



# **Sisal Group S.p.A.**

Condensed consolidated interim  
financial statements

**At and for the nine months period  
ended September 30, 2020 and 2019**

# Management Discussion & Analysis

## Sisal Group Profile

Sisal Group S.p.A. (the “**Group**” or “**Sisal**”) is a leading B2C company, with almost 75 years of history, fully diversified in the gaming and convenience payment services markets in Italy, with a wide retail network. Sisal has also an international footprint, after being awarded the management of the exclusive lottery concessions in Turkey and Morocco, and one of the online concessions in Spain for betting and casino games.

The Group offers a broad portfolio of gaming products, including gaming machines (AWP and VLT’s terminals), betting, lottery and online games. Gaming products are offered through both retail channels and online platforms (website and mobile). The retail distribution network includes approximately 39,500 points of sale, made up of newsstands, bars, tobacconists, betting shops and corners, gaming halls exclusively dedicated to gaming machines and multifunctional gaming halls formats.

The Group also offers a wide range of payment services and proximity banking services, through its retail network and digital applications.

In December 2019, Sisal Group entered into an investment agreement with Banca 5, part of the Intesa Sanpaolo banking group, for the creation of a partnership offering banking products as well as payment and transaction-oriented services. The partnership aimed at creating the first proximity banking network in Italy, leveraging the reach of the SisalPay network and consumer base and cross-selling of Banca 5 banking and insurance products.

The partnership with Banca 5 resulted in the separation of the gaming business from the payments business. Following the segregation of the Payments Business, the outstanding portion of Sisal Group’s bond will be repaid with the cash flow generated by the Gaming Business, and consequently this MD&A and the attached Condensed Consolidated Financial Statements will mainly focus on the Gaming Business performance and results. In particular, the first nine months ended September 30, 2020 statements are only referred to the Gaming Business perimeter (including in the Statement of Financial Position the investment in the Payment business’s holding company, accounted for at its cost) as well as the Statement of Financial Position at December 31, 2019. As far as the Statements of Comprehensive Income and Cash Flows for the nine months ended September 30, 2019 are concerned, they are instead related to the Group full consolidated accounts, including the Payment business.

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 operating segments: (i) Retail (ii) Online Gaming (iii) International.

**Retail:** in charge of the management and development of activities relating to gaming machines products, fixed-odds betting and traditional sports betting events, as well as activities linked to the management of the NTNG products, of which the Group is the exclusive concessionaire. This division manages the Italian retail distribution network, for both the Branded and Affiliate channels.

**Online Gaming:** in charge of managing online gaming and betting products through the "sisal.it" website and the mobile applications. 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, poker, casino, lotteries and bingo.

**International:** in charge of the international development, which is currently operational, although in the start-up phase, in Morocco, Turkey and Spain. The Group is present in these markets with a wide product offer, from online products to lotteries, betting and VLT’s.

## Key Factors affecting operations in the nine months ended September 30, 2020

The first nine months of 2020 were strongly affected by the Covid-19 restrictions and pandemic, which particularly impacted the second quarter, whereas in the third quarter the Group recorded positive financial performance mainly driven by the successful Online growth plan, coupled with the outstanding business start-up in Turkey, thus reaching revenues and EBITDA levels higher than the third quarter 2019.

Sisal Group immediately reacted to the serious situation generated by the Covid-19 pandemic, launching several initiatives aimed at ensuring support to all stakeholders and protecting the business. Employee safety has been the top of mind of each initiative and wide protective measures plan have been activated: Covid-19 Health Policy for all employees, increase of smart-working mode, limitation of travel in Italy and abroad, strengthened of workplace cleaning. Regarding our commercial partners we postponed to the second half of the year the Merchant affiliation fees due in April and May and we distributed protective masks to our retail point of sales. We have also launched initiatives to support the communities through fundraising in favor of the Italian Civil Protection and direct donation to leading no-profit organizations. Several initiatives have also been implemented during the lockdown to ensure business continuity: cut of discretionary and structural costs and capex, to maximize liquidity; action plans to ensure the execution of all key strategic initiatives in Italy and International markets; boost the Online business growth, accelerating the omnichannel strategy.

As a matter of fact, because of Covid-19 pandemic, the global economy, including the Italian economy, has undergone major slowdowns. The Italian GDP, after shrinking by 8.3% y-o-y in the first semester, at the end of the third quarter 2020 was significantly down by 10.6%<sup>1</sup> compared to the same period of last year. The timing and strength of the recovery will depend on several factors: the duration and geographical spread of infection, which has, at the date of the present Document, undergone a new spike, developments in the global economy, the impact on confidence and firms' investment decisions. They will also depend, to a significant degree, on the effectiveness of economic policies. Italian GDP growth in 2020 and 2021 is indeed exceptionally wide: the projection for this year ranges between -8 to -12 %, and the recovery in 2021 from 4.6% to 7.9 %, with full recovery of GDP loss to be completed in 2022.

Unemployment rate in 2020 is forecasted at 11% and it is expected to further increase in 2021 due to COVID -19 pandemic impact.

The Italian Gaming market turnover, after declining in the 1<sup>st</sup> half of 2020, due to Covid-19 pandemic impact, has recorded a strong recovery in the third quarter, reaching at the end of September approximately €64.5 billion, with a decrease of -20.4%<sup>2</sup> versus the same period of last year, mainly due to the sharp drop in the Retail channel by -43.7%<sup>2</sup> (€30.9 billion in 2020 vs € 54.9 billion in 2019), partially offset by the Online channel, which confirmed its growing trend by + 28.4%<sup>2</sup> (€ 33.7 billion in 2020 vs € 26.2 billion in 2019).

The Covid-19 pandemic has impacted Sisal Group business due to the lockdown period from the beginning of March and until mid of June. The emergency led activities shutdown of Gaming Halls, Betting shops and Convenience channel (bar and tabacconists), impacting Gaming Machines and Betting business. Lottery business was stopped late March and re-started from May 4. The online business has always remained active, even if the lack of sporting events has limited its growth potential.

The restart of the business after the lockdown, from mid of June and during the third quarter, has been positive and the growth trajectory resumed compared to previous year. Turnover post lockdown was recovering gradually: Retail very fast, however not fully covering pre – lockdown performance, mainly due to lower consumers' traffic in the convenience channel. Online continued its growing trend, even if partially absorbed after business re-start.

The third quarter, in particular, recorded a very positive performance both in terms of Revenues and Ebitda in all the three Operating Segments (Retail, Online Gaming and International), cumulatively overcoming the previous year results, mostly thanks to the Online growth and to the outstanding Lottery business start-up in Turkey, on August 1<sup>st</sup>, and recently enriched with the launch of the online Virtual Races games (go-live recorded on September, 29th), recording a performance above expectations and confirming the right direction of the Turkish business growth strategy.

<sup>1</sup> Istat data

<sup>2</sup> ADM data

The start of the new NTNG concession was also affected by the Covid-19 pandemic, and its start, scheduled on June 1st 2020 has been postponed to December 1st ,2021. The payment of NTNG second one-off installment of € 111 million has been made on September 29<sup>th</sup> 2020.

Sisal Group's International business has also been impacted by Covid-19 pandemic. The business in Morocco re-started on June 1<sup>st</sup> and the Online business in Spain has suffered the negative effects of the lack of sporting events. The launch of the Lottery business in Turkey has been postponed to August 1<sup>st</sup>, 2020 and the first indications are extremely encouraging, particularly for the online segment.

In terms of regulatory framework and main tax measures, it is worthy to highlight that the Italian government has activated a series of measures to support the gaming sector during the lockdown such as the postponement of the Gaming machines taxes due in the second quarter to the second half of the year, rather than the rescheduling of the payments due for July-August period between Sep-Dec, spread on monthly instalments; moreover, supplementary wage funds for employees who are on layoffs have been introduced as well as tax credit for retail rental cost paid during the lockdown.

On October, 24<sup>th</sup> 2020, due to the new surge reached by Covid-19 pandemic, the Italian Government was forced to issue a new law decree which statues the closure of Gaming halls, betting shops and all the specialized PoS as well as some restrictions in the generalist channel until November, 24<sup>th</sup> 2020, thus introducing a new big stuck for the Gaming market whose effects and consequences are currently under evaluation.

Furthermore on November, 3<sup>rd</sup> 2020 the Italian Government released a new, more restrictive, law decree, which replaced the previous one extending the duration of the previous measures until December, 3<sup>rd</sup> as well as introducing the closure all the gaming activities also to the generalist channel (bar and tobacconist).

This new decree also statues different limitations to the personal mobility on a regional basis in relation to the spread-out and seriousness of the pandemic emergency in the several Italian regions.

#### Group's Key Financial Highlight for the nine months ended September 30, 2020 and September 30, 2019\*

(€ in millions)	Nine months ended September 30,		
	2020	2019	% change
Revenues	373.1	469.1	(20.5%)
Operating Segment Ebitda	124.1	140.5	(11.6%)
% Margin	33.3%	29.9%	11.1%
Adj. Ebitda	123.9	140.6	(11.9%)
% Margin	33.2%	30.0%	10.8%
Ebitda	113.2	138.7	(18.4%)
% Margin	30.3%	29.6%	2.6%

(€ in millions)	As of		
	September 30, 2020	December 31, 2019	% change
Net Financial position	302.4	249.5	21.2%
Cash position and liquidity	143.1	102.5	39.7%

\*key figures at September 30, 2019 were obtained on a "like for like" basis excluding the payments contribution to the economic results.

First nine months results reflect the intense effects of lockdown caused by Covid-19 pandemic which strongly affected the second quarter of the year, partially offset by the positive financial performance recorded in the third quarter after the restart of business in mid of June.

Revenues were down in the Retail segment mainly due to the lockdown in the period from March to mid-June which led activities shutdown of Gaming halls, Betting shops and Convenience channel (bar and tobacconists), impacting betting and gaming machines businesses, whereas the Online and International drove the growth trend, respectively thanks to a successful customers' acquisition strategy and to the excellent performance of the Turkey business (go-live August 1<sup>st</sup>). Costs and capex cuts initiatives helped to mitigate the impact, maintaining a solid cash position and liquidity.

**Revenues of €373.1 million**, down 20.5% from prior year due to:

- Retail lockdown in the period from March to mid-June led activities shutdown of Gaming halls, Betting shops and Convenience channel (bar and tobacconists), impacting betting and gaming machines businesses, whereas the Lottery business was stopped late March and re-started from May 4th. The retail business gradually restarted from mid-June, benefitting of trend improvement each week as point of sales re-opened and restrictions eased and, starting from September, its trend turned positive versus prior year.
- Online business always remained active, even if the lack of sporting events has limited its growth potential during the second quarter; thanks to SEO customer acquisition strategy and ARPU (i.e. Average Rate Per Unit) increase the cumulated performance marked a solid double digit growth compared to last year.
- Although the International business in Morocco and Spain has suffered the impact of Covid-19 pandemic, the Turkey Lottery business start-up on August 1<sup>st</sup> has marked a brilliant performance significantly above expectations, setting the basis for a fast-growing business.

**Operating Segments Ebitda of €124.1 million**, down from €140.5 million in the prior year due to the combined effect of:

- Lower profit contribution from Italian Retail and International business, caused by Covid-19 pandemic.
- Positive Lottery Affiliation fee contribution, partially offset by lower volume due to lower Jackpot level
- Higher Profit contribution from Online volume growth and positive Sports betting margin.
- Accelerating benefit from actions taken to reduce costs.

**Ebitda of €113.2 million**, down from €138.7 million in the prior year due to:

- Lower operating segments Ebitda.
- Increase of non-recurring costs mainly related to the start-up of International business in Turkey, Covid-19 related costs to ensure safety for employees and point of sales, reorganization costs and related severance occurred in the period.

**Adj. Ebitda of € 123.9 million**, down from € 140.6 million in the prior year, due to the mentioned dynamics normalized by the gross-up of non-recurring costs of about € 10.7 million at September 30, 2020, compared to € 1.9 million at September 30<sup>th</sup> 2019.

**Net Financial Position of €302.4 million**, up from € 249.5 million as of December 31, 2019, with an increase of € 52.9 million mainly due to:

Fav (Unfav)

- (€ 92.9) million increase in capex and acquisitions
- (€ 51.9) million absorbed by the change in working capital
- (€ 22.8) net interest paid on financial debts
- (€ 2.9) million other additional movements on financial debts (mainly upfront fees reversal)
- € 113.2 million Ebitda generated in the first nine months of 2020
- € 4.4 million new share capital injections received from third party shareholders in Turkey (SisalSans)

**Cash Position and Liquidity of €143.1 million**, up from €102.5 million in the prior year, with a net increase of € 40.6 million, mainly linked to:

Fav (Unfav)

- € 61.1 cash flow generated by operating activities
- (€ 92.9) million cash flow used in investing activities
- € 72.4 million cash flow provided in financing activities, mostly due to the drawdown of the senior secured revolving credit facility.

## Group's results for the nine months ended September 30, 2020

The following table show the condensed consolidated income statement for the nine months ended September 30<sup>th</sup>, 2020 and September 30<sup>th</sup>, 2019:

(€ in millions)	Nine months ended September 30,				
	2020	% of total revenues and income	2019	% of total revenues and income	% change 2020-2019
Revenues	285.9	76.6%	529.0	84.8%	(46.0%)
Fixed odds betting income	85.9	23.0%	94.5	15.1%	(9.1%)
Other revenues and income	1.3	0.4%	0.5	0.1%	160.0%
<b>Total revenues and income</b>	<b>373.1</b>	<b>100.0%</b>	<b>624.0</b>	<b>100.0%</b>	<b>(40.2%)</b>
Purchases of materials, consumables and merchandise	8.1	2.2%	11.1	1.8%	(27.0%)
Costs for services	168.3	45.1%	321.8	51.6%	(47.7%)
Lease and rent expenses	1.4	0.4%	1.4	0.2%	0.0%
Personnel costs	58.5	15.7%	68.3	10.9%	(14.3%)
Other operating costs	23.5	6.3%	38.1	6.1%	(38.3%)
Amortization, depreciation, provisions and bad debt provision	100.3	26.9%	106.9	17.1%	(6.2%)
<b>Net operating profit (loss) (EBIT)</b>	<b>13.0</b>	<b>3.5%</b>	<b>76.5</b>	<b>12.3%</b>	<b>(83.0%)</b>
Finance income and similar	7.1	1.9%	-	0.0%	n.s
Finance expenses and similar	22.7	6.1%	44.7	7.2%	(49.2%)
<b>Profit (loss) before income taxes</b>	<b>(2.6)</b>	<b>(0.7%)</b>	<b>31.8</b>	<b>5.1%</b>	<b>(108.2%)</b>
Income taxes	5.5	1.5%	13.4	2.1%	(59.0%)
<b>Total profit (loss) for the period</b>	<b>(8.1)</b>	<b>(2.2%)</b>	<b>18.4</b>	<b>2.9%</b>	<b>(144.0%)</b>

## Revenues and income

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

(€ in millions)	Nine months ended September 30,				Change	
	2020	% of total revenues and income	2019	% of total revenues and income	(amount)	%
Gaming revenues	234.7	62.9%	338.4	54.2%	(103.7)	(30.6%)
Fixed odds betting income	85.9	23.0%	94.5	15.2%	(8.6)	(9.1%)
Payments and other services	-	0.0%	123.1	19.7%	(123.1)	(100.0%)
Points of sale revenues	45.6	12.2%	62.6	10.0%	(17.0)	(27.2%)
Related parties' revenues and other core business revenues	5.7	1.5%	4.9	0.8%	0.8	16.2%
Other revenues and income	1.3	0.4%	0.5	0.1%	0.8	159.0%
<b>Total</b>	<b>373.1</b>	<b>100.0%</b>	<b>624.0</b>	<b>100.0%</b>	<b>(250.8)</b>	<b>(40.2%)</b>

Revenues and income amounted to €373.1 million for the nine months ended September 30<sup>th</sup>, 2020, recording a decrease of €250.8 million, or 40.2%, compared to €624.0 million for the nine months ended September 30<sup>th</sup>, 2019.

On a like for like basis, excluding € 123.1 million of Payments and other services' revenues, for the comparative period the revenues would have been €500.4 million, thus recording a decrease of around 25.4%.

These results reflect the Covid-19 pandemic impact, which resulted in the Retail lockdown from March to mid-June, significantly mitigated by the positive performance of the third quarter, driven by the Online growth, coupled with the restart of the Retail business from mid of June and an outstanding business start-up in Turkey.

## Gaming Revenues

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

(€ in millions)	Nine months ended September 30,				Change	
	2020	% of total revenues and income	2019	% of total revenues and income	(amount)	%
Gaming machines revenues	113.6	30.4%	218.6	35.0%	(105.0)	(48.0%)
NTNG revenues	34.6	9.3%	54.0	8.6%	(19.4)	(36.0%)
Virtual Races	21.6	5.8%	23.5	3.8%	(1.9)	(8.0%)
Online game revenues	50.0	13.4%	35.4	5.7%	14.6	41.1%
Horse race betting revenues	2.1	0.6%	3.7	0.6%	(1.6)	(43.0%)
Sports pools revenues	0.2	0.0%	0.2	0.0%	(0.0)	(12.6%)
<b>Domestic revenues</b>	<b>222.1</b>	<b>59.5%</b>	<b>335.3</b>	<b>53.7%</b>	<b>(113.3)</b>	<b>(33.8%)</b>
Morocco revenues	2.6	0.7%	3.1	0.5%	(0.5)	(14.8%)
Turkey revenues	9.6	2.6%	0.0	0.0%	9.6	na
Spain revenues	0.5	0.1%	0.0	0.0%	0.5	na
<b>International revenues</b>	<b>12.6</b>	<b>3.4%</b>	<b>3.1</b>	<b>0.5%</b>	<b>9.6</b>	<b>308.1%</b>
<b>Total revenues</b>	<b>234.7</b>	<b>62.9%</b>	<b>338.4</b>	<b>54.2%</b>	<b>(103.7)</b>	<b>(30.6%)</b>

The overall gaming revenues amounted to €234.7 million for the nine months ended September 30<sup>th</sup>, 2020 recording a decrease of €103.7 million, or 30.6%, compared to €338.4 million for the nine months ended September 30<sup>th</sup>, 2019, due to the following reasons affecting the different product revenues streams:

**Gaming machines revenues:** First nine months of 2020 showed negative performance (-48% versus September 30<sup>th</sup>, 2019) explained by drop in volumes due to Covid-19 pandemic impact, which caused activities shutdown of Gaming Halls, Betting shops and Convenience Channel (bar and tobacconists) for approximately three months (March-June 2020).

Moreover, the negative performance is also explained by the unfavorable impact of further Gaming machines taxation increase and by the introduction of “health card reader” for VLT’s, starting from January 1st, 2020. These negative impacts were partially offset by payout reduction, which allowed a partial margin recovery.

**NTNG revenues:** the first nine months of 2020 performance was negative (-36% versus September 30<sup>th</sup>, 2019), being affected by Covid-19 pandemic, which led to the Points of Sale closure for approximately two months (end of March-beginning of May 2020) and lower volume due to lower Jackpot level compared to previous year.

**Virtual Races:** the negative performance (- 8% versus September 30<sup>th</sup>, 2019) was mainly due to the volume drop in the Retail channel, partially mitigated by the volume growth in the Online channel. Moreover, Virtual Races margin has been negatively impacted by the introduction of a new tax on Turnover (0,5%, starting from May 2020).

**Online game revenues:** the very positive performance (+ 41.1% vs last year) was underpinned by volume growth driven by the successful customers’ acquisition strategy via SEO, effective Affiliation activities which led to approximately 205k new customers and a significant increase in spending per player (ARPU €55 monthly avg., +36% vs 2019).

Online volume growth also benefitted of the total closure of the retail channel during the lockdown, being the only distribution channel always active, even if the lack of sporting events has limited its growth potential.

**Horse race betting revenues and Sport pool revenues:** the negative performances versus 2019 (respectively -43% and -12.6% ), were mainly related to Covid-19 pandemic impact and to the stop of horse race and sport pool events during the lockdown period, as well as to the introduction of the abovementioned new Tax on Turnover (0,5%, starting from May 2020).

**Morocco revenues:** the negative performance (-14.8%) was mainly related to Covid-19 pandemic impact, which led to business shutdown for approximately two months (March 26<sup>th</sup> - June 1<sup>st</sup> 2020) and to the postponement of new gaming introduction (VLT’s) to the last quarter of the year. Nonetheless, starting from June, the trend became again positive back to pre Covid-19 results.

**Turkey revenues:** the results reflect the excellent performance of the Turkish Lottery business go-live on August 1<sup>st</sup> both in the retail and online channel.

**Spain game revenues:** the business started in 2020 and it is fully incremental in comparison with 2019. The Covid-19 pandemic has impacted the first nine months of the year, but the recovery appears to be accelerated by since from mid-June the advertising and promotional bans have been removed, allowing customers' acquisition strategy implementation.

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

Fixed odds betting income amounted to €85.9 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of € 8.6 million, or 9.1%, from € 94.5 million for the nine months ended September 30<sup>th</sup>, 2019, primarily as a result of lower performance in sport betting, mainly driven by the total closure of the dedicated arcades and betting shops during the lockdown period, partially offset by the Online channel which remained operational, although with a limited sporting events portfolio. Moreover, the revenues were negatively impacted by the introduction of a new tax on Turnover (0,5%, starting from May 2020). In the third quarter the performance has been very positive following the re-start of the retail business from mid of June and the restart of sporting events.

#### ***Point of sale revenues***

Point of sale fees amounted to €45.6million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of €17 million, or 27.2%, from €62.6 million for the nine months ended September 30<sup>th</sup>, 2019, mainly due to the different reported perimeter because as of September, 30 2019 they included about € 31.6 million allocated to Payments; on a like for like basis, Points of sales revenues reported an increase of €14.6 million, or 47% compared to €31 million for the nine months ended September 30<sup>th</sup>, 2019, due to higher affiliation fees, as result of a wider range of services offered to the lottery distribution network through the MySisal contract, effective September, 1<sup>st</sup>.

#### ***Related parties' revenues and other core business revenues***

Related parties' revenues and other core business revenues amounted to € 5.7 million for the nine months ended September 30<sup>th</sup>, 2020 with an increase of € 0.8 million, or 16.2%, from €4.9 million for the nine months ended September 30<sup>th</sup>, 2019. These revenues mainly include intercompany proceeds towards Payments Group companies for corporate services, as well as revenues related to food & beverage business and gaming machines B2B sales.

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

Other income, equal to € 1.3 million, mainly related to the tax credit for retail rental costs part of government measure to support the retail business during the lockdown period (€ 0.5 million), in addition to other revenues not directly linked to the core business.



## Costs

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

Purchases of materials, consumables and merchandise amounted to € 8.1 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of € 3 million, or 27%, from € 11.1 million for the nine months ended September 30<sup>th</sup>, 2019, due to lower business volume caused by Covid-19 pandemic, which led to lower material and spare parts purchases, and different comparative reported perimeter, following the separation of the gaming business from the payments business in December 2019.

### *Costs for services*

Costs for services amounted to € 168.3 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of € 153.5 million, or 47.7%, from € 321.8 million for the nine months ended September 30<sup>th</sup>, 2019.

Costs for services amounted to 45.1% of total revenues for the nine months ended September 30<sup>th</sup>, 2020 compared to 51.6% of previous year.

The following table sets forth an analysis of costs for services for the indicated periods:

	Nine months ended September 30,				Change	
		% of total revenues and income		% of total revenues and income	(amount)	%
<i>(€ in millions)</i>	<b>2020</b>		<b>2019</b>			
Sales channel costs - gaming	89.4	24.0%	147.1	23.6%	(57.7)	(39.2%)
Sales channel- payments services	-	0.0%	77.0	12.3%	(77.0)	(100.0%)
Commercial services	9.4	2.5%	16.2	2.6%	(6.8)	(41.8%)
Consulting	9.6	2.6%	14.0	2.2%	(4.4)	(31.8%)
Others services costs	59.9	16.1%	67.5	10.8%	(7.6)	(11.3%)
<b>Total cost for services</b>	<b>168.3</b>	<b>45.1%</b>	<b>321.8</b>	<b>51.6%</b>	<b>(153.5)</b>	<b>(47.7%)</b>

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

- *Sales channel costs – Gaming*: amounted to €89.4 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of €57.7 million, or 39.2%, from €147.1 million versus prior year, mainly driven by gaming machines network fees reduction, in line with lower revenues. As a percentage of total revenues, sales channel gaming costs amounted to 24% for the nine months ended September 30<sup>th</sup>, 2020 and 23.6% for the nine months ended September 30, 2019. The significant decrease was mainly due to the lower revenues recorded in the first half 2020, as result of the negative Covid-19 pandemic lockdown.
- Different reported perimeter which impacted *Sales channel – Payments services* for €77 million in 2019;
- Reductions of the overall operating expenditures, for € 18.8 million mainly in the supply chain costs, technological assistance, bank fees, external advisory services and marketing expenses.

### *Lease and rent expenses*

Lease and rent expenses were flat amounting to € 1.4 million for the nine months ended September 30<sup>th</sup>, 2020 in line with the first nine months of 2019. Lease and rent expenses reflect the application of the new accounting standard IFRS 16, effective January 1<sup>st</sup>, 2019.

## Personnel costs

Personnel costs amounted to €58.5 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of €9.8 million, or 14.30%, from €68.3 million for the nine months ended September 30<sup>th</sup>, 2019. As a percentage of total revenues, Personnel costs amounted to 15.7% for the nine months 2020 and 14.3% for the nine months 2019. The average workforce, expressed in FTE's, reached 1,732 at the end of September 2020, recording a decrease of 123 units from 1,855 at the end of September 2019, due to a different reported perimeter (payment & services personnel cost as of September, 30 2019 amounted to € 7.2 million)

Personnel costs at September 2020 also include the positive effect of the use of the supplementary wage-fund (FIS) for an amount equal to €3.6 million, a measure that the Group has activated to mitigate the impact of Covid-19 pandemic.

The personnel costs for the nine months 2020 include an amount of about € 2.4 million of non-recurring severance and settlement costs related to Group's reorganization.

## Other operating costs

Other operating costs amounted to €23.5 million for the nine months ended September 30<sup>th</sup>, 2020 vs €38.1 million for the nine months ended September 30<sup>th</sup>, 2019. As a percentage of total revenue, Other operating costs amounted to 6.3% in 2020 and to 6.1 % in 2019. Other operating costs are mainly related to gaming concessions fees and non-deductible VAT. The decrease is mainly due to gaming concession fees related to gaming machines and betting, in line with turnover decreasing trend due to Covid-19 lockdown.

## Amortization, depreciation, provisions and bad debt provision

Amortization, depreciation, provisions and bad debt provision amounted to €100.3 million for the nine months ended September 30<sup>th</sup>, 2020 and €106.9 million for the nine months ended September 30<sup>th</sup>, 2019. As a percentage of total revenues, Amortization, depreciation, provisions and bad debt provision amounted to 26.9% for the nine months 2020 and 17.1% for the nine months 2019. The higher incidence was due to both the revenues shortfall related to Covid-19 pandemic emergency and the different reporting perimeter.

The cost breakdown can be summarized as follows:

- Intangible Assets amortization for € 55.8 million mainly referred to software and concession rights
- Tangible Assets depreciation for € 36 million mostly referred to IFRS16 rights of use, gaming machines and hardware
- Bad Debt provision for € 7.9 million

## Net operating profit (loss) (EBIT)

Net operating profit (loss) (EBIT) amounted to € 13 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of € 63.5 million, from €76.5 million for the nine months ended September 30<sup>th</sup>, 2019.

Net margin was 3.5 % for the nine months 2020 compared to 12.3% for the nine months 2019.

The performance was driven by revenues and costs trends as commented above significantly impacted by Covid-19 pandemic effects, but also marked by a significant recovery in the third quarter of the year, underpinned by the post lockdown Retail restart and Online growing trend.

## Finance income and similar

Finance income and similar amounted to €7.1 million for the nine months ended September 30<sup>th</sup>, 2020 referred for € 6.9 million to income matured (non-cash interest) in relation to the "Deferred Purchase Price Agreement" of € 100 million underwritten between the Parent Company Sisal Group S.p.A. and the Payment business's holding company Sisal Pay Group S.p.A. in the context of the separation between the gaming business and the payments business and to other financial income related to credit factoring *pro-soluto* sale and to the reimbursement of past due tax receivables.

## Finance expenses and similar

Finance expenses and similar amounted to €22.7 million for the nine months ended September 30<sup>th</sup>, 2020 with a decrease of €22 million from € 44.7 million for the nine months 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 the partnership with Intesa Bank, which allowed the Parent to reduce its outstanding bond by €450.0 million. The amount of finance expenses and similar also includes € 1.4 million of interests related to the application of IFRS16 and € 2.7 million of net foreign exchange loss mainly related to the conversion of the intercompany Financial Loan towards Sisal Sans, the Turkish subsidiaries, amounting to € 8.7 million at the end of September 30<sup>th</sup> 2020.

## Income taxes

Income taxes amounted to € 5.5 million for the nine months ended September 30<sup>th</sup>, 2020 compared to € 13.4 million for the nine months ended September 30<sup>th</sup>, 2019, and have been calculated according to IAS 34 on the basis of the expected tax rated at the end of the current fiscal year.

## Profit(loss) for the period

Profit(loss) for the period amounted to a loss of € (8.1) million for the nine months 2020, while in the same period of 2019 the Group recorded a profit of €18.4 million.

Net margin was negative by 2.2% for the nine months 2020 compared to 2.9% for the nine months 2019.

## Segment Information

(€ in millions)	Nine months ended September 30,					
	2020	2019	2020	2019	2020	2019
	Revenues and income		Segment EBITDA		EBITDA Margin	
Retail	262.8	395.6	73.8	108.4	28.1%	27.4%
Online gaming	96.9	70.3	54.2	33.3	55.9%	47.3%
Payment and services	-	155.0	-	49.1	n.a.	31.7%
International	12.6	3.2	(3.8)	(1.2)	(30.2%)	(37.6%)
Other	0.8	0.1			-	-
<b>Segment EBITDA (1)</b>			124.1	189.6		
Non-recurring expenses			(10.7)	(5.7)		
Items with different classification			(0.2)	0.2		
<b>Total</b>	<b>373.1</b>	<b>624.0</b>	<b>113.2</b>	<b>184.1</b>		
<b>Ebitda margin</b>			<b>30.3%</b>	<b>29.5%</b>		

- (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 bad debt provision. EBITDA is a non-IFRS measure and segment EBITDA does not include reclassification of some amortization and bad debt provision as per IFRS15 application

**Retail:** Retail segment for the nine months ended September 30<sup>th</sup> 2020, after having suffered a strong setback following the Covid-19 lockdown, has accelerated the recovery following the business re-start in mid of June. Lottery business benefits from the increase in affiliation fees, after launching the new MySisal program in the whole distribution network. Betting business recorded a positive performance in the third quarter thanks to lower Sport Betting payout and volume growth.

Gaming machines results marked a gradual recovery, although severely impacted by Covid-19 activities shutdown and by the introduction of the VLT's health card reader, partially offset by the payout reduction.

In spite of the mentioned dynamics, the Retail segment EBITDA margin recorded an appreciable increase, recording a 28.1% margin for the nine months 2020 compared to 27.4% for same period in 2019.

**Online Gaming:** Online Gaming was the only segment to show positive results for the nine months ended September 30<sup>th</sup>, 2020 compared to 2019, both in terms of Revenues and EBITDA, thanks to the successful customers' acquisition strategy via SEO and to the effective Affiliation activities. In terms of EBITDA, the Online gaming segment recorded 55.9% margin for the nine months 2020 compared to 47.3% for the same period in 2019.

**International:** the international business results for the nine months 2020 were negatively impacted by the Covid-19 pandemic emergency in Morocco, which led to business shutdown for approximately two months (March 26<sup>th</sup> - June 1<sup>st</sup> 2020) and to the postponement of new gaming introduction (VLT's) to the last quarter of the year.

In Spain, the business started in 2020 and it is fully incremental in comparison with 2019. The Covid-19 pandemic has impacted the first nine months of the year, but the recovery appears to be accelerated by since from mid-June the advertising and promotional bans have been removed, allowing customers' acquisition strategy implementation.

Turkish set up operations led to an outstanding performance after the launch of the Lottery business on August 1<sup>st</sup> and of the Virtual Races product on September 29<sup>th</sup>.

**Non-recurring items** amounted to € 10.7 million at the end of September, 30<sup>th</sup> 2020, compared to € 5.7 million in 2019, and they were mainly related to the International business start-up costs, especially the go-live of the new Turkish Lottery Concession, for about € 4.7 million, reorganization costs for € 4.3 million, Covid-19 related cost for € 1.3 million and other extraordinary items for € 0.4 million.

**Items with different classification** amounted to € 0.2 million at the end of September 30<sup>th</sup> 2020 and are mainly referred to the net effect of the provision to risks funds not directly attributable to any specific operating segment.

## Net Financial Position and Liquidity

The following table sets forth the breakdown of the Net Financial Position as of September 30<sup>th</sup> 2020 and December 31<sup>st</sup> 2019:

(€ in millions)	As of September 30,	As of December 31,
	2020	2019
Other non-current financial assets	(0.2)	-
Current financial assets	(0.8)	-
Cash and cash equivalents	(143.1)	(102.5)
Long-term debt	321.8	322.9
Short-term debt	100.1	0.7
Current portion of long-term debt	24.7	28.4
<b>Total Net Financial Position</b>	<b>302.4</b>	<b>249.5</b>

Other non-current and current financial assets include the long and the short terms portion of the financial receivable recognized towards the Payments business for the treatment of a building sub-lease in accordance to IFRS 16.

Cash and cash equivalents include banks and postal accounts, as well as cash and cash equivalent in hand.

**Long-term debt** amounting to € 321.8 million is composed as follows:

- € 275 million: bond issue at fixed rate "Senior Secured Note", characterized by semi-annual coupon payments of interest (due on January 31<sup>st</sup> and on July 31<sup>st</sup>) and repayment of the principal in a lump sum on July 31, 2023. The interest is calculated at a fixed annual rate of 7%;
- (€ 6.3) million: upfront fees related to the bond issue above described and to the Senior Secured Revolving Facility as commented below;

- € 8.7 million: Loan received by the shareholder of the Turkish subsidiary Sisal Şans, for a nominal value of TL 75 mio, including € 0.4 million of accrued interests;
- for € 44.4 million: long-term portion of the IFRS16 Lease Liability

**Short-term debt** amounting to € 100.1 million is composed as follows:

- € 100 million: Super Senior Revolving Facility (ssRCF) underwritten with a bank pool, for a total amount of € 125 million, with expiry date on September 2022 and interest calculated on the basis of the periodic Euribor rate plus a margin of 3.50% subject to reduction based on the achievement of specific financial ratios (as of September, 30 2020 the spread is equal to 3%, in line with previous year);
- € 0.1 million: accrued interest on the ssRCF.

It is important to underline that the ssRCF doesn't envisage maintenance covenants, but in any event requires compliance with a series of financial covenants such as the guarantor coverage test and a quarterly calculation of the leverage ratio, which also determines the applicable margin on the facility. As at September 30<sup>th</sup>, 2020 the leverage ratio was achieved and the applicable spread continues to be 3%, which is the lowest applicable margin according to the financial agreement in place.

**Current portion of long-term debt** amounting to € 24.7 million is composed as follows:

- € 3.3 million: accrued interests on the bond Senior Secured Notes;
- € 21.4 million: short-term portion of the IFRS16 Lease Liability.

#### **Movements in trade working capital and working capital**

In the first nine months of 2020, the working capital generated a cash absorption of € 51.9 million, significantly lower in comparison with the absorption occurred during the first nine months of 2019, equal to € 74.2 million.

Nonetheless, this comparison is not meaningful cause the two periods are not fully comparable being related to different perimeters, as already explained in the premises to this document.

In the first nine months of 2020, the net cash absorption of working capital for € 51.9 million represents the cumulated effect of the negative movements recorded in the trade working capital for € 24.6 million and the negative change in cash recorded in the Other Assets and Liabilities for € 27.4 million.

In particular, the negative movements of trade working capital for € 24.6 million are mainly due to the combined effect of:

- higher trade receivables compared to December 31, 2019, due to the postponement to the second half of 2020 of the NTNG affiliation fees for the months of April and May (residual amount still to be invoiced as of September, 30<sup>th</sup> 2020 equal to €4.8 million), an initiative aimed at supporting the liquidity of the Lottery's retail network due to Covid-19 pandemic negative impacts;
- lower trade receivables due to the revenue's shortfall related to the Covid-19 pandemic;
- lower trade payables as twofold result of lower expenditures and investments occurred in the first half of 2020, following the action plan implemented to mitigate the negative impacts of the Covid-19 pandemic and the payment of outstanding debts as of December 31, 2019;
- higher inventory level for about € 2.1 million mainly referred to the Turkish subsidiary, related to the go-live of the new Lottery concession on August 1<sup>st</sup>.

As far as the negative movements of the Other Assets and Liabilities item, equal to € 27.4 million, they mainly include:

- the payment of the second downpayment instalment for the new NTNG concession made on September 29<sup>th</sup> 2020 for € 111 million;
- collection of approximately € 42 million from Sisal Pay Group as settlement for the transfer of the Payments business
- increase in the Gaming machines tax accrual (i.e. PREU) for € 34.6 million mainly including the payments postponement for € 31.8 million due to the Covid-19 tax measures

Furthermore, the change in Other Assets and Liabilities reflect the combined effects of other movements occurred during the first nine months of 2020 such as payments of variable bonuses/MBO payment and lower credit towards ADM for the service level recognized on the gaming machines.

(€ in millions)	Nine months ended September 30,	
	2020	2019
Movements in trade receivables	(17.3)	(27.0)
Movements in inventories	(2.1)	4.0
Movements in trade payables	(5.2)	(21.5)
<b>Movements in trade working capital</b>	<b>(24.6)</b>	<b>(44.4)</b>
Movements in other assets and liabilities	(27.4)	(29.8)
<b>Total movements in working capital</b>	<b>(51.9)</b>	<b>(74.2)</b>

## Cash flows

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

(€ in millions)	Nine months ended September 30,	
	2020	2019
Cash provided by operations before changes in working capital, interest and taxes	113.1	184.1
Tax paid	-	(19.2)
Changes in working capital	(51.9)	(74.2)
Cash flows provided by (used in) operating activities	61.2	90.7
Cash flows provided by (used in) investing activities	(92.9)	(65.1)
Cash flows provided by (used in) financing activities	72.4	(80.3)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>40.7</b>	<b>(54.7)</b>
<b>Net cash at the beginning of the period</b>	<b>102.5</b>	<b>254.9</b>
<b>Net cash at the end of the period</b>	<b>143.1</b>	<b>200.2</b>

Cash provided by operating activities amounted to €61.2 million for the nine months ended September 30<sup>th</sup>, 2020, compared to cash generation of € 90.7 million recorded during the nine months ended September 30<sup>th</sup>, 2019. The cash flow is mainly related to the trends in working capital already commented, both referred to the change in other assets and liabilities and in trade working capital.

The cash flows used in investing activities amounted to €92.9 million for the nine months 2020 compared to €65.1 million for the nine months 2019. The investing activities were referred for € 40 million to PPE, mostly related to terminals for the Turkish go-live of the new Lottery concession and gaming terminals related to the new Italian NTNG Concession, and to Intangible assets for € 50.4 million, mostly related to software developments and gaming concessions rights. Moreover,

the Group paid about € 3 million for companies and business branches acquisitions and received about € 0.5 million mainly related to tax reimbursement.

Cash flows provided by financing activities amounted to €72.4 million for the nine months 2020 compared to cash used of €80.3 million for the nine months 2019. The cash flows related to financing activities included net interest paid, for € 22.8 million of which € 8.6 million accrued last year on the Senior Secured Note, reflecting the Gaming deleverage effect already described in the current document.

In addition, 2020 cash flows include net usage of revolving facilities for €100.0 million as well as the repayments for about € 16.9 million of financial liabilities booked in compliance with the accounting standard IFRS 16, net of the partial financial receivable's receipt recognized towards the Payments business for the treatment of a building sub-lease in accordance to IFRS 16.

As of September 30<sup>th</sup>, 2020 the Group also received from the shareholder of the Turkish subsidiary Sisal Şans about € 8.3 million of new borrowings, which replaced the previous borrowing of € 0.6 million, converted into Equity in Q1 2020, as well as € 4.4 million of additional share capital increase.

### Capital Resources

The following table sets forth the amounts of our external debt (principal amounts plus accrued interest for the reference period) at September 30<sup>th</sup>, 2020 and at December 31<sup>st</sup> 2019. At both dates no shareholders loan were active:

(€ in millions)	As of September 30,	As of December 31,
	2020	2019
Senior revolving Facility	100.1	-
Senior Secured notes	278.3	283.2
Other financial liabilities (1)	64.7	75.8
<b>Total external financial liabilities</b>	<b>443.1</b>	<b>359.0</b>

(1) Amount as of September 30, 2020 and December 2019 is mainly related to IFRS 16 application

### Other Financial Information

(€ in millions)	Nine months ended September 30,	
	2020	2019
EBITDA	113.2	184.1
Non recurring items	10.7	5.7
Adjusted EBITDA	123.9	189.8
Adjusted EBITDA margin	33.2%	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 bad debt provision. EBITDA does not include reclassification of some amortization and bad debt provision 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.

(€ in millions)	Nine months ended September 30,	
	2020	2019
Profit/(loss) for the period	(8.1)	18.4
Net finance expense and similar	15.6	44.7
Income taxes	5.5	13.4
Amortisation, depreciation and impairments*	91.9	97.3
Bad debt provision**	8.3	10.3
<b>EBITDA</b>	<b>113.2</b>	<b>184.1</b>

\* including IFRS 15 adjustments for € 0.1 mio classified in the Condensed Consolidated Statement of Comprehensive Income within Revenues

\*\* including IFRS 15 adjustments for € 0.4 mio classified in the Condensed Consolidated Statement of Comprehensive Income within Revenues

(€ in millions)	As of September 30,	As of December 31,
	2020	2019
Unrestricted cash (4)	143.1	102.5
SISAL GROUP net senior secured debt (5)	235.2	180.8

(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 net senior secured debt consists 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, 2020 AND SEPTEMBER 30, 2019**

		For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	<i>Notes</i>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues	9	285,916	529,003	127,309	179,785
<i>of which related parties</i>		3,582	0	523	0
Fixed odds betting income	10	85,857	94,518	36,480	30,017
Other revenues and income		1,321	502	393	46
<b>Total revenues and income</b>		<b>373,094</b>	<b>624,023</b>	<b>164,181</b>	<b>209,848</b>
Purchases of materials, consumables and merchandise		8,064	11,126	3,878	3,368
<i>of which non-recurring</i>	20	672	0	75	0
Costs for services		168,258	321,813	76,163	107,841
<i>of which related parties</i>	19	1,710	1,416	487	497
<i>of which non-recurring</i>	20	6,137	5,023	2,737	3,161
Lease and rent expenses		1,433	1,358	387	452
<i>of which non-recurring</i>	20	0	28	0	18
Personnel costs		58,485	68,263	21,106	22,150
<i>of which related parties</i>	19	2,366	3,034	824	1,013
<i>of which non-recurring</i>	20	2,405	206	918	97
Other operating costs		23,505	38,138	8,940	16,024
<i>of which non-recurring</i>	20	1,469	474	297	302
Amortisation, depreciation, provisions and bad debt provision		100,318	106,871	33,511	36,758
<b>Net operating profit (EBIT)</b>		<b>13,032</b>	<b>76,454</b>	<b>20,196</b>	<b>23,255</b>
Finance income and similar		7,118	6	2,533	2
<i>of which related parties</i>	19	6,850	0	2,300	0
Finance expenses and similar	11	22,703	44,475	9,180	15,131
<i>of which related parties</i>	19	590	0	590	0
Share of profit/(loss) of companies accounted for by the equity method		0	(227)	0	(227)
<b>Profit (loss) before income taxes</b>		<b>(2,553)</b>	<b>31,758</b>	<b>13,549</b>	<b>7,899</b>
Income taxes		5,503	13,364	6,577	3,929
<b>Profit (loss) for the period</b>		<b>(8,056)</b>	<b>18,394</b>	<b>6,972</b>	<b>3,970</b>
Attributable to non-controlling interest		(2,637)	53	(984)	(23)
<b>Attributable to owner of the parent</b>		<b>(5,419)</b>	<b>18,341</b>	<b>7,956</b>	<b>3,993</b>

**SISAL GROUP S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**

	Notes	At September 30, 2020	At December 31, 2019
<i>(in thousands of Euros)</i>			
<b>A) NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	12	167,718	157,572
Goodwill	13	260,974	260,974
Intangible assets	12	415,694	421,101
Investments accounted for using the equity method		150,062	150,056
Deferred tax assets		16,380	20,865
Other non-current financial assets		107,368	100,300
<i>of which related parties</i>		107,368	100,300
Other non-current assets		20,683	21,282
<b>Total non-current assets</b>		<b>1,138,878</b>	<b>1,132,150</b>
<b>B) CURRENT ASSETS</b>			
Inventories		7,595	5,501
Trade receivables		108,673	99,168
<i>of which related parties</i>		1,175	1,159
Current financial assets		845	0
<i>of which related parties</i>		845	0
Taxes receivable		56	75
Restricted bank deposits	14	173,857	131,393
Cash and cash equivalents	15	143,128	102,466
Other current assets		268,514	216,438
<i>of which related parties</i>		303	43,763
<b>Total current assets</b>		<b>702,668</b>	<b>555,040</b>
<b>TOTAL ASSETS</b>		<b>1,841,546</b>	<b>1,687,191</b>
<b>A) EQUITY</b>			
Share capital	16	102,500	102,500
Legal reserve		19,482	200
Share premium reserve		94,484	94,484
Other reserves		265,237	266,224
Retained earnings (accumulated deficit)		252,946	277,647
<b>Total equity attributable to owners of the Parent</b>		<b>734,649</b>	<b>741,055</b>
Equity attributable to non-controlling interests		2,326	756
<b>Total equity</b>		<b>736,975</b>	<b>741,811</b>
<b>B) NON-CURRENT LIABILITIES</b>			
Long-term debt	17	321,789	322,863
<i>of which related parties</i>		8,706	0
Provision for employee severance indemnities		6,861	7,388
Deferred tax liabilities		103,195	108,069
Provisions for risks and charges	18	16,244	17,391
Other non-current liabilities		0	236
<b>Total non-current liabilities</b>		<b>448,088</b>	<b>455,949</b>
<b>C) CURRENT LIABILITIES</b>			
Trade and other payables		170,053	175,214
<i>of which related parties</i>		68,785	55,854
Short-term debt	17	100,100	723
<i>of which related parties</i>		0	637
Current portion of long-term debt	17	24,686	28,427
Taxation payable		11,226	5,338
Other current liabilities		350,418	279,728
<i>of which related parties</i>		1,414	2,038
<b>Total current liabilities</b>		<b>656,483</b>	<b>489,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,841,546</b>	<b>1,687,191</b>

**SISAL GROUP S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019**

	<b>For the nine months ended September 30,</b>	
<i>(In thousands of Euros)</i>	<b>2020</b>	<b>2019</b>
<b>Profit (loss) for the period before income taxes</b>	<b>(2,553)</b>	<b>31,759</b>
Amortization and depreciation	91,834	96,772
Amortization NTNG fee UT	88	498
Bad debt provision	7,902	10,233
Provisions for risks and charges, accruals and employee severance indemnities	230	171
Impairment of investments	0	227
Finance (income) expenses	15,585	44,468
<b>Net cash generated from operating activities before changes in working capital, interest and taxes</b>	<b>113,086</b>	<b>184,128</b>
Changes in trade receivables	(17,313)	(26,958)
Changes in inventories	(2,094)	4,046
Changes in trade payables	(5,161)	(21,467)
Change in other assets and liabilities	(27,358)	(29,815)
Taxes (paid)/reimbursed	0	(19,245)
<b>Net cash generated from operating activities</b>	<b>61,160</b>	<b>90,689</b>
Increase in property, plant and equipment	(39,954)	(19,892)
Increase in intangible assets	(50,399)	(41,552)
(increase) decrease in investments	(6)	(3,429)
(Increase) decrease in other non-current assets	511	(734)
Acquisitions (net of cash)	(3,009)	718
Minority interests acquisition	0	(233)
<b>Net cash used in investing activities</b>	<b>(92,857)</b>	<b>(65,122)</b>
New medium-/long-term debt	8,291	0
decrease in medium-/long-term debt	0	(51)
Increase (decrease) in lease and sublease payables	(16,868)	(12,250)
Increase (decrease) in short-term debt	90,751	(20,501)
Increase (decrease) share capital minority interests	4,385	0
Net interest paid	(14,202)	(47,501)
<b>Net cash used in financing activities</b>	<b>72,358</b>	<b>(80,303)</b>
<b>Net change in cash and cash equivalents</b>	<b>40,662</b>	<b>(54,736)</b>
<b>Net cash at the beginning of the period</b>	<b>102,466</b>	<b>254,892</b>
<b>Net cash at the end of the period</b>	<b>143,128</b>	<b>200,156</b>

**SISAL GROUP S.P.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 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
<b>Equity at December 31, 2018</b>	<b>102,500</b>	<b>200</b>	<b>94,484</b>	<b>66,426</b>	<b>62,684</b>	<b>326,294</b>	<b>1,097</b>	<b>327,391</b>
Profit/(loss) for the period					18,341	18,341	53	18,394
<b>Total comprehensive profit (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,341</b>	<b>18,341</b>	<b>53</b>	<b>18,394</b>
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	1,769	0	1,769	(193)	1,576
<b>Transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,769</b>	<b>0</b>	<b>1,769</b>	<b>(193)</b>	<b>1,576</b>
<b>Equity at September 30, 2019</b>	<b>102,500</b>	<b>200</b>	<b>94,484</b>	<b>68,195</b>	<b>81,025</b>	<b>346,404</b>	<b>957</b>	<b>347,361</b>
<b>Equity at December 31, 2019</b>	<b>102,500</b>	<b>200</b>	<b>94,484</b>	<b>266,224</b>	<b>277,647</b>	<b>741,055</b>	<b>756</b>	<b>741,811</b>
Sisal Sans capital increase	0	0	0	0	0	0	4,385	4,385
Legal reserve increase	0	19,282	0	0	(19,282)	0	0	0
Exchange adjustment reserve of foreign companies and other movements	0	0	0	(987)	0	(987)	(178)	(1,165)
Profit (loss) for the year	0	0	0	0	(5,419)	(5,419)	(2,637)	(8,056)
<b>Total comprehensive profit (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,419)</b>	<b>(5,419)</b>	<b>(2,637)</b>	<b>(8,056)</b>
<b>Equity at September 30, 2020</b>	<b>102,500</b>	<b>19,482</b>	<b>94,484</b>	<b>265,237</b>	<b>252,946</b>	<b>734,649</b>	<b>2,326</b>	<b>736,975</b>

**SISAL GROUP S.P.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS ENDED**  
**SEPTEMBER 30, 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, 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 € 275 million (originally € 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 nine months ended September, 30 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 these reasons 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 nine months ended September 30, 2020 is represented by:

- The fully consolidated statement comprehensive income for the nine months ended September 30, 2019;
- The gaming statement of financial position at December 31, 2019;
- The fully consolidated statement of cash flow for the nine months ended September 30, 2019;
- The fully consolidated statement of change in equity for the nine months ended September 30, 2019;

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

For these 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 November 26<sup>th</sup>, 2020.

### 3. Going concern

During the nine months ended September 30, 2020 the Group recorded a net loss equal to € 8,056 thousand ( net profit for € 18,394 thousand for the nine months ended September, 30 2019); at September, 30 2020 the consolidated equity was equal to € 736,975 thousand (€ 741,811 thousand at December 31, 2019) and the net financial position was equal to € 302,383 thousand (€ 249,548 thousand at December 31, 2019).

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 € 125 million, thus deleveraging its financial structure and achieving a better balance of capital resources and debt structure.

As at September 30, 2020 the Short-term debt includes the drawdown of the Super Senior Revolving Facility for € 100,000 thousand, expiring in September 2022, introduced as a special cash management measure related to Covid 19 pandemic emergency, which was rolled-out on September 2020 for further six months.

The table below shows a comparison between the total debt and equity breakdown at September 30, 2020 and at December 31, 2019:

<i>(In thousands of Euros)</i> <i>(Percentage computed on total debt and equity)</i>	<b>At September 30, 2020</b>		<b>At December 31, 2019</b>	
		<b>%</b>		<b>%</b>
Long term debt	313,083		322,863	
Short-term debt and current portion of long-term debt	124,786		28,514	
<b>Funding from third parties</b>	<b>437,869</b>	<b>37.0%</b>	<b>351,377</b>	<b>32.1%</b>
Shareholder Loan	8,706		637	
<b>Funding from sole shareholder</b>	<b>8,706</b>	<b>0.7%</b>	<b>637</b>	<b>0.1%</b>
<b>Equity</b>	<b>736,975</b>	<b>62.3%</b>	<b>741,811</b>	<b>67.8%</b>
<b>Total debt and equity</b>	<b>1,183,550</b>	<b>100.0%</b>	<b>1,093,825</b>	<b>100.0%</b>

The first nine months of 2020 were strongly affected by the Covid-19 restrictions and pandemic, which particularly impacted the second quarter, whereas in the third quarter the Group recorded positive financial performance mainly driven by the successful Online growth plan, coupled with the outstanding business start-up in Turkey, thus reaching revenues and EBITDA levels higher than the third quarter 2019.

Sisal Group immediately reacted to the serious situation generated by the Covid-19 pandemic, launching several initiatives aimed at ensuring support to all stakeholders and protecting the business. Employee safety has been the top of mind of each initiative and wide protective measures plan have been activated: Covid-19 Health Policy for all employees, increase of smart-working mode, limitation of travel in Italy and abroad, strengthened of workplace cleaning. Regarding our commercial partners we postponed to the second half of the year the Merchant affiliation fees due in April and May and we distributed protective masks to our retail point of sales. We have also launched initiatives to support the communities through fundraising in favor of the Italian Civil Protection and direct donation to leading no-profit organizations. Several initiatives have also been implemented during the lockdown to ensure business continuity: cut of discretionary and structural costs and capex, to maximize liquidity; action plans to ensure the execution of all key strategic initiatives in Italy and International markets; boost the Online business growth, accelerating the omnichannel strategy.

As a matter of fact, because of Covid-19 pandemic, the global economy, including the Italian economy, has undergone major slowdowns. The Italian GDP, after shrinking by 8.3% y-o-y in the first semester, at the end of the third quarter 2020 was significantly down by 10.6%<sup>1</sup> compared to the same period of last year. The timing and strength of the recovery will depend on several factors: the duration and geographical spread of infection, which has, at the date of the present

Document, undergone a new spike, developments in the global economy, the impact on confidence and firms' investment decisions. They will also depend, to a significant degree, on the effectiveness of economic policies. Italian GDP growth in 2020 and 2021 is indeed exceptionally wide: the projection for this year ranges between -8 to -12 %, and the recovery in 2021 from 4.6% to 7.9 %, with full recovery of GDP loss to be completed in 2022.

Unemployment rate in 2020 is forecasted at 11% and it is expected to further increase in 2021 due to COVID -19 pandemic impact.

The Italian Gaming market turnover, after declining in the 1<sup>st</sup> half of 2020, due to Covid-19 pandemic impact, has recorded a strong recovery in the third quarter, reaching at the end of September approximately €64.5 billion, with a decrease of -20.4%<sup>2</sup> versus the same period of last year, mainly due to the sharp drop in the Retail channel by -43.7%<sup>2</sup> (€30.9 billion in 2020 vs € 54.9 billion in 2019), partially offset by the Online channel, which confirmed its growing trend by + 28.4%<sup>2</sup> (€ 33.7 billion in 2020 vs € 26.2 billion in 2019).

The Covid-19 pandemic has impacted Sisal Group business due to the lockdown period from the beginning of March and until mid of June. The emergency led activities shutdown of Gaming Halls, Betting shops and Convenience channel (bar and tobacconists), impacting Gaming Machines and Betting business. Lottery business was stopped late March and re-started from May 4. The online business has always remained active, even if the lack of sporting events has limited its growth potential.

The restart of the business after the lockdown, from mid of June and during the third quarter, has been positive and the growth trajectory resumed compared to previous year. Turnover post lockdown was recovering gradually: Retail very fast, however not fully covering pre-lockdown performance, mainly due to lower consumers' traffic in the convenience channel. Online continued its growing trend, even if partially absorbed after business re-start.

The third quarter, in particular, recorded a very positive performance both in terms of Revenues and Ebitda in all the three Operating Segments (Retail, Online Gaming and International), cumulatively overcoming the previous year results, mostly thanks to the Online growth and to the outstanding Lottery business start-up in Turkey, on August 1<sup>st</sup>, and recently enriched with the launch of the online Virtual Races games (go-live recorded on September, 29th), recording a performance above expectations and confirming the right direction of the Turkish business growth strategy. .

The start of the new NTNG concession was also affected by the Covid-19 pandemic, and its start, scheduled on June 1st 2020 has been postponed to December 1st ,2021. The payment of NTNG second one-off installment of € 111 million has been made on September 29<sup>th</sup> 2020.

Sisal Group's International business has also been impacted by Covid-19 pandemic. The business in Morocco re-started on June 1<sup>st</sup> and the Online business in Spain has suffered the negative effects of the lack of sporting events. The launch of the Lottery business in Turkey has been postponed to August 1<sup>st</sup>, 2020 and the first indications are extremely encouraging, particularly for the online segment.

In terms of regulatory framework and main tax measures, it is worthy to highlight that the Italian government has activated a series of measures to support the gaming sector during the lockdown such as the postponement of the Gaming machines taxes due in the second quarter to the second half of the year, rather than the rescheduling of the payments due for July-August period between Sep-Dec, spread on monthly instalments; moreover, supplementary wage funds for employees who are on layoffs have been introduced as well as tax credit for retail rental cost paid during the lockdown.

On October, 24<sup>th</sup> 2020, due to the new surge reached by Covid-19 pandemic, the Italian Government was forced to issue a new law decree which statues the closure of Gaming halls, betting shops and all the specialized PoS as well as some restrictions in the generalist channel until November, 24<sup>th</sup> 2020, thus introducing a new big stuck for the Gaming market whose effects and consequences are currently under evaluation.

<sup>1</sup> Istat data

<sup>2</sup> ADM data

Furthermore on November, 3<sup>rd</sup> 2020 the Italian Government released a new, more restrictive, law decree, which replaced the previous one extending the duration of the previous measures until December, 3rd as well as introducing the closure all the gaming activities also to the generalist channel (bar and tobacconist).



This new decree also statues different limitations to the personal mobility on a regional basis in relation to the spread-out and seriousness of the pandemic emergency in the several Italian regions.

In spite of the current highly uncertain situation, based on the ongoing assessments and 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 twelve 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 applied to the Annual Consolidated Financial Statements.

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

The following accounting standards are 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.

##### **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 IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Amendments to Annual Improvements 2018-2020;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19;
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions.

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 September 30, 2020 the Group has a revolving line of credit under the Super Senior Revolving Facility and related ancillary facility Agreements for a total of € 125.0 million, expiring in September 2022. At September 30, 2020 these facilities were partially drawn down for a total of € 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 September 30, 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:** in charge of the management and development of activities relating to gaming machines products, fixed-odds betting and traditional sports betting events, as well as activities linked to the management of the NTNG products, of which the Group is the exclusive concessionaire. This division manages the Italian retail distribution network, for both the Branded and Affiliate channels.
- **Online Gaming:** in charge of managing online gaming and betting products through the "sisal.it" website and the mobile applications. 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, poker, casino, lotteries and bingo.
- **International:** in charge of the international development, which is currently operational, although in the start-up phase, in Morocco, Turkey and Spain. The Group is present in these markets with a wide product offer, from online products to lotteries, betting and VLT's.

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.

For the nine months ended September 30,				
(in thousands of Euros)	2020		2019	
	Total Revenues	EBITDA	Total revenues	EBITDA
<b>Retail</b>				
Revenues	211,596		292,357	
Supply Chain / Other revenues	51,182		103,206	
<b>Total</b>	<b>262,778</b>	<b>73,762</b>	<b>395,563</b>	<b>108,407</b>
<b>Online Gaming</b>				
Revenues	123,305		88,699	
Supply Chain / Other revenues	(26,357)		(18,438)	
<b>Total</b>	<b>96,948</b>	<b>54,167</b>	<b>70,261</b>	<b>33,262</b>
<b>Payments and services</b>				
Revenues	0		77,847	
Supply Chain / Other revenues	0		77,122	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>154,969</b>	<b>49,147</b>
<b>International</b>				
Revenues	9,127		3,173	
Supply Chain / Other revenues	3,453		0	
<b>Total</b>	<b>12,579</b>	<b>(3,793)</b>	<b>3,173</b>	<b>(1,193)</b>
<b>Other revenues</b>	<b>789</b>		<b>57</b>	
<b>Total operating segment</b>	<b>373,094</b>	<b>124,135</b>	<b>624,023</b>	<b>189,624</b>

For the three months ended September 30,				
(in thousands of Euro)	2020		2019	
	Total revenues	EBITDA	Total revenues	EBITDA
<b>Retail</b>				
Revenues	93,050		97,481	
Supply Chain / Other revenues	27,203		35,434	
<b>Total</b>	<b>120,253</b>	<b>38,633</b>	<b>132,915</b>	<b>35,433</b>
<b>Online Gaming</b>				
Revenues	42,761		29,956	
Supply Chain / Other revenues	(9,430)		(6,167)	
<b>Total</b>	<b>33,331</b>	<b>18,914</b>	<b>23,789</b>	<b>10,801</b>
<b>Payments and services</b>				
Revenues	0		26,338	
Supply Chain / Other revenues	0		25,535	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>51,874</b>	<b>17,466</b>
<b>International</b>				
Revenues	7,114		1,277	
Supply Chain / Other revenues	3,661		0	
<b>Total</b>	<b>10,775</b>	<b>208</b>	<b>1,277</b>	<b>(128)</b>
<b>Other revenues</b>	<b>(178)</b>		<b>(7)</b>	
<b>Total operating segment</b>	<b>164,181</b>	<b>57,755</b>	<b>209,848</b>	<b>63,572</b>

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,	
(In thousands of Euros)	2020	2019	2020	2019
<b>Total operating segment</b>	<b>124,135</b>	<b>189,624</b>	<b>57,755</b>	<b>63,572</b>
Non-recurring expenses	(10,682)	(5,731)	(4,026)	(3,578)
Items with different classification	(225)	159	(521)	220
NTNG upfront fees amortization	(88)	(498)	(20)	15
Amortization of intangible assets	(55,806)	(56,980)	(19,453)	(20,866)
Depreciation of property, plant & equipment	(36,028)	(39,792)	(12,195)	(14,015)
Bad debt provision	(8,274)	(10,327)	(1,343)	(2,092)
<b>Net operating profit (EBIT)</b>	<b>13,032</b>	<b>76,454</b>	<b>20,196</b>	<b>23,255</b>

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 nine months ended September 30, 2020 are reported above under the "International" segment.

## 8. Seasonality of operations

In principle, 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. Indeed, the professional football season in Italy usually runs from late August to mid-May and has 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.

All the above considerations cannot be applicable to these Condensed Consolidated Interim Financial Statements at September, 30 2020 because of the impact of the Covid 19 lockdown which caused a complete stop in all the sport events that were gradually restarted and rescheduled from mid-June onwards.

## 9. Revenues

The following table sets forth an analysis of Revenues:

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	2020	2019	2020	2019
Gaming revenues	234,654	338,423	110,792	116,595
Payments and other services	0	123,099	(0)	41,031
Points of sale revenues	45,568	62,583	15,057	21,036
Other revenues	5,694	4,898	1,457	1,123
<b>Total</b>	<b>285,916</b>	<b>529,003</b>	<b>127,307</b>	<b>179,785</b>

The gaming revenues are analyzed as follows:

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	2020	2019	2020	2019
Gaming machines revenues	113,551	218,572	59,299	73,933
NTNG revenues	34,636	53,971	13,517	19,914
Virtual Races	21,602	23,473	10,184	8,222
Online game revenues	50,008	35,430	16,035	12,119
Horse race betting revenues	2,098	3,684	874	1,135
International games	12,602	3,112	10,835	1,217
Sports pools revenues	152	174	47	53
Big bets revenues	5	6	2	2
<b>Total</b>	<b>234,654</b>	<b>338,423</b>	<b>110,792</b>	<b>116,595</b>

## Fixed odds betting income

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

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	2020	2019	2020	2019
Fixed odds sports betting income	83,845	91,938	35,574	29,153
Fixed odds horse race betting income	1,984	2,415	906	807
Reference horse race betting income	28	165	0	56
<b>Total</b>	<b>85,857</b>	<b>94,518</b>	<b>36,480</b>	<b>30,017</b>

## 10. Finance income and similar

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

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	2020	2019	2020	2019
Other finance income	7,118	6	2,533	2
<b>Total</b>	<b>7,118</b>	<b>6</b>	<b>2,533</b>	<b>2</b>

## 11. Finance expense and similar

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

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in thousands of Euros)</i>	2020	2019	2020	2019
Interest and other finance expenses - Group	0	0	0	0
Interest and other finance expenses - third parties	19,978	44,439	7,104	15,098
Other expenses on sundry instruments	0	0	0	0
Exchange (gains) losses realised	477	72	341	38
Exchange (gains) losses unrealised	2,247	(36)	1,735	(6)
<b>Total</b>	<b>22,703</b>	<b>44,475</b>	<b>9,180</b>	<b>15,131</b>

## 12. Property, plant and equipment and other intangibles assets

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

<i>(in thousands of Euros)</i>	PPE	Other intangible assets
<b>nine months September 30, 2020</b>		
Opening net book amount as at January 1, 2020	157,572	421,101
Increases	47,981	50,653
Depreciation, amortisation and impairment	(36,028)	(55,806)
Disposals /reclassification	(1,807)	(254)
<b>Closing net book amount as at September 30, 2020</b>	<b>167,718</b>	<b>415,694</b>

### 13. Goodwill

The movement of goodwill is as follows:

<i>(in thousands of Euros)</i>	<b>At September 30, 2020</b>	<b>At December 31, 2019</b>
At the beginning of the period	260,974	569,275
Decrease goodwill related to business Payments & Services	0	(308,379)
Other acquisition	0	78
<b>At the end of the period</b>	<b>260,974</b>	<b>260,974</b>

For the purposes of the application of the accounting principle IAS 36, in addition to the internal and external impairment indicators usually monitored, the effect of the spread of the Covid 19 pandemic on the recoverable value of the CGUs tested as of December 31, 2019 was assessed.

On the basis of both the analysis conducted and the evidence available as of 30 September 2020, including their foreseeable developments, no recoverability issue has emerged and the effects of the Covid 19 pandemic were not considered as a loss indicator requiring specific checks on the recoverability of activities.

### 14. Restricted bank deposits

Restricted bank deposits include mainly the balances of the accounts for the payment of winnings, including the amounts deposited for the special winnings of the Vinci per la Vita – Win for Life games and for the so-called SuperStar Reserve Fund which 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.

### 15. Cash and cash equivalents

Cash and cash equivalents at September 30, 2020 and December 31, 2019 are as follows:

<i>(in thousands of Euros)</i>	<b>At September 30, 2020</b>	<b>At December 31, 2019</b>
Bank and postal accounts	133,769	91,662
Cash and cash equivalents in hand	9,359	10,804
<b>Total</b>	<b>143,128</b>	<b>102,466</b>

### 16. Share capital

At September 30, 2020 share capital amounts to € 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.

## 17. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in thousands of Euros)</i>	<b>At September 30, 2020</b>	<b>At December 31, 2019</b>
<b>Senior Revolving and ancillary facilities</b>	<b>99,007</b>	<b>(1,513)</b>
<b>Senior Secured Notes</b>	<b>273,098</b>	<b>276,965</b>
<b>Loans from related parties</b>	<b>8,706</b>	<b>637</b>
Loans from other banks	0	87
Payable to other lenders - leasing contracts	65,764	75,838
<b>Other loans from third parties</b>	<b>65,764</b>	<b>75,925</b>
<b>Total</b>	<b>446,575</b>	<b>352,014</b>
<i>of which current</i>	<i>124,786</i>	<i>29,151</i>
<i>of which non-current</i>	<i>321,789</i>	<i>322,863</i>

Movements in borrowings are analyzed as follows:

	<b>Nine months ended September 30,</b>	
<i>(in thousands of Euros)</i>	<b>2020</b>	<b>2019</b>
<b>Opening amount as at January 1</b>	<b>352,014</b>	<b>757,363</b>
Acquisition of subsidiary	0	519
New borrowings	108,706	0
IFRS 16 net financial liability	(10,076)	90,401
Net accrued interest and amortized	(3,347)	(3,160)
Repayments of borrowings	85	20,269
SHL renouncement	637	0
<b>Closing amount as at September 30</b>	<b>446,575</b>	<b>824,854</b>

At September 30, 2020, the market price of the senior secured notes was a total of € 278.4 million compared to a face total value of € 275 million.

New borrowings include the drawdown of the Senior revolving Facility for € 100 million and additional € 8.2 million received by Şans Dijital, the shareholder of the subsidiary SISAL Şans.

## 18. Provisions for risks and charges

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

	<b>January 1 2020</b>	<b>Changes during the period</b>				<b>September 30, 2020</b>
<i>(in thousands of Euros)</i>		<b>increase</b>	<b>decrease</b>	<b>reclass</b>	<b>release</b>	
Sundry risks and charges provisions	17,363	723	(1,792)	63	(489)	15,868
Technological updating provision	28	348	0	0	0	376
<b>Total</b>	<b>17,391</b>	<b>1,071</b>	<b>(1,792)</b>	<b>63</b>	<b>(489)</b>	<b>16,244</b>

The decrease occurred during the nine months period ending September 30<sup>th</sup> 2020 mainly include usage of risks funds for about € 1.8 million mainly related to shortfall in cash and credits, partially offset by accruals net of releases for € 0.6 million.



#### **19. Related party transactions**

Regarding transactions with the ultimate parent, Schumann Investments S.A., at September 30, 2020 there are no items to be disclosed.

Related party costs for services, amounting to € 1,710 thousand in the nine months ended September 30, 2020 (€ 1,416 thousand in the nine months ended September 30, 2019), 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 € 2,366 thousand in the nine months ended September 30, 2020 (€ 3,034 thousand in the nine months ended September 30, 2019), are reported under Personnel costs.

#### **20. Significant non-recurring events and transactions**

During the nine months ended September 30, 2020, the Group recognized about € 10,682 thousand net non-recurring expenses, mainly related to reorganizations costs, start-up costs in connection with the International business, Reorganization and Covid 19-related costs.

#### **21. Commitments**

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately € 14.3 million; such capital expenditure will be financed with cash on bank balance and net cash generated from operating activities.

#### **22. Significant events occurring after the end of period**

As already said, on the basis of the new pandemic wave which led the Italian Government to introduce new more severe restrictions similarly to what other EU countries did, the current Retail business performance from October, 24<sup>th</sup> onwards is being significantly impacted by the situation caused by the health emergency related to Covid-19 pandemic, although the resilience of the Online business continues its positive and growing trend, as well as the International Business mainly thanks to the very positive start-up in Turkey.