October 1, 2017, the taxation on the payout portion over Euro 500 for instant lotteries, VLT, SuperEnalotto and Win for Life, will go from 6% to 12%. Pending the conversion of this decree, which might have some amendments, the Group is considering the potential impacts of such changes and to implement some offsetting actions.