



Sisal Group S.p.A.

Condensed consolidated interim
financial statements

**At and for the three months period
ended March 31, 2020 and 2019**

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.

Considering that, following the segregation of the Payments Business at the end of 2019 and related partnership with Intesa San Paolo to create the first proximity banking network in Italy, the outstanding portion of Sisal Group’s bond will be repaid with the cash flow generated by the Gaming Business, this MD&A and attached Condensed Consolidated Financial Statements will mainly focus on the Gaming Business performance and results. In particular, the first three months ended March 31, 2020 statements are only referred to the Gaming Business perimeter (included in the Statement of Financial Position the investment in the Payment business’s holding company, accounted for at cost) as well as the Statement of Financial Position at December 31, 2020. As far as the Statements of Comprehensive Income and Cash Flows for the three months ended March 31, 2019 are concerned, they are instead related to the Group full consolidated accounts, including the Payment business.

The Group offers slot machines and video lottery terminals, betting and lottery games. Sisal distribution network includes approximately 39,500 points of sale. 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.

Following the Payments business deal, a complex corporate reorganization has been undertaken within the Group. As required by applicable international accounting standards, the structure of the operating segments has also been updated to align with this new vision of the Group's business, which has therefore been reorganized on the basis of the following three, partly new, operating segments: (i) Retail (ii) Online Gaming, (iii) International.

Retail: responsible for the management and development of activities relating to entertainment equipment, fixed-odds betting and traditional sports betting competitions, as well as activities linked to the management of the GNTN turnover of which the Group is the exclusive concessionaire. This division manages the "physical" sales outlets distributed throughout Italy for both the Branded and Affiliate channels.

Online Gaming: in charge of managing the activities carried out in the sector of online gaming and betting through the portal "sisal.it" and through the mobile phone channel. The Group's online offering is among the widest in the market and includes the entire product portfolio available under current regulations, including online betting and online games of poker, casino, lotteries and bingo.

International: dedicated to the international development of the Group, which is currently operational, although in the start-up phase, in Morocco, Turkey and Spain. The Group is present in these markets with products ranging from online offerings to lotteries, betting and slot machines.

Key Factors affecting operations in the three months ended March 31, 2020

In the first three months 2020, the Italian GDP was significantly down 6.5%¹ compared to the same period of last year. The Italian gaming market turnover reported approximately €23.7 billion (-15.8%)².

In the first three months 2020, the Group recorded €2.1 billion turnover, down 12.0% compared to the same period of last year; all these negative trends mainly reflect Covid 19 impact.

¹ Istat data

² ADM data

With regard to Covid 19 emergency, the Group has launched a series of initiatives aimed at guaranteeing the protection of employee health and protecting the business. In particular, work activities carried out in smart-working mode have been increased, travel has been limited both in Italy and abroad, and the cleaning activities in the workplace have been strengthened.

To protect the company business, a plan was launched to ensure business continuity with the aim of improving technological solutions for remote access to company applications and meeting management. Marketing and commercial initiatives were launched to encourage growth of the online business, an action plan was finalized to ensure the launch of the new GNTN concession in Italy and the lottery concession in Turkey and monitoring of critical company suppliers was started.

The Group has also launched initiatives to support its commercial partners (flexibility in payments, temporary payment postponement of membership fees), and launched initiatives in favor of the community with fundraising to support voluntary associations and Civil Protection. With regard to the impacts on the reference markets, the emergency led, starting from beginning March 2020, to the blocking of the convenience distribution network through which the Group operates (bar and tobacconists) and the total closure of the dedicated arcades and betting rooms while the Online channel remained operational, although the blocking of sporting events and the limitation of the offer of Lottery products limited their collection potential. At the moment there are no clear indications from the authorities on what will be the times of resumption of normal activity and what will be the conditions under which it will be allowed, even if some measures of partial reopening of the collection of lottery games at the still active network of outlets were recently announced by ADM. Despite the current uncertain situation, the Group's liquidity situation is such as to ensure normal operations and does not raise an area of concern.

Three months ended March 31,					
<i>(€ in millions)</i>	2019	% of total revenues and income	2020	% of total revenues and income	% change 2019-2020
Revenues	175.7	84.5%	105.5	72.0%	(40.0%)
Fixed odds betting income	32.2	15.5%	40.9	27.9%	27.0%
Other revenues and income	0.1	0.0%	0.2	0.1%	100.0%
Total revenues and income	208.0	100.0%	146.6	100.0%	(29.5%)
Purchases of materials, consumables and merchandise	3.4	1.6%	2.7	1.8%	(20.6%)
Costs for services	110.1	52.9%	64.0	43.7%	(41.9%)
Lease and rent expenses	0.5	0.2%	0.4	0.3%	(20.0%)
Personnel costs	23.3	11.2%	21.8	14.9%	(6.4%)
Other operating costs	10.6	5.1%	9.4	6.4%	(11.3%)
Amortization, depreciation, provisions and impairment losses and reversals	32.9	15.8%	32.3	22.0%	(1.8%)
Net operating profit (EBIT)	27.2	13.2%	16.0	10.9%	(41.2%)
Finance income and similar	-	0.0%	2.3	1.6%	n.s
Finance expenses and similar	14.5	7.0%	5.9	4.0%	(59.3%)
Profit (loss) before income taxes	12.7	6.1%	12.4	8.5%	(2.4%)
Income taxes	4.3	2.1%	4.4	3.0%	2.3%
Total profit (loss) for the period	8.4	4.0%	8.0	5.5%	(4.8%)

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	
	2019	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Gaming revenues	111.4	53.6%	87.8	59.9%	(23.6)	(21.2%)
Fixed odds betting income	32.2	15.5%	40.9	27.9%	8.7	27.2%
Payments and other services	41.8	20.1%	0.0	0.0%	(41.8)	(100.0%)
Points of sale revenues	21.0	10.1%	15.9	10.8%	(5.1)	(24.4%)
Other revenues	1.6	0.7%	2.0	1.4%	0.4	22.8%
Total	208.0	100.0%	146.6	100.0%	(61.4)	(29.5%)

Revenues and income, amounted to €146.6 million for the three months ended March 31, 2020, a decrease of €61.4 million, or 29.5%, compared to €208.0 million for the three months ended March 31, 2019. Revenues results were mainly driven by the decrease in Gaming revenues, partially offset by the positive performance of Fixed odds sport betting income and overall by different reported perimeter, since 2020 first quarter figures do not include Payments and other services related revenues amounting to €52.4 million for the three months ended March 31, 2019.

Gaming Revenues

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

<i>(€ in millions)</i>	Three months ended March 31,				Change	
	2019	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Gaming machines revenues	73.5	35.3%	47.9	32.7%	(25.6)	(34.9%)
NTNG revenues	16.0	7.7%	13.3	9.1%	(2.7)	(16.8%)
Virtual Races	7.7	3.7%	8.5	5.8%	0.8	10.0%
Online game revenues	11.9	5.7%	15.8	10.8%	3.9	33.1%
Horse race betting revenues	1.4	0.7%	0.9	0.6%	(0.5)	(34.7%)
Morocco games revenues	0.9	0.5%	1.2	0.8%	0.3	30.8%
Sports pools revenues	0.1	0.0%	0.1	0.1%	0.0	43.2%
Total	111.4	53.6%	87.8	59.9%	(23.6)	(21.2%)

The overall gaming revenues amounted to €87.8 million for the three months ended March 31, 2020 a decrease of €23.6 million, or 21.2%, compared to €111.4 million for the three months ended March 31, 2019, mainly driven by the combination of increased gaming taxation on Gaming machines and the already commented Covid 19 impact on the distribution network and related turnover.

Only Virtual Races, Online game and Morocco games revenues reported for the three months ended March 31, 2020 an increase of respectively €0.8 million, or 10.0%, €3.9 million, or 33.1% and €0.3 million, or 30.8%, compared to the performance for the three months ended March 31, 2019.

Fixed odds betting income

Fixed odds betting income amounted to €40.9 million for the three months ended March 31, 2020, an increase of €8.7 million, or 27.2%, from €32.2 million for the three months ended March 31, 2019, primarily as a result of higher performance in sport betting, mainly driven by a significant higher turnover in the Online channel in the first three months 2020 (+29.5%) and also a lower payout level both in the offline and online segment.

Point of sale revenues

Point of sale fees amounted to €15.9 million for the three months ended March 31, 2020 a decrease of €5.1 million, or 24.4%, from €21.0 million for the three months ended March 31, 2019, mainly due to the different reported perimeter; on like for like basis, Points of sales revenues reported an increase of €5.4 million, or 51,6% compared to €10.5 million for the three months ended March 31, 2019.

Other revenues and income

Other revenues amounted to €2.0 million for the three months ended March 31, 2020 an increase of €0.4 million, or 22.8%, from €1.6 million for the three months ended March 31, 2019

Costs

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise amounted to €2,7 million for the three months ended March 31, 2020 a decrease of €0.7 million, or 20.6%, from €3.4 million for the three months ended March 31, 2019, due mainly to lower games material and spare parts purchases and different reported perimeter.

Costs for services

Costs for services amounted to €64.0 million for the three months ended March 31, 2020 a decrease of €46.1 million, or 41.9%, from €110.1 million for the three months ended March 31, 2019.

Costs for services amounted to 43.7% of total revenues and income for the three months ended March 31, 2020, compared to 52.9% of total revenues and income for the three months ended March 31, 2019. 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	
	2019	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Sales channel costs - gaming revenues	51.1	24.6%	36.5	24.9%	(14.6)	(28.6%)
Sales channel- payments services	26.4	12.7%	-	0.0%	(26.3)	(99.6%)
Commercial services	5.8	2.8%	4.6	3.1%	(1.2)	(20.9%)
Consulting	4.2	2.0%	2.7	1.8%	(1.4)	(32.9%)
Others services costs	22.6	10.8%	20.2	13.8%	(2.2)	(9.9%)
Total cost for services	110.1	52.9%	64.0	43.6%	(46.1)	(41.8%)

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

- *Sales channel – Gaming revenues* amounted to €36.5 million for the three months ended March 31, 2020 a decrease of €14.6 million, or 28.6%, from €51.1 million for the three months ended March 31, 2019, 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 24.9% for the three months ended March 31, 2020 and 24.6% for the three months ended March 31, 2019.

- Different reported perimeter which impacted *Sales channel – Payments services* and other cost of services elements for approximately €33.1 million.

Lease and rent expenses

Lease and rent expenses were substantially flat amounting to €0.4 million for the three months ended March 31, 2020 and €0.5 million for the three months ended March 31, 2019. Lease and rent expenses reflect the application of the new accounting standard IFRS 16, effective January 1st, 2019.

Personnel costs

Personnel costs amounted to €21.8 million for the three months ended March 31, 2020 a decrease of €1.5 million, or 6.4%, from €23.3 million for the three months ended March 31, 2019. As a percentage of total revenues and income, Personnel costs amounted to 14.9% for the three months ended March 31, 2020 and 11.2% for the three months ended March 31, 2019. Our average workforce, expressed in full time equivalents, reached 1,650 for the three months ended March 31, 2020, a decrease of 162 from 1,812 for the three months ended March 31, 2019, due different reported perimeter, excluding 2020 figures people moved to the segregated Payment organization.

Other operating costs

Other operating costs amounted to €9.4 million for the three months ended March 31, 2020 vs €10.6 million for the three months ended March 31, 2019. As a percentage of total revenues and income, Other operating costs amounted to 6.4% for the three months ended March 31, 2020 and 5.1% for the three months ended March 31, 2019. Other operating costs are mainly related to gaming concessions fees and undeductible VAT; the decrease is mainly due to gaming concession fees in line with turnover trends.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals amounted to €32.3 million for the three months ended March 31, 2020 and €32.9 million for the three months ended March 31, 2019. As a percentage of total revenues and income, Amortization, depreciation, provisions and impairment losses and reversals amounted to 22.0% for the three months ended March 31, 2020 and 15.8% for the three months ended March 31, 2019.

Net operating profit (EBIT)

Net operating profit (EBIT) amounted to €16.0 million for the three months ended March 31, 2020 a decrease of €11.2 million, or 41.2%, from €27.2 million for the three months ended March 31, 2019.

Net margin was 10.9% for the three months ended March 31, 2020 compared to 13.2% for the three months, ended March 31, 2019.

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

Finance income and similar

Finance income and similar amounted to €2.3 million for the three months ended March 31, 2020, compared to nil for the three months ended March 31, 2019, due to income matured (non-cash interest) on the credit line agreed between the Parent and the Payment business's holding company.

Finance expenses and similar

Finance expenses and similar amounted to €5.9 million for the three months ended March 31, 2020 a decrease of €8.6 million, or 59.3%, from €14.5 million for the three months ended March 31, 2019; the decrease is mainly related to the deleverage achieved at the end of previous year by the Gaming Credit Group in connection with the segregation of the

Payments Business at the end of 2019 and related partnership with Intesa San Paolo which allowed the Parent to reduce for €450.0 million its outstanding bond.

Income taxes

Income taxes amounted to €4.4 million for the three months ended March 31, 2020 compared to €4.3 million for the three months ended March 31, 2019.

Segment Information

<i>(€ in millions)</i>	Three months ended March 31,			
	2019	2020	2019	2020
	Revenues and income		Segment EBITDA	
Retail	131.2	110.8	35.1	32.1
Online gaming	23.4	34.0	10.9	19.5
Payment and services	52.4	-	15.3	-
International	0.9	1.5	(0.5)	(1.4)
Other	0.0	0.3		
Segment EBITDA (1)			60.8	50.2
Items with different classification and non recurring items			(0.6)	(1.9)
Total	208.0	146.6	60.3	48.3

(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: Retail segment results for the three months ended March 31, 2020 have been mainly driven by increasing taxation impacting gaming machines performance and Covid 19 emergency affecting last month of the quarter overall turnover, offset, in particular with regard to EBITDA, by sport betting results, driven by lower payout and higher network affiliation fees. 29.0% margin for the three months ended March 31, 2020 compared to 26.8% for same period in 2019.

Online Gaming: Online Gaming segment results for the three months ended March 31, 2020 were mainly driven by both Casino games and sport betting strong performance. 57.4% margin for the three months ended March 31, 2020 compared to 46.9% for the same period in 2019 reflected such significant performance, only partially affected by Covid 19 emergency which limited the number of sport events in the last month of the quarter.

International: foreign operation results for the three months ended March 31, 2020 reflect the start-up phase still in progress in Morocco and Spain, with increasing revenues but still negative EBITDA.

Liquidity and Working capital

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

Movements in working capital are generally connected to timing of cash collections and business turnover trends. The overall lower cash absorption in the first three months 2020, compared to that recorded in the first three months 2019, is mainly due to a more favorable trade working capital performance with particular regard to movements in current trade receivables and gaming tax payables (included in other liabilities), mainly referred to Covid 19 emergency impact.

Moreover in Q1 2020 there is a positive contribution to the cash flow generation due to the movements in other assets and liabilities, mainly referred to the receipt of the variable balance related to the asset transfer to the Payments business occurred in 2019, whose outstanding balance as of December 31, 2019 was equal to € 42.1 million.

<i>(€ in millions)</i>	Three months ended March 31,	
	2019	2020
Movements in trade receivables	11.7	40.5
Movements in inventories	3.2	(0.6)
Movements in trade payables	(48.4)	(50.4)
Movements in trade working capital	(33.5)	(10.4)
Movements in other assets and liabilities	(5.7)	30.0
Total movements in working capital	(39.2)	19.5

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,	
	2019	2020
Cash provided by operations before changes in working capital, interest and taxes	60.4	48.5
Tax paid	-	-
Changes in working capital	(39.2)	19.5
Cash flows provided by (used in) operating activities	21.2	68.0
Cash flows provided by (used in) investing activities	(24.6)	(34.9)
Cash flows provided by (used in) financing activities	(13.1)	86.8
Increase/(Decrease) in cash and cash equivalents	(16.5)	120.0
Net cash at the beginning of the period	254.9	102.5
Net cash at the end of the period	238.4	222.4

Cash provided by operating activities amounted to €68.0 million for the three months ended March 31, 2020, compared to cash provided of €21.2 million for the three months ended March 31, 2019. 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 €11.9 million, mainly due to the different reported perimeter.

Cash flows used in investing activities amounted to €34.9 million for the three months ended March 31, 2020 compared to €24.6 million for the three months ended March 31, 2019, mainly due to higher investments in tangible assets.

Cash flows provided by financing activities amounted to €86.8 million for the three months ended March 31, 2020 compared to cash used of €13.1 million for the three months ended March 31, 2019. The cash flows related to financing activities for both the three months ended March 31, 2020 and March 31, 2019 included net interest paid, respectively €11.1 million and €20.8 million. In addition, 2020 cash flows include net usage of revolving facilities for €100.0 million, compared to €13.0 million of net usage recorded in the first three months 2019. In the three months ended March 31, 2020 are also reflected repayments for about €5.3 million of financial liabilities accounted for in application of the accounting standard IFRS 16 and € 3.8 million of new borrowings received from the third party shareholder of the Turkish subsidiary Sisal Şans, which replaced the previous borrowing for € 0.6 million which was converted into Equity in Q1 2020.

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, 2019 and March 31, 2020. At both dates no shareholders loan were active:

<i>(€ in millions)</i>	As of December 31, 2019	As of March 31, 2020
Senior revolving Facility	-	100.0
Senior Secured notes	283.2	278.2
Other financial liabilities	75.8	72.8
Total external financial liabilities	359.0	451.0

(1) Amount as of March 31, 2020 and 2019 is mainly related to IFRS 16 application

Other Financial Information

<i>(€ in millions)</i>	Three months ended March 31,	
	2019	2020
EBITDA ⁽¹⁾	60.3	48.3
Non recurring items	0.5	1.8
Adjusted EBITDA ⁽²⁾	60.8	50.1
Adjusted EBITDA margin ⁽³⁾	29.2%	34.2%

(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>	Three months ended March 31,	
	2019	2020
Profit/(loss) for the period	8.4	8.0
Net finance expense and similar	14.5	3.6
Income taxes	4.3	4.4
Amortisation, depreciation and impairments	29.8	29.2
Impairment of receivables	3.3	3.1
EBITDA	60.3	48.3

<i>(€ in millions)</i>	As of December 31, 2019	As of March 31, 2020
Unrestricted cash ⁽⁴⁾	102.5	222.4
SISAL GROUP net senior secured debt ⁽⁵⁾	180.8	155.8

(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 THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

<i>(in thousands of Euros)</i>	Notes	For the three months ended March 31,	
		2020	2019
Revenues	9	105,496	175,737
<i>of which related parties</i>		850	0
Fixed odds betting income	10	40,931	32,187
Other revenues and income		234	70
Total revenues and income		146,662	207,994
Purchases of materials, consumables and merchandise		2,679	3,422
<i>of which non-recurring</i>	20	3	4
Costs for services		64,049	110,102
<i>of which related parties</i>	19	414	457
<i>of which non-recurring</i>	20	987	426
Lease and rent expenses		445	469
<i>of which non-recurring</i>	20	0	3
Personnel costs		21,792	23,267
<i>of which related parties</i>	19	879	975
<i>of which non-recurring</i>	20	756	0
Other operating costs		9,390	10,642
<i>of which non-recurring</i>	20	84	17
Amortisation, depreciation, provisions and impairment losses and reversals		32,285	32,938
Net operating profit (EBIT)		16,022	27,154
Finance income and similar		2,296	1
<i>of which related parties</i>	19	2,275	0
Finance expenses and similar	11	5,876	14,492
Profit (loss) before income taxes		12,441	12,663
Income taxes		4,379	4,275
Profit (loss) for the period		8,063	8,388
Attributable to non-controlling interest		(430)	30
Attributable to owner of the parent		8,493	8,358

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2020 AND DECEMBER 31, 2019

	<i>Notes</i>	At March 31, 2020	At December 31, 2019
A) NON-CURRENT ASSETS			
Property, Plant and Equipment	12	162,347	157,572
Goodwill	13	260,974	260,974
Intangible assets	12	422,729	421,101
Investments accounted for using the equity method		150,063	150,056
Deferred tax assets		20,958	20,865
Other non-current assets		124,022	121,582
<i>of which related parties</i>		<i>102,575</i>	<i>100,300</i>
Total non-current assets		1,141,092	1,132,150
B) CURRENT ASSETS			
Inventories		6,063	5,501
Trade receivables		55,697	99,262
<i>of which related parties</i>		<i>1,376</i>	<i>1,159</i>
Current financial assets		0	0
Taxes receivable		56	75
Restricted bank deposits	14	169,816	131,393
Cash and cash equivalents	15	222,446	102,466
Other current assets		177,261	216,344
<i>of which related parties</i>		<i>4,202</i>	<i>43,763</i>
Total current assets		631,339	555,040
TOTAL ASSETS		1,772,432	1,687,191
A) EQUITY			
Share capital	16	102,500	102,500
Legal reserve		200	200
Share premium reserve		94,484	94,484
Other reserves		265,921	266,224
Retained earnings (accumulated deficit)		286,140	277,647
Total equity attributable to owners of the Parent		749,245	741,055
Equity attributable to non-controlling interests		5,033	756
Total equity		754,278	741,811
B) NON-CURRENT LIABILITIES			
Long-term debt	17	323,589	322,863
<i>of which related parties</i>		<i>3,816</i>	<i>0</i>
Provision for employee severance indemnities		7,155	7,388
Deferred tax liabilities		106,450	108,069
Provisions for risks and charges	18	17,507	17,391
Other non-current liabilities		118	236
Total non-current liabilities		454,820	455,949
C) CURRENT LIABILITIES			
Trade and other payables		124,831	175,214
<i>of which related parties</i>		<i>28,019</i>	<i>55,854</i>
Short-term debt	17	100,000	723
<i>of which related parties</i>		<i>0</i>	<i>637</i>
Current portion of long-term debt	17	23,945	28,427
<i>of which related parties</i>		<i>0</i>	<i>0</i>
Taxation payable		11,449	5,338
Other current liabilities		303,108	279,728
<i>of which related parties</i>		<i>2,109</i>	<i>2,038</i>
Total current liabilities		563,333	489,431
TOTAL LIABILITIES AND EQUITY		1,772,432	1,687,191

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

<i>(In thousands of Euros)</i>	For the three months ended March 31,	
	2020	2019
Profit (loss) for the period before income taxes	12,441	12,663
Amortization and depreciation	29,146	29,535
Amortization NTNG fee UT	63	256
Impairment of current receivables	3,024	3,293
Provisions for risks and charges, accruals and employee severance indemnities	209	212
Finance (income) expenses	3,580	14,490
Net cash generated from operating activities before changes in working capital, interest and taxes	48,463	60,449
Changes in trade receivables	40,541	11,690
Changes in inventories	(562)	3,159
Changes in trade payables	(50,383)	(48,390)
Change in other assets and liabilities	29,953	(5,668)
Taxes (paid)/reimbursed	0	0
Net cash generated from operating activities	68,012	21,240
Increase in property, plant and equipment	(14,506)	(2,191)
Increase in intangible assets	(18,778)	(17,714)
(increase) decrease in investments	(7)	(3,429)
(Increase) decrease in other non-current assets	(228)	(823)
Acquisitions (net of cash)	(1,362)	(210)
Minority interests acquisition	0	(233)
Net cash used in investing activities	(34,881)	(24,600)
New medium-/long-term debt	3,816	0
decrease in medium-/long-term debt	0	0
Increase (decrease) in lease payables	(5,262)	(5,267)
Increase (decrease) in short-term debt	99,363	13,000
Increase (decrease) share capital controlling interests	0	(96)
Dividends paid to minority interests	0	0
Net interest paid	(11,068)	(20,785)
Net cash used in financing activities	86,849	(13,148)
Net change in cash and cash equivalents	119,980	(16,508)
Net cash at the beginning of the period	102,466	254,892
Net cash at the end of the period	222,446	238,384

SISAL GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

<i>(in thousands of Euro)</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, 2018	102,500	200	94,484	66,443	62,684	326,294	1,097	327,391
Profit/(loss) for the period					8,358	8,358	30	8,388
Total comprehensive profit (loss) for the period	0	0	0	0	8,358	8,358	30	8,388
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	(10)	0	(10)	667	657
Transactions with shareholders	0	0	0	0	0	0	0	0
Equity at March 31, 2019	102,500	200	94,484	66,433	71,042	334,642	1,794	336,436
Equity at December 31, 2019	102,500	200	94,484	266,224	277,647	741,055	756	741,811
Sisal Sans capital increase	0	0	0	0	0	0	4,670	4,670
Exchange adjustment reserve of foreign companies and other movements	0	0	0	(303)	0	(303)	37	(266)
Profit (loss) for the year	0	0	0	0	8,493	8,493	(430)	8,063
Total comprehensive profit (loss) for the period	0	0	0	0	8,493	8,493	(430)	8,063
Equity at March 31, 2020	102,500	200	94,484	265,921	286,140	749,245	5,033	754,278

SISAL GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT AND FOR THE THREE MONTHS
ENDED MARCH 31, 2020

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 games, horse and sports betting and legal gaming with 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 Luxembourg-based company indirectly owned, through vehicle companies, by funds promoted by the CVC Group and by a number of Group managers.

2. Basis of preparation

Background

During 2019, the Group reached and signed an important and strategic agreement with Banca 5 S.p.A., a bank of Intesa Sanpaolo Group, to create, through a partnership, a leading group in the payment services sector distributed on the digital channel and in proximity channels in Italy.

To this end, a complex corporate reorganization has been undertaken within the Group to separate the activities related to payment services, to be carried out with Banca 5 as a minority shareholder, from the activities related to the Gaming sector, wholly owned by the Group.

As a consequence of this reorganization, starting from December 2019, all the activities referred to payment services are therefore under the management of the subsidiary SisalPay Group S.p.A. (whose share capital is held 70% by the Company and 30% by Banca 5 S.p.A.) which wholly control SisalPay Servizi S.p.A. and SisalPay S.p.A. (the latter is an electronic money institution subject to Bank of Italy supervision).

Criteria applied for the Special Purpose Financial Statements preparation

The above described Group reorganization affected the financial structure of the Group as well, which accordingly reflects the separation between gaming and payments since the remaining portion of the fixed bond loan issued by the Company, equal to Euro 275 million (originally Euro 400 million), is exclusively guaranteed by the cash flows referable to the companies of the gaming activities.

Therefore, in order to allow Sisal Group’s bond holders to get a better and easier understanding of the gaming business’s performances and results, these condensed consolidated interim financial statements for the three months ended March, 31 2020 (hereafter the “**Condensed Consolidated Interim Financial Statements**” or “**The Special Purpose Interim Financial Statements**”) represent:

- The gaming business, fully consolidated in accordance to the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter “IFRS”), with the sole exception of the Equity Investment in Sisal Pay Group S.p.A. (i.e. the Payments business’ s holding) which was not fully consolidated, being represented merely at its historical cost;
- The Payments business, not consolidated at all, cause its results are out of the scope of this Special Purpose Interim Financial Statements; for this reason the Equity investment of the Company in the Payments’ business is represented at cost value;
- The notes to 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, 2019 (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.

The comparative period shown in the Condensed Consolidated Interim Financial Statements at and for the three months ended March, 31 2020 is represented by:

- The fully consolidated statement comprehensive income for the three months ended March, 31 2019;
- The gaming statement of financial position at December, 31 2019;
- The fully consolidated statement of cash flow for the three months ended March, 31 2019;
- The fully consolidated statement of change in equity for the three months ended March, 31 2019;

Where fully consolidated means that the statements include both gaming and payments results.

For this reasons the results are not wholly comparable due to the different criteria of preparation.

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 May 27, 2020.

3. Going concern

Net profit for the three months ended March 31, 2020 amounted to Euros 8,063 thousand (Euros 8,388 thousand for the three months ended March, 31 2019); at March, 31 2020 the consolidated equity was equal to Euros 754,278 thousand (Euros 741,811 thousand at December 31, 2019) and net working capital at March 31, 2020 was negative for Euros 30,494 thousand (Euros 7,706 thousand at December 31, 2018).

With regard to net working capital, the Group business is characterized by a financial cycle where the cash flows due to the suppliers and to the Tax Authorities are collected from the network before the related Company's cash out. Therefore, a negative working capital should be considered quite physiological for the Group.

In 2019 the Company in the context of the reorganization to separate the activities related to payment services from those related to gaming, was able to use the funds from the sale of the payment services business to partially repay the fixed rate bond for Euros 125 million, thus deleveraging its financial structure and achieving a better balance of capital resources and debt structure.

As at March, 31 2020 the Short-term debt includes the drawdown of the Super Senior Revolving Facility for Euro 100,000 thousands as a special cash management measure related to Covid 19 pandemic emergency.

The table below shows a comparison between the total debt and equity breakdown at March, 31 2020 and at December, 31 2019 :

<i>(In thousands of Euros)</i> <i>(Percentage computed on total debt and equity)</i>	At March 31, 2020	%	At December 31, 2019	%
Long term debt	319,773		322,863	
Short-term debt and current portion of long-term debt	123,945		28,514	
Funding from third parties	443,718	36.9%	351,377	32.1%
Shareholder Loan	3,816		637	
Funding from sole shareholder	3,816	0.3%	637	0.1%
Equity	754,278	62.8%	741,811	67.8%
Total debt and equity	1,201,812	100.0%	1,093,825	100.0%

In the first three months 2020, the Italian GDP was significantly down 6.5%¹ compared to the same period of last year. The Italian gaming market turnover reported approximately €23.7 billion (-15.8%)².

In the first three months 2020, the Group recorded €2.1 billion turnover, down 12.0% compared to the same period of last year; all these negative trends mainly reflect Covid 19 impact.

Nonetheless to protect the company business, a plan was launched to ensure business continuity with the aim of improving technological solutions for remote access to company applications and meeting management as well as Marketing and commercial initiatives aimed at fostering the growth of the online business. Among the initiatives promoted for improving liquidity it is worthy to highlight these ones:

¹Istat data

²ADM data

- Discretionary costs cut (except Online);
- Operating costs cut;
- Labour costs reduction exploiting the government support for supplementary wage-funds FIS;
- Rental cost reduction

Moreover, an action plan was finalized to ensure the launch of the new GNTN concession in Italy and the lottery concession in Turkey and monitoring of critical company suppliers was started.

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 2020 and adopted for the first time.

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

Since January 2020, the following accounting standards, amendments and interpretations have been endorsed by the European Union and adopted by the Group:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

No relevant impacts have been identified from the application of these standards and amendments.

No relevant 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;

Any impacts from the application of the standard is 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.

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 March, 31 2020, 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 2020, these facilities were partially drawn down for a total of Euros 100 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, 2020 and December 31, 2019 the Group reported no outstanding assets and liabilities measured at fair value.

7. Operating segment information

As required by applicable international accounting standards, the structure of the operating segments has been updated at the end of 2019 to reflect the new vision of the Group's business, which was therefore reorganized on the basis of the following operating segments that constitute the relevant ones for the purpose of this document:

- **"Retail"**: responsible for the management and development of activities relating to entertainment equipment, fixed-odds betting and traditional sports betting competitions, as well as activities linked to the management of the GNTN turnover of which the group is the exclusive concessionaire. This division manages the "physical" sales outlets distributed throughout Italy for both the Branded and Affiliate channels.
- **"Online Gaming"**: in charge of managing the activities carried out in the sector of online gaming and betting through the portal "sisal.it" and through the mobile phone channel. The Group's online offering is among the widest in the market and includes the entire product portfolio available under current regulations, including online betting and online games of poker, casino, lotteries and bingo.
- **"International"**: dedicated to the international development of the Group, which is currently operational, although in the start-up phase, in Morocco, Turkey and Spain. The Group is present in these markets with products ranging from online offerings to lotteries, betting and slot machines.

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.

<i>(in thousands of Euros)</i>	For the three months ended March 31,			
	2020		2019	
	Total Revenues	EBITDA	Total revenues	EBITDA
Retail				
Revenues	88,924		96,560	
Supply Chain / Other revenues	21,919		34,686	
Total	110,843	32,074	131,245	35,057
Online Gaming				
Revenues	41,628		29,592	
Supply Chain / Other revenues	(7,588)		(6,202)	
Total	34,040	19,524	23,390	10,950
Payments and services				
Revenues	-		26,038	
Supply Chain / Other revenues	-		26,361	
Total	-	-	52,399	15,325
International				
Revenues	1,661		947	
Supply Chain / Other revenues	(197)		0	
Total	1,464	(1,385)	947	(487)
Other revenues	315		12	
Total operating segment	146,661	50,213	207,993	60,845

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,	
	2020	2019
Total operating segment	50,213	60,845
Non-recurring expenses	(1,830)	(450)
Items with different classification	(94)	(103)
GNTN upfront fees amortization	(63)	(256)
Amortization of intangible assets	(17,150)	(16,984)
Depreciation of property, plant & equipment	(11,996)	(12,551)
Other impairment losses on fixed assets	-	-
Impairment losses on current receivables	(3,058)	(3,346)
Net operating profit (EBIT)	16,022	27,154

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

Group revenues are essentially achieved in Italy, although gaming operations have been started in Morocco, Spain and Turkey. The related economic results achieved during the first three months ended March, 31 2020 are reported above under the "International" 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.

9. Revenues

The following table sets forth an analysis of Revenues:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2020	2019
Gaming revenues	87,843	111,381
Payments and other services	0	41,805
Points of sale revenues	15,900	21,031
Other revenues	1,753	1,520
Total	105,496	175,737

The gaming revenues are analyzed as follows:

	For the three months ended March 31,	
<i>(in thousands of Euros)</i>	2020	2019
Gaming machines revenues	47,945	73,452
NTNG revenues	13,294	15,979
Virtual Races	8,538	7,674
Online game revenues	15,842	11,906
Horse race betting revenues	883	1,352
Morocco games	1,239	947
Sports pools revenues	99	69
Big bets revenues	3	2
Total	87,843	111,381

Fixed odds betting income

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

	For the three months ended March 31,	
<i>(in thousands of Euros)</i>	2020	2019
Fixed odds sports betting income	40,134	31,332
Fixed odds horse race betting income	760	805
Reference horse race betting income	37	50
Total	40,931	32,187

10. Finance expense and similar

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

	For the three months ended March 31,	
<i>(in thousands of Euros)</i>	2020	2019
Interest and other finance expenses - third parties	5,893	14,501
Exchange (gains) losses realised	12	13
Exchange (gains) losses unrealised	(29)	(22)
Total	5,876	14,492

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
three months March 31, 2020		
Opening net book amount as at January 1, 2020	157,572	421,101
Increases	16,823	18,778
Depreciation, amortisation and impairment	(11,996)	(17,150)
Disposals /reclassification	(52)	0
Closing net book amount as at March 31, 2020	162,347	422,729

12. Goodwill

The movement of goodwill is as follows:

<i>(in thousands of Euros)</i>	At March 31, 2020	At December 31, 2019
At the beginning of the period	260,974	569,275
Decrease goodwill related to business Payments & Services	0	(308,379)
Other acquisition	0	78
At the end of the period	260,974	260,974

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 include 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 March 31, 2020 and December 31, 2019 are as follows:

<i>(in thousands of Euros)</i>	At March 31, 2020	At December 31, 2019
Bank and postal accounts	217,224	91,662
Cash and cash equivalents in hand	5,222	10,804
Total	222,446	102,466

15. Share capital

At March 31, 2020 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 the parent company, Sisal Group S.p.A., and it is unchanged compared to December 31, 2019.

16. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in thousands of Euros)</i>	At March 31, 2020	At December 31, 2019
Senior Revolving and ancillary facilities	98,627	(1,513)
Senior Secured Notes	272,251	276,965
Loans from related parties	3,816	637
Loans from other banks	0	87
Payable to other lenders - leasing contracts	72,841	75,838
Other loans from third parties	72,841	75,925
Total	447,535	352,014
<i>of which current</i>	123,946	29,151
<i>of which non-current</i>	323,589	322,863

Movements in borrowings are analyzed as follows:

<i>(in thousands of Euros)</i>	Three months ended March 31,	
	2020	2019
Opening amount as at January 1	352,014	757,363
Acquisition of subsidiary	0	0
New borrowings	103,816	13,000
IFRS 16 net financial liability	(2,998)	80,060
Net accrued interest and amortized	(4,575)	(6,262)
Repayments of borrowings	85	126
SHL renouncement	637	0
Closing amount as at March 31	447,535	844,035

At March 31, 2020, the market price of the senior secured notes was a total of Euros 249.9 million compared to a face total value of Euros 275 million.

New borrowings include the drawdown of the Senior revolving Facility for Euro 100 million and additional Euro 3.8 million received by Şans Dijital the third party shareholder of the subsidiary SISAL Şans.

17. 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, 2020	Changes during the period		At March 31, 2020
		increase	decrease	
Sundry risks and charges provisions	17,363	-	-	17,363
Technological updating provision	28	116	-	144
Total	17,391	116	-	17,507

18. Related party transactions

With regard to transactions with the ultimate parent, Schumann Investments S.A., at March 31, 2020 there are no items to be disclosed.

Related party costs for services, amounting to Euros 414 thousand in the three months ended March 31, 2020 (Euros 457 thousand in the three months ended March 31, 2020), are mainly related to compensation for executives who are also Company directors; salaries and employees severance indemnities of key management charged with strategic responsibilities, amounting to Euros 879 thousand in the three months ended March 31, 2020 (Euros 975 thousand in the three months ended March 31, 2020), are reported under Personnel costs.

19. Significant non-recurring events and transactions

During the three months ended March 31, 2020, the Group recognized about €1,830 thousand net non-recurring expenses, mainly related to reorganizations costs and also to start-up costs in connection with the International segment.

20. Commitments

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately Euros 40.1 million; such capital expenditure will be financed with cash on bank balance and net cash generated from operating activities.

21. Significant events occurring after the end of period

It should be noted that the business performance in the months following the end of period is still affected by the situation caused by the health emergency related to Covid-19, which led to the partial blocking of the distribution network of the physical channel in which the Group operates from mid-March 2020 (closure of the bar channel, while the tobacco channel remained operational) and the total closure of the dedicated games and betting rooms. The online channel is operational; however, the potential collection is limited due to the blocking of sports events and the limitation of the offer of Lotteries products. Starting from May, 4th the NGTN games restarted and the Group is currently waiting for clear indications from the authorities on the “back to normal” stage applicable to the gaming business including the conditions which will be allowed. At the moment, therefore, it is not possible to quantify the impact that Covid-19 will have on the Group’s performance in 2020; it is stressed, however, that the liquidity situation of the Group is such as to ensure normal operation and not cause concern.