



Sisal Group S.p.A.

Condensed consolidated interim
financial statements

**At and for the nine months period
ended September 30, 2019 and 2018**

Management Discussion & Analysis

Sisal Group Profile

Sisal Group 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 turnover. 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 52,000 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 five business units: (i) Retail Gaming, (ii) Lottery (iii) Online Gaming, (iv) Payments and Services and (v) Morocco.

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 totalizator 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.

Morocco: which operates starting January 1, 2019 the exclusive concession for the management of the system through a telematic network of collection of public games in Morocco, mainly related to lotteries and virtual races products.

Key Factors affecting operations in the nine months ended September 30, 2019

In the first nine months 2019, the Italian GDP was slight up 0.3%¹ compared to the same period of last year. The Italian gaming market turnover confirmed the 2018 trend reaching approximately €81.1 billion (+3.8%)².

Total Payments & Services addressable market was slightly increasing compared to the same period of 2018, amounting to €64.3 billion (+2,4%)¹.

In the first nine months 2019, the Group recorded €13.9 billion turnover (including turnover related to Morocco public games concession equal to €50.8 million), slightly down 0.3% compared to the same period of last year.

¹ Istat data

²ADM data

In the first nine months 2019 the Group performance was also impacted by the introduction of the new accounting standard IFRS 16 “Leases”, which replaces the previous IAS 17 and introduces a single accounting model for the lessee; the main effects on the Group’s financial statements are summarized as follows:

- in the statement of financial position, higher non-current assets for recognition of “right of use of the leased asset” corresponding to higher financial payables;
- in the income statement, the different nature and classification of expenses, that is amortization of the “right of use of the asset” and “financial charges for interest” with respect to “cost for use of third-party assets - operating leases fees”, in compliance with replaced IAS 17;
- in the statement of cash flows, financial flows connected to contracts subject to the application of the above-mentioned standard, previously reported under financial flows of operating activities, classified under financial flows of financing activities.

The new standard is applied retrospectively starting from January 1, 2019 and the Group adopted the so called simplified retrospective method with the recognition, for leases previously classified in accordance with IAS 17 as operating leases, of the lease payables and the corresponding value of the right of use measured on residual contractual payments at the date of transition. Consequently, no restatements have been computed and applied to comparative data/results in both the present MD&A and the attached Condensed consolidated interim financial statements; however, in the notes to the attached Condensed consolidated interim financial statements, a summary of the impacts of the new standard is provided.

Further, based on a new tax regulation become effective on January 1, 2019, the Group has exercised the option for the so-called VAT group; based on that, a unique VAT deductibility pro-rata has been computed and related cost (referring to opex purchases) reported for all the legal entities of the Group in the “Other operating costs line”, while in the prior year, for companies with VAT non-deductibility equal to 100%, purchase of goods and the performance of services were recognized in the income statement in the specific cost items inclusive of the non-recoverable VAT. As a consequence, the comparison of the cost item performance between the first nine months ended September 30, 2019 and the first nine months ended September 30, 2018, could not be completely significant.

<i>(€ in millions)</i>	Nine months ended September 30,				
	2018	% of total revenues and income	2019	% of total revenues and income	% change 2018-2019
Revenues	533.1	86.0%	529.0	84.8%	(0.8%)
Fixed odds betting income	85.5	13.8%	94.5	15.1%	10.5%
Other revenues and income	1.6	0.3%	0.5	0.1%	(68.8%)
Total revenues and income	620.2	100.0%	624.0	100.0%	0.6%
Purchases of materials, consumables and merchandise	7.9	1.3%	11.1	1.8%	40.5%
Costs for services	327.7	52.8%	321.8	51.6%	(1.8%)
Lease and rent expenses	16.6	2.7%	1.4	0.2%	(91.6%)
Personnel costs	64.7	10.4%	68.3	10.9%	5.6%
Other operating costs	26.3	4.2%	38.1	6.1%	44.9%
Amortization, depreciation, provisions and impairment losses and reversals	82.3	13.3%	106.9	17.1%	29.9%
Net operating profit (EBIT)	94.6	15.3%	76.5	12.3%	(19.1%)
Finance income and similar	-	0.0%	-	0.0%	n.s
Finance expenses and similar	42.4	6.8%	44.7	7.2%	5.4%
Profit (loss) before income taxes	52.2	8.4%	31.8	5.1%	(39.1%)
Income taxes	16.2	2.6%	13.4	2.1%	(17.3%)
Total profit (loss) for the period	36.0	5.8%	18.4	2.9%	(48.9%)

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>	Nine months ended September 30,				Change	
	2018	% of total revenues and income	2019	% of total revenues and income	(amount)	%
Gaming revenues	357.8	57.7%	338.4	54.2%	(19.4)	(5.4%)
Fixed odds betting income	85.5	13.8%	94.5	15.2%	9.0	10.6%
Payments and other services	108.7	17.5%	123.1	19.7%	14.4	13.2%
Points of sale revenues	63.6	10.3%	62.6	10.0%	(1.0)	(1.6%)
Other revenues	4.6	0.7%	5.4	0.9%	0.8	17.9%
Total	620.2	100.0%	624.0	100.0%	3.8	0.6%

Revenues and income amounted to €624.0 million for the nine months ended September 30, 2019, an increase of €3.8 million, or 0.6%, compared to €620.2 million for the nine months ended September 30, 2018. Revenues results were mainly driven by the decrease in Gaming revenues, more than offset by the positive performance of Fixed odds sport betting income and Payments and other services.

Gaming Revenues

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

<i>(€ in millions)</i>	Nine months ended September 30,				Change	
	2018	% of total revenues and income	2019	% of total revenues and income	(amount)	%
Gaming machines revenues	259.5	41.9%	218.6	35.0%	(40.9)	(15.8%)
NTNG revenues	40.7	6.6%	54.0	8.6%	13.3	32.6%
Virtual Races	19.8	3.2%	23.5	3.8%	3.7	18.7%
Online game revenues	33.0	5.3%	35.4	5.7%	2.4	7.2%
Horse race betting revenues	4.6	0.7%	3.7	0.6%	(0.9)	(20.3%)
Morocco games revenues	-	0.0%	3.1	0.5%	3.1	n.s.
Sports pools revenues	0.2	0.0%	0.2	0.0%	(0.0)	(7.5%)
Total	357.8	57.7%	338.4	54.2%	(19.4)	(5.4%)

The overall gaming revenues amounted to €338.4 million for the nine months ended September 30, 2019 a decrease of €19.4 million, or 5.4%, compared to €357.8 million for the nine months ended September 30, 2018, mainly driven by a combination of the following factors:

- Gaming machines revenues amounted to €218.6 million for the nine months ended September 30, 2019 a decrease of €40.9 million, or 15.8%, from €259.5 million for the nine months ended September 30, 2018, mainly driven by increase in related gaming taxation becoming effective since Q4 2018 (in first instance due to the so called “Decreto Dignità” and subsequently as a result of the provisions of the 2019 budget law), and substantially flat turnover, slightly decreased from €3,120 million for the nine months ended September 30, 2018, of which 46% related to slot machines and 54% to VLTs to €3,108 million for the nine months ended September 30, 2019, of which 43% related to slot machines and 57% related to VLTs.
- NTNG revenues amounted to €54.0 million for the nine months ended September 30, 2019 an increase of €13.3 million, or 32.6%, from €40.7 million for the nine months ended September 30, 2018. The increase in NTNG revenues is mainly driven by positive SuperEnalotto turnover trend pushed by record jackpot and delta impact from IFRS 15 application.

- Virtual Races revenues amounted to €23.5 million for the nine months ended September 30, 2019, an increase of €3.7 million, or 18.7%, from €19.8 million for the nine months related to September 30, 2018. This product, launched in December 2013, is still appealing for the players, and in the first nine months 2019 reflected a significant recovery trend.
- Online game revenues amounted to €35.4 million for the nine months ended September 30, 2019, an increase of €2.4 million, or 7.2%, from €33.0 million for the nine months ended September 30, 2018, primarily as a result of positive performance in Casino games, thanks also to the newly increasing number of monthly active players (+2% compared to the first nine months 2018) and in spite of increasing taxation.
- Horse race betting revenues amounted to €3.7 million for the nine months ended September 30, 2019, a decrease of €0.9 million, or 20.3%, from €4.6 million for the nine months related to September 30, 2018, due to the constant reduction in the appeal for this kind of games.
- Morocco games revenues amounted to €3.1 million for the first nine months ended September 30, 2019, that is the first half year of operation in that country after the set-up phase implemented during 2018.
- Sports pools revenues were unchanged amounting to €0.2 million for both the nine months ended September 30, 2019 and September 30, 2018.

Fixed odds betting income

Fixed odds betting income amounted to €94.5 million for the nine months ended September 30, 2019, an increase of €9.0 million, or 10.6%, from €85.5 million for the nine months ended September 30, 2018, primarily as a result of higher performance in sport betting, mainly driven by a significant higher turnover in the first nine months 2019 (+22.0%) upfront a higher payout level in particular in the offline segment.

Payments and other services

Payments and other services amounted to €123.1 million for the nine months ended September 30, 2019 a strong increase of €14.4 million, or 13.2% from €108.7 million for the nine months ended September 30, 2018. The further decrease recorded by Top Ups performance has been offset by an overall positive trend in payment and financial services thanks in particular to a more favorable product mix with specific regards to the Payments segment whose number of transactions reached 46.4 million for the nine months ended September 30, 2019, an increase of 17.6 million, or 61.0%, from 28.8 million for the nine months ended September 30, 2018.

Point of sale revenues

Point of sale fees amounted to €62.6 million for the nine months ended September 30, 2019 a slight decrease of €1.0 million, or 1.6%, from €63.6 million for the nine months ended September 30, 2018, mainly due to a slight decrease of NTNG PoS revenues mostly offset by the increase of Services PoS revenues, still driven by Services stand alone network expansion.

Other revenues and income

Other revenues amounted to €5.4 million for the nine months ended September 30, 2019 an increase of €0.8 million, or 17.9%, from €4.6 million for the nine months ended September 30, 2018, mainly driven higher sales of gaming machines game cards and cabinet.

Costs

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise amounted to €11.1 million for the nine months ended September 30, 2019 an increase of €3.2 million, or 40.5%, from €7.9 million for the nine months ended September 30, 2018, due mainly to higher games material and spare parts purchases.

Costs for services

Costs for services amounted to €321.8 million for the nine months ended September 30, 2019 a decrease of €5.9 million, or 1.8%, from €327.7 million for the nine months ended September 30, 2018.

Costs for services amounted to 51.6% of total revenues and income for the nine months ended September 30, 2019, compared to 52.8% of total revenues and income for the nine months ended September 30, 2018. The following table sets forth an analysis of costs for services for the indicated periods:

<i>(€ in millions)</i>	Nine months ended September 30,				Change	
	2018	% of total revenues and income	2019	% of total revenues and income	(amount)	%
Sales channel- gaming revenues	179.7	29.0%	147.1	23.6%	(32.6)	(18.1%)
Sales channel- payments services	55.0	8.9%	77.0	12.3%	22.0	39.9%
Commercial services	24.1	3.9%	16.2	2.6%	(7.9)	(33.0%)
Consulting	7.3	1.2%	14.0	2.2%	6.7	91.9%
Others services costs	61.6	9.9%	67.5	10.8%	5.9	9.6%
Total cost for services	327.7	52.8%	321.8	51.6%	(5.9)	(1.8%)

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

- *Sales channel – Gaming revenues* amounted to €147.1 million for the nine months ended September 30, 2019 a decrease of €32.6 million, or 18.1%, from €179.7 million for the nine months ended September 30, 2018, mainly driven by gaming machines network fees reduction in line a with revenues trend. As a percentage of total revenues and income, sales channel gaming amounted to 23.6% for the nine months ended September 30, 2019 and 29.0% for the nine months ended September 30, 2018.
- *Sales channel – Payments services* amounted to €77.0 million for the nine months ended September 30, 2019 an increase of €22.0 million, or 39.9%, from €55.0 million for the nine months ended September 30, 2018, mainly driven by a different product mix. As a percentage of total revenues and income, sales channel payment services amounted to 12.3% for the nine months ended September 30, 2019 and 8.9% for the nine months ended September 30, 2018.
- *Commercial services* amounted to €16.2 million for the nine months ended September 30, 2019 a decrease of €7.9 million, or 33.0%, from €24.1 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Commercial services amounted to 2.6% for the nine months ended September 30, 2019 and 3.9% for the nine months ended September 30, 2018. The decrease is mainly due to lower spending in the first nine months 2019 mainly related to the promoting of Lottery and Payments and other services businesses.
- *Consulting and Other services* amounted to €81.5 million for the nine months ended September 30, 2019 an increase of €12.6 million, or 18.3%, from €68.9 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Consulting and Other services amounted to 13.0% for the nine months ended September 30, 2019 and 11.1% for the nine months ended September 30, 2018. *Other Services* are mainly related to maintenance costs, telecommunications, online gaming platform fees, bank fees, logistics, facilities costs, travelling expenses and outsourcing costs.

Lease and rent expenses

Lease and rent expenses amounted to €1.4 million for the nine months ended September 30, 2019 a decrease of €15.2 million, or 91.6% from €16.6 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Lease and rent expenses amounted to 0.2% for the nine months ended September 30, 2019 and 2.7% for the nine months ended September 30, 2018. The significant reported variance is due the application of the new accounting standard IFRS 16, effective January 1st, 2019.

Personnel costs

Personnel costs amounted to €68.3 million for the nine months ended September 30, 2019 an increase of €3.6 million, or 5.6%, from €64.7 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Personnel costs amounted to 10.9% for the nine months ended September 30, 2019 and 10.4% for the nine months ended September 30, 2018. Our average workforce, expressed in full time equivalents, reached 1,814 for the nine months ended September 30, 2019, an increase of 31 from 1,783 for the nine months ended September 30, 2018.

Other operating costs

Other operating costs amounted to €38.1 million for the nine months ended September 30, 2019 vs €26.3 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Other operating costs amounted to 6.1% for the nine months ended September 30, 2019 and 4.2% for the nine months ended September 30, 2018. Other operating costs are mainly related to gaming concessions fees and undeductible VAT, both increasing vs prior year due to respectively gaming turnover increase and VAT group impact, already commented.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals amounted to €106.9 million for the nine months ended September 30, 2019 an increase of €24.6 million, or 29.9%, from €82.3 million for the nine months ended September 30, 2018. As a percentage of total revenues and income, Amortization, depreciation, provisions and impairment losses and reversals amounted to 17.1% for the nine months ended September 30, 2019 and 13.3% for the nine months ended September 30, 2018. The increase is mainly due to higher depreciation and amortization of intangible and tangible assets, with the latter mainly impacted by the application of the new accounting standard IFRS 16.

Net operating profit (EBIT)

Net operating profit (EBIT) amounted to €76.5 million for the nine months ended September 30, 2019 a decrease of €18.1 million, or 19.1%, from €94.6 million for the nine months ended September 30, 2018.

Net margin was 12.3% for the nine months ended September 30, 2019 compared to 15.3% for the nine months, ended September 30, 2018.

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

Finance income and similar

Finance income and similar amounted to nil for both the nine months ended September 30, 2019 and September 30, 2018.

Finance expenses and similar

Finance expenses and similar amounted to €44.7 million for the nine months ended September 30, 2019 an increase of €2.3 million, or 5.4%, from €42.4 million for the nine months ended September 30, 2018; the increase is mainly related to the application of the new accounting standard IFRS 16.

Income taxes

Income taxes amounted to €13.4 million for the nine months ended September 30, 2019 compared to €16.2 million for the nine months ended September 30, 2018, primarily as a result of lower taxable income.

Segment Information

(<i>€ in millions</i>)	Nine months ended September 30,			
	2018	2019	2018	2019
	Revenues and income		Segment EBITDA	
Retail gaming	351.5	317.4	64.2	70.1
Lottery	68.1	78.2	37.0	38.4
Online gaming	60.7	70.3	26.8	33.3
Payment and services	139.6	155.0	54.1	49.1
Morocco	-	3.1	-	(1.2)
Other	0.3	0.1		
Segment EBITDA (1)			182.0	189.6
Items with different classification			(1.0)	(5.6)
Total	620.2	624.0	181.0	184.1

(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 and segment EBITDA does not include reclassification of some amortization and impairment losses of receivables as per IFRS15 application

Retail Gaming: Retail Gaming segment results for the nine months ended September 30, 2019 have been mainly driven by increasing taxation impacting gaming machines performance, offset, in particular with regard to EBITDA, by sport betting results, driven by significant higher turnover and IFRS 16 application. 22.1% margin for the nine months ended September 30, 2019 compared to 18.3% for same period in 2018.

Lottery: Lottery segment results for the nine months ended September 30, 2019 have been mainly driven by a positive turnover performance driven by Jackpot and in spite of lower media & promotion expenses. 49.1% margin for the nine months ended September 30, 2019, compared to 54.3% for the same period in 2018, also due to the different incidence of IFRS 15 application on related revenues.

Online Gaming: Online Gaming segment results for the nine months ended September 30, 2019 were mainly driven by both Casino games and sport betting strong performance. 47.3% margin for the nine months ended September 30, 2019 compared to 44.2% for the same period in 2018 reflected such significant performance.

Payments and Services: Payments and Services grow significantly in terms of revenues (€155.0 million for the nine months ended September 30, 2019 and €139.6 million for the nine months ended September 30, 2018) but report a decreasing trend in current trading EBITDA (€49.1 million for the nine months ended September 30, 2019 and €54.1 million for the nine months ended September 30, 2018), mainly due to a different product mix after the Postepay contract exit, effective January 1, 2019. On top, the launch of Digital Payments business, occurred in Q3 2018, has impacted by €3.6 million the nine months ended September 30, 2019 performance and by €2.4 million the nine months ended September 30, 2018 results. Digital Payments remain a strategic driver of future growth.

Morocco: Morocco operation results for the nine months ended September 30, 2019 reflect the start-up phase still in progress.

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,	
	2018	2019
Movements in trade receivables	5.9	(27.0)
Movements in inventories	1.2	4.0
Movements in trade payables	(96.3)	(21.5)
Movements in trade working capital	(89.2)	(44.4)
Movements in other assets and liabilities	(57.4)	(29.8)
Total movements in working capital	(146.6)	(74.2)

Movements in working capital are generally connected to timing of cash collections and convenience service payments and business turnover trends. The overall lower cash absorption in the first nine months 2019, compared to that recorded in the first nine months 2018, is mainly due to a more favorable trade working capital performance with particular regard to payments and services accounts payables settlement, mostly related to prior YE transactions and to payments transaction growth in 2019.

Cash flows

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

<i>(€ in millions)</i>	Nine months ended September 30,	
	2018	2019
Cash provided by operations before changes in working capital, interest and taxes	181.6	184.1
Tax paid	(13.2)	(19.2)
Changes in working capital	(146.6)	(74.2)
Cash flows provided by (used in) operating activities	21.7	90.7
Cash flows provided by (used in) investing activities	(37.6)	(65.1)
Cash flows provided by (used in) financing activities	(36.5)	(80.3)
Increase/(Decrease) in cash and cash equivalents	(52.4)	(54.7)
Net cash at the beginning of the period	211.4	254.9
Net cash at the end of the period	159.1	200.2

Cash provided by operating activities amounted to €90.7 million for the nine months ended September 30, 2019, compared to cash provided of €21.7 million for the nine months ended September 30, 2018. The movement is mainly related to the trend in working capital as commented above while cash provided by operations before changes in working capital, interest and taxes was up for about €2.5 million.

Cash flows used in investing activities amounted to €65.1 million for the nine months ended September 30, 2019 compared to €37.6 million for the nine months ended September 30, 2018, mainly due to higher investments in tangible and intangible assets.

Cash flows used in financing activities amounted to €80.3 million for the nine months ended September 30, 2019 compared to cash used of €36.5 million for the nine months ended September 30, 2018. The cash flows related to financing activities for both the nine months ended September 30, 2019 and September 30, 2018 included net interest paid, respectively €47.5 million and €45.7 million. In addition, 2019 cash flows include net repayments of revolving and ancillary facilities for €20.5 million, compared to €9.5 million of net usage recorded in the first nine months 2018. In the nine months ended September 30, 2019 are also reflected repayments for about €12.3 million of financial liabilities accounted for in application of the already mentioned new accounting standard IFRS 16.

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, 2018 and September 30, 2019. At both dates no shareholders loan were active:

<i>(€ in millions)</i>	As of December 31, 2018	As of September 30, 2019
Senior revolving Facility	40.3	20.1
Senior Secured notes	740.5	733.4
Other financial liabilities ⁽¹⁾	0.0	90.4
Total external financial liabilities	780.9	843.9

(1) Amount as of September 30, 2019 is mainly related to IFRS 16 application

Other Financial Information

<i>(€ in millions)</i>	Nine months ended September 30,	
	2018	2019
EBITDA ⁽¹⁾	181.0	184.1
Non recurring items	0.7	5.7
Adjusted EBITDA ⁽²⁾	181.8	189.8
Adjusted EBITDA margin ⁽³⁾	29.3%	30.4%

(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 does not include reclassification of some amortization and impairment losses of receivables as per IFRS15 application. 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>	Nine months ended September 30,	
	2018	2019
Profit/(loss) for the period	36.0	18.4
Net finance expense and similar	42.4	44.7
Income taxes	16.2	13.4
Amortisation, depreciation and impairments	74.6	97.3
Impairment of receivables	11.8	10.3
EBITDA	181.0	184.1

<i>(€ in millions)</i>	As of December 31, 2018	As of September 30, 2019
Unrestricted cash ⁽⁴⁾	254.9	200.2
SISAL GROUP net senior secured debt ⁽⁵⁾	525.9	553.3

(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) Sisal Group 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

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

<i>(in thousands of Euros)</i>	Note s	For the nine months ended September 30,		For the three months ended September 30,	
		2019	2018	2019	2018
Total revenues and income		624,023	620,158	209,848	202,713
Purchases of materials, consumables and merchandise		11,126	7,942	3,368	2,424
<i>of which non-recurring</i>		0	126	0	95
Costs for services		321,813	327,744	107,841	104,180
<i>of which related parties</i>	19	1,416	1,544	497	561
<i>of which non-recurring</i>	20	5,023	429	3,161	226
Lease and rent expenses		1,358	16,610	452	5,529
<i>of which non-recurring</i>	20	28	0	18	0
Personnel costs		68,263	64,687	22,150	20,661
<i>of which related parties</i>	19	3,034	2,683	1,013	890
<i>of which non-recurring</i>	20	206	165	97	33
Other operating costs		38,138	26,298	16,024	8,731
<i>of which non-recurring</i>	20	474	19	302	10
Amortisation, depreciation, provisions and impairment losses and reversals		106,871	82,258	36,758	27,214
Net operating profit (EBIT)		76,454	94,619	23,255	33,974
Finance income and similar		6	18	2	3
Finance expenses and similar	11	44,475	42,389	15,131	14,464
Profit (loss) before income taxes		31,758	52,248	8,126	19,513
Income taxes		13,364	16,197	3,929	6,093
Profit (loss) for the period		18,394	36,051	4,197	13,420
Attributable to non-controlling interest		53	83	(23)	31
Attributable to owner of the parent		18,341	35,968	4,220	13,389
Basic earnings (loss) per share (in Euro)		0.18	0.35	0.04	0.13
Diluted earnings (loss) per share (in Euro)		0.18	0.35	0.04	0.13

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

	<i>Notes</i>	At September 30, 2019	At December 31, 2018
<i>(in thousands of Euros)</i>			
A) NON-CURRENT ASSETS			
Property, Plant and Equipment	12	192,456	108,740
Goodwill	13	575,033	569,275
Intangible assets	12	485,318	497,523
Investments accounted for using the equity method		3,201	0
Deferred tax assets		22,119	17,515
Other non-current assets		22,419	20,844
Total non-current assets		1,300,546	1,213,897
B) CURRENT ASSETS			
Inventories		7,714	11,760
Trade receivables		162,254	145,529
Current financial assets		0	0
Taxes receivable		252	77
Restricted bank deposits	14	356,001	201,552
Cash and cash equivalents	15	200,156	254,892
Other current assets		61,924	61,028
Total current assets		788,301	674,838
TOTAL ASSETS		2,088,847	1,888,735
A) EQUITY			
Share capital	16	102,500	102,500
Legal reserve		200	200
Share premium reserve		94,484	94,484
Other reserves		68,195	66,426
Retained earnings (accumulated deficit)		81,025	62,684
Total equity attributable to owners of the Parent		346,404	326,294
Equity attributable to non-controlling interests		957	1,097
Total equity		347,361	327,391
B) NON-CURRENT LIABILITIES			
Long-term debt	17	776,114	701,499
Provision for employee severance indemnities		8,779	8,381
Deferred tax liabilities		122,244	127,636
Provisions for risks and charges	18	14,833	15,477
Other non-current liabilities		354	709
Total non-current liabilities		922,324	853,702
C) CURRENT LIABILITIES			
Trade and other payables		286,368	334,756
Short-term debt	17	20,061	40,287
Current portion of long-term debt	17	28,680	15,577
Taxation payable		11,481	10,942
Other current liabilities		472,572	306,080
<i>of which related parties</i>		1,397	1,616
Total current liabilities		819,162	707,642
TOTAL LIABILITIES AND EQUITY		2,088,847	1,888,735

SCHUMANN S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

<i>(In thousands of Euros)</i>	For the nine months ended September 30,	
	2019	2018
Profit (loss) for the period before income taxes	31,759	52,248
Amortization and depreciation	96,772	70,355
Amortization NTNG fee UT	498	4,229
Impairment of current receivables	10,233	11,821
Provisions for risks and charges, accruals and employee severance indemnities	171	556
Impairment of investments	227	0
Finance (income) expenses	44,468	42,371
Net cash generated from operating activities before changes in working capital, interest and taxes	184,128	181,580
Changes in trade receivables	(26,958)	5,868
Changes in inventories	4,046	1,227
Changes in trade payables	(21,467)	(96,312)
Change in other assets and liabilities	(29,815)	(57,376)
Taxes (paid)/reimbursed	(19,245)	(13,245)
Net cash generated from operating activities	90,689	21,742
Increase in property, plant and equipment	(19,892)	(12,248)
Increase in intangible assets	(41,552)	(28,193)
(increase) decrease in investments	(3,429)	0
(Increase) decrease in other non-current assets	(734)	2,840
Acquisitions (net of cash)	718	0
Minority interests acquisition	(233)	0
Net cash used in investing activities	(65,122)	(37,601)
decrease in medium-/long-term debt	(51)	(273)
Increase (decrease) in lease payables	(12,250)	(73)
Increase (decrease) in short-term debt	(20,501)	9,535
Net interest paid	(47,501)	(45,680)
Net cash used in financing activities	(80,303)	(36,491)
Net change in cash and cash equivalents	(54,736)	(52,350)
Net cash at the beginning of the period	254,892	211,402
Net cash at the end of the period	200,156	159,052

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

<i>(in thousands of Euros)</i>	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
Equity at December 31, 2017	102,500	200	94,484	66,443	26,209	289,836	1,157	290,993
Profit/(loss) for the period					35,968	35,968	83	36,051
Total comprehensive profit (loss) for the period	0	0	0	0	35,968	35,968	83	36,051
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	(2)	0	(2)	0	(2)
Transactions with shareholders	0	0	0	(2)	0	(2)	0	(2)
Equity at September 30, 2018	102,500	200	94,484	66,441	62,177	325,802	1,240	327,042
Equity at December 31, 2018	102,500	200	94,484	66,426	62,684	326,294	1,097	327,391
Profit/(loss) for the period					18,341	18,341	53	18,394
Total comprehensive profit (loss) for the period	0	0	0	0	18,341	18,341	53	18,394
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	1,769	0	1,769	(193)	1,576
Transactions with shareholders	0	0	0	1769	0	1769	(193)	1,576
Equity at September 30, 2019	102,500	200	94,484	68,195	81,025	346,404	957	347,361

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

1. General information

Sisal Group S.p.A. (hereafter the “**Company**”) is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Di Tocqueville 13, organized under the laws of the Republic of Italy.

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 nine months ended September 30, 2019 (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, 2018 (the “**Annual Consolidated Financial Statements**”).

On January 13, 2016 the IASB published the new accounting standard IFRS 16 “Leases”, which establishes the principle for the recognition, valuation and presentation of lease contracts for both parties involved in this type of contracts, the tenant or lessee and the lessor. The new standard, which replaces the previous IAS 17 standard and its relative interpretations, introduces a single accounting model for the lessee. For lease contracts that fulfil the requirements of the new standard, IFRS 16 requires the recognition in the statement of financial position of a financial liability, represented by the actual value of future payments, counterbalanced by the entry in the assets of the “right of use of the leased asset”. With regard to the application of the new standard, the Group has intended to apply the simplified retrospective method with the recognition, for leases previously classified in accordance with IAS 17 as operating leases, of the lease payables and the corresponding value of the right of use measured on residual contractual payments at the date of transition, that is January 1, 2019. As a consequence, all the financial statements and related notes included in these Condensed Consolidated Interim Financial Statements do not reflect any impact, as far as prior year figures are concerned, deriving from the application of the above said new accounting standard.

In the following tables the related variances, respectively to the Statement of Consolidated Financial Position at January 1, 2019 and to the Statement of Comprehensive Income for the nine months ended September 30, 2019, are highlighted.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

<i>(in thousands of Euros)</i>	At December 31, 2018	IFRS 16 adjustments	At January 1, 2019
A) NON-CURRENT ASSETS	1,213,897	83,689	1,297,586
B) CURRENT ASSETS	674,838	0	674,838
TOTAL ASSETS	1,888,735	83,689	1,972,424
A) EQUITY	327,391	0	327,391
B) NON-CURRENT LIABILITIES	853,702	65,402	919,104
C) CURRENT LIABILITIES	707,642	18,287	725,929
TOTAL LIABILITIES AND EQUITY	1,888,735	83,689	1,972,424

<i>(in thousands of Euros)</i>	IFRS 16 adjustments
Lease and rent expenses	(15,502)
Amortisation, depreciation, provisions and impairment losses and reversals	15,172
Net operating profit (EBIT)	330
Finance expenses and similar	1,720
Profit (loss) before income taxes	(1,390)

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 Sisal Group S.p.A. on November 25, 2019.

3. Going concern

Net profit for the nine months ended September 30, 2019 amounted to Euros 18,394 thousand (Euros 36,051 thousand for the nine months ended September 30, 2018); at September 30, 2019 the consolidated equity was equal to Euros 347,361 thousand (Euros 327,391 thousand at December 31, 2018) and net working capital at September 30, 2019 was negative for Euros 182.276 thousand (Euros 231,832 thousand at December 31, 2018).

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.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

Following the financial restructuring and refinancing occurred in previous years, the Group achieved a more balanced of capital resources and debt structure. At the same time the Parent 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 September 30, 2019	%	At December 31, 2018	%
Long term debt	776,114		701,499	
Short-term debt and current portion of long-term debt	48,741		55,864	
Funding from third parties	824,855	70.4%	757,363	69.8%
Equity	347,361	29.6%	327,391	30.2%
Total debt and equity	1,172,216	100.0%	1,084,754	100.0%

Despite a challenging macroeconomic and regulatory context, 2018 target group's gross profit and operating profit levels (net of the impact of non-recurring expenses) were a significant improvement on those of 2017.

The consequence of the negative impact of the latest further regulatory changes, that is penalizing some of the Group's businesses, should reasonably affect the overall performance on the Group in the current year, but will be at least mostly offset by further actions aimed at improving both top line performance and the efficiency of company cost structures; these trends are also confirmed by current trading results.

With reference, moreover, to the tender procedure pertaining to the GNTN concession, on July 24, 2019 the Selection Commission communicated the final ranking based on which the company obtained the first and maximum score both under technical and economic offering; following, the ordinary procedures have been carried out for the award of the concession that was notified to Sisal S.p.A. on September 17, 2019. Based on that some activities will take place in the following months in order to come to the formal subscription of the new concession which is expected to be effective during the first half 2020; among those, the payment in advance of the first 50% of the new concession down payment (equal in total to Euros 222 million) has been regularly paid in the last month of October, while the residual 50% will be due when the new concession will be formally subscribed and activated.

On the basis of these assessments and ongoing developments 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 nine 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 2019 and adopted for the first time.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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

Since January 2019, the following accounting standards, amendments and interpretations have been endorsed by the European Union and adopted by the Group:

- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19: Plan Amendment Curtailment or Settlement;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 16 Leases.

With the exclusion of IFRS 16, as previously explained in the paragraph 1. Basis of preparation, no impact have been identified from the application of these standards and amendments.

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 17 Insurance Contracts;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3 Business Combinations;
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

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.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

The Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosures required for 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 September 30, 2019, 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 September 30, 2019, these facilities were partially drawn down for a total of Euros 19.7 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 September 30, 2019 and December 31, 2018 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.
- Morocco, which operates starting January 1, 2019 the exclusive concession for the management of the system through a telematic network of collection of public games in Morocco, mainly related to lotteries and virtual races products.

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.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

For the nine months ended September 30,				
<i>(in thousands of Euros)</i>	2019		2018	
	Total Revenues	EBITDA	Total revenues	EBITDA
Retail Gaming				
Revenues	213,692		214,564	
Supply Chain / Other revenues	103,721		136,914	
Total	317,414	70,054	351,478	64,193
Lottery				
Revenues	78,665		72,787	
Supply Chain / Other revenues	(515)		(4,679)	
Total	78,150	38,354	68,108	36,951
Online Gaming				
Revenues	88,759		79,717	
Supply Chain / Other revenues	(18,438)		(19,044)	
Total	70,321	33,262	60,673	26,793
Payments and services				
Revenues	77,847		84,845	
Supply Chain / Other revenues	77,122		54,785	
Total	154,969	49,147	139,630	54,073
Morocco				
Revenues	3,112		0	
Supply Chain / Other revenues	0		0	
Total	3,112	(1,193)	0	0
Other revenues	57		269	
Total operating segment	624,023	189,624	620,158	182,010
For the three months ended September 30,				
<i>(in thousands of Euro)</i>	2019		2018	
	Total revenues	EBITDA	Total revenues	EBITDA
Retail Gaming				
Revenues	69,714		70,967	
Supply Chain / Other revenues	35,422		42,664	
Total	105,136	22,213	113,631	21,509
Lottery				
Revenues	27,767		22,552	
Supply Chain / Other revenues	12		(1,387)	
Total	27,779	13,220	21,165	12,783
Online Gaming				
Revenues	30,017		26,329	
Supply Chain / Other revenues	(6,168)		(5,312)	
Total	23,849	10,801	21,017	10,445
Payments and services				
Revenues	26,339		28,446	
Supply Chain / Other revenues	25,536		18,328	
Total	51,875	17,466	46,774	18,295
Morocco				
Revenues	1,216		0	
Supply Chain / Other revenues	0		0	
Total	1,216	0	0	0
Other revenues	(8)	0	126	0
Total operating segment	209,847	63,573	202,713	63,032

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(In thousands of Euros)</i>	2019	2018	2019	2018
Total operating segment	189,624	182,010	63,573	63,032
Non-recurring expenses	(5,731)	(739)	(3,578)	(364)
Items with different classification	158	(458)	219	(92)
GNTN upfront fees amortization	(498)	(4,229)	15	(1,410)
Amortization of intangible assets	(56,980)	(46,913)	(20,866)	(17,225)
Depreciation of property, plant & equipment	(39,792)	(23,443)	(14,015)	(7,958)
Impairment losses on current receivables	(10,327)	(11,609)	(2,092)	(2,009)
Net operating profit (EBIT)	76,454	94,619	23,255	33,974

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 mainly in Italy; starting January 1, 2019 current gaming operations have been started in Morocco, based on the specific concession granted to the Group by the competent local authority. The related economic results achieved during the first nine months ended September 30, 2019 are reported above under the "Morocco" segment.

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, 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.

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

9. Revenues

The following table sets forth an analysis of Revenues:

<i>(in thousands of Euros)</i>	For the nine months ended September 30,		For the three months ended September 30,	
	2019	2018	2019	2018
Gaming revenues	338,423	357,757	116,595	114,398
Payments and other services	123,099	108,724	41,031	36,457
Points of sale revenues	62,583	63,611	21,036	20,990
Other revenues	4,898	3,013	1,123	1,071
Total	529,003	533,105	179,785	172,916

The gaming revenues are analyzed as follows:

<i>(in thousands of Euros)</i>	For the nine months ended September 30,		For the three months ended September 30,	
	2019	2018	2019	2018
Gaming machines revenues	218,572	259,485	73,933	83,222
NTNG revenues	53,971	40,717	19,914	11,855
Virtual Races	23,473	19,776	8,222	6,548
Online game revenues	35,430	32,965	12,119	11,470
Horse race betting revenues	3,684	4,620	1,135	1,264
Morocco games	3,112	0	1,217	0
Sports pools revenues	174	188	53	37
Big bets revenues	6	6	2	2
Total	338,423	357,757	116,595	114,398

Fixed odds betting income

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

<i>(in thousands of Euros)</i>	For the nine months ended September 30,		For the three months ended September 30,	
	2019	2018	2019	2018
Fixed odds sports betting income	91,938	83,128	29,153	28,831
Fixed odds horse race betting income	2,415	2,186	807	693
Reference horse race betting income	165	175	56	57
Total	94,518	85,489	30,017	29,581

10. Finance expense and similar

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

<i>(in thousands of Euros)</i>	For the nine months ended September 30,		For the three months ended September 30,	
	2019	2018	2019	2018
Interest and other finance expenses - third parties	44,439	42,395	15,098	14,449
Exchange (gains) losses realised	72	(12)	38	8
Exchange (gains) losses unrealised	(36)	6	(6)	7
Total	44,475	42,389	15,131	14,464

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

11. 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
nine months September 30, 2019		
Opening net book amount as at January 1, 2019	108,740	497,523
Acquisitions of subsidiaries/businesses	995	3,224
Increases	122,912	41,551
Depreciation, amortisation and impairment	(39,792)	(56,980)
Disposals /reclassification	(399)	0
Closing net book amount as at September 30, 2019	192,456	485,318

12. Goodwill

The movement of goodwill is as follows:

<i>(in thousands of Euros)</i>	At September 30, 2019	At December 31, 2018
At the beginning of the period	569,275	569,275
Acquisition of betting and gaming machines business	5,758	0
At the end of the period	575,033	569,275

13. 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.

14. Cash and cash equivalents

Cash and cash equivalents at September 30, 2019 and December 31, 2018 are as follows:

<i>(in thousands of Euros)</i>	At June 30, 2019	At December 31, 2018
Bank and postal accounts	192,618	248,739
Cash and cash equivalents in hand	7,538	6,153
Total	200,156	254,892

15. Share capital

At September 30, 2019, share capital amounts to Euros 102,500,000, it is fully paid in and consists of 102,500,000 ordinary shares. This share capital is referred to parent company, Sisal Group S.p.A., and it is unchanged compared to December 31, 2018.

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16. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in thousands of Euros)</i>	At September 30, 2019	At December 31, 2018
Senior Revolving and ancillary facilities	18,408	38,217
Senior Secured Notes	715,526	719,116
Loans from related parties	0	0
Loans from other banks	519	0
Payable to other lenders - leasing contracts	90,401	30
Other loans from third parties	90,920	30
Total	824,854	757,363
<i>of which current</i>	<i>48,740</i>	<i>55,864</i>
<i>of which non-current</i>	<i>776,114</i>	<i>701,499</i>

Movements in borrowings are analysed as follows:

<i>(in thousands of Euros)</i>	Nine months ended September 30,	
	2019	2018
Opening amount as at January 1	757,363	750,539
Acquisition of subsidiary	519	0
IFRS 16 new financial liability	90,401	0
Accrued interest and other expenses	(3,160)	(3,495)
Repayments of borrowings	20,269	(9,190)
Closing amount as at September 30	824,854	756,234

At September 30, 2019, the market price of the senior secured notes was a total of Euros 742.5 million compared to a face total value of Euros 725 million.

17. Provisions for risks and charges

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

<i>(in thousands of Euros)</i>	Changes during the period			At September 30, 2019
	At January 1, 2019	increase	decrease	
Sundry risks and charges provisions	15,269	331	(921)	14,679
Technological updating provision	208	329	(383)	154
Total	15,477	660	(1,304)	14,833

18. Related party transactions

With regard to transactions with the ultimate parent, Schumann Investments S.A., at September 30, 2019 there are no items to be disclosed.

Related party costs for services, amounting to Euros 1,416 thousand in the nine months ended September 30, 2019 (Euros 1,544 thousand in the nine months ended September 30, 2018), are mainly related to compensation for executives who are also company directors; salaries and employee severance indemnities of key management charged with strategic

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responsibilities, amounting to Euros 3,034 thousand in the nine months ended September 30, 2019 (Euros 2,683 thousand in the nine months ended September 30, 2018), are reported under Personnel costs.

19. Significant non-recurring events and transactions

During the nine months ended September 30, 2019, the Group recognized about €5,731 thousand net non-recurring expenses, mainly related to reorganizations costs and also to start-up costs in connection with new business projects.

20. Commitments

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately Euros 12.8 million; such capital expenditure will be financed by net cash generated from operating activities.

21. Significant events occurring after the end of period

In addition to what already above commented with regard to NTNG tender, following the strategic partnership signed at the end of July with Banca 5 S.p.A. belonging to IntesaSanpaolo Group and the formal authorization received at the beginning of August by Bank to Italy to the acquisition of Qui Financial Services S.p.A. (an IMEL company), the Group is currently actively engaged in the review of business and infrastructure processes in order to achieve the full segregation of the Payments and Other service business also from a legal entity stand point within December 31, 2019 and at the same time the integration of the related activities carried out by the new partner.

In the end, following the tax audit on the 2014 fiscal year of the Parent by the Revenue Agency closed at the end of July with a Note of Findings (mainly containing objections to the amount of the interest expenses connected with the shareholder loans active at that time with the previous parent company Gamin Invest S.ar.l.), a settlement agreement has been reached in the month of November for a total amount of Euros 5,6 million (including income taxes, some penalties and interests) in face of a potential maximum risk of about Euros 44 million in the case of negative outcome of the related tax dispute. The above said agreement is going to be formalized and executed by the end of the current year and at the same time the Group should be able to obtain the partial release for around Euros 3.9 million of amounts held in escrow, relating to part of the price established for acquisition of the Group by Schumann S.p.A..