2020 Consolidated Financial Statements

Contents

Disclaimer

This document contains forward-looking statements, in particular in the sections "Subsequent events" and "Business outlook", which refer to future events and the operating, economic and financial results of the Sisal Group. Due to their nature, these forecasts involve risk and uncertainty, in that they depend upon the occurrence of future events and developments. The actual results may vary, even significantly, with respect to those announced, due to a multitude of factors.


26 juin
New Visitor
Returning Visitor
27.8%

Directors' Report

Introduction

In December 2019 the Sisal Group began a corporate reorganisation project with the objective of separating Payment Services business from Gaming, which led to the creation of the first Italian Proximity Banking & Payments company, deriving from the union of SisalPay and Banca 5 (Intesa Sanpaolo Group).

This corporate reorganisation was followed by a revision of the organisational structure and each of the two groups of companies provided themselves with an independent and approved system of controls, respectively located within Sisal S.p.A. and Mooney[1] S.p.A. (formerly SisalPay S.p.A.), which operate autonomously.

This Directors' Report was prepared with the aim of reflecting the new organisational structure and is structured as described below:

- Sisal Group S.p.A. corporate bodies (parent company);
- Group structure, highlighting the companies operating in the Gaming business and those in the Banking & Payments business;
- a section dedicated to Gaming business and one dedicated to Banking & Payments, in the light of the special features of the markets in which the respective companies work, which requires separate dedicated sections (history of business, product and business sectors, mission, vision and values, sustainability, risk and uncertainty);
- analysis of the Group's performance and results both economically and financially, including consolidated figures for both the Gaming business and the Banking & Payments business.

[1] It should be noted that on 29 March 2021, the Extraordinary Shareholders' Meeting of SisalPay Group S.p.A. resolved to change the name of the Company and that of its subsidiaries SisalPay S.p.A. and SisalPay Servizi S.p.A. to Mooney Group S.p.A., Mooney S.p.A. and Mooney Servizi S.p.A., respectively. In the remainder of this document, these entities are referred to by their name as at 31 December 2020.

Corporate Bodies

Below is a summary of the corporate bodies of the parent company Sisal Group S.p.A.:

Board of Directors

Chairman	Aurelio Regina
Chief Executive Officer	Emilio Petrone
Directors	Aurelio Regina, Emilio Petrone, Francesco Durante, Giampiero Mazza, Andrea Ferrante, Umberto Delzanno

Board of Statutory Auditors

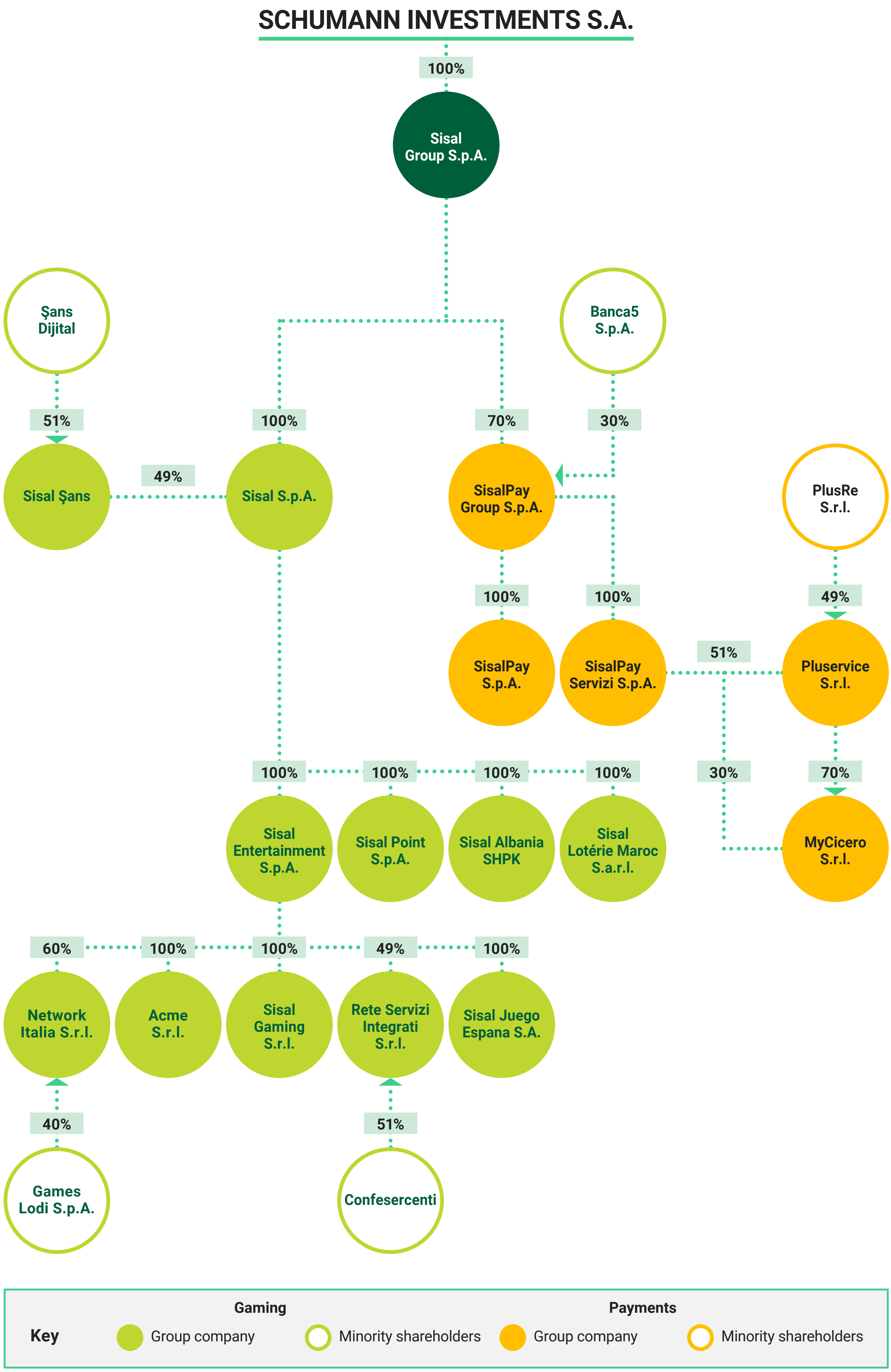
Chairman	Ezio Simonelli
Standing Auditors	Francesco Facchini, Marco Valsecchi
Alternate Auditors	Giancarlo Lapecorella, Roberto Cassader
Independent Auditors	PricewaterhouseCoopers S.p.A.

Group Structure

Since 2016 the Sisal Group has been 100% controlled by CVC Capital Partners, resulting from the merger by incorporation of Schumann Investments S.A.

As already indicated in the Introduction, in December 2019 the Sisal Group began a corporate reorganisation project with the objective of separating Payments business from Gaming, which led to the creation of the first Italian Proximity Banking & Payments company, deriving from the union of SisalPay and Banca 5 (Intesa Sanpaolo Group).

Below the structure of the Group is presented, highlighting the companies in the Gaming segment and those in the Banking & Payments segment.


SCHUMANN INVESTMENTS S.A.
100%
Sisal Group S.p.A.
Şans Dijital
51%
Sisal Şans
49%
100%
Sisal S.p.A.
70%
Banca5 S.p.A.
30%
SisalPay Group S.p.A.
PlusRe S.r.l.
100%
100%
49%
SisalPay S.p.A.
SisalPay Servizi S.p.A.
51%
Pluservice S.r.l.
100%
100%
100%
100%
30%
70%
Sisal Entertainment S.p.A.
Sisal Point S.p.A.
Sisal Albania SHPK
Sisal Lotérie Maroc S.a.r.l.
MyCicero S.r.l.
60%
100%
100%
49%
100%
Network Italia S.r.l.
Acme S.r.l.
Sisal Gaming S.r.l.
Rete Servizi Integrati S.r.l.
Sisal Juego Espana S.A.
40%
51%
Games Lodi S.p.A.
Confesercenti
Key
Gaming
Group company
Minority shareholders
Payments
Group company
Minority shareholders

Governance

The Sisal Group is aware of the importance a good Corporate Governance system has in achieving strategic objectives and creating long-term sustainable value, by ensuring effective governance which complies with institutions and rules, efficient and able to consider economic principles, and proper in its interactions with all those with an interest in the life of the Group.

In line with this, the Group ensures its Corporate Governance system is always up to date with relevant recommendations and regulations, adhering to domestic and international best practices.

The administration and control model adopted by Sisal is the traditional one, with a Shareholders' Meeting consisting of a Sole Shareholder, Board of Directors and a Board of Statutory Auditors. The Group's Corporate Governance structure revolves around the central entity the Board of Directors, the highest level body authorised to manage the company in the interest of shareholders, which provides strategic guidance, and guarantees transparency in the making of decisions and in defining an effective Internal Control and risk management system, including decision making processes both regarding internal and external entities.

The parent company Sisal Group S.p.A. is currently guided by a Board of Directors with six members, in office through the date of the Shareholders' Meeting which will be called to approve the financial statements for the year ending on 31 December 2021.

The Board of Directors holds the widest powers of ordinary and extraordinary administration, with the exception of those reserved by law exclusively for the Shareholders' Meeting.

The Board of Directors has identified a Chief Executive Officer from among its members, who has been granted proxies and powers of ordinary administration necessary or useful for the execution of company business.

The Directors are responsible for managing the company, taking the actions necessary to implement the company purpose. The Board of Directors is also responsible for the Group's Internal Control and risk management system.

Note that during the year the Group reorganised its Internal Control system, with specific reference to internal Board committees and the Internal Audit department, completing an additional and important step in the process of separating Gaming business from that associated with Banking & Payments business.

This separation process began with the already cited corporate reorganisation operation for payment services, completed on December 2019, which included the signing of a strategic agreement with Banca 5 S.p.A., a member of the Intesa Sanpaolo Group, to create through a partnership a group that is a leader in the sector of digital distributed payment and proximity banking in Italy.

As part of this reorganisation, in December 2019 Sisal Group transferred to its indirect subsidiary SisalPay S.p.A. the payment services business unit (thereby ceasing to function as a payment institution) and, consequently, the Sisal Group S.p.A. Shareholders' Meeting resolved on 20 July 2020 to change the company purpose, eliminating in article 4 of the By-Laws all references to the provision of payment services.

Therefore, Sisal Group no longer manages and coordinates both groups, instead exclusively managing and coordinating Italian and foreign companies working in the Gaming business, while companies in the Banking & Payments business sector are managed and coordinated by SisalPay Group, under the supervision of Bank of Italy.

With reference to governance, noting that Group companies dedicated to business payment development, in particular SisalPay S.p.A., already had their own internal systems with detailed systems of internal and external controls established in compliance with Bank of Italy guidelines, in July 2020 the Group decided to establish a similar system of structured controls within Sisal S.p.A., to specifically monitor gaming business, through internal Board committees and Internal Control departments, both to simplify the governance structure and in line with the project to separate the two business lines, thereby leading to the elimination of the pre-existing committees and Internal Audit department in Sisal Group S.p.A.

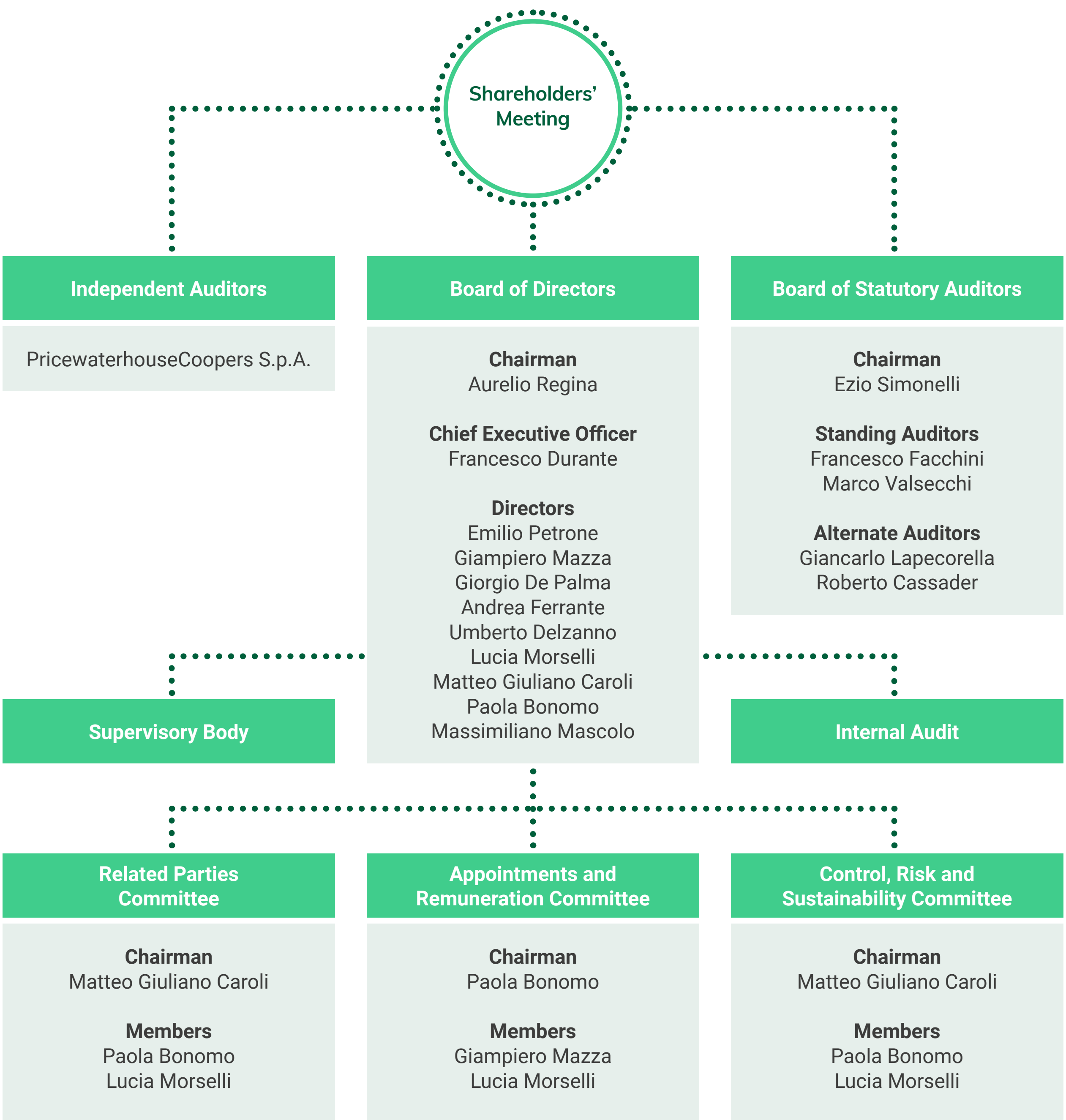
Hence, in the context of this new structure each of the two groups of companies has similar audit systems, located respectively within Sisal S.p.A. and SisalPay S.p.A., which operate autonomously and are each dedicated to their respective business lines.

Relative to the parent company Sisal Group S.p.A., it should be noted that this company instead maintained the Board of Statutory Auditors and Supervisory Body which have continued to provide auditing, supervision and prevention without pause.

Therefore, after the above described reorganisation, the Group's control system is as follows:

Gaming Area (Sisal S.p.A.):

- Appointments and Remuneration Committee
- Control, Risk and Sustainability Committee
- Related Parties Committee
- Internal Audit Department
- Risk & Compliance Department



With reference to the Related Parties Committee, note that this was established by the Sisal S.p.A. Board of Directors in July 2020 and consists of three Independent Directors. However, it did not begin working until the approval of the Related Party Transactions Procedure, of the relative Register and the adoption of the regulations for the Committee, which occurred between September and October 2020.

While there are no regulatory requirements which impose the adoption of the above Procedure for Sisal, it decided to govern its related party transactions in compliance with that established in the International Accounting Standards (IAS), adopted for the preparation of its financial statements, with particular reference to that indicated in IAS 24 and that further specified in the CONSOB Related Party Transaction Regulation (Resolution 17221 of 12 March 2010, as amended). This Procedure is intended to identify the procedure to be used to manage transactions with related parties carried out by Sisal S.p.A. directly or through its subsidiaries, in order to ensure transparency and substantial and procedural appropriateness.

In this context, it appears clear that in the interest of obtaining the maximum efficiency and prevention capacity, the cited control departments should focus on activities relative to the complex world of gaming which is also taking on an increasing international dimension due to the establishment of foreign subsidiaries and investees which lead to new areas of risk and require appropriate safeguards at all levels.

Banking & Payments Services Area (SisalPay Group S.p.A.)

Below is a breakdown of the committees and departments established to ensure a proper and effective Governance system:

- Control, Risk and Related Parties Committee (internal Board committee);
- Appointments and Remuneration Committee (internal Board committee);
- Internal Audit department;
- Risk & Compliance Department;
- Anti-Money Laundering Department;
- Data Protection Officer;
- IT Security & Compliance;
- Anticorruption Compliance Department;
- Health Safety, Environment and Quality (employer representative, pursuant to article 16 of Italian Legislative Decree 81/2008);

The internal Board committees support the Board of Directors with specific issues and have access to all relevant information and all company departments, above all those responsible for control activities, from which they receive regular reports. These departments are involved whenever deemed necessary.

Specifically with reference to the Control, Risk and Related Parties Committee, note that this was established in March 2020, with the following main responsibilities:

- executing the tasks established in the Related Party Transactions Procedure, including making proposals to the Board of Directors to amend or add to the Procedure.
- assisting the Board of Directors with its investigation, proposal and consulting responsibilities, in assessments and decisions relative to the Internal Control System, providing opinions relative to the approval of the financial statements and on relations with the Independent Auditors. In this context, the Committee is assigned the following tasks in particular:
  - assisting the Board of Directors in carrying out its tasks relative to the Control System;
  - providing opinions regarding the proper use of accounting standards and, relative to the Group to which it belongs, their homogeneity for the purposes of preparing the consolidated financial statements;
  - if requested by the relevant Executive Director, expressing opinions on specific aspects inherent to the identification of the company's main risks as well as the design, implementation and management of the Internal Control System;
  - examining the work schedule prepared by the Internal Audit, Risk & Compliance and Anticorruption departments, as well as the periodic reports prepared by the same;
  - carrying out other tasks assigned by the Board of Directors;

- reporting to the Board of Directors, at least once every six months, of which once at the time the financial statements are approved, on the activities carried out and on the adequacy of the Internal Control System.

The Committee can access company information and departments as necessary to carry out its tasks and may also pay external consulting companies for assistance.

The Control and Related Parties Committee is responsible for SisalPay Group S.p.A., SisalPay S.p.A. and SisalPay Servizi S.p.A..

The Board of Directors of SisalPay Group S.p.A. has established an internal control system structured around the Group's organisational structure. The Internal Control System is the combination of rules, procedures and organisational structures that make it possible to ensure respect for company strategies.

The internal control structure has three levels:

- first level controls: line controls assigned to those responsible for the relevant operating processes (internal and/or external to the companies; those responsible for external processes must comply with the individual Service Level Agreements in effect based on the outsourcing contract, agreed upon with each internal manager)
- second level controls:
  - compliance: intended to safeguard against the risk of receiving judicial or administrative fines, suffering significant financial losses or reputation damage due to Company actions which do not comply with applicable regulations. The overall compliance section also includes controls carried out by the following specialist areas: IT Security & Compliance; Data Protection Officer; Anticorruption Compliance Department; Health-Safety-Environment & Quality;
  - risk management: to protect against and monitor overall risk;
  - anti-money laundering: intended to safeguard against the risk of money laundering and financing of terrorism.

Third level controls: internal auditing controls intended to verify both the legality of actions and the functioning of the safeguards adopted by Group companies to manage all risks connected to operations, as well as the ensure the completeness, functioning and efficacy of the overall internal control system; internal audits, intended to identify irregularities and embezzlement within the company organisation.

Financial Highlights

Below are the main economic, financial and equity indicators for the Group at 31 December 2020 and 31 December 2019:

Economic and financial figures

(in thousands of Euros)	2020	2019	Change	% change
Total Revenues and Proceeds	827,905	869,387	(41,482)	-5%
EBITDA (*)	211,430	239,810	(28,380)	-12%
Adjusted EBITDA (**)	256,430	259,650	(3,220)	-1%
Adjusted EBIT (***)	75,537	105,278	(29,741)	-28%
EBIT	30,537	85,438	(54,901)	-64%
EBT	(41,419)	10,613	(52,032)	< 100%
Net result	**(40,264)**	**(13,638)**	**(26,626)**	**> -100%**

(*) EBITDA means the profit/(loss) for the year before depreciation, amortisation, writedowns, financial expense and income, share of profit/(loss) of equity-accounted companies and before taxes. Additionally, EBITDA is calculated before the release to the income statement of the one time charge sustained by the Group for the awarding of the NTNG (National Totalizator Numeric Gaming) concession. Based on that established in IFRS15 "Revenues from Contracts with Customers", these charges are recognised against revenues in the Group's Income Statement.
EBITDA is not identified as an accounting measurement in the context of the IFRS and, therefore, should not be considered as an alternative method for assessing the Group's operating performance. Given that the structure of EBITDA is not governed by the reference accounting standards, the criteria used by the Group may not be the same as that adopted by others and hence, not comparable.

(**) Adjusted EBITDA means EBITDA before charges and revenues deriving from corporate reorganisation, before charges and revenues not considered as recurring and before "special items".

(***) Adjusted EBIT means EBIT before charges and revenues deriving from corporate reorganisation, before charges and revenues not considered as recurring and before "special items".

Equity data

(in thousands of Euros)	2020	2019	Change	% change
Net Invested Capital	1,387,388	1,273,041	114,347	9%
Provisions for personnel	(12,900)	(10,125)	(2,775)	27%
Equity	(345,403)	(377,601)	32,198	-9%
Net financial position	**(1,029,085)**	**(885,315)**	**(143,770)**	**16%**

Gaming

Highlights 2020

6.25 million
customers

8.182 million
Turnover

523.7 million
revenues

176.1 **million**
Adjusted EBITDA

135 **million**
investments

2,062
employees

Sisal Group: a history of gaming

The Sisal Group is one of the largest companies in Italy in the Gaming sector.

MILESTONES

1945
Sisal is founded

1946
The Sisal betting form comes out, later becoming Totocalcio

1948
Totip arrives, the first Italian horse-racing bets

1993
Introduction of the MAX 2000T terminal which digitalised the network

1997
SuperEnalotto is launched

2004
Acquisition of Matchpoint and the network of betting agencies

Online gaming is launched

2005
Development of gaming machine business begins

2009
WinforLife comes out

Start of the Play Responsibly campaign

2010
Sisal WinCity arrives

2011
First Responsible Gaming Certification from The European Lotteries

2012
The first World Lottery Association Responsible Gaming Certification is received

Eurojackpot is launched

2013
A new vision, new values and an updated visual identity for Sisal

SisalPay is created, a widespread network offering payment and top-up services

2014
VinciCasa is launched, the first game in the world that lets you win a house

2016
Launch of the new SuperEnalotto

2019
International exposure: Sisal Maroc is established

Start of online gaming in Spain

Renewal of the NTNG concession

Demerger of Gaming and Services business

2020
Launch of lotteries in Turkey

1946

THE BEGINNINGS OF SISAL

The Sisal Group contributed to the reconstruction of Italy after WWII, helping give Italians new opportunities to smile.

It's right after the war, in a destroyed Milan, in the midst of ruins. It's time to roll up one's sleeves and start again. The friendship between the three journalists Massimo Della Pergola, Fabio Jegher and Geo Mola gives rise to a shared project: give new life to Italian sport. They deposited a total of 900 thousand lira and founded Milano Sport Italia s.r.l. SISAL. ***This was the creation of the first Italian company to operate in the gaming sector as Government Concessionaire.***

A dream that began to take shape in January of 1946 when the publication Sport Italia was established and the "Sisal Betting Form" was launched to help reconstruct sporting infrastructure.

1950s

THE TOTIP ERA

In 1948 the successful launch of Totip, a horse race-based prediction game, was supported by the great Italian horse racing season. Totip quickly became an enjoyable appointment for many Italians, helping to make the Sisal brand popular.

1990s

THE TWIST OFFERED BY SUPERENALOTTO

With its millionaire jackpots, SuperEnalotto becomes the most popular game in Italy. With the launch of SuperEnalotto in 1997, the Group enriched its gaming offerings and successfully entered the lottery market. In just a short time, SuperEnalotto achieved the highest brand awareness in the Italian game market. In 2016 it underwent a full relaunch, in terms of both game format and image.

2000s

OMNICHANNEL INNOVATION AND THE LAUNCH OF PAYMENT AND TOP UP SERVICES.

After reaching the peak of digital and retail innovation in the gaming market, in 2004 Sisal brought entertainment online with the launch of its gaming site. Evolution of the retail model led to the launch of **Sisal Wincity**, the innovative sales point based around the "eat drink play" concept. The Lottery portfolio expanded with the addition of distinctive games with unique positioning, including **Win for Life** and **VinciCasa**.

During these years, the Group launched its payment and top up business which reached its height in 2013 with the creation of the SisalPay brand, a dedicated network for payment and top up services.

Today

SEPARATION OF GAMING AND PAYMENTS BUSINESS

In December 2019 the Group undertook a complex corporate reorganisation project with the objective of separating the Payments market from that of Gaming. This led to the creation of the first Italian Proximity Banking & Payments company, through the union of SisalPay and Banca 5 (Intesa Sanpaolo Group). For more details, please see that outlined in the section SisalPay and Banca 5: "a company born great".

INTERNATIONALISATION OF GAMING

Thanks to its knowledge of lottery and gaming management, with the advantage of skills honed over 75 years of experience, with an approach always focused on product innovation and the importance of the consumer, the Sisal Group has begun an internationalisation process to develop new business opportunities and continue to lead in new markets.

At present, the Group has a presence in Morocco, Spain and Turkey, with a wide array of offerings that includes lotteries, betting, online and entertainment equipment.

Organisational structure

After separation of Payments business, a new organisational structure was established for the Gaming group. The new organisation is focussed on two objectives:

- strengthen Sisal's position in the Italian gaming market
- support the expansion of Sisal into international markets.

The new organisation has three operating segments and three business structures with the goal of developing the best offerings to successfully compete:

3 Markets

1. Retail
2. Online
3. International

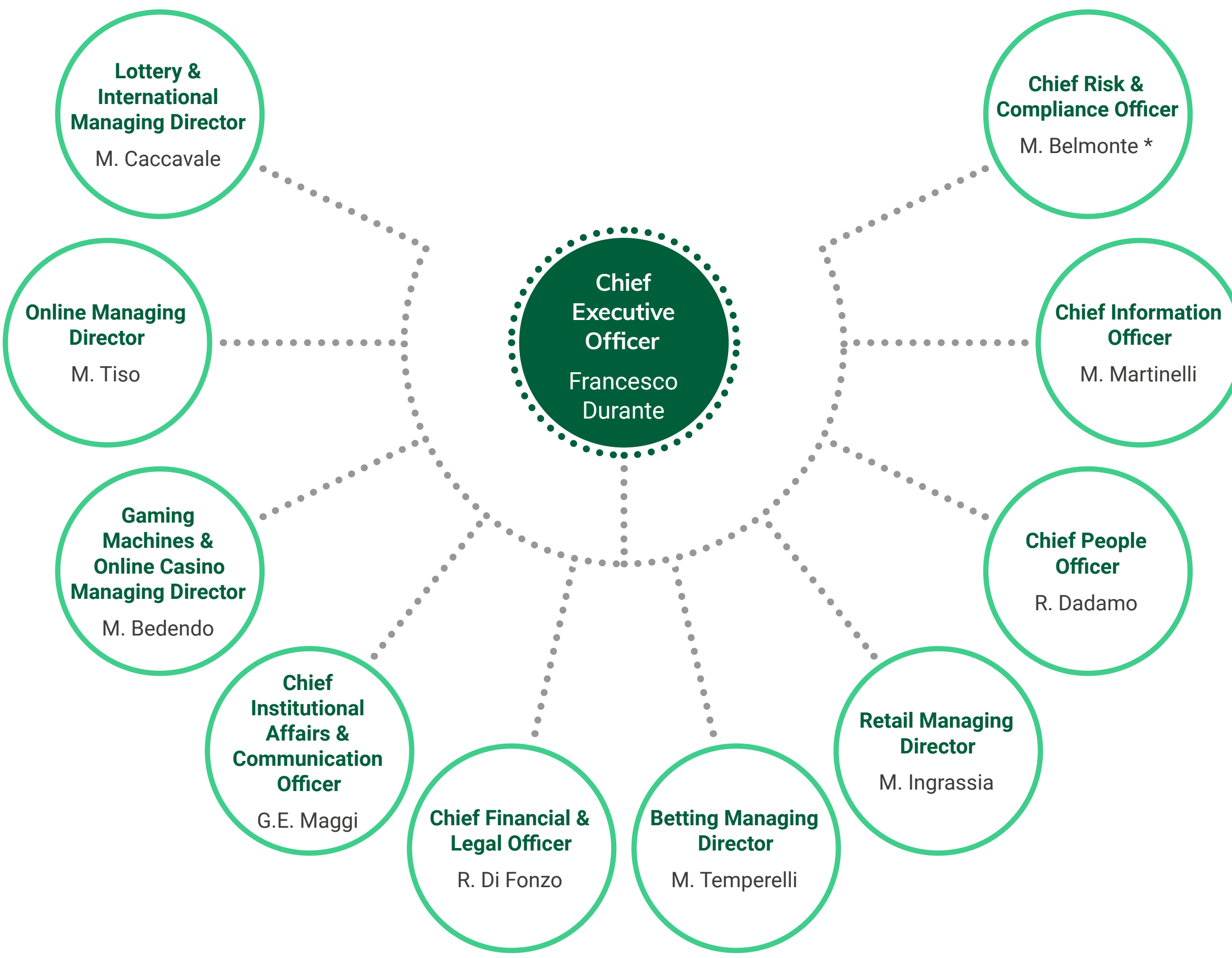
3 Business structures

1. Lottery
2. Betting
3. Gaming Machines & Online Casino

4 Staff structures

1. Finance, Administration, Controlling & Legal
2. ICT & Procurement
3. Human Resources & Organizational Design
4. Institutional Affairs & Communication

Below are the details of the organisational structure.



* In this position since January 2021.

Business areas

In the Gaming market, the Group operates in the following operating segments:

- **Retail**
- **Online Gaming**
- **International**

RETAIL

The Retail operating segment includes activities for the Lottery, Betting and Gaming Machines products.

LOTTERY

Lottery business includes National Totalizator Numeric Gaming (NTNG for which the Group is the exclusive concessionaire and which is distributed through both branded and affiliated sales points.

All NTNG products involve:

- participation in a game with a combination of numbers, selected by the player or selected randomly at the time of play;
- a single jackpot into which a predetermined amount of the stakes flow;
- equal division of jackpots among winning players in the same category of prizes.

NTNG bet acceptance occurs both through the physical channel (branded and affiliated sales points) and online, through authorised remote bet acceptance resellers.

The first NTNG game introduced in Italy was SuperEnalotto, for which the Sisal Group has been the exclusive concessionaire since 1997. The array of NTNG products is extensive and features strong brands, well-known to consumers: **SuperEnalotto**, **SiVinceTutto**, **Vinci per la vita – Win for Life**, **Eurojackpot** and **VinciCasa**.

In 2011, the NTNG lotteries were the first of Sisal's businesses to adopt international Responsible Gaming standards and to obtain certification from **European Lotteries and the World Lottery Association**.

BETTING

Betting business includes activities relative to fixed-odds betting and traditional predictions relative to horse-racing and sporting events.

Betting includes sports wagers for which the Sisal Group has a wide range of offerings. In fact, it is possible to bet on over 300,000 events, both sporting and other.

Additionally, the Group also offers the exclusive On Demand Live Betting service in which any player can propose original and entertaining gaming proposals using the relative form on the Sisal.it website or can make use of the guided creation mode. In this case, a player can also bet on an event that has already begun (e.g. a football match).

The array of Betting products also includes Virtual Races: bets can be made on virtual races selecting among many alternatives, such as dog, horse or car races, as well as virtual football matches.

Virtual Races are fixed-odds bets made on virtual events. The result is calculated and shown with an animated layout or makes use of a previously recorded real event.

GAMING MACHINES

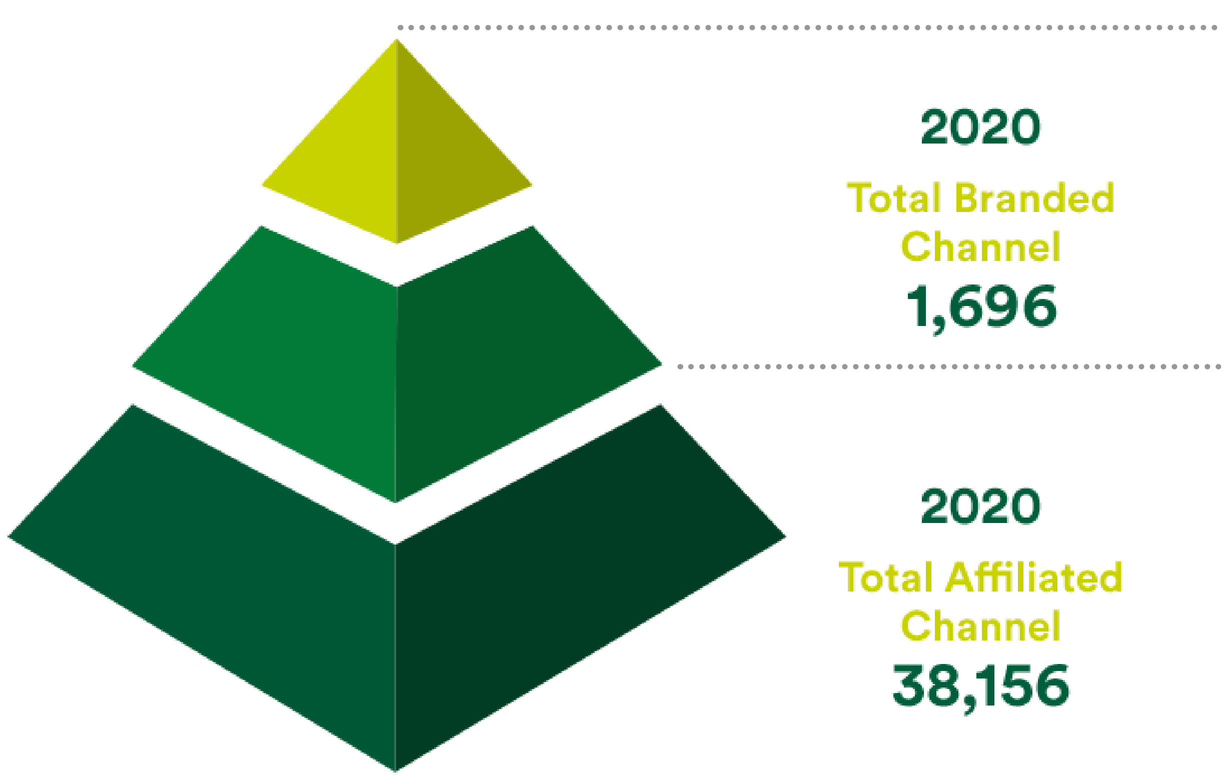
Gaming Machines business includes activities related to entertainment equipment (Apparecchi da Intrattenimento, ADI). In this area, the Group's offerings include both AWP (Amusement With Prize) and VLT (Video Lottery Terminal).

AWP, which are also known as Newslot in Italy, represent traditional slot machines and can be found in public locations such as bars, gaming rooms, betting agencies, etc. The devices are connected to the concessionaire's digital network for control purposes and host an electronic card which contains the gaming software, approved by the Customs and Monopolies Agency and not adjustable remotely.

VLT are devices which can be fully controlled remotely and in real time. They can only be installed in dedicated gaming rooms which meet strict security and control criteria, with access to minors prohibited.

DISTRIBUTION NETWORK

In Retail business the Group works through a network of sales points located throughout the country. In 2020, the network counted 39,852 sales points, divided into two physical channels: branded and affiliate.



Branded Channel

The branded channel includes 1,696 sales points directly identifiable with the Group's brands, of which around 100 are managed directly. Below are the main types of branded sales points:

The top of the line in the Sisal retail network, Sisal WinCity is an innovative concept based around the "Eat, Drink and Play" model, combining gaming, food and entertainment. It offers a welcoming and functional environment in which consumers can enjoy the most innovative products on the market while enjoying excellent Italian cuisine. At present there are 33 WinCity locations in the largest Italian cities, including Milan, Rome, Brescia, Pescara, Florence, Catania and Bologna.

This is the brand dedicated to horse racing and sporting bets and to Virtual Races. The 384 Matchpoint sales points offer the complete portfolio of Sisal products within high tech environments that pay special attention to customer needs. These are supported by 1,279 Corner Points for Horse Race Gaming (PGI) and Sporting Matchpoints (PGS).

Affiliated Channel

The affiliated channel includes 38,156 third party sales points located throughout Italy, with which a lasting commercial relationship has been developed over time. The channel includes sales points such as bars, tobacco shops and news stands which, thanks to their widespread coverage, make it possible to reach a vast array of consumers.

Below is a summary of the Sisal Group's distribution network.

The Distribution network

	2020	2019
Sisal Wincity	33	30
Matchpoint Agencies	384	392
Horse-racing and sporting gaming corner points	1,279	1,375
Total branded channel	**1,696**	**1,797**
Sales points, only AWP and VLT	1,742	1,884
Sales points, lottery	33,851	32,578
Sales points, lottery+AWP	2,563	2,797
Total affiliate channel	**38,156**	**37,259**
TOTAL	**39,852**	**39,056**

ONLINE GAMING

The Online Gaming operating segment refers to online bet collection and gaming activities carried out through the Sisal.it portal and the Sisal mobile apps. The Sisal Group was the first to move to digital, already able to accept online bets in 2004. Since 2004, the Group has progressively extended its online gaming offerings, launching horse-racing, Tris, Totocalcio, Totogol, SuperEnalotto and many other new products exclusively available on the digital channel, including Poker, Skillgames, Casino and card games.

The Sisal offer includes:

INTERNATIONAL

The International operating segment represents the Group's presence on international markets achieved through participation in tenders (e.g. lotteries) and by acquiring licenses (e.g. online gaming).
In fact, thanks to its knowledge of lottery and gaming management and its skills honed over 75 years of experience, with an approach always focused on product innovation and the importance of the consumer, the Sisal Group has begun an internationalisation process to develop new business opportunities and continue to lead in new markets.
Since 2018 the Group has been carrying out a multi-year strategy to build increasingly strong international credibility both to compete in various international markets and to strengthen its own footprint, making use of solid technological expertise and an ability to guarantee effective transitions and management of existing activities in different countries.
The Group has a long-term vision based on a gradual approach to international development, that acknowledges both the need for sustainable development and the necessity of adjusting its own organisational structure:

Phase 1 **(2018-2019):** build international credibility aimed at extending business in countries with significant development potential, starting with smaller markets or areas with limited shares (Morocco and Spain);

Phase 2 **(2019-2020):** further strengthen international reputation by improving position in existing markets and progressively expanding to larger markets (Turkey)

Phase 3 **(2020-2025):** become a key player at the international level, operating in increasingly more important markets for lotteries and online.

From 2021-2023 the international strategy will focus on consolidation, to continue growth in markets currently handled (Morocco, Spain, Turkey) and enter into new mature and complex markets where new value can be created, as well as developing the online market in other countries.
The entire internationalisation strategy is based upon a wider strategy of consumer protection, which is unique in the Gaming sector, and on digital innovation as a tool to grow and maintain leadership in the reference markets.
Internationally, at present the Group can be found in Morocco, Spain and Turkey, with a wide array of offerings that includes lotteries, betting, online and entertainment equipment.

January 2019, Morocco.

In February 2018 Sisal Spa was awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 year concession, starting on 1 January 2019, includes management and development of a portfolio which includes fixed-odds numeric games, national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).

July 2019, Spain.

In July 2019 Sisal Entertainment S.p.A. was awarded the tender issued by the Spanish General Directorate for Gambling Regulation (DGOJ). More specifically, the 10 year contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

August 2020, Turkey.

In September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract. Starting in August 2020 and lasting for ten years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

Mission, vision and values

As part of strategic management and with an eye to the future, mission, values and vision play a fundamental communicative role in the Group's strategy, as well as helping to strengthen the company culture, supporting identification and alignment of individual and company objectives.

MISSION

The Group's mission is to "**offer the best entertainment offerings, responsibly and sustainably over time**".

VISION

The Group's vision is:
"**Make people's lives simpler and more fun**".

VALUES

The Group's values are:

We play as a team
Each of us gives our best so we win together

We care for and respect our customers
Customer satisfaction and trust are our best rewards

We believe in people and in diversity
The value of people and the richness of diversity are our winning combination

We are responsible and we excel
Sustainability and compliance with rules are an area in which we achieve excellence

We innovate to grow
We work towards innovation and development. A company that believes in research invests in its future

Sustainability

During 2020, the Group continued to invest in its Sustainability Model, a document that guides Sisal's commitments in this arena so that every initiative and action undertaken are ever more aligned with its commitment to sustainability. The four pillars shown below represent the main area of action and summarise the main material issues, while also meeting the sustainability goals deemed most significant for Sisal's business, to which Sisal can make a special contribution.

Sustainability tools, through which the Group plans its various strategies and develops its specific initiatives also serve to determine that actions are always in line with the objective of sustainability and assist in planning future developments. More specifically:

- Sustainability Governance System, consisting of the Sustainability Committee and the Control and Sustainability Committee;
- Certifications (Quality ISO and Responsible Gaming Certification);
- Reporting and Materiality, in terms of stakeholder engagement and definition of strategic priorities, as well as compliance with the main SDGs (Sustainable Development Goals) and the achievement of assurance for the Sustainability Report.

In the light of the new Group identity following separating of gaming from payment services, which led to the preparation of the first Sustainability Report for just Gaming in 2020, and relative to the changed requirements of the context in which it works, the decision was made to update the sustainability strategy priorities.

This process, which saw top management involved in guiding the entire process of stakeholder engagement and materiality, to strengthen integration of sustainability at the strategic level and spread a sustainability culture throughout the organisation, led to a new list of material issues on which to focus the 2020 reporting and that of subsequent years:

Pillars	Sustainability topics
CONSUMER	Customer Experience
	Promotion of a legal and balanced gaming model
	Protection and support for players
	Help and assistance for problematic players
	Protection of privacy and information security
COMMUNITY	Commitment to the community
	Promotion of innovation and digital development
PEOPLE	Workplace health and safety
	Professional development
	Welfare and work-life balance
	Inclusion, diversity and gender parity
PLANET	Commitment to the environment
	Sustainable management of the supply chain

In terms of sustainability issues, definitely worthy of special mention is the protection of consumers through the promotion of responsible gaming, in addition to the commitment to the community.

CONSUMER PROTECTION: RESPONSIBLE GAMING

Caring for, respecting and protecting the consumer are the main pillars behind the Group's sustainability commitment.

In fact, Sisal's Responsible Gaming programme is a central element in the strategy the Group has decided to implement to guarantee protection of customers, in particular those in the most vulnerable categories, through projects to offer information, combat problematic gaming and provide education on responsible gaming, as well as offering assistance for problems linked to gaming. The Programme is structured around three main aspects:

Education for balanced and knowledgeable gaming

Guarantee maximum awareness for our players throughout all our online and offline channels with training and coordinated information on safe and balanced gaming.

Protection for players

Ensure transparency and security for players in an integrated manner on all channels, identifying problematic behaviour and implementing actions to protect against and prevent minors from playing.

Support for problematic players

Provide support, guidance and protection to problematic players.

The first commitment made by the Group is to spread a culture of balanced gaming, far from excess, based on protecting players, as well as safeguarding minors and the most vulnerable. This makes it important to plan for and include opportunities for information and education regarding the use of the Group's products, continually promoting safe and balanced gaming behaviour.

To that end, during 2020 a new training course was developed for all Group personnel with the objective of providing information and raising awareness about the importance of responsible gaming, providing knowledge about the risks associated with an unbalanced approach to gaming.

Activities to raise awareness in players are carried out at various levels so that messages and suggestions for responsible gaming are widespread throughout the country and reach the vast public, all customers and potential players through the physical distribution network and the digital channels.

In terms of the online channel, the Group offers players the opportunity to play through its portals and the Sisal digital applications, using cutting edge technology that guarantees secure gaming and prevents access by minors, able to constantly promote responsible and balanced gaming through self-limiting tools, definition of maximums and the possibility of self-exclusion.

Additionally, awareness raising training and tools are provided at the sales points, offering resellers communication tools with regards to responsible gaming and information on risks caused by excessive gaming and details on winning percentages and prohibitions on under-age gaming.

Additionally, since 2010 GAM-GaRD has been used to monitor the riskiness of our games. This tool can create a precise evaluation of the social risk of every new game before it is introduced to the market, and offers a specialised service to competently assist those who have exceeded their limits through a toll-free number and innovative online therapy service developed in cooperation with FeDerSerD.

Additionally, in 2020 the Group renewed its European Lotteries (EL) and World Lottery Association (WLA) certifications for the fourth time, at the highest level (4th) of Responsible Gaming. This recognition is the result of a long-term responsible gaming strategy in which some of the most important elements are protecting and safeguarding consumers.

COMMITMENT TO THE COMMUNITY

In terms of investment in the community, the GoBeyond project has now reached its 4th edition, with over 160 projects coming from throughout the country, continuing to one of the main Open Innovation events for start-ups in Italy.

Despite the pandemic, which made maintaining the format difficult, the numbers for GoBeyond continue to grow each year and, after reaching more than 200 thousand people through the official platform for the competition, the Group worked with around 100 students on innovation issues through workshops carried out remotely with partner universities.

Further demonstrating its commitment to the community, note that at the peak of the Covid-19 pandemic health emergency which seriously affected the economy and health of our country, the Group made contributions to assist local entities and associations to distribute and obtain the protective equipment needed to combat contagion, supporting Civil Protection both directly and through the collection of funds through its sales points.

Risk factors and uncertainties

The Sisal Group has provided itself with an internal control system intended to identify, analyse, monitor and assess the risks connected with company objectives and activities, while also preparing countermeasures to implement against these risks, guaranteeing that company processes are optimised and effective while also ensuring proper execution of business.
The Group has adopted Enterprise Risk Management (ERM) as its reference model for managing risks. This process is modelled after the Treadway Commission Committee of Sponsoring Organizations (COSO) risk management model and is internally of strategic importance because it is established with the aim of involving various company departments and levels, helping them to cooperate to ensure an integrated and complete response to identified risks.

Strategic risk mapping calls for Risk Owners to identify the risks which could influence achievement of the objectives they are responsible for. The risks identified and described (in terms of causes and consequences) are directly linked to defined company objectives (strategic, operating, reporting, compliance) and to guidelines issued by the Board of Directors.
Identification of countermeasures requires Risk Owners to document the mitigation actions, describing the countermeasures established or to be established, in order to reduce risk to an acceptable "residual" level.

This process is coordinated by the Risk & Compliance Department together with the Risk Owners and ends with the preparation of a document which identifies "Top and Critical Risks", selected in the Risk Matrix in terms of their degree of impact and likelihood.
This document outlines company objectives and relative due dates, the risks linked to these, mitigation measures implemented and/or to be implemented and monitoring methods and is submitted to and shared with governance bodies, in particular the Control, Risk and Sustainability Committee.

Based on the model described above, internal or external risks can be classified as:

- **Strategic Risks:** risks deriving from external or internal factors such as changes in the market context, erroneous company decisions or decisions implemented inadequately, slow reactions to changes in the competitive situation which could threaten the Group's position and achievement of its strategic objectives;
- **Financial Risks:** risks associated with the availability of sources of funding and the ability to efficiently manage volatility in currencies and interest rates;
- **Operating Risks:** risks deriving from the occurrence of events or situations which limit the efficacy and efficiency of key processes, impacting the Group's ability to create value.

Below are the main areas of risk to which the Group is exposed with regards to its business model, highlighting the strategies implemented to mitigate these risks.

MAIN RISK FACTORS

Below are the main classes of risk (financial, digital, operating, compliance and strategic) to which the Group is exposed based on its business model, highlighting the strategies undertaken during the year to mitigate these risks with reference to the main risk areas identified.

Risk Class	Risk Area
Financial	**Liquidity risk/interest rate risk** **Credit risk**
Operating	**IT & Cyber risk** **Confidentiality, integrity and availability of information**
	Emergency situations (pandemics, environmental disasters, etc.) **Changes in regulatory framework** **Execution of contracts/potential liabilities** **Procurement and Supply Chain efficiency**
	Compliance with Company Code of Ethics, policies and procedures **Compliance with relevant regulatory structure** **Fraud risk**
Strategic and Reputational	**Reference stakeholders (partners, customers and suppliers)** **Joint Ventures and non-controlling interests** **Organisation and Governance model** **Sustainability strategy**

Financial Risk

The risk management strategy is aimed at minimising potential negative impacts on the Group's financial performance due to volatility and unpredictability on financial markets. Management of financial risks is centralised within the Group's Finance & Legal Department, which identifies, measures and ensures coverage of financial risks in close cooperation with the Group's operating departments.

The Group's Finance & Legal Department provides guidelines for risk management, with special attention paid to exchange rate, interest rate, credit and liquidity risk and monitoring of methods used to invest excess liquidity.

For more detailed analysis of this risk, please see that found in the Financial Risk Management section within the Notes.

IT & Cyber Security Risk

Increased digitalisation, an ever more strict regulatory framework and the continued evolution of technologies and threats have made it necessary to implement appropriate cyber risk prediction and management strategies, through an effective **information security management system (SGSI)**, as well as protecting the integrity and confidentiality of digital information.

To that end, the Group has been implementing a number of projects and actions for some time, including:

- identifying and classifying information assets of value to the organisation;
- identifying cyber threats and vulnerabilities which could put these assets at risk;
- identifying and assessing security countermeasures to protect these assets;

to effectively combat interruptions to company activities and critical services due to cyber attacks (including, by way of example, DDoS and ransomware).

Therefore, during 2020 numerous business continuity projects were implemented for online systems, services and ADI (*Apparecchi da Intrattenimento*), including strengthening the Disaster Recovery Plan.

The Group has also invested in continuous training for its personnel, promoting IT security awareness programmes as well as on data protection, while also scheduling periodic audits by the Information Technology on the efficacy of underlying processes.

Operating Risks

Starting in January 2020 a pandemic disease known as Covid-19 began to spread throughout the world.

The pervasive spread of the disease led governments in most countries to adopt lockdown measures, including prohibitions on movement, quarantines and other public emergency measures which had significant impacts on production. The containment measures also included a partial blocking of the physical distribution channel used by the Group (full closure of bars, with tobacco shops still operational) as well as the complete closure of dedicated gaming and betting rooms.

The Sisal Group immediately implemented measures to protect the health of its employees and limit impacts on its business.
In particular, use of smartworking was increased, while stringent health and safety measures were implemented in workplaces (cleaning, specific safety protocols to limit contagion, etc.).

In this context, the Group began a number of initiatives to guarantee operational continuity for certain activities. In fact, new technological solutions were improved and implemented to offer remote access to company applications and new marketing and sales initiatives were launched to support growth of online business to compensate for the months long partial blockage of the retail channel.

Additionally, initiatives were begun to support commercial partners (payment flexibility, temporary cancellation of affiliation fees), as well as actions to optimise cash management through a detailed cost containment policy.

The Group immediately put into place all actions needed to mitigate the impacts of the pandemic, above all to protect the health and safety of its employees, as well as that of the business and its ability to generate cashflow, including establishing a number of institutional working groups to reduce the risk of contagion associated with legal gambling and promoting effective and recognised safety protocols.

Legal and Compliance Risk

The Group operates in the public gaming sector, which is heavily regulated in general and also governed by specific concessions.

In Italy a regime of legal reserve is in effect for public gaming (article 43, Italian Constitution). In fact, the state reserves for itself the organisation and operation of the same (article 1, Legislative Decree 496 of 14 April 1948), thereby excluding economic initiative by private individuals which, in order to lawfully offer this service, must necessarily request and obtain a concession.

The reason for the government's presence in the gaming sector is to ensure a tax contribution at a level which is compatible with protection of other significant public interests: consumer protection and combating illegal options.

Regulation of the sector is under the responsibility of the Ministry of Economy and Finance and, in particular, the ADM, Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority, formerly known as AAMA, Autonomous Administration of State Monopolies (Italian Presidential Decree 33 of 24 January 2002, issued in implementation of article 12 of Italian Law 383 of 18 October 2001), hereafter referred to also just as ADM, which dictates the guidelines for rational and dynamic development of the sector, verifying the regularity of concessionaire actions.

In particular, in its responsibility for gaming, ADM entrusts the operation of these services to entities selected on the basis of open tenders, which are competitive and non-discriminatory, in compliance with EU and domestic rules based on the concession in question.

ADM governs the public gaming sector through preliminary and constant checks on the work of concessionaires and through targeted actions to combat irregularities. Additionally, it implements controls over the sector also in terms of ascertaining specific taxes.

In this context, new decisions made by the government and the bodies deputised to control and manage this market could lead to significant changes in the regulatory framework, which could impact the Group's results and objectives.

In effect, the development of Group strategies is closely connected to obtaining authorisations or participating in public tenders, which are especially competitive not only due to the presence of other long-time companies in the Italian market, but also due to increasingly high pressure coming from foreign operators looking to extend or strengthen their presence in Italy, and who do not always act within the limits established under national regulations.

The consequence is often intense disputes regarding the result of tenders which involve numerous appeals and court cases, sometimes merely as a disturbance and, additionally, changes made to current regulations have a significant impact on the achievement of the Group's goals and results.

In the light of the above, the Group has provided itself with specific internal structures to support is concessionaire relations and monitor developments in regulations, to ensure continuous compliance with current regulations and to adopt appropriate actions to protect the Group's results.

Considering the significance of the concessionaire relations, the decision was made to dedicate a specific section of this Report to examining relative regulatory developments and changes made to contractual conditions for concessions already awarded and in the course of being awarded, as well as providing comments on disputes in course relative to the same.

Additionally, the risk of non-compliance with anti-money laundering regulations also deserves a specific mention when discussing regulatory risks associated with the gaming business.

To mitigate the risk of money laundering and the associated harmful consequences for players and government bodies, the Group has established an Anti-Money Laundering Department which is dedicated to mitigating this aspect. For analysis of the activities carried out by this department, please see the section on the "Anti-Money Laundering Department".

Strategic and Reputational Risk

With reference to this area of risk, recall that the Group adopted a Sustainability Model some time ago, which guides its commitment to ensuring that all initiatives and actions are always in line with its commitment to sustainability.

In fact, it is clear that after the reorganisation cited multiple times which separated Gaming business from Banking & Payments, the specific nature of the Group's business has made it fundamental to update its strategic sustainability priorities and consequently identify the most important activities to mitigate the associated reputational risks.

This meant that in 2020 the Responsible Gaming programme played a central role in the Group's strategy to guarantee protection of customers, in particular those in the most vulnerable categories, through projects to offer information, combat problematic gaming and provide education on responsible gaming, as well as offering assistance for problems linked to gaming.

In order to contain regulatory limitations, which in part already took place during 2020, with the introduction of a national individual health insurance card and further actions to limit gaming, for example linked to the growing social danger of gaming, the Group intensified its investments in training and communication focussed on promoting responsible gaming.

For more information on this issue, please see that found in the section on “Sustainability” in this Report.

Also with an eye to managing strategic and reputational risk, finally note that starting in 2006 the Group established its Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, as described below.

ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

The Sisal Group has created an Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001. This decree introduced corporate liability for administrative offences. In substance, the Model defines all those internal rules and organisational procedures which serve to prevent the commission of the crimes envisaged by the Decree, in the interest of the company itself. The Model, disseminated to all employees and stakeholders, includes:

- a Code of Ethics;
- a system of internal protocols and procedures and countermeasures to prevent the risk of crimes (control system);
- a Supervisory Body (SB);
- a map of powers granted;
- a system of sanctions.

The Supervisory Body (SB) is of particular importance, the entity which monitors the appropriateness and effective implementation of the Organisation Model and reports directly to the Board of Directors. Among the various tasks assigned to it, the SB is also responsible for establishing constant and direct dialogue with all employees, who are asked to promptly report any anomalies, information or news relative to suspected crimes. To that end, the SB disseminates the principles and contents of the control system and, in particular, of the Organisation Model, using both the company intranet and other specific channels, as well as through training tailored to the recipients and the risk levels of the areas in which they work. The Organisation Model was designed to be promptly updated in response to amendments or additions to the type of crimes and areas envisaged in Legislative Decree 231.

During 2020, the SB did not receive any notifications of incongruities or significant deviances with respect to the Organisation Model as adopted and noted continuous improvement within the Group in the completeness and quality of the information flows called for under the Model.

CODE OF ETHICS

The Code of Ethics is a document which defines the behavioural rules which employees, directors, statutory auditors, collaborators and commercial partners must comply with in executing their activities. Complying with the Code of Ethics is fundamentally important in guaranteeing proper functioning and reliability and in strengthening our image, as well as for protecting our know-how. In fact, the document deals with issues such as relations with employees, accounting transparency, health, safety, the environment and the whistleblowing process, all factors that contribute to the Group’s success.

ANTI-MONEY LAUNDERING DEPARTMENT

For the Sisal Group, it is a priority to ensure the effectiveness and timeliness of control and verification safeguards regarding the adequacy of the systems to prevent and combat illegal gaming and money laundering.

In 2013, a dedicated organisational department was created, formalising the commitment to combating money laundering.

In compliance with the relevant regulatory provisions, the Anti-Money Laundering Department (hereafter, the “Department”), based on the principles of independence and authority, monitors the proper application of the regulations with the aim of establishing all necessary anti-money laundering and terrorism financing safeguards relative to individual business areas (online and retail), as well as relative to the operations of sales points.

Located within the Risk & Compliance Department, the Department has adopted specific actions to identify, manage, prevent and report on risks connected to money laundering and financing of terrorism.

With a focus on compliance, the Department guarantees the use of a methodology to manage money laundering and financing of terrorism risks which includes:

- identifying and evaluating potential risks associated with real and legal persons;
- evaluating vulnerabilities to identify problems with prevention safeguards for money laundering and financing of terrorism;
- evaluating the impacts and potential negative effects linked to identified risks;
- identifying the relative corrective actions.

The Department helps to implement policies, procedures and controls aimed at managing and mitigating the risks identified (and connected to Suspect Transaction Notifications sent to the relevant authority), including:

- appropriately assigning responsibilities for guaranteeing correct dissemination of information;
- procedures that define required activities relative to risks identified (e.g. notification mechanisms);
- supplying training and issuing communications to ensure all employees are aware of risks, procedures and potential consequences in the case of non-compliance.

Additionally, by monitoring existing safeguards, it guarantees policies, procedures and controls are kept up to date also in relation to the introduction of substantial changes (e.g. regulatory changes, internationalisation process, launch of new products).

Using a risk-based approach and in order to comply with all relevant regulatory requirements, the Department carries out know your customer tasks using specific automated systems, as well as with databases supplied by external suppliers. Among other things, these systems make it possible to carefully screen for the reputation of players and gaming store network managers to verify, both at the time of the initial contract and continuously, that the reputational requirements required under the regulations are met and maintained, as well as to carry out appropriate assessments of subjective aspects to identify potential money laundering.

Additionally, the Department has an customised automated Transaction Monitoring system that allows it to monitor gaming operations to identify actions that require attention and, subsequently, after careful evaluation by Department personnel, send suspect transaction notifications to the authorities when necessary.

To better guarantee full regulatory compliance, the Department has a customised IT tool to profile players, which also is used for managers of sales points subject to the issuing of a Public Safety License pursuant to article 88.

The Department also provides consulting and support to other company departments with an eye to cooperating, informing and sharing knowledge in order to combat money laundering.

To better handle the Group’s internationalisation process, the Department makes use of periodic information flows to and from local anti-money laundering departments, to share methodologies, analysis practices and the Group’s system of rules used to combat money laundering and financing of terrorism.

The results of these activities are shared with the Management and Strategic Supervision bodies in accordance with anti-money laundering regulations and are also shared with internal Board control bodies to ensure they receive a comprehensive view of company risk in the area pertaining to the Department.

Gaming concessions and regulatory framework

GAMING CONCESSIONS

Below is a summary of the main concession relationships held by the Group's companies and developments in the relative disputes:

			Concession in effect	
Holder	**Description**	**Country**	**Start**	**End**
Sisal S.p.A.	National Totalizator Numeric Gaming (NTNG)	Italy	26 June 2009	30 November 2021
Sisal Entertainment S.p.A.	Operation of the network for digital management of legal gaming using entertainment and gaming equipment	Italy	20 March 2013	30 March 2022
Sisal Entertainment S.p.A.	“Bersani” sporting bet acceptance	Italy	28 March 2007	30 June 2021
Sisal Entertainment S.p.A.	“Bersani” horse-racing bet acceptance	Italy	28 March 2007	30 June 2021
Sisal Entertainment S.p.A.	“Giorgetti” horse-racing bet acceptance	Italy	31 October 2013	30 June 2021
Sisal Entertainment S.p.A.	“Monti” horse-racing and sporting bet acceptance	Italy	31 July 2013	30 June 2021
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	12 November 2013	11 November 2022
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	7 November 2019	31 December 2022
Sisal Loterie Maroc S.a.r.l	Concession to accept bets for fixed-odds numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).	Morocco	1 January 2019	31 December 2028
Sisal Sans *	Concession to accept bets for numeric games, instant lotteries and online gaming	Turkey	August 2020	August 2030
Sisal Entertainment S.p.A.	Concession to accept bets for online gaming	Spain	July 2019	July 2029

* Sisal Sans Interaktif Hizmetler Teknoloji Yatirim Anonim Sirketi

Concession to manage numeric gaming for national totalizators, complementary and optional games and the relative remote forms of participation, as well as additional numeric games based on a single national totalizator.

In compliance with Italian Budget Law 2017, Law 232 of 11/12/2016, in article 1 paragraph 576, ADM[2] began the selection procedure to aware the concession to manage National Totalizator Numeric Gaming.
With a deed of 2 December 2019, ADM declared that Sisal S.p.A. had been awarded the concession. Following the Covid-19 epidemiological emergency, article 101 of Decree Law 104 of 14 August 2020, converted with Law 126 of 13 October 2020, established that the date for stipulation and efficacy of the agreement for the concession to manage National Totalizator Numeric Gaming was set, due to the extraordinary and unforeseeable nature of the events caused by the current COVID-19 epidemiological emergency, at 1 December 2021.

(2) Customs and Monopolies Agency

Disputes:

Spending requirements for "communication and information" projects

With a note dated 18 December 2020 and subsequently, with a payment request dated 5 February 2021, ADM, in relation to article 15, paragraph 2 of the Concession Convention, on the subject of spending requirements for "communication and information", ordered that Sisal S.p.A. had to pay the tax authorities the amount of € 24,288,420.22 (to which would be deducted any sums suffered in June 2020), as the amount of spending the company was held to allocated during the period in question (1 July 2018 to 30 June 2020) for the aforementioned purposes of communication and information.

ADM also anticipated that, in line with other concessions, it would similarly assess the remaining period of extension, that is from 1 July 2020 through to 1 December 2021 (the date on which the new concession begins).

Holding that these requirements for the concession were no longer applicable in its current format but must be recalculated as a function of the new regulatory provisions, after the Dignity Decree took effect in 2018 and based on communications with ADM regarding the effects of this decree on specific concession requirements, Sisal S.p.A. challenged the cited ADM notes with the Regional Administrative Court (TAR - Tribunale Amministrativo Regionale) of Lazio, asking for them to be suspended.

On 11 February 2021, a decree issued by the presiding judge of the TAR granted this suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021. To guarantee the entire sum requested by ADM, the Lazio TAR asked that Sisal S.p.A. provide the same agency with a first request bank surety. Sisal S.p.A. delivered this surety by 6 April 2021, the deadline indicated by the Lazio TAR.

Baglivo writ of summons

With a writ of summons dated 10 July 2014, Giovanni Baglivo, the holder of a contract for physical bet acceptance for the NTNG and, at the time, the chairman of the bet acceptance union STS, disputed the amount due for fees established in the same contract given that they were inherent to the supply, by the Company, of services in part already due pursuant to the concession and in part lacking any utility for the owner of the sales point. Sisal S.p.A. holds these claims to be ungrounded and authorised its attorneys to prepare the relative defence.

With judgement 11767/2017, published on 22 November 2017, the Court of Milan held the request made by Giovanni Baglivo to be partially founded, partially nullifying the agreements contained in article 8 of the Contract between the Concessionaire and the Sales Point for, in particular, that regarding some of the services indicated in Annex 2 to the Contract.

In fact, in the opinion of the Court of Milan, the performances associated with the aforementioned services should be understood to be included in that which Sisal is already required to carry out based on the Convention signed with AAMS[3].
Holding that this judgement was flawed by both erroneous assessments of law and fact, an appeal was filed with the Milan Court of Appeals.
With a judgement issued on 3 December 2019, the Court of Appeals de facto confirmed the first level judgement, although it granted the aspect of the Sisal appeal regarding the date on which interest began to accrue (as of the date of the request until the balance and not as of the date of each individual payment). Sisal S.p.A filed an appeal with the Supreme Court on 30 July 2020.

Concession to activate and operate the network for digital management of legal gaming using entertainment and gaming equipment, as well as associated activities and functions.

With a notice published in the Official Journal of the European Union on 8 August 2011, AAMS began the procedure to assign the "concession to create and operate the network for digital management of legal gaming using entertainment and gaming equipment envisaged under article 110, paragraph 6, TULPS, as well as associated activities and functions". Sisal Entertainment S.p.A. was awarded the tender, with the 9 year contract signed on 20 March 2013, and expiring on 30 March 2022.

(3) Autonomous Administration of Monopolies of the State, now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM).

Disputes:

Tax accounting

With a report dated 16 July 2012, received by the concessionaires and, in particular, to Sisal Entertainment S.p.A. on 5 September 2012, the Office of the Reporting Magistrate for Tax Accounting asked the Section with jurisdiction to issue an opinion on “the impossibility of carrying out any judicial audit with regards to the cited accounts, as they have been provided by the concessionaires, due to the the lack of certainty regarding the accounting data presented”. The report states that the concessionaire/accounting agent “is held to comply with the accounting obligation above all with regards to the Administration”, that this latter has not certified “the reality of the information, both due to a lack of connection with the digital network and due to the extremely generic nature of the criteria used to established the amounts recognised”, that “the accounts produced through financial year 2009 were not examined by the Administration's Internal Control Office which should have granted the so-called certification of the Account”, and that “in the absence of this certification from the Internal Control Office, no judicial audit can be carried out by this Judge”.

At a hearing held on 17 January 2013, the concessionaires were informed that the Unified Court of Audit had filed, in mid-December 2012, the reporting scheme which the concessionaires were to follow for accounting activities. The proceedings were then referred to the hearing on 16 March 2013, after which the judges confirmed the impossibility of judicial auditing of the accounts and sending the deeds to the Public Prosecutor. The concessionaire appealed this decision. After the hearing on 15 January 2015, the judgement on the appeal was published which, establishing that the Investigating Magistrate’s report does not note a debt due from the concessionaire, but only that the accounts presented have lacunae and irregularities, states that a decision cannot be made with regards to the accounts, “much less a sentence” to pay a debt and sent the deeds to the initial judge to reconstruct and define the accounts, so as to identify a final result, with quantification of any sums not allowed and consequent payment of the same.

Extra limit setting for entertainment equipment (ADI)

With a provision dated 5 August 2013, regarding compliance with article 1, paragraph 81, letter f) of Italian Law 220/2010, AAMS (now the Customs and Monopolies Agency - ADM) requested payment from Sisal Entertainment S.p.A., in the form of an administrative fine, in the amount of € 300 for each individual piece of entertainment and gaming equipment exceeding the number established in the rules in effect from January to August 2011 regarding the extra limits set for the same.

Based on that claimed by AAMS, the AAMS/SOGEI databases identified, with reference to January - August 2011, excess amounts not relative to an individual network concessionaire but determined by the presence, in the same location, of equipment relative to multiple concessionaires, among which Sisal Entertainment S.p.A. This latter challenged the provision with the TAR of Lazio, asking that it be annulled and noting the erroneous action of AAMS in determining that these excess amounts could be charged to Sisal Entertainment S.p.A., and therefore requesting that these amounts claimed be deemed illegitimate, which would amount to € 4,293,258.16, according to AAMS.

At present, the date has not yet been set for the hearing to discuss the case.

2015 and 2016 Stability Laws

The 2015 Stability Law established a € 500 million decrease in the fees due to entertainment equipment concessionaires for concession-related activities. This same law established that the reduction was to be divided up between the concessionaires as a function of the number of entertainment equipment dispensations held by each of these as of 31 December 2014. Calculation of the amount due from each concessionaire was done through a specific directorial decree issued by the Customs and Monopolies Agency on 15 January 2015. The concessionaires, after redrafting the contracts with operators along the supply chain responsible for bet acceptance, applied the aforementioned reduction pro rata to the fees of the latter.

Since that established in the 2015 Stability Law was deemed to be unjust and illegitimate constitutionally, Sisal Entertainment S.p.A., in line with other concessionaires, filed an appeal with the TAR of Lazio, which held that the claims of unconstitutionality made by the Company could be heard and transferred the case to the Constitutional Court.

The 2016 Stability Law also took action in this area, through a comprehensive revision of the aforementioned reduction of the fees, introducing a criteria for division among supply chain operators based on the participation of each operator in distribution of the payment, taking into account the contractual agreements and their duration relative to 2015.

In the light of the changes introduced by the 2016 Stability Law and after legal/regulatory investigation, Sisal Entertainment S.p.A. came to the conclusion that the aforementioned law, solving the problem of the lack of quantification for dividing the reduction in fees among various supply chain operators, ordered autonomy and independence not solely for the items to be compensated, but also for the relative payables applying to individual operators. With reference to that due from other supply chain operators on the basis of that established in the 2015 Stability Law, the Company was therefore not obliged, and was to pay ADM the amounts pertaining to it when and to the extent that these were collected by the same from the various operators.

With a judgement published on 13 June 2018, the Constitutional Court ordered the return of the deeds to the TAR of Lazio so that, after the 2016 Stability Law took effect, it could again evaluate the question of constitutional legitimacy raised with regards to that established in the 2015 Stability Law.

After this new assessment by the initial judges, a judgement was issued on 3 October 2019 which found that these doubts had been removed by the new law (2016 Stability Law), declaring the appeal could not be proceeded with due to a lack of interest and a lack of standing. While the writer of this decision seems to have adhered to the regulatory structure, clearly distinguishing between the amount due from the concessionaires and that due from the supply chain, also again noting the parameter under the law is solely "contractual fees in effect in 2015", the decision can still be attacked in terms of the constitutionality of the measure after the application law takes effect. Therefore, the decision was made to appeal the judgement with the Council of State.

With an order issued 31 August 2020, the Council of State sent the deeds to the Court of Justice of the European Union, submitting two questions. In the first, the judges asked whether an action such as that established by the 2015 Stability Law, which reduces earnings and fees solely for a specific category of operator is compatible with the principle of the freedom of establishment and the freedom to provide services. In the second, they asked whether a norm introduced for solely economic reasons is compatible with European law. At present, the Court of Justice has not yet issued a judgement.

In the light of the above, the amounts due from supply chain operators as an effect of the 2015 Stability Law and not paid to the concessionaire are not recognised in the financial statements (in terms of both receivables due from operators and corresponding payables due to the Administration).

Concession for horse-racing and sporting bet acceptance

The concession to accept horse-racing and sporting bets held by the concessionaire Sisal Entertainment S.p.A. expired on 30 June 2016, after which the duration of the concession was extended year after year through to 31 December 2020.

With a law dated 24 April 2020, the expiration of 31 December 2020 was extended for an additional six months against the payment of an annual amount of € 7,500 by right for sales points for which sales of public gaming products are their main business, including regularised acceptance points, and of € 4,500 by right for sales points for which the sales of public gaming products are an accessory activity.

Sisal Entertainment S.p.A. renewed 1,375 sales points for which the sales of public gaming products are their main business and 471 sales points for which sales of public gaming products are an accessory activity.

Disputes

Guaranteed minimums, concession for national fixed-odds horse-racing bet totalizator (former Sisal Match Point S.p.A.)

After the merger by incorporation with Sisal Match Point S.p.A. in 2013, Sisal Entertainment S.p.A. became the holder of the concessions to accept horse-racing bets for the national fixed-odds totalizator, assigned after the tender issued through Ministry of Finance notice 109 of 11 May 1999.

The aforementioned concessions call for the payment of guaranteed minimum amounts to UNIRE[4], which constitutes the predetermined lump sum amount due by the winner of the tender to exercise the concession activities. The mechanism underlying these guaranteed minimums establishes that after the annual accounting for the year, carried out by the Ministry of Finance, if the concessionaire has not collected amounts sufficient to reach the minimum offered during the tender procedure, they must pay the Administration an amount corresponding to the relative difference. For some of the amounts relative to these minimums, Sisal Match Point (now Sisal Entertainment S.p.A.) did not make the payment, holding that these minimums were inadequate with respect to the market which had developed after the agreement was signed in 2000. On this subject, in relation to certain historic concessions arbitration had begun with certain concessionaires which were acquired by Sisal Entertainment S.p.A., after the arbitration had been declared. The arbitration hearing on 26 May 2003 which issued a result in favour of the concessionaires was subsequently annulled through the judgement filed by the Rome Court of Appeals on 21 November 2013, which Sisal Entertainment S.p.A. appealed on 2 July 2014 with the Supreme Court. With an interlocutory judgement of 11 December 2019, the case was transferred to the Unified Court in that there was an issue of jurisdiction relative to the ordinary and administrative courts. With a judgement filed on 26 October 2020, the Unified Court annulled the Appeals Court judgement, confirming jurisdiction for the ordinary court and transferring the case to a different section of the Appeals Court for a decision, also with regards to Supreme Court costs. The case was therefore returned to the Appeals Court.

(4) Unione Nazionale Incremento Razze Equini - the holder of horse-race betting activities to be exercised directly or through assignment to third parties.

Guarantee minimums, historic concessions

Again with reference to the cited concessions for acceptance of horse-racing bets, with a writ of summons dated 3 August 2017 Sisal Entertainment S.p.A. began a dispute with the Customs and Monopolies Agency intended to obtain compensation for damages consequent to the granting body's non-fulfilment of the obligations deriving from the contractual concession relations, in particular due to the non or late implementation of all types of bets, the non and/ or late issuing of regulations for the acceptance of on-line bets by the concessionaire, as well as neglecting to protect the betting market from illegal and online phenomenon and, in any case, not establishing and maintaining the market conditions promised in the concession deed and under the responsibility of the granting body. Relative to this case, a hearing was set for 5 May 2020 to state the conclusions. At present the judgement has not yet been issued.

With reference to the same concession, in response to the request for payment of the horse-racing minimums sent in 2018 and in the initial months of 2019 to the concessionaires holding the "historic" concessions by ADM, Sisal Entertainment S.p.A. responded by highlighting the case in course with the Civil Court of Rome and disputing the legitimacy of the payment requests. The judgement has not yet been issued.

Concession fees

With a note dated 23 January 2018, Sisal Entertainment informed the Betting and Totalizator Sporting Games Office, Central Office for Management of Taxes and Game Monopoly, ADM, that in compliance with that established in the current concession agreements and the regulatory provisions in article 1, paragraph 1048 of Italian Law 205 of 27 December 2017, it had paid the concession fees, solely for the rights active as of 31 December 2017, based on which it continued bet acceptance activities for the year 2018. Sisal indicated that it had not paid the fees relative to concessions 4300 and 4802 as these had been partially used to offset the respective credit due to it pursuant to that established in the relative agreement. In fact, in contrast to that stated by ADM, that the fees paid by the concessionaires in relation to the agreements for bet acceptance do not necessarily have to be equal to or less than 1% of annual bets accepted by the concessionaire, Sisal Entertainment holds that the stated 1% found in the text of the agreements is the maximum amount attributable to the annual concession fees.

This interpretation dispute led Sisal Entertainment to file a case with the TAR of Lazio, through an appeal dated 18 May 2018, in order to see its claims accepted. Relative to this case, the date for the hearing on merits has not yet been set.

Remote gaming convention (GAD)

GAD Concession 15155

The Company holds the concession for accepting "remote" bets for public gaming, issued to Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), pursuant to and in accordance with article 24, paragraph 13, letter a) of Law 88/2009, by the Monopolies Administration (now ADM), following the tender issued through Directorial Decree no. 2011/190/ CGV.
The concession is in effect until 11 November 2022.

GAD Concession 15467

On 4 November 2020, with a deed notarised by the notary Stefano Campanella, Sisal Entertainment acquired from Gioco Servizi s.r.l., with registered office in Milan, Via Poliziano 18, tax ID and VAT no. 10266160968, registered with the Chamber of Commerce and Business Registry of Milan under no. R.E.A. 2518063, a business unit involving, among other things, the remote gaming convention (GAD) 15467, expiring on 31 December 2022.

Disputes

Expiration of remote gaming convention (GAD)

In a communication dated 26 October 2020, ADM informed Sisal Entertainment that the GAD concession would expire on 10 November 2020. This date, based on ADM's rejected claims, would derive from the fact that the convention in question, despite containing in its text the duration of nine years, starting on 12 November 2013, does not end on 11 November 2022, but rather on the date of 10 November 2020. In fact, again according to ADM, the transfer from the original concessionaire Match Point to the new concessionaire Sisal Entertainment would maintain the original duration unaltered, and hence for nine years as of the original signing date of 11 November 2011, despite (i) the issuing to Sisal Entertainment of a new concession title which explicitly indicates the duration of nine as a function of the above and (ii) the fact that the 2016 stability law, in order to guarantee continuity for tax inflows, as well as to protect players and public faith through actions to combat illegal gambling, established the temporal alignment, of 31 December 2022, of all concessions involving the commercialisation of remote gaming. The Company filed an appeal with the Regional Administrative Court (TAR) of Lazio against ADM's interpretation, obtaining a presidential decree through which ADM's provision was suspended until 2 December 2020. On that date, the chamber confirmed the suspension order, setting the hearing on merits for 6 October 2021.

Convention, National instantaneous lotteries (Gratta &Vinci - Scratch&Win)

Disputes:

In December 2017, the Customs and Monopolies Agency extended the instant lottery concession through 30 September 2028, exclusively in favour of the concessionaire at that time.

Sisal S.p.A. holds that this extension was ordered in violation of both EU principles and national laws on the awarding of concessions. In fact, these principles hold that concessions must necessarily be awarded through the holding of public tenders. Additionally, the granting of the extension in the exclusive favour of the current concessionaire is an additional violation of the law which calls for the awarding of multiple concessions for this type of concession.

In the light of the above, Sisal S.p.A. filed an appeal against this extension with the TAR of Lazio. After an investigation of the merits, the TAR rejected the appeal with a judgement published on 4 October 2018. Holding this judgement to be deficient and in some ways illogical, Sisal S.p.A. appealed again to the Council of State.

After the IV Section of the Council of State examined the merits of the appeal, it was found that there are doubts that the continuation of the exclusive concession for management of bet acceptance for the national instant lottery as ordered by ADM may be in conflict with fundamental rights which are doubly protected (nationally and in the EU), such as legal certainty, freedom to provide to services, non-discrimination, transparency, impartiality and freedom of competition. The Council of State therefore transferred the case to the European Court of Justice. At present, the Court has not yet issued a judgement.

Concession to accept bets for online gaming in Spain

In July 2019 Sisal Entertainment S.p.A. was awarded the tender issued by the Spanish General Directorate for Gambling Regulation (DGOJ). More specifically, the 10 year contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

Concession to accept bets for numeric games, instant lotteries and online gaming in Turkey

In September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract. Starting in August 2020 and lasting for ten years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

Concession to accept bets for fixed-odds numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL) in Morocco

In February 2018 Sisal Spa and the subsidiary Sisal Loterie Maroc S.a.r.l. were awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 year concession, starting on 1 January 2019, includes management and development of a portfolio which includes fixed-odds numeric games, national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).

New concessions for gaming using entertainment equipment

Italian Law 160 of 27 December 2019, establishing the government budget for financial year 2020 and a multi-year budget for 2020-2022, stated that, by 31 December 2020 (a deadline then postponed by six months by Law 27 of 24 April 2020) ADM was to issue a call for tender to assign the following concessions:

a) 200,000 rights for AWPR equipment (remote AWP) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 1,800 per right, with a minimum of 10,000 rights;

b) 50,000 rights for VLT (Video Lottery Terminals) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 18,000 per right, with a minimum of 2,500 rights;

c) 35,000 rights to operate sales points in coffee and tobacco shops, in which AWPR can be placed; minimum bid of no less than € 11,000 per sales point, with a minimum of 100 rights;

d) 2,500 rights to operate locations in which AWPR and VLT can be placed; minimum bid of no less than € 35,000 per sales point, with a minimum of 100 rights.

The cited law also called for the issuing of a tender to award rights to accept remote bets. To that end, by 31 December 2020 (deadline extended by six months by Law 27 of 24 April 2020), ADM must issue a call for tender to assign 40 rights to offer remote gaming, with a minimum bid of no less than € 2,500,000 per right.

All of the above concessions shall have a duration of nine years, non-renewable.

REGULATORY FRAMEWORK

Regulation of the gaming sector is the responsibility of the Ministry of Economy and Finance and, in particular, of ADM, which dictates the guidelines for the rational and dynamic development of the sector, verifying the regulatory of concessionaire actions.

Below are the main regulatory changes which took place in 2020 in the sectors in which the Sisal Group operates, as well as additional provisions already known of as of the date this document was prepared.

Entertainment Equipment

Access to equipment using the health insurance card

The Dignity Decree in article 9-quater establishes that *"access to entertainment equipment, pursuant to article 110, paragraph 6, letter a) and b) of TULPS is allowed exclusively through the use of the health insurance card so as to impede access to these games by minors. As of 1 January 2020, equipment pursuant to this paragraph without mechanisms able to impede minors from accessing play must be removed from operation. Violation of the provision in the second sentence shall be punished with an administrative fine of € 10,000 per piece of equipment*".

Under article 27, paragraph 4, the Decree established that "*In consideration of the provisions of article 1, paragraph 569, letter b) and of article 1, paragraph 1098 of Law 145 of 30 December 2018, the introduction of the health insurance card established under article 9-quater of Decree Law 87 of 12 July 2018, converted with amendments by Law 96 of 9 August 2018, relative to the equipment referenced in article 110, paragraph 6, letter a) of the Comprehensive Law on Public Safety (TULPS), pursuant to Royal Decree 773 of 18 June 1931, should be understand to refer to equipment that allows for remote public gaming*".

With reference to VLT gaming systems, implementing the provisions under the above cited Dignity Decree, the Directorial Decree amending the technical rules for production of VLT gaming systems, no. 94934/RU of 31/07/2019 ordered that video terminal gaming systems be designed and manufactured so as to allow access to play solely through the use of a health insurance card, to ensure minors are prevented from playing.

As of 1 January 2020, as also clarified by ADM with note 226717 of 19/12/2019, VLT equipment are provided with a device to read the health insurance card.

With reference to AWP gaming systems, activities are still under way by the authorities to identify a technical solution that can be adopted to comply with the requirements established in the aforementioned laws.

PREU rates (Single Tax Withdrawal)

As an effect of Italian Law 160 of 27 December 2019 (the 2020 Budget Law), the PREU rates were increased.

In particular, the 2020 Budget Law, effective as of 1 January 2020. Under article 1, paragraph 731 it establishes that "*as of 1 January 2020, single tax withdrawal amounts on the equipment pursuant to article 110, paragraph 6, letters a) and b) of the Comprehensive Law on Public Safety, pursuant to Royal Decree 773 of 18 June 1931, are increased and set, respectively, at 23.85 percent through 31 December 2020 and at 24.00 percent effective as of 1 January 2021 for sums played with equipment pursuant to letter a) and at 8.50 percent through 31 December 2020 and 8.60 percent, effective as of 1 January 2021, for sums played with equipment pursuant to letter b). The rates established in this paragraph replace those established under article 9, paragraph 6 of Decree Law 87 of 12 July 2018, converted with amendments by Law 96 of 9 August 2018, as amended by article 1, paragraph 1051 of Law 145 of 30 December 2018, and by article 27, paragraph 2 of Decree Law 4 of 28 January 2019, converted with amendments by Law 26 of 28 March 2019*."

As an effect of the cited provision, PREU rates were changed as shown below:

Year	AWP	VLT
2020	23.85%	8.50%
2021	24%	8.60%

Additional PREU for VLT

As an effect of the cited provision, effective as of 15 January 2020, "*withdrawal from winnings on gaming equipment pursuant to article 110, paragraph 6, letter b) of TULPS, established by article 5, paragraph 1, letter a) of the Decree by the General Director of the Autonomous Administration of Monopolies of the State dated 12 October 2011, published in Official Journal 265 of 14 November 2011, referenced in article 10, paragraph 9 of Decree Law 16 of 2 March 2012, converted with amendments by Law 44 of 26 April 2012, is set at 20 percent for the amount of winnings exceeding € 200.00*".

Payout

Additionally, the possibility of adjusting the minimum pay-out levels for players was also established. In fact, in the same article 1, paragraph 732, it is also stated that "*Effective as of 1 January 2020, the percentage of sums played destined for payout is set at no less than 65 percent for equipment pursuant to article 110, paragraph 6, letter a) of the Comprehensive Law pursuant to Royal Decree 773 of 18 June 1931 and at no less than 83 percent for equipment pursuant to article 110, paragraph 6, letter b) of the Comprehensive Law pursuant to Royal Decree 773 of 18 June 1931*."

Minimum payout levels

Year	AWP	VLT
2020	65%	83%

Technical operations to adjust the payout percentage must be completed by eighteen months after the date the cited law takes effect. The Sisal Group is implementing necessary actions to adjust to the regulations in question.

Costs for issuing NOE (operating dispensations) and NOD (distribution dispensations)

Paragraph 3 of article 27 of Decree Law 4 of 28 January 2019, effect as of 29 January 2019, establishes that "*The issuing of distribution dispensations established under article 38, paragraph 4 of Law 388 of 23 December 2000, for producers and importers of entertainment equipment and devices pursuant to article 110, paragraph 6, letter a) of the Comprehensive Law on Public Safety (TULPS), pursuant to Royal Decree 773 of 18 June 1931, is subordinate to the payment of a one time fee of € 100 per individual piece of equipment. Solely for the year 2019, the one time fee established under article 24, paragraph 36 of Decree Law 98 of 6 July 2011, converted with amendments by Law 111 of 15 July 2011, is set at € 200 per individual piece of equipment*".

As an effect of this, the fee to issue the distribution dispensation (NOD) for producers and importers of entertainment equipment and device is subordinate to the payment of a one time fee of € 100.

As of 1 January 2020, for operating dispensations (NOE) issued to concessionaires, the cost for each individual piece of equipment is € 100.

Remote betting and gaming (GAD)

Single tax

Article 1, paragraph 1052 of the 2019 Budget Law states that "*the single tax pursuant to Legislative Decree 504 of 23 December 1998 is established:*

a) *for remote games of ability with cash winnings and remote bingo games, in the amount of 25 percent of the sums which, based on the rules of the game, are not paid out to the player;*

b) *for fixed-odds bets, excluding horse-racing bets, in the amount of 20 percent, if the bets are accepted through a physical network and at 24 percent if the bets are accepted remotely, applied to the difference between the amounts played and the amounts paid out;*

c) *for fixed-odds bets on simulated events pursuant to article 1, paragraph 88 of Law 296 of 27 December 2006, in the amount of 22 percent of amounts played net of amounts which, based on the rules of the game, are paid out to the player".*

Therefore, as an effect of this provision, the rates were changed as below:

Bets	Rate
Fixed portion (excluding horse-racing)	from 18% to 20%
Virtual	from 20% to 22%

Remote gaming	Rate
Ability (e.g. poker)	from 20% to 25%
Fixed-odd bets (excluding horse-racing)	from 22% to 24%
Virtual	from 20% to 22%

Fund to relaunch the national sporting system

Article 217 of Decree Law 24/2020, converted to law with amendments by article 1, paragraph 1 of Law 77/2020, in order to assist with the economic crisis for entities operating in the sporting sector due to the measures to contain and manage the Covid-19 epidemiological emergency, established an estimate of a "Fund to Relaunch the National Sporting System" for the Ministry of Economy and Finance, the resources of which are transferred to the autonomous budget of the Prime Minister, to be assigned to the Office of Sport to adopt measures to support and help with the recovery of sports.

As of the date the cited decree took effect and through 31 December 2021, a portion of 0.5 percent of total bets accepted relative to sporting events of all type, including virtual, made in any way and using any method, whether online or through traditional channels, is to be paid to the government and shall remain with it, as determined on a quarterly basis by the entity assigned by the government, net of the portion relative to the single tax pursuant to Legislative Decree 504 of 23 December 1998. Financing for the aforementioned Fund is limited to a maximum of € 40 million for 2020 and € 50 million for 2021. A subsequent determination by the Customs and Monopolies Agency on 8 September 2020 defined the methods used to determine the 0.5% for individual types of bets, as well as the terms for payment of the relative amounts.

Legal and tax disputes

Below is a summary of the main legal and tax disputes. Note that for disputes relative to concession contracts signed by the companies in the Sisal Group, information can be found in the section "Gaming concessions and regulatory framework".

INTRALOT

With reference to the procedure for outsourcing the service to create and operate a new automated management system for acceptance of bets for public gaming in Morocco, Sisal S.p.A. was awarded the contract in 2018 through the relative tender procedure and, with the then newly established Sisal Loterie Maroc S.a.r.l, a 100% subsidiary, signed the relative convention in July 2019 (with a total duration of 10 years), investing its best efforts in creating the technological, commercial and organisational structure needed to begin operating the concession activities, which occurred punctually on 1 January 2019.

On 19 December 2018, close to the go-live date for the new concession, Intralot S.A., Integrated Lottery Systems and Services (a Greek company which is the parent of Intralot Maroc S.a.r.l.), the previous holder of the concession, presented Sisal S.p.A. with a warning letter intended to impede the use of Microlot Terminals in Morocco.

The Greek company claims that these Terminals cannot be used in Morocco as this use would violate the territorial restrictions of the Software license it holds, installed on each piece of equipment.

Sisal S.p.A. responded to the letter, claiming that Intralot's claims were entirely unfounded.

Between December 2018 and February 2019 additional correspondence was had by the two companies with the aim of beginning negotiations with the aim of amicably settling the issue, as called for in the same supply contract.

In substance, Intralot did not comply with the requirement to begin friendly negotiations and in April 2019 began an arbitration procedure, as called for under the same contract to resolve disputes arising between the parties in relation to its execution and interpretation.

In the arbitration request filed, Intralot requested that the Arbitration Chamber: (i) prohibit Sisal S.p.A. from using Microlot terminals in Morocco; (ii) compensate them for damages which derived from the claimed violation of the usage license by Sisal S.p.A., quantified in the amount of € 5 million.

Sisal S.p.A. presented itself to the Arbitration Chamber specifically disputing Intralot's claims and demonstrating the legitimacy of its actions, introducing a counter-claim of compensation for damages in the amount of € 2 million.

Subsequently, filing its final declaration of its claims and maintaining its request for prohibition of use, Intralot further added to its compensation for damage claims, asking the Arbitration Chamber to order Sisal S.p.A.:

a) **principally**, pay a total sum of € 25,330,598, plus 5% annual interest as of 01.01.2019 through to full payment. This request is based on the claim that Sisal S.p.A. could not have been awarded the tender in Morocco or in any case could not have made a bid with the proposed terms if it had not offered Microlot terminals. A consequence of the asserted structural illegitimacy of the bid made by Sisal S.p.A. would be that Intralot would have been awarded the tender and, consequently had the right to compensation for the losses suffered, quantified as above. This claim is contested due not only to the lack of merit, but also the illegitimacy of the request as it is entirely new and not a modification of the request initially filed for arbitration;

b) **secondarily**, if the above claims are not accepted, to compensate for damages due to the unauthorised use, without a mandate and, in any case, in bad faith, of the TAPIS software. Based on the complainant's reconstruction, this damage is to be quantified through Sisal paying Intralot the profits achieved during the period of unauthorised use of the software. The damage is quantified in the amount of € 1,031,068 for each year of asserted unauthorised use, plus 5% annual interest.

c) **thirdly**, to compensation for the damage deriving from the undue enrichment that Sisal benefited from. The damage is quantified in the same amount as point b), plus 5% annual interest.

d) **fourthly**, compensation for damages in the form of Sisal returning the full net profits generated through the contract with SGLN or as dividends perceived as the result of the activities of the Moroccan subsidiary, estimated by the complainant, for the entire duration of the contract, as € 10,310,682, through 31.12.2028 or until another date as determined by the Arbitration Chamber. In this case, the quantification per year would be € 1,145,631.33. A 5% annual interest adds to all the above.

To these demands for compensation are added the request for payment of arbitration costs by Sisal S.p.A. in the case of an adverse judgement.

Following the preliminary stage and after setting the schedule for the proceedings, the arbitration procedure was formally begun. Based on the schedule, approved by the International Chamber of Commerce (ICC) of Geneva, the final judgement should be filed by June 2021.

JAMAGI SESO SERVICE Sarl

Jamagi Seso Service Sarl, a Moroccan company, sent a writ of summons to the Company in May 2020, requesting a sum as compensation for damages due to the asserted pre-contractual liability of Sisal S.p.A., as the latter had not executed a letter of intent signed between the two parties in 2018, conditional upon the awarding of the tender to the Company and upon the signing of the contract with SGLN (National Lottery Management Company of Morocco), in which they agreed upon future cooperation, postponing until later a subsequent agreement to define the subject of that cooperation/fees/duration.

Jamagi claims that the Company had been dilatory with the aim of not finalising the contract called for in the letter of intent and then abandoning the negotiations in progress.

This non-signing of the contract is claimed to have caused damage to Jamagi, quantified by the company in the amount of over € 1,558,869.

In its response, the Company disputed that claimed by the counterparty, presenting a reconstruction of the negotiations which, in contrast to that claimed by the latter, had taken place between the parties.

Briefs were filed during 2020 and the two parties are waiting for the hearing to discuss the documents.

SISAL ENTERTAINMENT S.p.A. / PLAY LINE S.r.l.

At the beginning of 2020, Sisal Entertainment S.p.A. sued Play Line s.r.l. (a former gaming room manager) to demand and obtain payment of the amount due from the latter, of € 126,000, due to the termination of the contract for breach by Play Line.

The case followed assisted negotiation in which the parties were unable to reach an agreement.

The counterparty presented a counter-claim against Sisal Entertainment, requesting the sum of € 801,755 as compensation for damages due to a delay by the latter in the digital transfer of the location.

At present all requests made by the counterparty have been denied (oral examination, technical expert and discovery disclosure order) and the hearing to specify conclusions has been set for 24 June 2021.

Tax disputes

As of the end of the financial year, certain disputes and/or tax audits and investigations were pending with regards to certain companies of the Group.

More specifically during 2009, Sisal S.p.A. was the subject of a tax audit by the Revenue Agency, Lombardy Regional Office, intended to audit certain transactions carried out in that period, specifically with reference to the extraordinary transaction which involved the Company, in terms of direct taxes, VAT and IRAP (regional production tax). This audit ended with the issuing of a findings report (PVC) on 22 October 2009 which was presented as a notice of findings issued by the local Milan 2 Revenue Agency Office on 17 December 2009. This report identified an undue deduction of VAT in the amount of € 530,000 in financial year 2005, in addition to interest, applying a fine of the same amount. The company promptly appealed this notice of findings in 2010 with the Milan Provincial Tax Commission and the first hearing, also in relation to that indicated below, was set for the end of October 2012. Following the hearing, the assigned Tax Commission accepted the Company's appeal on the merits. This decision was then appealed by the counterparty with the relevant Regional Tax Commission (hearing in January 2014) which overturned the decision made by the first level judge, holding that the deduction in question referred to costs not classifiable as activities intended to produce income for the Company. In December 2014 it decided to appeal to the Supreme Court, represented by the attorney Maisto, with the aim of demonstrating the ungrounded nature of this assumption. In the meantime, following the decision issued by the Regional Tax Commission, the company received a payment order for provisional collection of the higher tax plus 100% fines, as well as interest and collection fees, for a total of around € 1.3 million which was properly paid in January 2015.

In a judgement issued on 17 September 2020, the Supreme Court accepted the Company's appeal and ordered that the proceedings be newly taken up with the Regional Tax Commission.

On the other hand, relative to the dispute arising after an 2015 audit carried out by the Revenue Agency, Lombardy Regional Office, Large Taxpayer Office regarding VAT non-deductibility, which gave rise to notices of findings for 2010-2013 for a total of around € 8.5 million including taxes and fines, after unsuccessfully having attempted a tax settlement proposal, Sisal S.p.A. filed its appeals. The first level hearing was held on 9 September 2019 and the Milan

Provincial Tax Commission issued a judgement in favour of the company, accepting its claims and ordering the Revenue Agency to pay legal expenses. Consequently, the Revenue Agency promptly filed an appeal with the Regional Tax Commission. At present the date for the hearing has not been set. Finally, at the end of 2019 the company received an additional notice of findings for the same issue, relative to financial year 2014, for a total of around € 2.7 million including taxes and fines, against which the company presented an appeal in May 2020.

With reference to additional tax disputes triggered by a 2010 tax audit of Sisal Entertainment S.p.A. by agents of the Revenue Agency Lombardy Regional Office, Large Taxpayers Office, which was outlined in detail in the financial statements for previous years and involved a presumed illegitimate deduction during the period in question and subsequently of greater depreciation of entertainment equipment relative to “paragraph 6”, with the adoption of a tax depreciation rate (20%) held to be unsuitable by the auditors. This situation was resolved by the company in 2017 through the process known as “scrapping” and at the beginning of 2018 this was also used for all years with similar disputes through 2012. In 2019, the company also dealt with the year 2013, by paying a total of around € 400 thousand in taxes and fines. In December 2019 the Company also received a notice of findings for the year 2014 (including a finding of insufficient taxes paid in the amount of € 557 thousand plus fines and interest), against which the Company presented a request for adhesion at the beginning of 2020. In the meantime, a response was received from the Ministry of Economy and Finance (MEF) to the technical report sent by the Company with the aim of definitively clarifying the proper rate to apply to entertainment equipment. The MEF confirmed tax depreciation in the amount of 20% and as a consequence the relative item in the notice of findings was no longer effective.

Employment disputes

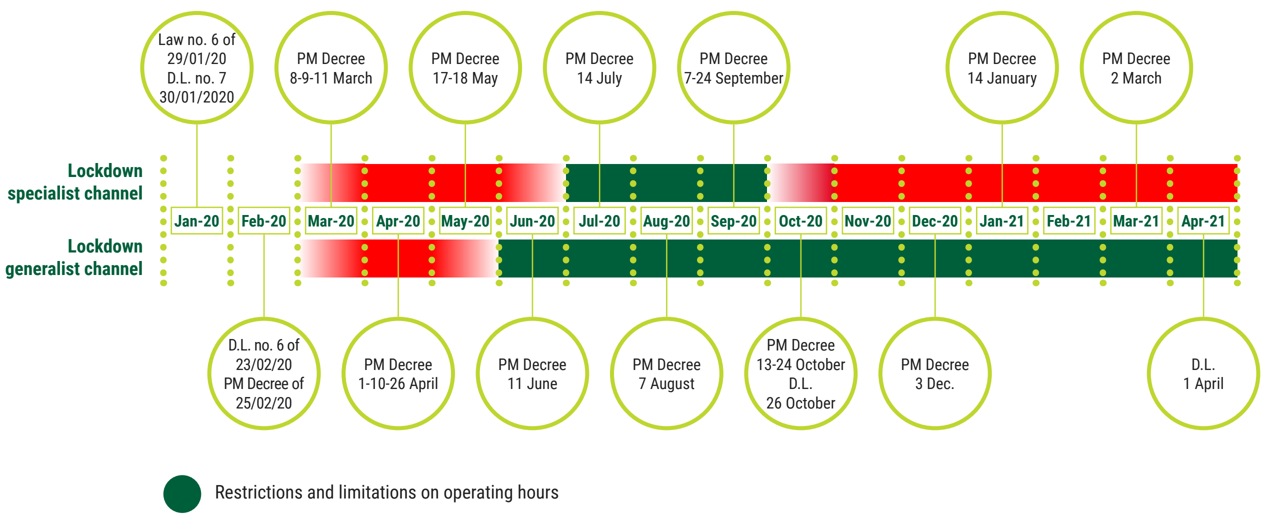
With reference to the subsidiary Sisal Entertainment S.p.A., note a pending dispute with INPS, which originated with an issue concerning a notice of findings issued by the social security institution regarding the legal classification by the Company for collaborators who carried out business activities. The Injunction Order issued after the audit activities was appealed with the relevant Court with the aim of obtaining a declaration of the correctness of the company's actions. On 30 October 2018, the Court of Milan issued a judgement on the merits, rejecting the appeal and substantially agreeing with the notice of findings issued by INPS.

On 23 April 2019, Sisal Entertainment S.p.A. filed another appeal. The case was heard on 10 December 2019 by the relevant chamber of the Milan Court of Appeals - Labour Section. The judgement, filed on 13 January 2020, rejected the Company's appeal and again agreed with the findings issued by INPS, based on which the collaborators in reality carried out tasks which entirely coincide with the company purpose, as employees of the company. The company reserves the right to assess possible actions for the future.

Significant events during the year

COVID-19

2020 was marked by the Covid-19 pandemic which heavily influenced trends in the gaming market and the Company's business results, due to the two "lockdown" periods imposed by the authorities, the first from 11 March to 15 June 2020 and the second starting on 6 November 2020.



Starting on 21 February 2020, the day on which the first case of Covid-19 was identified in Italy, a series of Prime Ministerial Decrees (DPCM) were issued, which introduced increasingly restrictive measures through the "Io Resto a Casa" Decree of 11 March 2020 which suspended all non-essential retail establishments and services in Italy. For Sisal, these measures led to a partial block of the distribution network for its physical channel, starting in March. More specifically, all activities for the specialised channel were suspended - that is activities in arcades and in betting rooms. Relative to the generalist channel, activities in bars were suspended while those in tobacco shops remained operational, but with a prohibition on gaming products. During this period, only online gaming was allowed. During the initial lockdown the Online channel also saw a decline due to the suspension of sporting events and limitations on Lottery products.

Only as the contagion curve fell did the Italian governmental authorities gradually loosen these measures, allowing people to move freely and businesses to reopen.

As of 4 May the generalist channel returned to business (bars and tobacconists) with the possibility of selling Lottery tickets, while as of 15 June 2020 gaming and betting rooms could reopen. The period between July and October 2020 should be seen as the only period during the year in which the physical and online channels were fully operational, reaching amounts very similar to pre-Covid levels.

In particular, September and October 2020 respectively saw an increase of +5% and +2% with respect to the same period in 2019, assisted by the combined effects of the accelerated growth seen in the Online channel and the rapid recovery of the Retail channel, which both saw positive performance, although they did not reach pre-pandemic levels due to lower consumer traffic in the generalist channel.

Starting in October 2020, the contagion curve began to rise exponentially, forcing the government to once again implement restrictive measures aimed at containing the Covid-19 health emergency. To differentiate between restriction levels, the Italian regions were grouped into one of three epidemiological categories: red, orange and yellow, corresponding to the most risky to the least risky and correlated with specific and different levels of restrictions.

On 26 October 2020 the Italian government was forced to issue a new Decree Law which called for, as of 6 November 2020, the closure of gaming and betting rooms and all specialised sales points, while also introducing certain restrictions relative to the generalist channel.

As of the date of this document, the physical Retail channel is still closed, due to the above law and subsequent DPCMs which confirmed these provisions.

In contrast with the initial lockdown, during the second Lottery product sales within the generalist channel (tobacco and newspaper stands) have not been suspended.

The business of foreign subsidiaries was also negatively affected by the Covid-19 pandemic:

- in Morocco local authorities imposed a lockdown from 16 March 2020 to 1 June 2020, during which bet collection activities were entirely suspended. As of June 2020 bet collection returned gradually, with differences based on the various regional orders;
- in Turkey, the launch of Lottery business was postponed to 1 August 2020. In any case, during its initial months of business the foreign subsidiary achieved performance exceeding expectations, above all in the online segment;
- online activities in Spain suffered due to a lack of sporting events.

The Sisal Group immediately implemented a number of measures intended to protect the health of its employees and, simultaneously, "minimise" the impacts on its business and on its ability to generate the cash flow necessary to manage and develop business.

In particular, use of remote working was increased, while stringent measures were implemented to guarantee workplace health and safety (cleaning, specific safety protocols to limit contagion, etc.).

In this context, the Group began a number of initiatives to guarantee operational continuity for certain activities, including improving and implementing new technological solutions to offer remote access to company applications and new marketing and sales initiatives to support growth of online business to compensate for the months long partial blockage of the retail channel.

Additionally, initiatives were begun to support commercial partners (payment flexibility, temporary cancellation of affiliation fees), as well as actions to optimise cash management through a detailed cost containment policy.

Further, the Group established a number of negotiation groups to reduce the risk of contagion associated with legal gambling and to promote effective safety protocols.

Further demonstrating its commitment to the community, note that at the peak of the Covid-19 emergency which seriously affected the economy and health of our country, the Group provided support to local entities and associations to distribute and obtain the protective equipment needed to combat contagion, supporting Civil Protection both directly and through the collection of funds through its sales points.

INTERNATIONALISATION

Turkey

In August 2020, with the start of the relative concession, the Turkish subsidiary Sisal Sans began operating.

Recall that in September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract.

The contract, which was initially to start in June 2020 and was subsequently postponed to August due to the Covid-19 emergency, involves the management and development of a portfolio of numeric games, instant lotteries and online gaming, for a period of 10 years.

OTHER EVENTS

European Lotteries and World Lottery Association certifications renewed for the fourth consecutive time

December 2020. The Group announced it had renewed its European Lotteries (EL) and World Lottery Association (WLA) certifications for the fourth time, at the highest level (4th) of Responsible Gaming. This recognition is the result of a long-term responsible gaming strategy in which some of the most important elements are protecting and safeguarding consumers.

Since 2011 the Sisal Responsible Gaming programme has undergone a certification process every three years, involving increasingly severe parameters and carefully carried out by an independent third party to verify the Company's effective commitment to developing a balanced and knowledgeable gaming culture focussed on player protection and complete prevention of excessive gaming and gaming by minors.

To ensure continuous knowledge with regards to this phenomenon, over the years the Group has been involved in significant research projects to monitor possible problems deriving from gaming and was one of the first companies to implement the innovative online therapy services developed in cooperation with FederSerD. This initiative confirms the Group's commitment to continue to measure the impact and consequences gaming has on society.

The most important Sisal Wincity in Italy reopens, celebrating 10 years with the amazing “Wincity Oniric Wall System”

September 2020. Sisal announced that 10 years after the inauguration of the Sisal Wincity in Piazza Diaz 7 in Milan, a few steps from Piazza Duomo, the location has been transformed, following new trends in the retail sector.

The new Wincity Milano Diaz was redesigned to fully take advantage of an omnichannel approach and a digital experience, offering the widest array of games available on the market as well as a selection of extremely high quality food and beverages.

After the brief shut-down for remodelling, the store opened its doors to present a number of innovations to make the customer experience unforgettable, while still fully complying with Covid-19 prevention rules. These include: the “Wincity Oniric Wall” system, over 50 square metres of semi-transparent LED walls, which surround customers bringing them into captivating locations, from global stadiums to remote locations; the Tunable light system, which changes the quality of light in areas based on the time of day, coordinated with the store’s audio and video systems.

With the introduction of the first WOW (Wincity Oniric Wall) system in the world, the new WinCity continues to be the only store able to offer comprehensive entertainment in an immersive fully hi-tech scenario that continues to make visiting the store a true experience, thanks to the perfect synchronisation of sound, smell and image. Due to the unusual aspects linked to the health emergency, special attention was paid to anti-Covid safeguards: the sales point, which as of date of this report is closed due to restrictive measures imposed to fight contagion, was constantly cleaned and distribution of spaces were handled to ensure compliance with social distancing and general precautions when it reopened after the initial lockdown.

Launch of the MySisal programme

Starting in September 2020, in the context of the Lottery segment, the Group launched a new affiliate programme for sales points known as “MySisal”. This sales initiative is intended to offer sales points a platform of dedicated services to protect and/or increase business, including by way of example and not exhaustive:

- online training and education services to increase the professional skills of resellers;
- marketing, to make the sales point more attractive
- services to protect and/or increase the sales point's business (territory exclusivity, insurance coverage for risks, use of the concessionaire's website);
- supply of additional innovative technology and maintenance of gaming terminals.

At the end of December 2020 this strategic initiative had led to the signing of around 31,500 MySisal contracts and the Group plans to continue investing in this innovative programme, helping it to spread further.

Launch of the new affiliate program: a top quality proposal to become part of the Sisal.it family

June 2020. Sisal announced the launch of a new programme for affiliates, offering all online editors, webmasters, tipsters, bloggers and influencers the opportunity to become part of the Sisal.it affiliate network, with the possibility of enjoying new advantages reserved for online partners.

The new website dedicated to online affiliates offers a comprehensive service, with support tailor-made for webmasters and those managing websites focussing on gaming and gambling. All Sisal.it affiliates can count on support from an Affiliate Manager who provides immediate assistance in the case of difficulty, as well as information and clarifications to support affiliates in maximising their results.

To guarantee excellent services, the onlineb2b.sisal.it portal includes a reserved online platform, which allows users to request feeds for comparing odds, obtain information and monitor the performance of campaigns hosted on their websites.

Banking & Payments

Highlights 2020

20 million
customers

14,000
million
Turnover

311.9 million
revenues

81.7 **million**
Adjusted EBITDA

31.3 **million**
investments

582
employees

SisalPay and Banca 5: "a great business since day one"

In December 2019 the Group undertook a complex corporate reorganisation project with the objective of separating the *Payment Services* market from that of *Gaming*. This operation led to the creation of the first Italian Proximity Banking & Payments company, through the union of SisalPay and Banca 5 (Intesa Sanpaolo Group).

The immediate objective was not merely economic but also social: making payment services and all transactions which had previously only been available at bank branches always available and easy to access through a network of over 45,000 sales points, including bars, tobacconists and news-stands, using cutting edge digital platforms.

The model was designed to meet the needs of all: from those who prefer to carry out transactions at a sales, supported by a reseller, to those who prefer to use services from an application or online platform in full autonomy.

Organisational structure

BUSINESS AREAS

The Sisal Group is active in the *Payment services and simple transaction services* through the companies of the SisalPay Group (now the Mooney Group), created through the agreement with Banca 5 S.p.A.. This agreement gave rise to the first Proximity Banking & Payments company in Italy. The Group's offerings for this sector are extensive and can be classified based on the channel used, as below:

Traditional Retail including all payments and transactional bank operations (deposits, bank transfers, MAV, tax payments) made through the traditional physical channel, that is post offices and bank branches.

Proximity Retail including all payments and transactional bank operations carried out through the physical channel consisting of proximity retail locations, that is tobacco shops and bars, news stands and other commercial locations other than post offices and bank branches;

Digital including all payments and services carried out through the web, online and mobile platforms;

Below is a brief description of the Group's offerings in the segment of *Payment services and simple transaction services*.

Prepaid cards

In 2020 the Group added to its offerings, launching a new prepaid card: the Mooney card which can be activated and topped up at authorised bars, tobacco shops and news stands. This is accompanied by other prepaid cards: the SisalPay brand card and Banca 5 (Intesa SanPaolo) Live UP card.

Proximity Payments

These offerings include all payment services included in the PagoPA project (promoted by the Italian Digital Agency and part of the wider project to digitalise public administration). The services offered by the Group allow citizens to pay utility bills, traffic tickets, taxes, health copays and vehicle taxes at sales points located throughout the country.
Additionally, *Proximity Payments* also includes Trenitalia ticketing services, telephone top-up services (Telco Top Up), Amazon PIN codes and subscription purchases.

Proximity Banking

With the Mooney brand, the Group offers services which were traditionally only available at bank branches. The offer includes prepaid card top up services with IBAN, using T-Ricarica, execution of bank transfers for payment with T-Bonifico, payment of utility bills and the possibility of withdrawing cash directly from bars, tobacco shops and news stands.

Online

All the payment services offered through the "physical" channel are also available online (Mooney app and website).

Mobility

Pay for parking, tickets and transit passes for all public transportation types available on the myCicero app.

Mission, vision and values

Also in the Banking & Payments sector, the Group's mission and values play a fundamental role in communicating its strategy, as well as strengthening company culture, helping individuals to align their own objectives with those of the company, even more so when considering that this important area of business for the Group was developed at the end of the previous year and during 2020 through the combination of organisational structures and business experiences that were very different, although complementary and synergistic.

MISSION

The Group's mission is "**to be the first and most accessible Proximity Banking & Payments network**".

VALUES

The Group's values are:

Excellence
We work hard every day to bring you the best.
Products and services that make our customers' lives better.

Simplicity
We simplify payments and transaction banking with intuitive, practical and user friendly tools.

Client first
The customer comes first: we anticipate and meet all their needs with quality services and tools at competitive prices.

Security
We are the result of the integration between SisalPay and Banca 5: we were "born great", a guarantee of authority, stability and credibility.

Proximity
We are always available to our customers thanks to a network of over 45,000 sales points and a modern digital ecosystem that is always accessible and within reach.

Innovation
We believe that true innovation is synonymous with progress and that is why we constantly invest in research and development.

Sustainability

2020 was the first year of operations for the already noted partnership between **SisalPay** and **BANCA** 5, two companies that have always been based on a similar foundation: **sustainability** for their **stakeholders**, **for the company and for the areas in which they work**.

In its first year of life, dealing with the impacts of the pandemic which is still in progress, the management, employees and network of SisalPay Group S.p.A. demonstrated **extraordinary resilience**, further demonstrating their propensity for **responsibility**.

From the start of the Covid-19 emergency the company and its subsidiaries worked knowledgeably to **make the Company secure**, ensuring both **business continuity** and the **health of its people**.

During the worst months of the pandemic, during the initial lockdown, SisalPay developed a **CSR action plan** to support and provide concrete assistance for **people**, its **network of sales points** and the **Community**. The **actions** put in place can be classified into **three main areas**:

- **Support for People,** by taking out a **Covid-19 health policy** for all employees and immediately implementing a **100% Smartworking** plan. Significant results were obtained thanks to investments made in previous years in technology and training, allowing all employees to work from home with total security.
- **Support for the Sales Point Network,** through a plan of **economic assistance** and sending **mask kits** to the entire network, prioritising operating points (tobacco shops, news stands).
- **Support for the Community**, through:
  - a direct **donation** made to one of the most authoritative non-profits – **Francesca Rava** – to support the Policlinico Sacco hospital and its maternity department during the time of Covid-19;
  - **eliminating commissions on bank transfers (T-Bonifico)** made to support the Civil Protection service.

To celebrate the resilience demonstrated by employees, customers and the network, during the worst of the health emergency a **major ad**, **“Daily life deserves safety”** was prepared and published in the main daily newspapers on 8 April 2020.

In addition to activities linked to the emergency, SisalPay also took action in two other important areas: regional safeguards to protect financial inclusion and continuous development of a Cashless Society.

As is known, the pandemic accelerated a number of phenomena including the **closure of bank branches**. In this area, careful attention was paid to **protecting local areas**, guaranteeing **basic banking services** to communities, as well as access to **Public Administration payment services**, leading to **classification as number one for PAGOPA Payment Service Providers**, while also offering additional payment and top up services to customers on one hand, and to partner companies on the other, allowing both groups to continue to carry out various activities even in the absence of bank branches.

Finally, continuing that done in previous years, SisalPay continued to make a contribution to **an increasingly** cashless Italy, allowing resellers to use POS already connected to the terminal not just for payment services but for all the services offered by the sales point, while simultaneously enhancing its portfolio of **prepaid cards** including **proprietary prepaid cards**. The account function associated with these cards made it possible for users to access the **income support measures** implemented by the **government** to deal with the crisis caused by the pandemic, including the most vulnerable populations. In fact, individuals, families and companies can benefit from the tools introduced by various “liquidity” and “recovery” Decree Laws (cashback, mortgage moratoriums, tax projects, income support and credit access) provided they have adequate financial education and access to banking services.


SisalPay
5295 9300 0000 0000
La quotidianità
merita sicurezza.
Il profumo del caffè caldo di prima mattina,
il giornale, i sorrisi dietro il bancone
mentre effettui un pagamento.
Piccoli gesti che fanno da sempre
parte della nostra quotidianità.
Una quotidianità che a noi
di SisalPay|5 sta molto a cuore.
Dall'inizio dell'emergenza lavoriamo
per garantire la continuità aziendale,
mettendo la sicurezza al primo posto.
I nostri dipendenti lavorano tutti da casa
grazie al progetto "100% smartworking".
La nostra rete di punti vendita
è al centro di un piano di sostegno economico
e riceverà un kit di mascherine
per continuare a lavorare in sicurezza.
Grazie a tutti i nostri dipendenti
e a tutta la nostra rete di tabacchi, bar, edicole
che si impegna da sempre per rendere
ogni giorno, un giorno migliore.
#quotidianamenteinsieme
SisalPay
5

Risk factors and uncertainties

The Group operates in a highly competitive context, including significant technological evolution. Additionally, it has relationships with a high number public and private sector customers which make use of its payment, financial and commercial services, with a large number of sales points that also serve as local payment points.

The Group's management, coming from the former group and with multiple years of experience in the relevant sectors, constantly monitors these factors and when necessary implements projects to legally protect the interest of the Group's companies.

The Group carries out its business with an eye to limiting exposure to risk. The risk management strategy is intended to minimise the potential negative effects of risks on performance and financial stability.

The Risk & Compliance Department is responsible for the risk management system, which also makes use of assistance from other relevant departments (known as risk owners) with regards to their areas of responsibility.

During 2020 the Group began a project to create an Enterprise Risk Management Framework (ERM Framework), to be used by Top Management to monitor and manage risks in a comprehensive manner, for both company departments and various organisational levels.

In particular, in the context of outlining the ERM framework, a Risk Universe was identified, which summarises all types of risk deemed applicable to and significant for the Group, with reference to the Group's business and that of its companies.

The definition of the Risk Universe involved the following stages:

- identifying the scope of regulatory risks: initially risks applying to electronic money institutions and, looking forward, those applying to other financial intermediaries in general;
- identification of relevant risks through interviews and analysis of AS-IS processes;
- definition of a reference scope for Group companies impacted by the risks identified, in particular with reference to SisalPay Group S.p.A, SisalPay S.p.A. (IMEL) and SisalPay Servizi S.p.A.

For each relevant type of risk a management process was defined for the risk, formalised in a policy, specifying the roles and responsibilities of the structures involved.

These policies will be revised and amended at least every 18 months and in the case of regulatory changes implemented by regulatory authorities or changes in business strategies or in the reference context which are relevant to company processes.

Finally, solely for measurable risks, Key Risk Indicators (KRI) were defined, which will be monitored quarterly by the Risk & Compliance Department (Risk Reporting) based on information provided by the relevant company departments.

The results of this monitoring will be reported on to corporate bodies, to the Internal Audit department (summary reports) and to the Control, Risk and Related Party Committee (detailed reports). Additionally, the Group constantly monitors its overall exposure to risk, in order to identify any new risks to which it may be exposed.

Note that with regards to the Group's exposure to price, credit, liquidity and cash flow risk, as well as with regards to the policies the Company has developed to deal with these risks, please see the section of the Notes which provides information on financial instruments for more information.

Given that the issuing and distribution of electronic money and the provision of payment services is carried out through outsourcing of certain operational and organisational safeguards, the Group has also created a specific network to manage outsourcing and the risks associated with it, identifying an Outsourcing Contact Person and defining:

- the process to be followed when an activity, service or function is to be outsourced;
- roles and responsibilities for the structures involved;
- a regulatory checklist for contract analysis;
- a risk assessment checklist for outsourced activities.

Finally, note that effective as of the beginning of 2020, the Group has an organisational model that complies with Legislative Decree 231/2001 on corporate liability, updated to comply with the most recent regulatory changes.

Significant events during the year

COVID-19

With the Presidential Decree of 11 March 2020, the Government implemented precautionary measures to limit the spread of the virus, establishing a lockdown for all commercial activities without public utility, including bars and restaurants throughout Italy. In this context, the Mooney network was able to function, from 12 March to 18 May, solely through tobacco shops and news-stands, which constitute around 70% of its entire affiliate network, given that the remaining 30% is represented by the bar category. In the second half of the year, when the loosening of restrictive measures implemented by the government allows for partial recovery, the situation still did not return to normal conditions given the limitations on hours for certain categories (bars) which continued during the second half.

The Group companies, in order to protect the health of its employees and ensure business continuity, implemented a Disaster Recovery plan over a few weeks, which allowed for the activation of smart working for 100% of the corporate population and equally activated commercial and technical projects to support business. In addition to the Disaster Recovery Plan, the SisalPay Group also developed a CSR action plan to support its personnel, its retail sales network and the community, as described above.

To minimise the negative economic impacts associated with the epidemic, a Mitigation Plan was also implemented. In particular, to support volumes and business, the Company extended distribution of its prepaid card, guaranteeing remote technical and sales support for its network, and continued to invest in media and marketing to support volumes.

EXTRAORDINARY TRANSACTIONS

Acquisition of controlling interest in Pluservice S.r.l

On 31 July 2020 SisalPayServizi S.p.A. completed the acquisition of 51% of Pluservice S.r.l. The company acquired holds 70% of the units of MyCicero S.r.l., in which SisalPay Servizi S.p.A. already held the remaining 30%, and therefore together with direct control over Pluservice S.r.l., SisalPay Servizi S.p.A also obtained indirect control over MyCicero S.r.l. The operation is part of a strategy to diversify and grow the Group's business which sees Mobility as an important area for development and synergy.

OTHER EVENTS

New prepaid card

During 2020 the Group continued with its strategy to develop new products, above all aimed at consumer. In particular, in December a new prepaid electronic money product was launched under the Mooney brand. This is a prepaid card with an IBAN, meaning it can also be used as a payment account for all purposes, including innovative features that combine the security advantages of prepaid products with the availability of services for customers, thanks to the possibility of managing the product through both the company's distribution network and the Mooney App, for a full and omnichannel customer experience. The product is aimed both at customers who want to buy online in completed security, thanks to the self-limit and control features typical of prepaid products, which reduce the risk of online fraud and, above all, at clients without bank accounts: the fact that the product has an IBAN and can be used to make bank transfers, combined with the limited cost and the ability to access services through a distribution network that counts over thirty thousand authorised merchants make the product particularly accessible to customers who cannot fully access bank offerings. Additionally, thanks to the widespread local availability, the product helps to overcome the reduction in bank branches, guaranteeing customers proximity banking services.

Integration and banking products

In 2020 the Group added to its commercial offerings thanks to the products transferred through the respective business units of Banca 5 S.p.A., Sisal Group S.p.A. and Sisal S.p.A., in the transaction completed at the end of the previous year, supporting both merchant and consumer clients. In particular, additional offerings included adding SisalPay brand services to the larger distribution network which came with the Banca 5 S.p.A. business unit, including the special payment services for utility bills, with direct disbursement through the SisalPay platform, telephone top up services, PIN services and other top up services for accounts and prepaid cards. Similarly, all the bank products acquired through the Banca 5 S.p.A. business unit were added to the former SisalPay distribution network. More specifically, these banking services include the possibility of carrying out bank transfers on payment and current accounts, paying MAV and making case withdrawals from Intesa Sanpaolo accounts. End customers appreciated this enhancement of banking services, especially in the light of the continuous decline in bank branches, offering added value at the community level. These services could be further seen as a public service during the last year when the Covid-19 pandemic led to the closure of or limited access to post offices and bank branches, significantly decreasing the availability of these services for customers. The Group's distribution network overcame these obstacles, making essential services available to citizens and guaranteeing continuity for these bank transactions.

Group performance and results

Macroeconomic environment[5]

INTERNATIONAL SCENARIO

The Italian, European and global economic situation was significantly influenced by the Covid-19 pandemic. After positive signs of recovery exceeding expectations during the summer months, the global economy slowed again in the fourth quarter of 2020, suffering from the new wave of the pandemic.
The start of vaccination campaigns was seen favourably in longer term prospects, but the schedule for recovery is still uncertain.
The new outbreak between October and December 2020, particularly intense in the European Union and United States, combined with the consequent strengthening of containment measures in many countries, although generally of a lower intensity than those imposed the previous spring, translated to a new slowdown in the global economy during the last quarter of 2020. On the other hand, prospects for the longer-term improved, thanks to vaccination campaigns begun in many countries. Nonetheless, the timeframe for large scale distribution and administration of vaccines is still uncertain and is the biggest factor in the economic recovery.
In the Eurozone, the effects of the pandemic on economic activity and prices are likely to be more protracted than initially hypothesised. The Executive Board of the European Central Bank extended and continued its monetary stimulus to ensure favourable lending conditions for all sectors for the full time needed to guarantee full support for the economy and inflation. It is also ready to further calibrate these tools if necessary.

ITALY

In Italy, higher than expected growth during the third quarter indicated a notable capacity for economic recovery. Nonetheless, the second wave of the pandemic led to a new decline in gross domestic product during the fourth quarter. Available information suggests this drop can currently be measured at around -3.5 percent, although this estimate is still quite uncertain.
The drop in activity was larger in the services sector and marginal in manufacturing. The recovery of Italian exports of goods and services was highly significant in the third quarter of 2020, much higher than that seen globally. This continued in autumn, but less vigorously.

During the summer months, with the reopening of activities suspended in spring, hours worked increased significantly while the use of income supplement tools fell. The number of people employed began to grow again. The most recent data available nonetheless indicates a new increase in the use of unemployment funds starting in October, although at levels much lower than those seen during the first wave of the disease. In November the recovery in new jobs was substantially halted, showing a discrepancy with the same period the previous year, in particular for young people and women.

The trend for consumer prices remained negative, mirroring the trend for prices in the sectors most affected by the crisis, where the dynamic continues to suffer from weak demand.
Announcements regarding the availability of vaccines, further monetary and budget support and the elimination of uncertainties regarding the presidential elections in the United States strengthened optimism for financial market operators both in Italy and abroad.
In response to a new worsening of the health emergency, the government implemented further steps to support families and businesses during the last quarter of 2020. The budget manoeuvre calls for an increase in net debt for the year in course and the next, with respect to the structure under current legislation.

The Bank of Italy has prepared macroeconomic projects for the Italian economy for the years from 2021-23. These projections are based on the hypothesis that the health emergency will gradually fall under control during the first half of the year and be entirely resolved by 2022, it also assumes the decisive support for budget policy will continue and that monetary policy will guarantee favourable financial conditions are maintained throughout the period, as indicated by the Executive Board of the European Central Bank (ECB).

Based on these assumptions, gross domestic product should grow significantly during the spring, currently expected to be around 3.5 percent this year, 3.8 in the next year and 2.3 in 2023, when a return to pre-pandemic levels would be seen. Investments are expected to once again grow at steady rates, benefiting from the stimulus measures, with a significant recovery in exports. The recovery in consumption is likely to be more gradual, with only partial absorption of the greater propensity for savings seen since the beginning of the epidemic. Inflation will continue to be low throughout this year, rising only gradually in 2022 and 2023.

The growth estimate for the current year suffers significantly from the unfavourable effects caused by the decline in gross domestic product expected for the final part of 2020.
On the other hand, growth could be higher if control over contagion is more rapid than currently expected.

[5] Source Bank of Italy, Economic Bulletin, 1-2021

Gaming and Banking & Payments market trends

The Sisal Group works in two markets:

- **Payout Gaming Market**, offering games regulated by the Ministry of Economy and Finance (MEF) and the Autonomous Administration of Monopolies of the State (AAMS), now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM);
- **Banking Services & Payments Market** in which the Group strengthened its presence in December 2019 with the creation of SisalPay|5, the first "proximity banking" company in Italy, following an agreement by SisalPay and Banca 5 (Intesa Sanpaolo Group).

THE GAMING MARKET

2017-2020 trends

In 2020, the Gaming Market[6] in Italy reached a value of over € 88 billion (€ 110 billion in 2019). Total amounts accepted fell, after continuous growth in previous years, with a CAGR[7] of -4.7% with respect to 2017.

The main reason for this trend is the effects caused by the Covid-19 pandemic and adoption of measures to limit the spread of the same. In fact, the rapid spread of infection led the Italian government (as well as that of other countries) to adopt containment measures (a lockdown) which included limits on movement, quarantines and other public emergency measures which had significant impacts on production and sales activities. The containment measures also involved a partial closure of the physical channel distribution network for the gaming market for over five months.

Below is a table summarising the trend in the **main indicators[8] for the Gaming Market** from 2017 to 2020.

(€/mln)	2017	2018	2019	2020	CAGR
Total amounts accepted*	101,753	106,863	110,542	88,037	-4.7%
Pay-out*	82,762	87,876	91,096	75,232	-3.1%
Gross Gaming Revenue (GGR)*	18,991	18,987	19,446	12,805	-12.3%
Tax withdrawals	**10,300**	**10,400**	**11,400**	**6,702**	**-13.3%**

* excluding data under paragraph 7 and including the ADI accessory fee and 2015 Stability Law.

(6) Source: Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM). All the data presented, exclusive of that under paragraph 7 and including the ADI concession fee and 2015 Stability Law.

(7) CAGR: Compounded Average Growth Rate over the last 3 years.

(8) The gaming market is analysed using the following indicators:
- **Turnover:** refers to total spending by players, or the combination of all bets made.
- **Payout:** refers to the amount returned to players in the form of winnings. Payout is expressed as a percentage of turnover, and is determined for each game by the regulator.
- **Gross Gaming Revenue (GGR):** indicates spending by Italians net of winnings. This is the basic indicator for the gaming market, measuring gross gaming revenue. Gross Gaming Revenue is calculated by obtaining the difference between turnover and winnings.

Gross revenue is divided up between:
- **amounts going to taxes (TAX)**, that is the amount withdrawn for tax as established under law, applied to each individual game.
- **amount going to sector operators (Net Gaming Revenue, NGR)**, that going to Concessionaires, the distribution network (physical and online) and suppliers of additional services.

(€/mln)	2017	2018	2019	2020
Total amounts accepted*	100%	100%	100%	100%
Pay-out*	81.3%	82.2%	82.4%	85.5%
Gross Gaming Revenue (GGR)*	18.7%	17.8%	17.6%	14.5%
Tax withdrawals on GGR	**54.2%**	**54.8%**	**58.6%**	**52.3%**

* excluding data under paragraph 7 and including the ADI accessory fee and 2015 Stability Law.

Player spending during the period saw a negative trend, with a CAGR of 12.3%, with TAX presenting a CAGR of -13.3%.

The pay-out percentage grew during the reference period due to significant growth in the Online segment which notoriously has much higher payouts (94%) with respect to the Offline segment (74%). The comprehensive figure was 85.5% in 2020.

The table below shows the trend in **turnover by gaming segment**:

	2017	2018	2019	2020	CAGR
Offline lottery and bingo	19,484	20,154	20,487	16,039	-6.3%
Offline bets and CPS*	6,250	6,514	6,977	3,933	-14.3%
ADI**	49,001	48,753	46,673	18,830	-27.3%
Online Gaming	27,018	31,442	36,405	49,235	22.1%
Total	**101,753**	**106,863**	**110,542**	**88,037**	**-4.7%**

* CPS: Sporting event predictions
** ADI: Entertainment Equipment

Analysing the various segments that make up the Gaming Market, it is clear that the ADI segment suffered the most (CAGR of -27.3%). Here the consequences of the pandemic were combined with the introduction of a health insurance card requirement for use of VLTs.

Negative performance by the retail physical channel (offline) was partially offset by growth in the online channel which saw CAGR of +22.1%.

The table below shows the trend in **gross gaming revenue** for the various segments.

	2017	2018	2019	2020	CAGR
Lotteries and bingo	5,893	5,802	5,845	4,953	-8.0%
Bets and CPS*	1,148	1,216	1,256	803	-11.2%
ADI	10,477	10,325	10,391	4,742	-23.2%
Online Gaming	1,473	1,644	1,954	2,667	21.9%
Total Gaming Market	**18,991**	**18,987**	**19,446**	**12,805**	**-12.3%**

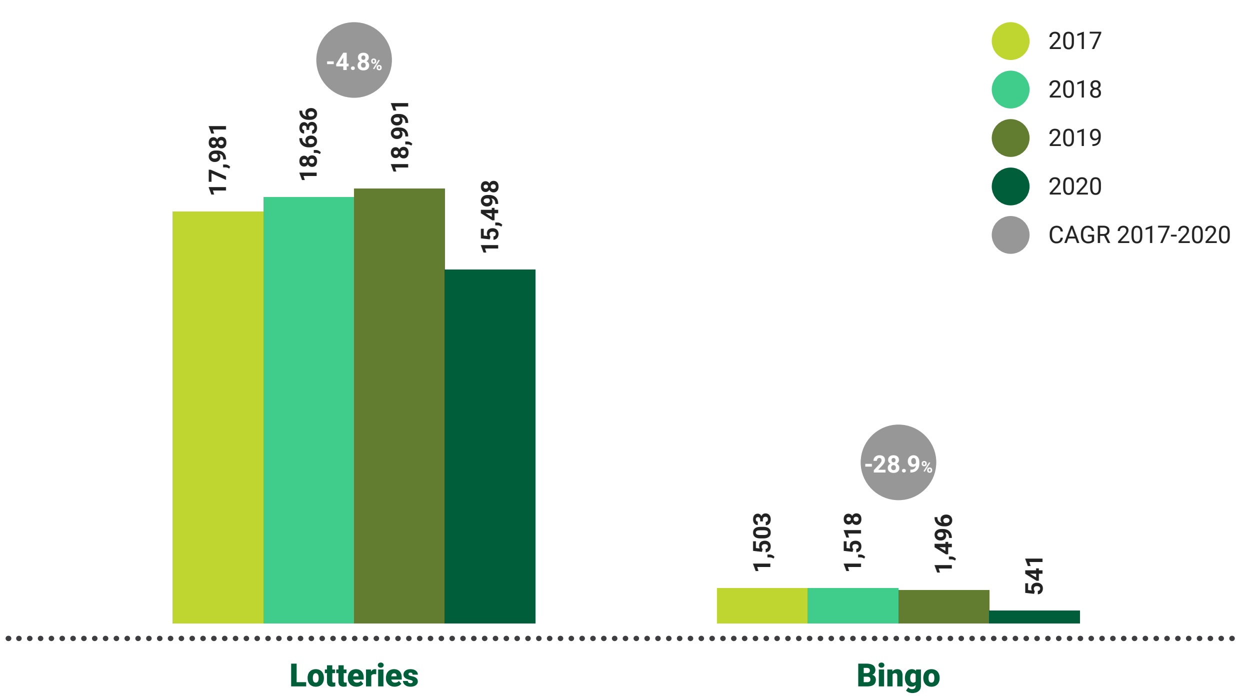
Gross gaming revenue amounted to € 12.8 billion in 2020, with a notably negative CAGR, equal to -12.3% for the period from 2017-2020. This trend is due to the combined effects of increased payout percentages, led by the growing weight of the Online channel, and the already noted negative performance for the retail channel in 2020.

It follows that gross gaming revenue relative to gross turnover demonstrated a constant downward trend during the period in question, going from around 18.7% in 2017 to 14.5% in 2020.

ANALYSIS OF GROSS TURNOVER

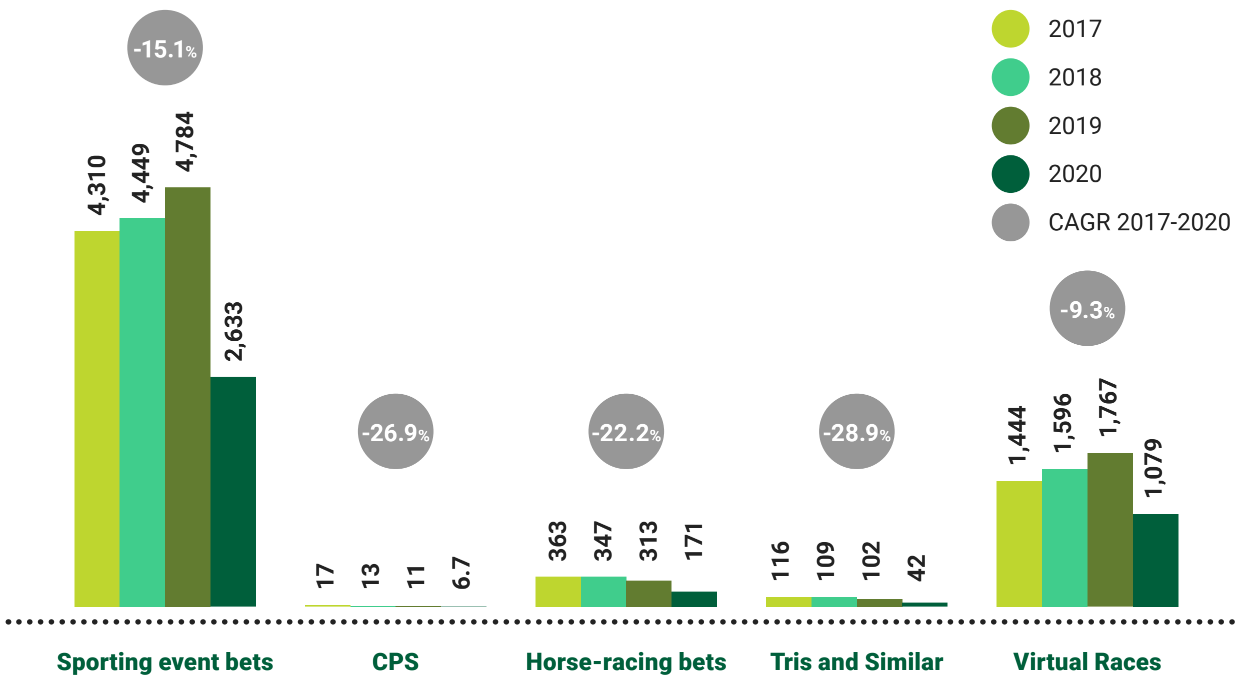
Lotteries & Bingo, physical channel

The Lotteries segment saw a negative CAGR of -4.8%, totalling € 15.5 billion in 2020, the lowest level in recent years.



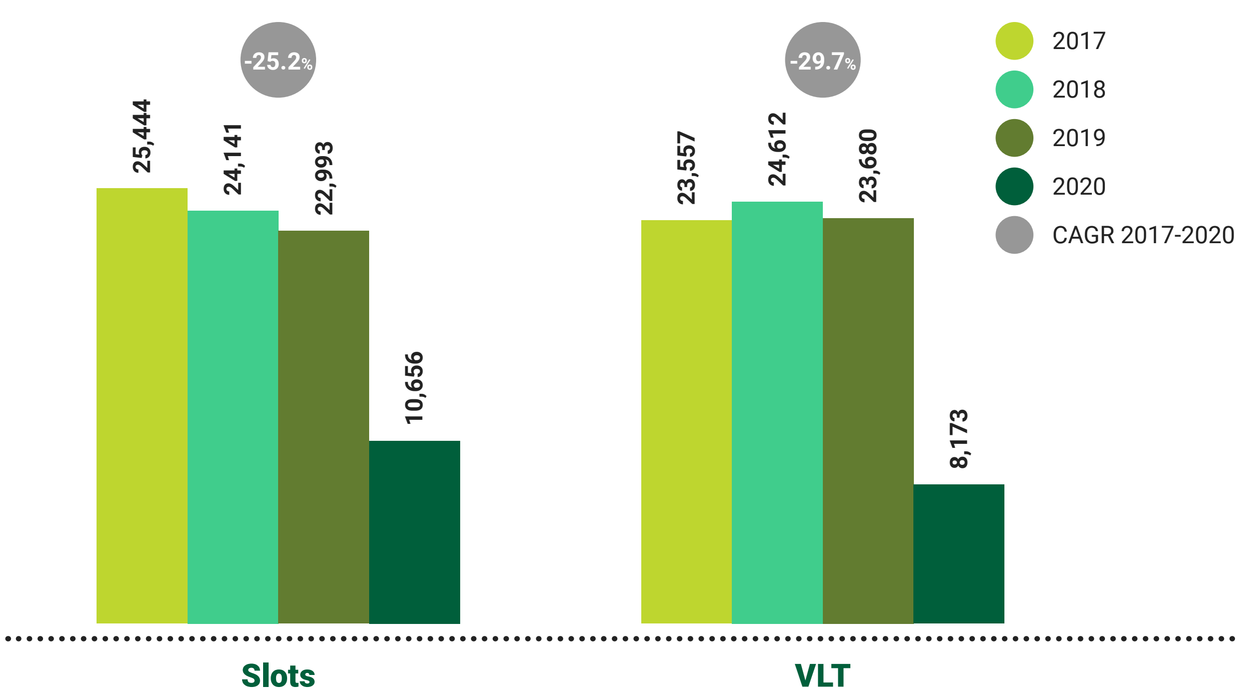
Bets, physical channel

The Sporting Bets segment, physical channel, saw an overall average decrease of -15.1% between 2017-2020. Turnover in the last year came to € 2.6 billion, down by -45.0% with respect to 2019.
The horse-racing and traditional Totocalcio (CPS: Sporting Event Predictions) segments have been suffering from a serious market crisis for several years, which was worsened by the consequences of the various lockdowns, leading to a significant decrease during the period in question.
The Virtual Races segment benefited from an increase in the number of operators. Nonetheless, due to the pandemic in 2020 it also saw a notable drop and the CAGR for the reference period was -9.3%.



ADI (Slots and VLTs)

At the end of 2019, the ADI segment represented 42.2% of the entire gaming market in Italy, but in 2020 this percentage was cut in half (21.4%).
Total gross turnover in this sector was around € 18.8 million, with CAGR down significantly (-27.3%).
VLTs recorded a negative CAGR of - -29.7%, while for slots the CAGR was -25.2%.
It should be noted that in 2020 both products saw a significant decline in turnover with respect to the previous year, respectively 53.7% for slots and 65.5% for VLTs.



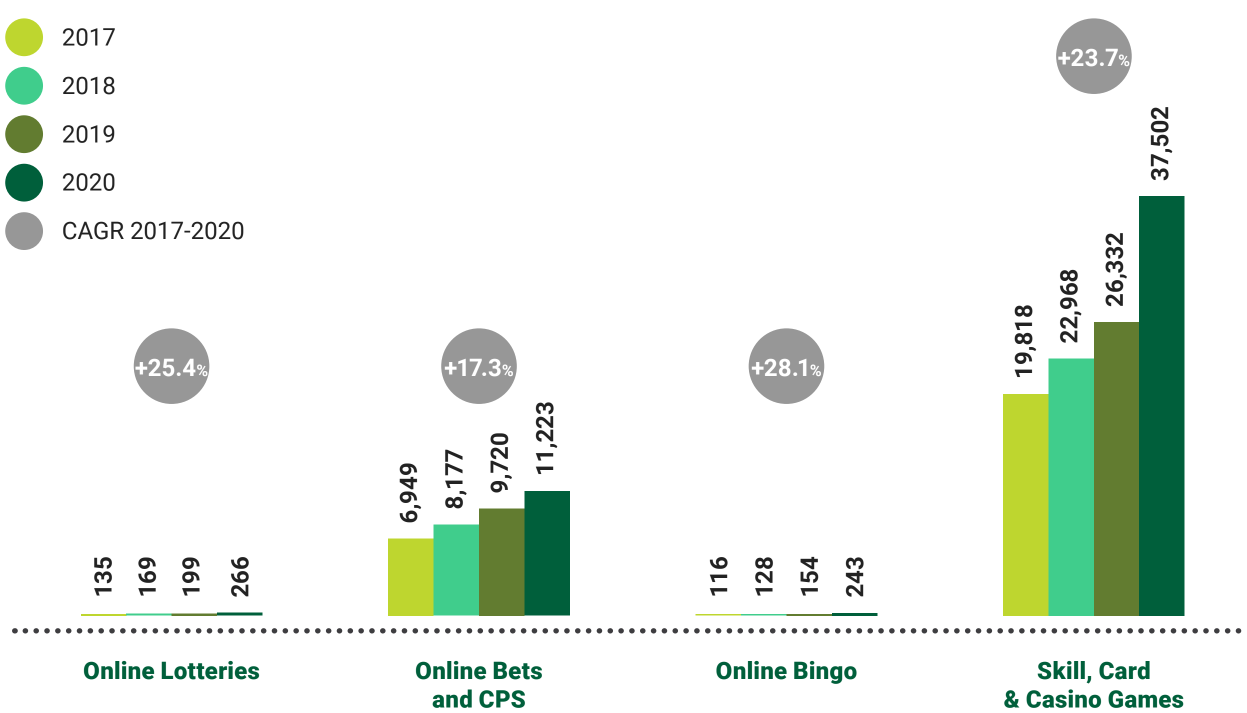
Elements which affected performance in this sector, beyond the obvious forced closures due to Covid-19, include the notable reduction in machines available in the country, and the introduction of the health insurance card requirement for VLTs in 2020, which even prior to the spread of the Covid-19 pandemic had led to shrinkage in the market of around 30% in Italy.

Online market

The online gaming segment showed strong growth, doubtless accelerated by the Coronavirus emergency, with CAGR of +22.1%.

This growth was led by both sporting bets, which benefited from the significant transfer of player spending from the physical to the online channel, but above all by the Cards&Casino segment which, thanks to product offerings, was able to attract many players during the pandemic, during which most other gaming was suspended, in part due to the lack of sporting events. Constant growth in the online segment also benefited from the ever increasing spread of applications for smartphones and tablets that make gaming easier.

CAGR for these two sectors was very positive, at +17.3% for the sporting bets segment and at +23.7% for the Cards&Casino segment. Growth in the online bingo and online lotteries segment should also be noted, which during the period in question respectively saw CAGRs of +28.1% and +25.4%.



In this market context, total turnover in 2020 for the Group to which the Company belongs was around € 7.6 billion, equal to a 21% decrease with respect to the previous year.

BANKING & PAYMENT SERVICES MARKET

The “potential” market for simple payment and transaction services in 2020 reached € 246 billion in sales. This market is broken down into 3 channels/segments:

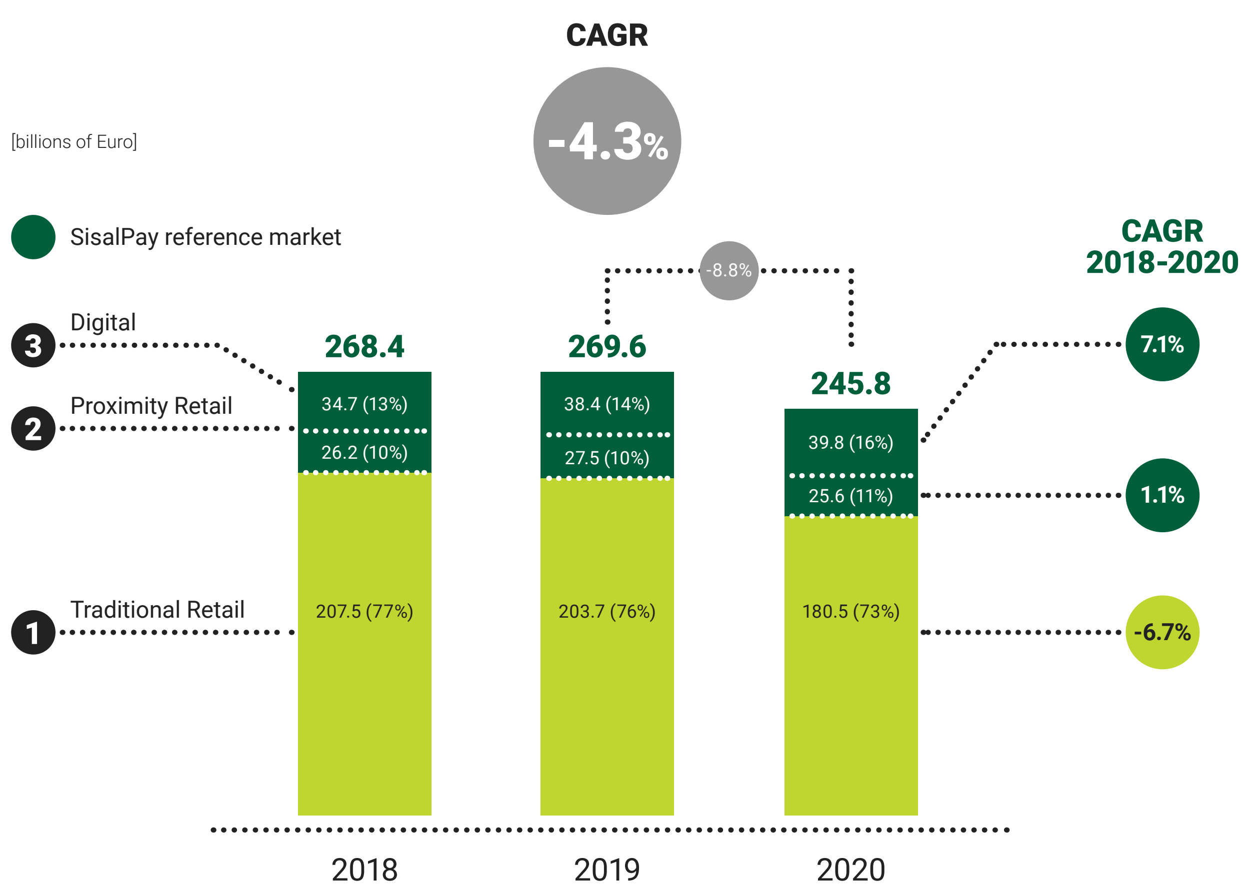
- **Traditional Retail** including all payments and transactional bank operations (deposits, bank transfers, MAV, tax payments) made through the traditional physical channel, that is post offices and bank branches.
- **Proximity Retail** including all payments and transactional bank operations carried out through the physical channel consisting of proximity retail locations, that is tobacco and bars, news stands and other commercial locations other than post offices and bank branches.
- **Digital** including all payments and services carried out through the web, online and mobile platforms, as well as spending volumes involving prepaid cards in sales points and online.

The “potential” market as a whole saw a reduction of around 9% with respect to 2019, due to Covid-19. The decline was mainly driven by the loss of sales in the Traditional Retail segment, which represents 73% of market turnover.

The Proximity Retail and Digital channels in which the Group operates demonstrated resilience, despite the health emergency. In particular:

- despite the government restrictions imposed to protect public health, which led to the partial closure of sales points during the early months of the year, Proximity Retail was able to maintain turnover near stable in 2020 (around € 26 billion), demonstrating the fact that the simplicity and ease of access to the proximity channel are important for consumers;
- the Digital segment, supported by the push for digitalisation in Italy and the increase in e-commerce, saw around € 40 billion in 2020, with an average growth rate of 7.1% (CAGR 2018-2020).

Turnover [2018-2020]



Source: Analysis based on PoliMi data and the annual reports of competitors

Group performance and results

The table below provides the main indicators of the performance and results achieved by the Group:

(in thousands of Euros)	2020	% of Revenues	2019	% of Revenues	Change	% change
Revenues	827,905		869,387		(41,482)	-4.8%
Purchases of raw and subsidiary materials, consumables and goods	(16,136)	-2%	(15,264)	-2%	(872)	5.7%
Costs for services	(456,722)	-55%	(465,055)	-53%	8,333	-1.8%
Personnel costs	(99,119)	-12%	(97,034)	-11%	(2,085)	2.1%
Other operating expenses	(45,847)	-6%	(52,892)	-6%	7,045	-13.3%
Charges classified differently	1,349		668			
EBITDA	211,430	26%	239,810	28%	(28,380)	-11.8%
Adjusted EBITDA	256,430		259,650		(3,220)	-1.2%
Amortisation, depreciation, impairment and impairment reversal	(179,544)	-22%	(153,704)	-18%	(25,840)	16.8%
EBIT	30,537	4%	85,438	10%	(54,901)	-64.3%
Adjusted EBIT	75,537	9%	105,278	12%	(29,741)	-28.2%
Net financial income/(expenses)	(71,956)	-9%	(74,825)	-9%	2,869	-3.8%
Profit (loss) before income taxes	(41,419)	-5%	10,613	1%	(52,032)	< -100%
Income taxes	1,155	0%	(24,251)	-3%	25,406	< -100%
Net result	(40,264)	-5%	(13,638)	-2%	(26,626)	> 100%

Reconciliation of EBIT/EBITDA and Adjusted EBIT/Group performance and results EBITDA

	2020	% of Revenues	2019	% of Revenues	Change	% change
EBIT	**30,537**	**4%**	**85,438**	**10%**	**(54,901)**	**-64.3%**
EBITDA	**211,430**	**26%**	**239,810**	**28%**	**(28,380)**	**-11.8%**
Adjustments						
Non-recurring costs/(revenue)	17,536		5,500		12,036	
Corporate reorganisation	5,199		9,744		(4,545)	
Special items	22,265		4,596		17,669	
Total Adjustments	**45,000**		**19,840**		25,160	
Adjusted EBITDA	256,430	31%	259,650	30%	(3,220)	-1.2%
Adjusted EBIT	75,537	9%	105,278	12%	(29,741)	-28.3%

At 31 December 2020 Group revenues totalled € 827.9 million, a negative change of € 41.5 million with respect to 31 December 2019 (-4.8%).

EBITDA and Adjusted EBITDA respectively came to € 211.4 million and € 256.4 million, with respective negative changes of € 28.4 million (-11.8%) and € 3 million (-1.2%). The Group recorded net losses of € 40 million, compared to a loss of € 14 million in financial year 2019.

ADJUSTMENTS TO EBITDA

As already noted above, the Group defines Adjusted EBITDA as EBITDA before charges and revenues deriving from corporate reorganisation, before charges and revenues not considered as recurring and before "special items".

Below is a summary of the composition of adjustments involved in determining the Adjusted EBITDA as defined above, specifically:

- **non-recurring costs/(revenue)**, income components not recognised in previous years and which are not held to have an impact in the future;
- **corporate reorganisation**, income components recognised in relation to corporate reorganisation operations;
- **special items**, costs/revenues linked to extraordinary/one-off transactions not associated with normal operating performance.

The item EBITDA adjustments can be broken down as follows:

Non-recurring costs/(revenue) for € 17.6 million, mainly represented by costs linked to managing the Covid-19 pandemic;

- costs linked to the integration/segregation process after the extraordinary transaction to separate gaming business from Banking & Payments business;
- costs linked to management of the Wirecard case;
- costs relative to the rebranding operation in the Banking & Payments segment which led to the launching of the "Mooney" brand.

Costs for corporate reorganisation of € 5.2 million, in relation to the process of revising the Group's corporate structure and the relative governance framework.

Special items for € 22.2 million, mainly involving:

- start-up costs linked to the process of internationalising the gaming business;
- one-off costs linked to the brand extension process for the range of Banking & Payments business products;
- other non-cash items which due to their extraordinary naturethat the management intends to exclude and normalise when presenting EBITDA due to their extraordinary nature.

IMPACTS OF THE COVID-19 PANDEMIC

The economic results for financial year 2020, represented briefly in the above table, were heavily influenced by the effects of the Covid-19 pandemic, which affected trends in the Group's business.

In addition to limiting and influencing freedom of movement for people, affecting their spending ability and creating a general trend towards saving and reducing consumption, the Covid-19 pandemic also heavily hit the Group's gaming market, mainly the physical retail sector.

Relative to Banking & Payments business, the lockdown in the initial part of the year, although it closed part of the physical channel (bars) through which services are offered to consumers, had smaller negative impacts here than those seen in the gaming business.

Considering the situation described previously, Group management carried out a careful assessment and estimate of the impacts of Covid-19 on its operations and on the Group's results for both Gaming and Banking & Payments business.

Gaming Business

At 31 December 2020 revenues totalled € 523.7 million, a -20% decrease with respect to 31 December 2019, linked to the Covid-19 pandemic and its impact on turnover trends[9]. Below is a comparison between turnover in 2020 and in 2019:

(9) Turnover: refers to total spending by players, or the combination of all bets made.

Turnover €/000

Period	2020	2019	Change	%
January-February	1,643	1,566	77	5%
March-June	1,778	3,212	(1,434)	-45%
July	769	789	(20)	-3%
August	806	812	(6)	-1%
September	842	800	42	5%
October	855	842	13	2%
November	680	829	(149)	-18%
December	809	928	(119)	-13%
Total	**8,182**	**9,778**	**(1,596)**	**-16%**

The above table shows that the trend in turnover for 2020 was heavily influenced by the progress of the Covid-19 health emergency and the measures adopted by the government to fight it. In fact, business trends in 2020 were heavily impacted by the two "lockdowns" adopted by the authorities, the first from 11 March to 15 June 2020 and the second starting on 6 November 2020.

Between March and June 2020 turnover totalled € 1,778 million, -45% reduction with respect to the same period in 2019. The time interval coinciding with the first lockdown adopted in Italy to contain the Covid-19 health emergency.

For a discussion of regulatory changes and restrictive provisions applied by the various authorities which impact the markets in which the Group operates, please see that already outlined in Events During the Period.

Despite such a complex situation with uncertainties about future developments, various initiatives were implemented to contain costs in order to not damage the Group's ability to produce income.

Considering that Specialised Retail was the channel most affected by government containment measures, the Group promptly took action to renegotiate rental contracts for sales points, saving around € 2 million.

The item "Personnel expenses" also saw an impact from initiatives adopted during the year. In fact, use of holiday and paid leave was incentivised and various social safety nets were made use of, such as the Pay Supplement Fund, with an impact of round € 5 million.

In addition to the above, to allow for safe continuation of activities in compliance with the health requirements imposed by the situation, costs to clean workplaces and to purchase personal protective equipment were incurred for around € 1.7 million. These costs are included among Ebitda Adjustments, specifically within non-recurring expenses.

Relative to measures implemented by the Company to mitigate the impacts of the Covid-19 emergency on the results for the year, we note the following in addition to the above:

- contributions totalling € 971 thousand, recognised under the item "Other income", in the form of economic aid established by the government during the year to help make up for economic losses suffered due to the Covid-19 pandemic;
- the economic benefit, of € 1,118 thousand, recognised under the item "Amortisation, depreciation, impairment and impairment reversal" relative to lower amortisation/depreciation recognised based on the renegotiation of leasing contracts in compliance with that established in the amendment to IFRS16 "Leases": Covid-19- Related Rent Concessions.

Banking & Payments Business

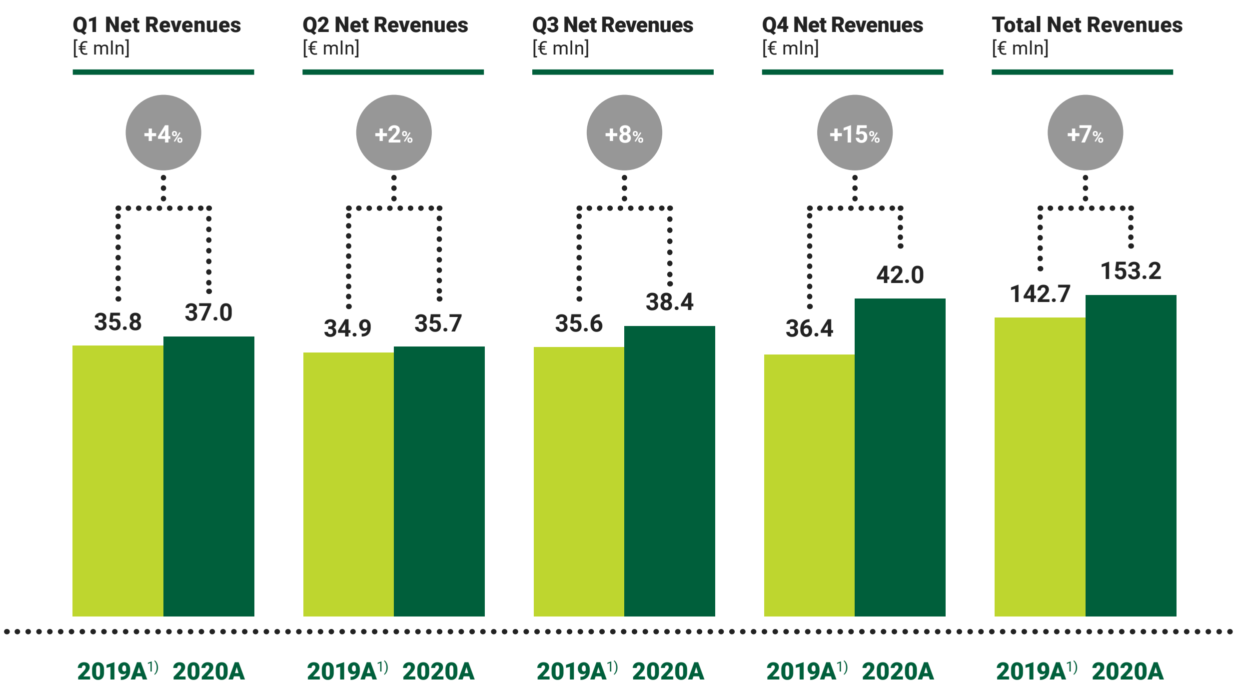
With the Presidential Decree of 11 March 2020, the Government implemented precautionary measures to limit the spread of the virus, establishing a lockdown for all commercial activities without public utility, including bars and restaurants throughout Italy. In this context, the Mooney network was able to function, from 12 March to 18 May, solely through tobacco shops and news-stands, which constitute around 70% of its entire affiliate network, given that the remaining 30% is represented by the bar category. In the second half of the year, when the loosening of restrictive measures implemented by the government allows for partial recovery, the situation still did not return to normal conditions given the limitations on hours for certain categories (bars) which continued during the second half.

The Group companies, in order to protect the health of its employees and ensure business continuity, implemented a Disaster Recovery plan over a few weeks, which allowed for the activation of smart working for 100% of the corporate population and equally activated commercial and technical projects to support business. In addition to the Disaster Recovery Plan, the Group also developed a CSR action plan to support its personnel, its retail sales network and the community, as described above.

To minimise the negative economic impacts associated with the epidemic, a Mitigation Plan was also implemented. In particular, to support volumes and business, the Group extended distribution of its prepaid card, guaranteeing remote technical and sales support for its network, and continued to invest in media and marketing to support volumes.

Despite economic and financial results being negatively impacted by the epidemic, this business sector demonstrated resilience with respect to other sectors, showing 7% growth in terms of revenues (net of remuneration paid to the distribution network) (2020 vs. 2019 pro-forma)(1).

In particular, growth by quarter came to +4% (quarter 1), +2% (quarter 2), +8% (quarter 3) and +17% (quarter 4).



1) Pro-forma on an annual basis, net of revenues generated by the Postepay product distributed through 31.12.2019 by Banca 5 S.p.A.

Note that 2019 is shown on a pro-forma basis (in that the group was established on 13 December 2019) and indicates the sum of economic results for the full year for the business units transferred by the Sisal Group and Banca 5 S.p.A.

REVENUES AND OTHER INCOME

The following table indicates revenues and proceeds for the years ending at 31 December 2020 and 31 December 2019, in absolute and percentage terms with respect to the total of the financial statement items:

(in thousands of Euros)	2020	% of Revenues	2019	% of Revenues	Change	% change
Gaming revenues	324,087	39.1%	465,238	53.5%	(141,151)	(30.3%)
Fixed-odd betting income	128,428	15.5%	135,058	15.6%	(6,630)	(5.0%)
Revenues payments and other services	251,607	30.4%	169,582	19.5%	82,025	48.4%
Sales point revenues	115,041	13.9%	90,775	10.4%	24,266	26.7%
Other revenues and proceeds	8,742	1.1%	8,734	1.0%	8	0.0%
Total Revenues and Proceeds	**827,905**	**100.0%**	**869,387**	**100.0%**	**(41,482)**	**(4.8%)**

At 31 December 2020 Group revenues totalled € 827.9 million, a negative change of € 41.5 million with respect to 31 December 2019 (-4.8%).

These results inevitably include the effects the Covid-19 pandemic had on gaming business, as well as on banking & payments business, although to a lesser degree.

GAMING REVENUES

Below Gaming revenues are analysed by product, broken down between the domestic and international markets, for both reference years.

(in thousands of Euros)	2020	% of Revenues	2019	% of Revenues	Change	% change
Revenues VLT/AWP	133,228	16.1%	303,875	35.0%	(170,647)	(56.2%)
Revenues NTNG	49,302	6.0%	70,293	8.1%	(20,991)	(29.9%)
Revenues Virtual Races	26,651	3.2%	33,398	3.8%	(6,747)	(20.2%)
Revenues online gaming	71,717	8.7%	48,034	5.5%	23,683	49.3%
Revenues horse-racing bets	2,516	0.3%	4,897	0.6%	(2,381)	(48.6%)
Revenues Totalizator sport	219	0.0%	295	0.0%	(76)	(25.8%)
Domestic revenues	**283,633**	**34.3%**	**460,792**	**53.0%**	**(177,159)**	**(38.5%)**
Morocco revenues	3,848	0.5%	4,446	0.5%	(598)	(13.5%)
Turkey revenues	35,985	4.3%	-	0.0%	36,000	n/a
Spain revenues	621	0.1%	-	0.0%	600	n/a
International revenues	**40,454**	**4.9%**	**4,446**	**0.5%**	**36,002**	**> 100%**
Total revenues	**324,087**	**39.2%**	**465,238**	**53.5%**	**(141,255)**	**(30.4%)**

DOMESTIC REVENUES

Relative to revenues deriving from ADI (VLT and AWP), these saw a decrease of € 170.7 million, or 56.2%, mainly due to the measures adopted by the government to contain and manage the Covid-19 epidemiological emergency which, among other things, called for the closure of specialised sales points and bars starting in mid-March (within the generalist channel).

This situation continued until the Presidential Decree of 11 June 2020 was issued which, as of mid-June, called for the gradual reopening of businesses and hence of bet acceptance.

In October 2020 new restrictive provisions were issued intended to combat the spread of the Covid-19 virus, which progressively led to new closures in the entertainment equipment sector, effective as of 6 November 2020. At present these are still closed.

In addition to the above aspects, the decrease in ADI revenues was also caused by the introduction of the health insurance card requirement, in effect as of 1 January 2020, as established in the “Dignity” Decree (art. 9-quater of Decree Law 87 of 12 July 2018, introduced by Conversion Law 96/2018), partially offset by the reduction in payouts, which went from 68% to 65% with reference to AWPs and from 84% to 83% with reference to VLTs.

NTNG revenues totalled € 49.4 million at 31 December 2020, compared to € 70.2 million at 31 December 2019, a drop of 29.6%.

This trend can be traced to the effects of the restrictive measures adopted by the government to fight the Covid-19 pandemic even if, with reference to the NTNG segment, the lockdown window was shorter, lasting around two months, given that the generalist channel reopened as of 4 May 2020.

Another factor in the above trend was the lower volumes linked to the lower Jackpot level with respect to the previous year.

Revenues from from Virtual Races, totalling € 26.7 million at 31 December 2020, compared to € 33.4 million at 31 December 2019, a 20.2% reduction, suffered from the aforementioned lockdown in the Retail channel, partially offset by growth in volumes within the Online channel, as well as the introduction of the new “Save sport” tax, equal to 0.5% of turnover, starting in May 2020.

Revenues from online gaming totalled € 71.7 million for the period ending at 31 December 2020, showing an increase of € 23.7 million (+49.3%) with respect to the amount of € 48 million recorded at 31 December 2019.

The growth in this segment was supported by growth in turnover volumes, assisted by an effective marketing strategy in terms of attracting new customers and targeted CRM policies, as well as by affiliate activities which led to the acquisition of new customers and an increase in Average Revenue Per Unit (ARPU), or average spending per customer, which came to around € 77 in December 2020, an increase of 43% with respect to the same period the previous year.

It should be emphasised that the online gaming sector benefited from the progressive transfer of player spending from the physical channel after the closure of the physical Retail channel during the lockdown, even if the suspension of sporting events during the initial window from 15 March 2020 to 15 June 2020 inevitably led to a slowdown in online sporting bets, in part limiting the potential for growth.

Revenues from horse-racing and totalizator sport revenues totalled € 2.7 million at 31 December 2020, compared to € 5.2 million at 31 December 2019, and suffered from the already cited effects of the Covid-19 pandemic, as well as from the introduction of a new tax (known as the “Save Sport” tax) in May 2020, equal to 0.5% of turnover.

INTERNATIONAL REVENUES

We note the following with reference to the international market:

- Morocco: revenues fell by 13.5% with respect to the previous year, amounting to € 3.8 million compared to € 4.4 million, mainly due to the effects of the Covid-19 pandemic which forced local authorities to impose a lockdown from 16 March 2020 through 1 June 2020, during which all bet collection activities were halted. Activities then returned gradually, with differences based on regional provisions, slowly returning to pre-Covid levels.
  During the last quarter of the year the Group finalised a strategy to revise the concession in Morocco, based on the launching of video lotteries and developing online offerings, for which the initial tests had very positive results.
- Turkey: revenues came to € 36 million, confirming the very positive start-up seen in this market in both the retail and online channel since 1 August 2020, demonstrating the growth potential for the business, given the notable expansion in the physical sales network achieved (around 6,350 sales points) and the activation of new customers online (around 512 thousand in December 2020).
- Spain: revenues at 31 December 2020 were entirely incremental with respect to the previous year, amounting to € 0.6 million. The impact of the pandemic in terms of slowing growth cannot be denied, even if the signs of recovery starting in mid-June leave open the possibility of improving performance, guided by a strategy to acquire new customers, accelerated by the removal of prohibitions regarding promotions and advertising.

FIXED-ODDS BETTING INCOME

Fixed-odds betting income totalled € 128.4 million, compared to € 135.1 million, showing a decrease of € 6.7 million (-5%), mainly due to lower performance in sporting bets, due to complete closure of the specialised channel during the two lockdown periods, partially offset by the Online channel which remained operational, although with a limited portfolio of sporting events during the first part of the year.

An additional negative impact on the results in the sector can be attributed to the introduction of the "Save Sport" tax, equal to 0.5% of sporting bet turnover, including virtual, to support the sporting system, introduced by the Relaunch Decree as a measure to help contain and manage the Covid19 emergency.

REVENUES PAYMENTS AND OTHER SERVICES

Revenues from Banking & Payments in 2020 came to € 251.6 million and can be broken down as follows:

- distribution and sales of telephone and other commercial services (mainly Trenitalia tickets and Amazon PIN), for around € 34 million;
- utility payment services for around € 186 million;
- prepaid card distribution, issuing and top up services for around € 13 million;
- banking services (essentially bank transfers and withdrawals) for around € 17 million.

The approximately € 82 million (+48.4%) increase with respect to the figure for 2019 is mainly due to the effects of a complete year of integration with regards to the business transferred by B5 S.p.A. at the end of the previous financial year, in particular for utility payment and banking services, as well as the consolidation of prepaid card distribution, issuing and top up services, for total growth in these segments of around € 78 million (+56%).

SALES POINT REVENUES

Revenues from sales points amounted to € 115 million at 31 December 2020, compared to € 90.8 million at 31 December 2019, showing an increase of € 24.2 million (+26.6%).

This item, which includes affiliation fees charged to the sales point network, with reference to gaming business benefited from the introduction of the Mysisal programme as of 1 September 2020, which involves a wide array of services offered to the network, while relative to banking & payments business it reflects a different scope of consolidation following, in particular, the integration with the business unit transferred by Banca 5 S.p.A..

Revenues from banking & payments sales points mainly refer to periodic fees established in contracts with the distribution network for around € 51.8 million, in addition to around € 1.7 million in other amounts charged for activation, fines, etc. The increase of around € 9.6 million with respect to 2019 (+21%) is also mainly due to the integration of the business unit transferred by Banca 5 S.p.A. and the relative return of a portion of fees charged to sales point who are current account holders of the bank and also Group customers on the basis of the associated commercial agreements.

OTHER REVENUES AND PROCEEDS

The item Other revenues and proceeds of € 8.7 million at 31 December 2020 is substantially unchanged with respect to the previous year, based on the following main changes:

- lower revenues for the Food&Beverage segment for € 0.6 million, due to the closure of physical Retail in relation to restrictive measures adopted to deal with the Covid19 pandemic;
- lower sales revenues from gaming equipment for € 2.2 million attributable to the same factors cited in the previous point;
- greater revenues from banking & payments business for € 3.3 million, mainly due to sales of hardware and software and services connected to the newly acquired Pluservice S.r.l. and myCicero S.r.l.

COSTS FOR PURCHASES OF RAW AND SUBSIDIARY MATERIALS, CONSUMABLES AND GOODS

This item totalled € 16.1 million at 31 December 2020, compared to € 15.3 million at 31 December 2019, an increase of € 0.8 million compared to 31 December 2019 (+5.7%).

The change is mainly due to:

- greater costs to acquire pay slips and consumables for gaming terminals in Turkey after the concession began on 1 August 2020, for around € 3.2 million;
- lower costs to acquire pay slips and consumables for national business due to lower terminal transactions, mainly deriving from the closure of sales points during the lockdown, for around € 2 million;
- lower costs for spare parts and wear on gaming terminals and services for around € 2 million as a direct consequence of the Covid-19 pandemic;
- greater costs for various consumables for around € 1.4 million.

COSTS FOR SERVICES

Costs for services amounted to € 456.7 million in the year which ended on 31 December 2020, a decrease of € 8.3 million or 1.8% with respect to 31 December 2019.

The table below provides a comparison in terms of the nature of these costs during the two reference years:

(in thousands of Euros)	2020	% of Revenues	2019	% of Revenues	Change	% change
Sales points - gaming	121,681	15%	207,378	24%	(85,697)	(41%)
Sales points - Payments & Services	161,778	19%	106,756	12%	55,022	52%
Commercial services	22,654	3%	23,805	3%	(1,151)	(5%)
Consulting	24,559	3%	24,653	3%	(94)	(0%)
Other costs for services	126,050	15%	102,463	12%	23,587	23%
of which Maintenance	17,826	2%	15,900	2%	1,926	12%
of which TLC	11,028	1%	9,850	1%	1,178	12%
of which Online Platforms	15,740	2%	11,628	1%	4,112	35%
of which Banking expenses	24,414	3%	15,168	2%	9,246	61%
of which Logistics	4,869	1%	5,374	1%	(506)	(9%)
of which Utilities	4,717	1%	6,762	1%	(2,045)	(30%)
of which Travel expense	3,537	0%	4,820	1%	(1,283)	(27%)
of which Outsourcing	21,126	3%	13,444	2%	7,682	57%
of which Other expenses	22,793	3%	19,517	2%	3,276	17%
Total costs for services	**456,722**	**55%**	**465,055**	**53%**	**(8,333)**	**(2%)**

The main changes are attributable to:

- fees relative to gaming and payments & services sales points, which fundamentally refers to fees paid to the gaming supply chain and distribution network based on remuneration schedules which creates a direct relationship between these items and the turnover and revenue trends described above;
- the online platform, for which the increase is substantially due to affiliation strategies implemented to expand the customer base and to the growth in fees paid to various gaming platforms on the basis of revenue sharing agreements, which therefore also are affected by the above revenue dynamics with regards to the online segment;
- banking expenses, the increase in which is mainly attributable to greater costs on online and credit card circuit, higher commission costs related to collection on the Banking & Payments cashless circuits;

- outsourcing, for which the increase is mainly due to greater costs associated with call center services, visual merchandising, platform management and specific services directly connected to business payments.
- other expenses, for which the increase is mainly due to the services acquired for the SisalPay branded cards and insurance costs.

PERSONNEL COSTS

Personnel costs amounted to € 99.1 million at 31 December 2020, compared to € 97 million at 31 December 2019, an increase of € 2.1 million (+2%).

In terms of impact on revenues, this amount accounts for 12% at the end of 2020, compared to 11% the previous year.

The workforce, expressed as a headcount, was 2,644 at 31 December 2020, compared to 2,230 at 31 December 2019.

At 31 December 2020, personnel costs benefited from the positive impact of around € 5 million associated with the Wage Integration Fund (FIS), a social safety net to combat the effects of the Covid-19 pandemic.

In addition to this, note that the item includes around € 3.2 million in costs linked to settlement and severance agreements associated with the reorganisation of the Group's structure.

OTHER OPERATING EXPENSES

This item totalled € 45.8 million at 31 December 2020, compared to € 52.9 million the previous year, a decrease of € 7.1 million, substantially due to:

- lower concession fees in the Gaming sector for around € 8.8 million;
- lower other operating expenses compared to the previous year, with € 5.6 million due to the undue detraction by third parties, for which Sisal S.p.A. filed a compliant with the relevant authorities.

Partially offsetting these decreases, note that the item includes the provision of around € 11.5 million made relative to the dispute with ADM concerning spending requirements for “communication and information” projects. For more information, please see that indicated in the section “Gaming concessions and regulatory framework”.

To that end, recall that against the payment request received by Sisal S.p.A. from ADM, for around € 24.3 million, a provision of € 11.5 million was made, equal to 50% of the requested amount, appropriately decrease by the amount identified in June 2020, based on evaluating the case with items associated with the new regulatory provisions contained in the Dignity Decree, based on which concessionaires no longer must suffer costs such as, by way of example and not exhaustive, the execution of advertising campaigns, dissemination and media communication, as well as events and promotions to publicise the products involved in the concession.

Therefore, while the Group considers ADM's request to be ungrounded, given the significance of the amount requested, as well as the receipt of the State Attorney’s opinion, in a note dated 27 February 2020, followed by another of 18 December 2020, which holds there is a requirement to pay the sums not spent on communication as taxes and, as well, the fact that the current TAR order is still subject to appeal by the ADM and hence a ruling from the Council of State, it carried out the above provisioning, reflecting the relative amount in the financial statements for 2020.

CHARGES CLASSIFIED DIFFERENTLY

Charges classified differently, amounting to € 1.3 million at 31 December 2020 (€ 0.7 million at 31 December 2019), refer to:

- amortisation of the NTNG concession of around € 0.1 million, classified as a decrease of gaming revenues;
- writedown on contractual penalties charged to the network for around € 1.2 million, mainly in the context of services classified as a direct decrease of the relative revenues.

AMORTISATION, DEPRECIATION, IMPAIRMENT AND IMPAIRMENT REVERSAL

This item totalled € 179.5 million at 31 December 2020, compared to € 153.7 million at 31 December 2019, showing an increase of around € 25.8 million, mainly due to:

- greater allocations to the bad debt provision of around € 1.9 million;
- greater amortisation of intangible fixed assets, mainly due to software development for around € 11.5 million, for the most part due to the effects of company applications developed as well as, in the banking & payments sector, the completion of the purchase price allocation during the year relative to transfers to the fair value recognised at the end of 2019 under the item other intangible fixed assets;
- greater depreciation of tangible fixed assets, mainly due to gaming terminals and services for around € 7.9 million.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses totalled € 72 million at 31 December 2020, compared to € 74.8 million at 31 December 2019, a net decrease of € 2.8 million, substantially due to:

- lower financial expense for the gaming bond compared to the previous year of around € 47.9 million, following a reduction in the same at the end of 2019;
- greater financial expense for SisalPay Group for interest accruing in 2020 on the deferred price acquisition agreement signed with Banca 5 at the end of 2019 in the context of the acquisition of the relevant business unit, for around € 16.5 million;
- greater financial expense for the services bond signed at the end of 2019 for around € 23.1 million.
- greater financial expense on the RCF lines drawn down by the Group for a total of € 3.5 million;
- greater financial expense for unrealised translation differences relative to the loan granted to Sisal Sans for around € 2.1 million.

INCOME TAXES

Income taxes for the year amounted to € 1.1 million, compared to € 24 million the previous year.

NET RESULT

2020 ended with a loss of approximately € 40 million, substantially attributable to the Banking & Payments sector, for the reasons indicated above.

Group Net Financial Position

Below is a breakdown of the Group's net financial position at 31 December 2020 and at 31 December 2019:

	Situation at 31 December	
(in thousands of Euros)	**2020**	**2019**
Cash and cash equivalents	(215,709)	(172,014)
Non-current financial liabilities	1,046,176	1,019,607
Current financial liabilities	161,985	6,416
Short-term portion of long-term financial liabilities	36,633	31,306
Statutory net financial position	**1,029,085**	**885,315**

Current financial liabilities include the residual portion of upfront fees relative to the ssRCF -*Super Senior Revolving Credit Facility* obtained from a pool of banks, with Unicredit S.p.A. serving as the head bank, for a total of € 125 million, maturing in 2022 and with interest calculated on the basis of the Euribor rate plus a spread of 3.5%, subject to a reduction in the margin based on the achievement of certain financial ratios (for 2020 the spread was 3%, in line with financial year 2019).

Relative to this same ssRCF contract, in January 2017 the Company agreed upon a detachment of € 25 million with one of the lenders (Unicredit S.p.A.) in the form of a current account overdraft.

At the end of 2020 a credit line was utilised for € 100 million by the subsidiary Sisal S.p.A., while the € 25 million overdraft was used to provide financial support for the same subsidiary Sisal S.p.A. against obligations which arose due to its role as a concessionaire. For more information, please see the section "Subsequent events".

Cash and cash equivalents include bank and postal current accounts, as well as cash on hand and equivalents.

Non-current financial liabilities amount to € 1,046 million and include:

- the two Bond Loans for a total of € 781 million after the relative upfront fees, as follows:
  - annual fixed rate SSN bond for Sisal Group S.p.A., with a nominal value of € 275 million, half-yearly coupon detachment for interest calculated at 7% annually (maturing on 31 January and 31 July of each year) and bullet capital repayment on 31 July 2013;
  - FRN bond for SisalPay Group S.p.A., with a nominal value of € 530 million, quarterly coupon detachment for interest calculated with the 3-month Euribor, plus a spread of 3.875%, and bullet capital repayment on 17 December 2026;
- the non-current portion of liabilities for leased assets, mainly referring to real estate, gaming equipment, hardware and vehicles for a total of € 50.5 million;
- shareholder loans, summarised below:
  - € 203.6 million, the amount of the "Deferred Purchase Price Agreement" debt instrument signed by SisalPay Group S.p.A. following the partnership transaction involving payment services business for a total of € 186.6 million, relative to the minority shareholder Banca 5 S.p.A;
  - € 10 million for the loan granted by the minority shareholder Şans Dijital to the Turkish subsidiary Sisal Sans.
- Other long-term financing for around € 0.9 million

Current financial liabilities amount to € 162 million and include:

- € 100 million for use of the € 125 million ssRCF plus interest of € 0.9 million accrued at the end of the year;
- € 59.3 million for use of an additional credit line, net of the relative upfront fees;
- Other short-term loans for € 1.8 million.

Finally, the short-term portion of long-term financial liabilities, at € 36.6 million, includes:

- € 25.3 million for the short-term portion of liabilities for leased assets;
- € 8.9 million for interest accrued on the SSN and FRN bonds at 31 December 2020;
- the short-term portion of other long-term financing for € 2.4 million.

CASH FLOW STATEMENT

The following table summarises the results of the cash flow statement for financial years 2020 and 2019:

(in thousands of Euros)	2020	2019
Cash flows from operating activities (A)	103,535	85,425
Cash flows from (used in) investment activities (B)	(153,578)	(111,157)
Cash flows from (used in) financial activities (C)	93,738	(57,146)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**43,695**	**(82,878)**
Cash and cash equivalents at beginning of the year	**172,014**	**254,892**
Cash and cash equivalents at the end of the year	**215,709**	**172,014**

Cash flows from operating activities

Cash flows from operating activities were positive at € 103.5 million, mainly due to cash flows generated by operating activities prior to changes in working capital, totalling € 223.7 million, minus changes in working capital items, totalling € 120 million, mainly attributable to:

- a net increase in commercial working capital of € 3.2 million due to minor trade payables to suppliers involved in the Group's operations management and partially offset by an increase in payables due to service partners in the banking & payments sector;
- an increase in other receivables of around € 97.4 million, substantially due to the payment of the second down payment instalment in September 2020 for the new NTNG concession, starting in December 2021, in the amount of € 111 million, partially offset by the reduction in the item other receivables, of € 14.1 million, mainly due to the receipt of the payable linked to the security deposit paid to ADM for the ADI concession for service level guarantees, for a total of € 12 million;
- an increase in bound cash and cash equivalents for € 91.9 million mainly due to fluctuations in the underlying liabilities, substantially linked to payables for NTNG premiums, payables for online gaming deposit accounts and payables due to services partners and prepaid card holders with reference to the Banking & Payments business;
- an increase in other payables of € 78.3 million, mainly due to:
  - greater accumulation of PREU payables and the fee due to ADI, € 19 million greater with respect to the previous year, linked to postponing of tax payments in the fifth two-month period (September-October 2020), granted by ADM in relation to the health emergency, as well as to payment of only the third advance for the sixth two-month period, in the amount of 1/6 of the total amount due;
  - greater payables for digital accounts of € 11 million, as a direct consequence of the outstanding performance of the online segment;
  - greater payables for winnings to payout for around € 39 million, mainly relative to NTNG products;
  - greater payables due to prepaid card holders and payment accounts managed by SisalPay S.p.A., for around € 20 million;
  - lower payables due to Banca 5 S.p.A. following the payment in 2020 of items for the reconciliation of business unit transfers carried out in 2019, for € 14.1 million;
  - an increase in other payables of € 3.4 million.
- absorption of cash relative to other changes for € 5.8 million, mainly due to the use of provisions for risks and charges and payment of employee benefits.

Cash flows from (used in) investment activities

Cash flow used in investment activities at 31 December 2020 totalled € 153.6 million, mainly attributable to:

- tangible investments of € 59 million, mainly in industrial and commercial equipment for € 57 million, specifically relative to:
  - "Galileo" terminals used in the new NTNG concession;
  - equipment to manage entertainment equipment (ADI)
  - new terminals to manage the Lottery concession in Turkey and
  - terminals to provide banking & payments services.

In addition to these, note investments of around € 2 million, recognised under the item Land and Buildings, for remodelling of offices and sales points managed directly by the Group and investments in Other assets for € 9 million, mainly for gaming terminals purchased to manage the Lottery concession in Turkey, not yet in use at the end of the year.

Intangible investments totalled € 94 million, with around € 73 million linked to the acquisition and internal development of software, for corporate operations management and new projects, while also including around € 17 million for the purchase of concessions, licenses, brands and similar rights, in particular regarding the renewal of concession rights relative to betting, and € 4 million relative to Other intangible fixed assets.

- a decrease in other non-current assets of around € 1.5 million, after recovery of tax receivables for reimbursement;
- acquisitions totalling € 1.3 million regarding the acquisition of 51% of the company Pluservice S.r.l. in the banking & payments sector, for which more information can be found under the note "Business Combinations".

Cash flows from (used in) financial activities

Cash flow from financial activities at 31 December 2020 totalled € 93.7 million, mainly attributable to:

- the use of revolving loans of € 157.3 million, relative to the use of credit lines, in both the Gaming and Banking & Payments sectors;
- the use of financing received from the shareholder Sans Dijital by the Turkish subsidiary, for € 11.6 million;
- capital grants made by the shareholder Sans Dijital to the Turkish subsidiary, for € 3.7 million;
- repayment of loans for € 26.8 million, of which € 26.4 million relative to the Lease Liability recognised through application of IFRS 16 on leasing contracts;
- net financial expenses paid for € 52.1 million.

Other information

ACTIONS REQUIRED UNDER REGULATION (EU) 2016/679 AND ITALIAN LEGISLATIVE DECREE 196/2003

Pursuant to Regulation (EU) 2016/679 of the European Parliament and Council, dated 27 April 2016, the General Data Protection Regulation, and to Italian Legislative Decree 196/2003, note that the Group complies with measures regarding the protection of personal data.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

At 31 December 2020, the Group has 2,644 employees. There were no cases of death and/or serious injury in the workplace nor cases of occupational disease for employees or former employees, nor cases of workplace harassment.

With reference to possible environmental impacts deriving from corporate activity, note that during the year there were no cases of environmental damage attributed to the companies of the Group, nor were any definitive fines or penalties imposed upon the same for environmental crimes or damages.

RELATIONS WITH THE PARENT COMPANY AND RELATED-PARTY TRANSACTIONS

With regards to related party transactions, note that these cannot be classified as either atypical or unusual, as they can be considered normal operations for the companies of the Group. These transactions are carried out at arms-length, taking into account the features of the assets and services involved. Information on related-party transactions, included those required by the CONSOB Communication of 28 July 2006, is detailed in the Notes to the Consolidated Financial Statements at 31 December 2020.

With regards to relations with the parent company Schumann Investments S.A., which provides management and coordination, there are no specific commercial and/or financial relations with the same as of the end of the year.

NUMBER AND NOMINAL VALUE OF TREASURY SHARES

Neither the parent company nor any other company in the Group holds treasury shares, nor do they hold shares or units of parent companies, not even through fiduciary companies or intermediaries and during the year no purchases or sales of this type of share or unit took place.

Subsequent events

REGULATORY CHANGES

Covid-19

During 2020 and in the initial months of 2021, multiple national and regional regulations were issued to deal with the Covid-19 emergency, which led to the suspension of concession gaming. Most recently, in chronological order, Decree Law 44 of 1 April 2021 confirmed the measures already in effect since 6 November 2020 which suspends activities in gaming rooms, betting rooms, bingo parlours and casinos, even if carried out in areas furnished for different activities, through 30 April 2021.

The Company therefore continues to monitor proper application of measures to protect the health of its employees and collaborators.

Additionally, it continues to assess the impact that the prolonged state of emergency and hoped progressive return to normality will have on the Company's business.

DISPUTES

NTNG Concession-Spending requirements for “communication and information” projects

With reference to this dispute, for which more information can be found in the section “Gaming concessions and regulatory framework”, recall that on 11 February 2021, the presiding judge of the TAR granted a suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021.

To guarantee the entire sum requested by ADM, € 24.3 million, the TAR of Lazio asked for the companies of the Sisal S.p.A. Group to deliver a first request bank surety to the same Agency, which the Company did by 6 April 2021, the deadline indicated by the TAR of Lazio.

To that end, note that parent company provided support to Sisal S.p.A. to deal with the above financial requirement, making it necessary to present cash collateral to obtain the bank surety requested by ADM.

FINANCING

Establishment of revolving credit line

On 12 March 2021, the Board of Directors of Sisal S.p.A. resolved to take out a short-term revolving loan from Unicredit S.p.A., up to a maximum of € 40 million, for which the main economic conditions are:

- 12 month duration as of the signing date;
- upfront fee of 0.25%,
- commitment fee of 0.35% and interest rate equal to the Euribor plus a spread of 3.5%.

In consideration of current uncertainties regarding the markets and the block on retail business due to the pandemic, this credit line will guarantee a liquidity buffer sufficient to deal with the possible prolonged blockage of retail business.

Early repayment of Shareholder Loan Agreement

With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and the minority shareholder Sans Digital amended the existing Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 31 March 2024, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan will be repaid in advance in 2021, using the available financial resources.

INTERNATIONALISATION

Tender for the Fourth National Lottery Licence

Continuing on its path towards international development, the Company will participate in the tender for the concession for the National Lottery issued by the Gambling Commission, to assign the “Fourth National Lottery Licence”, to manage gaming products in the national lottery category within the United Kingdom, including the Isle of Man.

The tender procedure is structured with bids presented in two stages, the first of which expires on 16 April 2021 and the second on 17 September 2021.

The tender is expected to be awarded in December 2021, while the licence takes effect in August 2023.

Business Outlook

Again in 2021 the Covid-19 pandemic will impact the business outlook, with negative effects continuing throughout the initial months of the year in progress.

Due to this, it is expected that certain segments of Gaming business, in particular Entertainment Equipment and Offline Sporting Bets, will suffer from the continuation of the lockdown, while Lottery business, which is not affected by the closure of the physical network, will continue to perform positively, in part thanks to the greater premium associated with the old concession with respect to the new, for which the duration has been extended through 30 November 2021, as well as the efficacy of the new MY SISAL affiliation programme, which has continued to see a very positive response from the distribution network during the first few months of the year.

Online business is expected to continue to constantly grow, supported on one hand by the transfer of gamer spending to the online channel and, on the other, by all the strategic initiatives already implemented to support business growth, which are forecast to support and strengthen the market leadership achieved by the company during 2020.

These forecasts are obviously subject to updates in consideration of developments in the Covid-19 emergency, which will necessarily condition social activities and net of which performance will be evaluated.

The international development strategy will continue, with the objective of strengthening business in countries in which the company already operates, and of seizing additional opportunities which may arise in the near future, starting with the tender for the “Fourth National Lottery Licence”.

The Group’s strategic objectives, in line with that already defined in plans shared in previous years, will be pursued despite the difficult current situation, benefiting from the excellent dynamism and reactivity the organisation has shown in handling the emergency, with a focus on sustainable business development and support initiatives, with a necessary emphasis on the financial sustainability of the Group, which is solid and does not show any areas for worry.

Also with reference to Banking & Payments business, the macroeconomic scenario for the year in course will also see negative impacts from Covid-19, especially due to the significant restrictions on the “Horeca” channel, which are still in effect. However, at the same time it is expected that the market could show signs of recovery with respect to 2020, in line with the main macroeconomic indicators, thanks in part to a gradual return to normality expected starting in the second half of the year.

These trends give rise to the expectations for the economic and financial results for 2021, with an overall growth compared to 2020 results thanks in particular to the contribution coming from strategic initiatives such as the development of the Mooney prepaid card, the increase in banking service volumes through the expansion of the distribution network and the strengthening of digital/cashless business.

Milan, 29 April 2021

For the Board of Directors

The Chairman

Aurelio Regina

Consolidated Financial Statements

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(in thousands of Euros)	Note	31/12/2020	of which related parties	31/12/2019	of which related parties
Revenues	11	696,489		731,851	
Fixed-odds betting income	12	128,428		135,058	
Other income	13	2,988		2,478	
Total Revenues and Other Income		**827,905**		**869,387**	
Purchases of raw materials, consumables and goods	14	16,136	154	15,264	
Costs for services	15	456,722	1,927	465,055	2,341
Personnel costs	16	99,119	5,218	97,034	4,090
Other operating expenses	17	45,847		52,892	
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	18	179,544		153,704	
Operating profit (loss)		**30,537**		**85,438**	
Financial income	19	579		37	
Financial expenses	20	72,535	705	74,735	
Share of profit/(loss) of equity-accounted companies		-		127	
Profit (loss) before income taxes		**(41,419)**		**10,613**	
Income taxes	21	(1,155)		24,251	
Profit (loss) for the year		**(40,264)**		**(13,638)**	
attributable to non-controlling interests		(9,987)		(2,103)	
Profit (loss) for the year attributable to the Group		**(30,277)**		**(11,535)**	

OTHER COMPREHENSIVE INCOME

Profit (loss) for the year	**(40,264)**	**(13,638)**
Other comprehensive income:		
Actuarial gains (losses) on defined benefit plans for employees	67	(224)
Fiscal effect	(16)	54
Other income components not to be reclassified subsequently to the income statement	**51**	**(170)**
Change in currency translation reserve	(2,700)	-
Other income components to be reclassified subsequently to the income statement	**(2,700)**	**-**
Comprehensive result for the year	**(42,913)**	**(13,808)**
attributable to non-controlling interests	(11,387)	(2,103)
Comprehensive result for the year attributable to the Group	**(31,526)**	**(11,705)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euros)	Note	31/12/2020	Related parties	31/12/2019*	Related parties
Non-current assets					
Property, plant and equipment	22	245,872		224,750	
Goodwill	23	795,076		785,195	
Intangible assets	24	545,803		534,635	
Equity-accounted companies	25	20		3,309	
Other non-current assets	26	21,191		22,663	
Total non-current assets		**1,607,962**		**1,570,552**	
Current assets					
Inventories	27	11,823		10,958	
Trade receivables	28	101,267		113,439	
Tax receivables	29	63		231	
Other current assets	30	272,889		175,402	
Restricted cash and cash equivalents	31	240,531		148,585	
Cash and cash equivalents	32	215,709		172,014	
Total current assets		**842,282**		**620,629**	
Total assets		**2,450,244**		**2,191,181**	
Equity					
Share capital		102,500		102,500	
Reserves		337,343		350,127	
Net result attributable to the Group		(30,277)		(11,535)	
Total equity attributable to the Group		**409,566**		**441,092**	
Equity attributable to non-controlling interests		(64,163)		(63,491)	
Total equity	33	**345,403**		**377,601**	
Non-current liabilities					
Borrowing from banks and other lenders	34	1,046,176	10,662	1,019,607	
Employee benefit obligations	35	12,900	121	10,125	
Provisions for risks and charges	36	27,074		17,686	
Deferred tax liabilities	37	101,791		116,071	
Other non-current liabilities	38	8,604		236	
Total non-current liabilities		**1,196,545**		**1,163,724**	
Current liabilities					
Trade payables and other payables	39	308,920	50	301,783	
Borrowing from banks and other lenders	34	198,618		37,722	
Tax payables	40	19,029		5,529	
Other current liabilities	41	381,729	2,846	304,822	1,462
Total current liabilities		**908,296**		**649,856**	
Total equity and liabilities		**2,450,244**		**2,191,181**	

(*) The Consolidated Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Banca 5, Slot Italia and Di.Vi. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Euros)	Note	Share Capital	Legal Reserve	Share Premium Reserve	Other Reserves	Net result attributable to the Group	Total equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
Equity at 31 December 2018	**33**	**102,500**	**200**	**94,484**	**92,635**	**36,475**	**326,294**	**1,097**	**327,391**
Allocation of prior year net result		-	-	-	36,475	(36,475)	**-**	-	**-**
Sale of 30% of Network Italia S.r.l.		-	-	-	-	-	**-**	1,020	**1,020**
Acquisition of non-controlling interests		-	-	-	22	-	**22**	(1,097)	**(1,075)**
Transfer of Banca5 business unit		-	-	-	126,417	-	**126,417**	(62,417)	**64,000**
Currency translation reserve and other changes		-	-	-	64	-	**64**	9	**73**
Comprehensive result for the year		-	-	-	(170)	(11,535)	**(11,705)**	(2,103)	**(13,808)**
Equity at 31 December 2019	**33**	**102,500**	**200**	**94,484**	**255,443**	**(11,535)**	**441,092**	(63,491)	**377,601**
Allocation of prior year net result		-	-	-	(11,535)	11,535	**-**	-	**-**
Change in scope of consolidation		-	-	-	-	-	**-**	5,501	**5,501**
Capital grants made by third parties		-	-	-	-	-	**-**	5,214	**5,214**
Comprehensive result for the year		-	-	-	(1,249)	(30,277)	**(31,526)**	(11,387)	**(42,913)**
Equity at 31 December 2020	**33**	**102,500**	**200**	**94,484**	**242,659**	**(30,277)**	**409,566**	**(64,163)**	**345,403**

CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of Euros)	2020	2019
Profit (loss) before taxes	**(41,419)**	**10,613**
Amortisation/depreciation	163,653	140,609
Writedowns of receivables included in current assets	15,644	13,627
Impairment of tangible and intangible assets	247	11
Accruals to provisions for risks and charges and post-employment and other employee benefits	13,613	5,021
Proceeds from acquisitions	-	(1,614)
Financial (income)/expenses	71,955	74,698
Cash flows from operating activities before changes in working capital	**223,693**	**242,965**
Change in trade receivables	(4,706)	22,588
Change in inventories	(1,125)	802
Change in trade payables	2,615	(21,684)
Change in other assets and liabilities	(116,763)	(119,663)
Taxes paid	(179)	(39,584)
Cash flows from operating activities (A)	**103,535**	**85,425**
Investments in intangible assets	(94,331)	(66,282)
Investments in property, plant and equipment	(59,441)	(38,564)
Investments in non-current financial assets	-	(3,436)
Change in other assets	1,472	(1,240)
Acquisitions net of acquired cash and cash equivalents	(1,278)	(1,402)
Acquisition of non-controlling interests	-	(233)
Cash flows from (used in) investment activities (B)	**(153,578)**	**(111,157)**
Establishment of medium/long-term loans	11,655	530,000
Repayment of medium/long-term loans	(410)	(450,127)
Leasing reimbursement	(26,432)	(22,424)
Establishment/repayment of revolving credit lines	157,352	(33,741)
Capital increases attributable to the Group	3,692	-
Net interest paid	(52,120)	(80,854)
Cash flows from(used in) financial activities (C)	**93,738**	**(57,146)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**43,695**	**(82,878)**
Cash and cash equivalents at beginning of the year	**172,014**	**254,892**
Cash and cash equivalents at the end of the year	**215,709**	**172,014**

Notes to the Consolidated Financial Statements

1. General information

Sisal Group S.p.A. (hereafter "**Sisal Group**", the "**Company**" or the "**Parent Company**") is a company, established in and with domicile in Italy, with its registered and administrative office in Milan, in Via di Tocqueville, 13, and organised in compliance with the legal regulations of the Italian Republic.

The Company and its subsidiaries (jointly, the "**Group**") mainly operate: *i*) in the gaming sector, mainly on the basis of concessions to accept bets for predictions, horse-racing and sporting events, as well as legal gambling using entertainment equipment - "**ADI**" (apparecchi da intrattenimento); and *ii*) in the collection and payment services sector, through a specific authorisation issued by the Bank of Italy, and through sales of telephone top-ups and television content.

Schumann Investments S.A. is the sole shareholder of the Company, a Luxembourg company which is indirectly invested in, through corporate vehicles, by funds managed by the CVC Capital Partners Group (hereafter, "**CVC**"), as well as by some of the Group's managers.

These financial statements were approved and authorised for publication by the company's Board of Directors on 29 April 2021 and were subject to auditing by the independent auditors PricewatehouseCoopers S.p.A (hereafter, "PwC").

2. Significant events during the period

COVID-19

Gaming Business

2020 was marked by the Covid-19 pandemic which heavily influenced trends in the gaming market and the Group's business results, due to the two "lockdown" periods imposed by the authorities, the first from 11 March to 15 June 2020 and the second starting on 6 November 2020.

Starting on 21 February 2020, the day on which the first case of Covid-19 was identified in Italy, a series of Prime Ministerial Decrees (DPCM) were issued, which introduced increasingly restrictive measures through the "Io Resto a Casa" Decree of 11 March 2020 which suspended all non-essential retail establishments and services in Italy. For Sisal, these measures led to a partial block of the distribution network for its physical channel, starting in March. More specifically, all activities for the specialised channel were suspended - that is activities in arcades and in betting rooms. Relative to the generalist channel, activities in bars were suspended while those in tobacco shops remained operational, but with a prohibition on gaming products. During this period, only online gaming was allowed. During the initial lockdown the Online channel also saw a decline due to the suspension of sporting events and limitations on Lottery products.

Only as the contagion curve fell did the Italian governmental authorities gradually loosen these measures, allowing people to move freely and businesses to reopen.

As of 4 May the generalist channel returned to business (bars and tobacco shops) with the possibility of selling Lottery tickets and offering payment services, while as of 15 June 2020 gaming and betting rooms could reopen. The period between July and October 2020 should be seen as the only period during the year in which the physical and online channels were fully operational, reaching amounts very similar to pre-Covid levels.

In particular, September and October 2020 respectively saw an increase of +5% and +2% with respect to the same period in 2019, assisted by the combined effects of the accelerated growth seen in the Online channel and the rapid recovery of the Retail channel, which both saw positive performance, although they did not reach pre-pandemic levels due to lower consumer traffic in the generalist channel.

Starting in October 2020, the contagion curve began to rise exponentially, forcing the government to once again implement restrictive measures aimed at containing the Covid-19 health emergency. To differentiate between restriction levels, the Italian regions were grouped into one of three epidemiological categories: red, orange and yellow, corresponding to the most risky to the least risky and correlated with specific and different levels of restrictions.

On 26 October 2020 the Italian government was forced to issue a new Decree Law which called for, as of 6 November 2020, the closure of gaming and betting rooms and all specialised sales points, while also introducing certain restrictions relative to the generalist channel.

As of the date of this document, the physical Retail channel is still closed, due to the above law and subsequent DPCMs which confirmed these provisions.

In contrast with the initial lockdown, during the second Lottery product sales within the generalist channel (tobacco and newspaper stands) have not been suspended.

The business of foreign subsidiaries was also negatively affected by the Covid-19 pandemic:

- in Morocco local authorities imposed a lockdown from 16 March 2020 to 1 June 2020, during which bet collection activities were entirely suspended. As of June 2020 bet collection returned gradually, with differences based on the various regional orders;
- in Turkey, the launch of Lottery business was postponed to 1 August 2020. In any case, during its initial months of business the foreign subsidiary achieved performance exceeding expectations, above all in the online segment;
- online activities in Spain suffered due to a lack of sporting events.

The Sisal Group immediately implemented a number of measures intended to protect the health of its employees and, simultaneously, "minimise" the impacts on its business and on its ability to generate the cash flow necessary to manage and develop business.

In particular, use of remote working was increased, while stringent measures were implemented to guarantee workplace health and safety (cleaning, specific safety protocols to limit contagion, etc.).

In this context, the Group began a number of initiatives to guarantee operational continuity for certain activities, including improving and implementing new technological solutions to offer remote access to company applications and new marketing and sales initiatives to support growth of online business to compensate for the months long partial blockage of the retail channel.

Additionally, initiatives were begun to support commercial partners (payment flexibility, temporary cancellation of affiliation fees), as well as actions to optimise cash management through a detailed cost containment policy.

Further, the Group established a number of negotiation groups to reduce the risk of contagion associated with legal gambling and to promote effective safety protocols.

Further demonstrating its commitment to the community, note that at the peak of the Covid-19 emergency which seriously affected the economy and health of our country, the Group provided support to local entities and associations to distribute and obtain the protective equipment needed to combat contagion, supporting Civil Protection both directly and through the collection of funds through its sales points.

Banking & Payments Business

With the Presidential Decree of 11 March 2020, the Government implemented precautionary measures to limit the spread of the virus, establishing a lockdown for all commercial activities without public utility, including bars and restaurants throughout Italy. In this context, the Mooney network was able to function, from 12 March 2020 to 18 May 2020, solely through tobacco shops and news-stands, which constitute around 70% of its entire affiliate network, given that the remaining 30% is represented by the bar category. In the second half of the year, when the loosening of restrictive measures implemented by the government allows for partial recovery, the situation still did not return to normal conditions given the limitations on hours for certain categories (bars) which continued during the second half.

The Company and the Group to which it belongs, in order to protect the health of its employees and ensure business continuity, implemented a Disaster Recovery plan over a few weeks, which allowed for the activation of smart working for 100% of the corporate population and equally activated commercial and technical projects to support business. In addition to the Disaster Recovery Plan, the SisalPay Group also developed a CSR action plan to support its personnel, its retail sales network and the community, as described above.

To minimise the negative economic impacts associated with the epidemic, a Mitigation Plan was also implemented. In particular, to support volumes and business, the Company extended distribution of its prepaid card, guaranteeing remote technical and sales support for its network, and continued to invest in media and marketing to support volumes.

EXTRAORDINARY TRANSACTIONS

Acquisition of controlling interest in Pluservice S.r.l.

On 31 July 2020 SisalPayServizi S.p.A. completed the acquisition of 51% of Pluservice S.r.l. The company acquired holds 70% of the units of MyCicero S.r.l., in which SisalPay Servizi S.p.A. already held the remaining 30%, and therefore together with direct control over Pluservice S.r.l., SisalPay Servizi S.p.A. also obtained indirect control over MyCicero S.r.l.. The operation is part of a strategy to diversify and grow the Group's business which sees Mobility as an important area for development and synergy.

INTERNATIONALISATION

Turkey

In August 2020, with the start of the relative concession, the Turkish subsidiary Sisal Sans began operating.

Recall that in September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract.

The contract, which was initially to start in June 2020 and was subsequently postponed to August due to the Covid-19 emergency, involves the management and development of a portfolio of numeric games, instant lotteries and online gaming, for a period of 10 years.

3. Summary of accounting standards, scope and consolidation and measurement criteria

Below are the main accounting standards applied when preparing the consolidated financial statements and the aggregate financial information for the Group.

BASIS OF PREPARATION

The Consolidated Financial Statements were prepared in accordance with the IFRS, meaning by which all the International Financial Reporting Standards, all the interpretations issued by the International Reporting Interpretations Committee (IFRIC), previously known as the Standard Interpretations Committee (SIC) which, as of the reporting date for the consolidated financial statements, have been endorsed by the European Union following the procedure established in Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002.
The Consolidated Financial Statements were prepared in Euros, which is the currency in the main economic environment in which the Group operates. All amounts included in this document are presented in thousands of Euros, unless otherwise indicated.
Below are the accounting schemes and relative classification criteria adopted by the Group, in the context of the options allowed under IAS 1 - *Presentation of Financial Statements*:

- the statement of consolidated income is proportional, with individual items analysed based on their nature, highlighting Other comprehensive income components which include components of the result for the year suspended in shareholders' equity;
- the statement of consolidated financial position, prepared by classifying assets and liabilities based on the "current/non-current" criteria;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flow was prepared by showing cash flows deriving operations using the "indirect method". In the statement of cash flow, cash flows from Group operating activities exclude effects deriving from changes in payables associated with jackpots for games managed, which have balancing entries under restricted cash and cash equivalents, in that cash flows generated through sales of various competitions and to be used to liquidate the winnings based on concession rules are deposited in dedicated current accounts. This allows for more clear representation of cash flows relative to the cash and cash equivalents effectively available to the Group, excluding financial dynamics linked to the payment of winnings which involve cash with a specific restricted destination. Consequently, liquidity at the beginning and end of the year shown in the cash flow statement exclusively refer to the item cash and cash equivalents in the equity/financial situation, from which restricted accounts for jackpots have been excluded and classified under a dedicated item contained in the Equity/Financial Situation.

Comparison balances have been reclassified when deemed necessary to guarantee greater homogeneity in the items presented.

Preparation standards

These financial statements are prepared according on the basis of the historical cost principle and on a going concern assumption.

Directors' assessment on the going concern assumption

On the basis of the results achieved in the current year and the outlook for future years, the management believes that there are no elements that make going concern uncertain. In particular, the Group's capital solidity and cash and cash equivalents at the end of the financial year guarantee a high degree of financial autonomy to support the Sisal Group's operating requirements and development programmes.

For the 2021 financial year, the group's operations are largely guaranteed, both in terms of the products offered in the various markets and distribution channels and in the ability to manage and organise business activities.

NEWLY APPLIED STANDARDS

In preparing these Financial Statements, the accounting standards and measurement criteria applied comply with those used for the Financial Statements as at 31 December 2019, other than that described below.

Standards, amendments and interpretations applicable as of 1 January 2020

Amendments to IFRS16 “Leases”: Covid-19- Related Rent Concessions

On 28 May 2020, the International Accounting Standards Board (“IASB”) issued an amendment to standard IFRS 16 Leases to assist lessees in recognising leasing incentives deriving from the Covid-19 pandemic (e.g. suspension of rent or temporary reduction of rent).
Accounting standard IFRS 16 already establishes how lessees are to account for amendments in payments for leasing contracts, including incentives. More specifically, to determine the method used to account for changes in the payments of leasing contracts, including incentives, IFRS 16 requires that individual contracts be assessed to determine whether the incentives must be considered contract amendments. In this case, the lessee must redetermine the liability relative to the lease (and consequently the Right of Use), using a revised discount rate. IFRS 16 defines a lease amendment as a change in the subject of or the amount of the lease which is not found in the original contractual conditions.
However, the application of this method to a potentially high number of incentives relative to leasing fees, correlated with Covid-19, could be complicated in practice, above all in the light of the numerous challenges which companies were already facing during the pandemic.
The amendment exempts lessees from evaluating whether incentives granted following the Covid-19 pandemic are contract amendments and allows the same entities to recognise these incentives as if they are not amendments, i.e. immediately recognising them in the income statement.
The amendment does not apply to lessors and applies only to incentives relative to leases occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are satisfied:

- the amendment involves payments which are substantially equal to or less than the payments envisaged prior to the amendment;
- any reduction in leasing payments only affects payments made by 30 June 2021 and dos not extend to subsequent periods;
- there are no significant changes relative to other contractual terms and conditions.

The adoption of these amendments applies to financial years starting on or after 30 June 2020. Nonetheless, the Company decided to retroactively take advantage of the possibility of adopting these provisions for the financial year which began on 1 January 2020, in line with that allowed under the endorsed amendment. Therefore, it is applied to amendments to sales point lease contracts which satisfy the above conditions.
Based on the application of this expedient, the Company recognised a benefit in the income statement during the year in the amount of € 1,118 thousand.

Other new standards, interpretations and amendments applicable as of 1 January 2020 with no significant impacts

Below is a list of other new standards, interpretations and amendments applicable as of 1 January 2020 with no significant impacts on the consolidated financial statements as at 31 December 2020:

- Amendments to IFRS 3 “Definition of business”;
- Amendments to IAS 1 and IAS 8 “Definition of material”;
- Amendments to IFRS 7, IFRS 9 and IAS 39 “Interest Rate Benchmark Reform”
- Amendments to references to the “Conceptual framework” in the IFRS.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

As of the date this document was prepared, the following new standard, amendments and interpretations had been issued but had not yet become applicable:

Accounting, standards and interpretations	Obligatorily applicable as of
Amendments to IFRS 4 "Insurance Contracts";	1 January 2021
Amendments to the amendment to IFRS16 "Leases": Covid-19- Related Rent Concessions	1 April 2021
Amendments to IFRS 3 "Business Combinations"	1 January 2022
Amendments to IAS 16 "Property, Plant and Equipment"	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	1 January 2022
Amendments, "Annual Improvements 2018-2020"	1 January 2022
Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies"	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accouting Estimates"	1 January 2023
IFRS 17 "Insurance Contracts"; including "Amendments to IFRS 17"	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"	1 January 2023

SCOPE OF CONSOLIDATION AND CONSOLIDATION CRITERIA

The scope of consolidation for the Group includes the financial statements of Sisal Group S.p.A. (the parent company) and those of the companies over which it exercises control, directly or indirectly, starting on the date on which control was acquired and until the date on which control no longer exists.

The main changes in the scope of consolidation at 31 December 2020, compared to 31 December 2019, are described below.

Mergers

The following companies are no longer included in the scope of consolidation as they were merged into other group companies in 2020.

Company merged	Merged into	Date
Slot Italia S.r.l.	Network Italia S.r.l.	1 December 2020
Elmea S.r.l.	Sisal Gaming S.r.l.	1 December 2020
Di.Vi. S.r.l.	Sisal Gaming S.r.l.	1 December 2020
Sisal Gaming Campania S.r.l.	Sisal Gaming S.r.l.	1 December 2020

Acquisitions

Company acquired	Date
Pluservice S.r.l.	31/07/2020
myCicero S.r.l.	31/07/2020

For details on acquisitions, please see that found in the section "Business Combinations".

Establishment of new companies

Name	Date
Sisalşans Dijital ve Elektronik Şans Oyunları ve Yayıncılık A.Ş.	03/03/2020
Sisal Juego Espana S.A.	17/09/2020

Name changes

To ensure better understanding of the scope of consolidation, below are name changes which occurred during the period:

Name	New name	Date
Friulgames S.r.l.	Sisal Gaming S.r.l.	1 December 2020

Annex A provides a complete list of companies included in the scope of consolidation as at 31 December 2020.

CONSOLIDATION CRITERIA

Subsidiaries

The consolidated financial statements include the financial statements of all subsidiaries, companies over which the parent company has control. Control exists when the parent company holds, directly or indirectly, decision-making power over the entity, or when it is exposed to or has the right to variable returns deriving from its relationship with the same and, at the same time, has the ability to affect these returns by exercising its power over the entity. Subsidiaries are consolidated on a line by line basis starting from the date on which control was effectively acquired and consolidation ceases on the date in which control is transferred to a third party. The financial statements for all subsidiaries have the same reporting date as those of the parent company. The criteria adopted for line by line consolidation is as follows:

- assets and liabilities, expense and income for subsidiaries are included line by line, when applicable attributing to non-controlling interests the portion of shareholders' equity and of the net result pertaining to them for the period; these amounts are shown separately under the equity and in the income statement;
- business combinations through which control over an entity is acquired are recognised, in accordance with the provisions contained in IFRS 3 *Business Combinations*, using the acquisition method. The cost of acquisition is represented by the current fair value of assets, liabilities and equity instruments issued and acquired as of the date of acquisition. Identifiable assets acquired, liabilities and potential liabilities obtained are recognised at the relative current value on the date of acquisition, with the exception of deferred tax assets and liabilities, assets and liabilities linked to employee benefits and assets held for sale, which are recognised in accordance with the relative accounting standards. The difference between the acquisition cost and the current value of the assets and liabilities acquired is recognised among intangible assets as goodwill if positive. If negative, after checking the proper measurement of the current values of assets and liabilities acquired and the cost of acquisition, this difference is recognised directly in the income statement as proceeds. Accessory charges for the transaction are recognised in the income statement at the moment they are incurred;
- the cost of acquisition also includes the potential fee, recognised at fair value on the day control is acquired. Subsequent changes in fair value are recognised in the income statement or statement of comprehensive income if the potential fee is a financial asset or liability. Potential fees classified as shareholders' equity are not recalculated and subsequent payment is recognised directly in equity;
- units of shareholders' equity and profits attributable to non-controlling interests are recognised in specific financial statement items; on the day of acquisition these can be measured at fair value or proportionally with regards to the minority stake held in the identifiable assets of the acquired entity. The choice of measurement method is made on a case by case basis. If business combinations through which control is acquired occur in multiple stages, the Group recalculates the stake it previously held in the acquired company at its respective fair value on the acquisition date and recognises any resulting profit or loss in the income statement;
- changes in the stake held in a subsidiary which do not involve acquiring or losing control are treated as "equity transactions". Therefore, for acquisitions which occur after control has been acquired, or for partial sales of subsidiaries that do not involve a loss of control, any positive or negative difference between the sale/purchase price and the corresponding portion of shareholders' equity is recognised directly in the Group's equity;

- in the case that a partial sale of a subsidiary leads to a loss of control, the equity investment which remains is adjusted to its relative fair value and this is included when calculating capital gains or losses deriving from the transaction;
- significant gains or losses, including relative tax effects, deriving from transactions carried out between different companies consolidated on a line by line basis and not yet realised with regards to third parties are eliminated. Additionally, debit and credit relationships, costs and revenues and financial income and expenses are also eliminated, if significant.

Associated companies

Associated companies are those over which the Group exercises significant influence, which is presumed to exist when the investor company holds, directly or indirectly, at least 20% of the votes which can be exercised at the investee company's Shareholders' Meeting. Equity-accounted companies are measured using the equity method and are initially recognised at cost. After acquisition, this amount is adjusted by changes in the portion of the investee's net assets pertaining to the investor company. In particular:

- the carrying value of these equity investments is in line with equity, as adjusted when necessary to reflect application of IFRS and including the recognition of greater/lesser values attributed to assets, liabilities and goodwill (if applicable), identified at the time of acquisition;
- profits or losses pertaining to the Group are recognised as of the date on which significant influence began and until the date on which the significant influence no longer exists. In the case that, due to losses, a company measured using the method above is found to have negative equity, the carrying value of this equity investment is cancelled and any excess amount pertaining to the Group, in the case that the Group has committed to fulfil the legal or implicit obligations of the investee, or in any case to cover its losses, is recognised in a specific provision; changes in the equity of companies measured with the equity method, not representing the results of the income statement, are recognised in comprehensive income.
- unrealised gains and losses generated through transactions carried out by the Company/subsidiary and the investee measured with the equity method, including distribution of dividends, are eliminated based on the value of the stake the Group holds in the investee.

MEASUREMENT CRITERIA

Below is a brief description of the most significant accounting standards and measurement criteria used to prepare the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised on a cost basis, at the purchase price or cost of production including any directly attributable accessory costs needed to make the asset ready to use, as well as any dismantling and removal charges that will be suffered based on contractual requirements which require that the asset be returned to its original conditions and any financial expenses directly attributable to the acquisition, construction or production of the asset.

Charges incurred for ordinary and/or cyclical maintenance or repair are directly recognised in the income statement during the financial year in which they are incurred. Capitalisation of costs relative to the extension, modernisation or improvement of structural elements owned or leased from third parties is done solely to the extent that these meet the requirements for separate classification as an asset or part of an asset, applying the “component approach”.

The 2017 Budget Law introduced to Italy, starting in 2018, the possibility for taxpayers established in the country to become a single taxpayer entity for VAT purposes, based on an option exercised by the same. A Ministry of Economy and Finance decree on 6 April 2018 implemented this law which, in turn, had adopted the European regulations on VAT groups within domestic legislation. The SISAL Group made use of this new option as of financial year 2019, overcoming pre-existing distinctions within the Group between companies which made use of the option to dispense with duties for exempt transactions required under article 36 bis of Italian Presidential Decree 633/72 and companies following a pro-rata regime. Consequently, non-recoverable VAT, determined within the new Group VAT regime, is included in the cost to acquire an asset at the time of capitalisation, based on the Group’s provisional pro-rata, possibly adjusted at the end of the year after definitive determination of the pro-rata for the year.

Property, plant and equipment are systematically depreciated every year at constant rates based on the economic/technical rates determined based on the residual possibility of using the assets. If the asset subject to depreciation consists of distinctly identifiable components, with significant differences in useful life relative to the other parts making up the asset, depreciation is carried out separately for each of the parts which make up the asset, applying the "component approach".

The useful life estimated for various categories of property, plant and equipment is as follows:

Property, plant and equipment class	Useful life in years
Buildings	33
Systems	3-10
Equipment	3-8
Other assets:	
- vehicles	4-5
- furniture and furnishings	8
- electronic office equipment	5
Leasehold improvements	**the lesser of the estimated useful life of the asset and the duration of the lease**

If investments made by the company refer to assets for gaming management obtained through concessions from the Monopolies Agency and returned free of charge to the same at the end of the concession, these are depreciated over the shorter of the useful life of the asset and the residual duration of the concession.

Depreciation begins when the asset is available for use, taking into account the moment at which this condition effectively arises.

Leased assets

Leasing contracts refer to contracts or parts of contracts which transfer the right to use an asset for a period of time, in exchange for a payment.

Rights of use for leased assets and financial liabilities for leased assets respectively represent an asset representing a right of use for the Company relative to the asset owned by third parties, and a liability representing an obligation to make the payments called for in the contract. Both items are recognised in the financial statements starting on the date on which the asset is made available for use by the Company and until the most recent date between the end of the useful life of the right of use and the duration of the lease. Nonetheless, in the case in which the lease transfers ownership of the leased asset to the lessee until the end of the lease, or if the value of the right of use asset also includes the fact that the lessee may exercise a right of acquisition, the right of use is subject to systematic amortisation throughout the useful life of the underlying asset.

The Group has defined the duration of a lease as the non-cancellable period of a contract, also considering the periods covered by options to extend the lease, when the Company is reasonably sure of exercising this option. In particular, when assessing reasonable certainty in terms of exercising renewal options, the Group considers all relevant factors which create an economic incentive to exercise the renewal option.

Liabilities for leased assets are initially recognised in an amount equal to the current value of payments due for the lease and not yet made as of the commencement date, including fixed payments net of any lease incentives to be received, variable payments due for the lease which depend upon an index or rate, an estimate of the payment made by the lessee to guarantee the residual value, payment of a price to exercise the acquisition option, if the lessee is reasonably certain of exercising this right, and payment of contractual penalties to terminate the lease, if the lessee is reasonably certain of exercising this option. The current value of future payments is calculated using a discount rate equal to the implicit interest rate of the lease or, if this cannot be easily determined, using the Company's incremental lending rate. After initial recognition, the carrying value of the liability for the leased asset is increased based on interest allocated in any period and reduced based on payments made. It is also redetermined, as a balancing entry to the carrying value of the correlated asset, in the case of a change in the payments due for the lease following contract renegotiation, changes in indexes or rates, or changes in the assessment of the likelihood of contractual options being utilised, including contract extension options. The interest component is recognised as a financial expense throughout the entire duration of the lease and is determined using the effective interest method. The right of use is initially recognised at cost, at the value of the initial amount of the lease liability, plus an initial direct costs incurred by the lessee, any payments made on or prior to the commencement date, and minus any incentives received from the lessor, plus any direct initial costs sustained and an estimate of costs to be incurred for dismantling. The right of use is amortised at constant rates based on the lesser of either the useful life of the asset or the duration of the underlying lease. The Group applies the requirements established under IAS 36 “Impairment of Assets” to reduce the value of rights of use.

The Group makes use of the practical exemption allowed for short-term and low-value leases, recognising payments relative to these types of leases in the income statement as operating costs throughout the duration of the lease.

INTANGIBLE ASSETS

Intangible assets consist of non-monetary elements, identifiable and lacking physical consistency, controllable and suitable to generate future economic benefits. These elements are initially recognised at the acquisition and/or production cost, including directly attributable costs to prepare the asset for use. Any interest expense which accrues during and for development of the intangible assets is considered part of the cost of acquisition. In particular, in the context of the Group the following main intangible assets can be identified:

(a) Goodwill

Goodwill essentially represents all future economic benefits deriving from assets acquired in a business combination that cannot be individually identified and separately recognised. It is measured as the amount exceeding the amount of the payment made, measured at fair value, with the value of equity pertaining to non-controlling interests, with respect to the fair value of the identifiable assets acquired, net of potential liabilities taken on as of the acquisition date.

Any negative difference (“badwill”) is instead immediately recognised in the income statement at the time of acquisition as proceeds deriving from the completed transaction.

Goodwill deriving from a business combination is not amortised, but is subject to periodic verification to identify any impairment, based on that described in the section below “Writedowns on property, plant and equipment and intangible assets”.

To determine the presence of impairment, on the acquisition date the goodwill acquired through a business combination is allocated to individual cash-generating units (CGU), or to groups of CGUs which should derive benefits from the synergies achieved through the business combination, regardless of whether other assets or liabilities of the acquired company are assigned to that unit or group of units. This verification is carried out at least once a year.

No other intangible assets with undefined life are recognised in the financial statements other than goodwill.

(b) Other intangible assets with defined useful life

Intangible assets with a defined useful life are recognised at cost, as previously described, net of cumulative amortisation and any impairment. Amortisation begins at the time the asset becomes available for use and is applied systematically in relation to the possibility of using the same, i.e. on the basis of its estimated useful life. The useful life estimated by the Group for various categories of intangible assets is as follows:

Class of intangible asset	Useful life in years
Patents and copyrights	3-8
Concessions	Duration of the concession
Software user licences	Constant rates in relation to utilisation
NTNG physical and contractual network and services	11-20
Brand	20
Customer Relationship (Online)	13, equal to the duration of the online concession
ADI physical network	11

The amortisation period for concessions also includes a possible renewal period when considered at the time the asset is measured, in accordance with the reference accounting standards.

Additionally, costs for the development of new products and sales channels are capitalised, in particular with reference to software development (e.g., those for the website used for gaming and bet collection services online, or to manage online payment services). In compliance with the IFRS, these costs are capitalised when it is held there are future economic benefits expected associated with gaming and services, also online, able to support the value of the capitalised costs.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Goodwill

As previously indicated, goodwill undergoes an Impairment Test annually or more frequently when there are indicators that could indicate the goodwill has suffered impairment.

The impairment test is carried out on each of the "***Cash Generating Units***" ("CGU") to which goodwill has been allocated and which is monitored by management. Any impairment of goodwill is recognised if the recoverable value of the same is less than its carrying value. Recoverable value means the greater of the CGU's fair value, net of disposal charges, and its relative value in use, meaning by which the current value of future cash flows estimated for the asset. When determining the value in use, expected future cash flows are discounted using a before tax discount rate which reflects current market valuations of the cost of money, proportional to the period of investment and specific risks of the asset. If the reduction in value measured by the impairment test is greater than the value of the goodwill allocated to the CGU, the residual excess amount is allocated to the assets included in the CGU, proportional to the carrying value.

The minimum limit for this allocation is the higher of:

- the fair value of the asset after sales expenses;
- the value in use as defined above;
- zero.

The original value of the goodwill cannot be restored when the reasons that led to impairment cease to exist.

(b) Tangible and intangible assets with defined useful life

At each financial reporting date a check is carried out to determine whether there are indications that property, plant and equipment and intangible assets have suffered impairment. Both internal and external sources of information are used in this process. Relative to the first (internal sources) the following are considered: obsolescence or physical deterioration of an asset, any significant changes in the use of an asset and the economic performance of the asset with respect to that forecast. The following external sources are considered: market price trends for the asset, any changes in technology, whether market or regulatory, the trend of interest rates on the market or the cost of capital used to measure the investments.

If these indications are found, the recoverable value of the asset in question is evaluated, recognising in the income statement any impairment with respect to the carrying value. The recoverable value of an asset is represented by the greater of its fair value, net of accessory costs for the sale, and its relative value in use, meaning by which the current value of future cash flows estimated for the asset. When determining the value in use, expected future cash flows are discounted using a before tax discount rate which reflects current market valuations of the cost of money, proportional to the period of investment and specific risks of the asset. For assets that do generate cash flows in a sufficiently independent manner, the recoverable value is determined in relation to the cash generating unit to which they belong.

Impairment is recognised in the income statement when the carrying value of the asset, or of the CGU to which it is associated, exceeds the recoverable value. Impairment of CGUs is initially recognised as a decrease in the carrying value of any goodwill assigned to the CGU and then as a decrease in other assets, proportional to their carrying value and within the limits of their relative recoverable value. If the reasons behind previously recognised impairment cease to exist, the carrying value of the asset is restored with recognition in the income statement, within the limits of the net carrying value the asset in question would have had if the impairment was not recognised and relative amortisation/depreciation had been recognised.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost, based on the effective interest rate method. Trade receivables and other financial assets are included under current assets, with the exception of those with a contractual maturity that exceeds twelve months after the reporting date, which are classified in non-current assets.

Impairment of receivables is recognised in the financial statements using the "expected credit loss method", in compliance with the provisions of standard IFRS 9. In particular, impairment of trade receivables and contract assets is carried out with a simplified approach, which estimates expected loss throughout the life of the receivable at the time of initial recognition and in subsequent assessments. For each customer segment, the estimate is mainly made by determining average expected non-payment, based on historical statistical indicators, possibly adjusted by using forward looking elements. For certain credit categories which feature special risk elements, specific assessments are instead carried out on individual creditor positions.

If in subsequent periods the reasons behind previously recognised impairment cease to exist, the value of the asset is restored up to the value that it would have had if the amortised cost method had been applied.

Financial assets, that are non-derivative financial instruments, with fixed or determinable payments and with a set maturity, and which the Company has the intention and capacity to hold to maturity, are classified as “hold to collect” assets.

These assets are measured using the amortised cost method, using the effective interest rate criteria, adjusted in the case of impairment. In the case of impairment the same principles are used as those described above for financing and receivables.

Other financial assets, including equity investments in other companies, classified as “hold to collect and sell” assets, are measured at fair value, if it can be determined, and gains and losses deriving from fair value changes are recognised directly to other comprehensive income (expense) until the assets are sold or have suffered impairment. At that time, the other comprehensive income (expense) components previously recognised relative to equity are recognised in the income statement for the period. Dividends received from equity investments in other companies are included under the item financial income.

INVENTORIES

Inventories of play slips and rolls of paper for gaming terminals are recognised at the lesser of the purchase cost, determined using the average weighted cost method, and the realisable value based on market trends.

Inventories of spare parts for gaming terminals are recognised at the average weighted cost, determined based on the purchase price.

Obsolete stock and slow turnover inventory are written down in relation to their possibility of use or realisation through the establishment of a specific provision, recognised as a direct decrease in the corresponding asset item.

Inventories of virtual and physical cards for telephone top-ups and television content are recognised at the average weighted cost, determined based on the purchase price.

Inventories of food and beverages is recognised at the average weighted cost, determined based on the purchase price.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents mainly refer to the balances of accounts relative to jackpots for National Totalizator Numeric Gaming (NTNG) for the company Sisal S.p.A., as well as the balance of current accounts which hold deposits made by players making use of the online gaming methods proposed by Sisal Entertainment S.p.A., in addition to restricted cash and cash equivalents deriving from funds received from customers in compliance with the European Directive 2015/2366 (the Payment Services Directive or PSD2), in the context of the services offered by SisalPay S.p.A. as an Electronic Money Institution (EMI).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank deposits available and other forms of short-term investments, with original maturity dates of three months or less. Cash and cash equivalents are recognised at their nominal value or amortised cost, based on their nature.

FINANCING AND OTHER FINANCIAL LIABILITIES

Financing and other financial liabilities are initially recognised at fair value, net of any directly attributable accessory costs and are subsequently measured at amortised cost, applying the effective interest rate criteria. If there is a change in estimated expected cash flows, the value of the liability is recalculated to reflect this change on the basis of the current new value of expected cash flows and the effective internal rate initially determined. Financial liabilities are classified among current liabilities, unless the contractual maturity is more than twelve months after the reporting date and in the case of liabilities for which the Group has an unconditional right to defer payment for at least twelve months after the reference date.

Financial liabilities are recognised on the trade date and are removed from the financial statements when they have been paid and when the Group has transferred all risks and charges relative to the instruments in question.

TRANSLATION OF TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Transactions in currencies other than the entity's functional currency are translated using the exchange rate in effect on the transaction date. Exchange gains and losses generated by the completion of the transaction or the translation carried out at the end of the year for assets and liabilities in currencies other than the Euro are recognised in the income statement in the items financial income and expenses.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

Assets and liabilities of foreign companies in currencies other than the Euro which are included in the scope of consolidation are converted using the exchange rates in effect on the reporting date. Equity items are translated using historic rates, while the relative revenues and costs are translated using the average exchange rates during the year.

Translation differences resulting from the application of this method are classified as a equity item until the full disposal of the equity investment, or when the equity investment ceases to be classified as a subsidiary or controlled entity.

The financial statements used for translation are those expressed in the functional currency of the foreign company.

Below is a summary of the exchange rates used in the Consolidated Financial Statements at 31 December 2020 and at 31 December 2019:

	Exchange rates at period end		Average exchange rates during the period	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
Moroccan Dirham	10.919	10.781	10.824	10.767
Turkish Lira	9.113	6.684	8.055	6.502
Albanian Lek	123.7	122.05	123.79	123.02

EMPLOYEE BENEFITS

Short-term benefits include salaries, wages, associated social security charges, indemnities replacing holidays and incentives paid in the form of bonuses payable within twelve months of the reporting date. These benefits are recognised as components of personnel expense during the period in which the work is provided.

Benefits received after the employment relationship has ceased can be broken down into two categories: defined contribution programs and defined benefit programs.

In defined contribution programs contribution charges are recognised in the income statement when they are incurred, based on their relative nominal value.

In defined benefit programs, which also include the severance indemnity due to employees pursuant to article 2120 of the Civil Code (TFR), the amount of the benefit to be paid to the employee can only be quantified when the employment relationship ceases, and is linked to one or more factors such as age, years of service and salary. Therefore, the relative charge is recognised in the statement of comprehensive income based on actuarial calculations. Liabilities recognised in the financial statements for defined benefit plans correspond to the current value of the obligation as of the reporting date. Defined benefit plan obligations are determined annually by an independent actuary, using the projected unit credit method.

The current value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that for high-quality corporate bonds issued in Euros and takes into account the duration of the relative pension plan.

As of 1 January 2007, the 2007 financial law and the relative implementation decrees introduced amendments to TFR regulations, including the ability for workers to make a choice about the destination of their own accruing TFR. In particular, new TFR amounts can be directed by workers to pre-selected pension structures or kept within the company. When destined for external pension structures, the company is solely responsible for making a defined contribution to the selected fund, and as of that date the newly accruing amounts are classified as defined contribution plans and not subject to actuarial change.

After the adoption on 1 January 2013 of the revised version of IAS 19 - Employee Benefits, recognition of actuarial gains/losses is done among other components of the consolidated statement of comprehensive income.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated to cover losses and charges, certain or probable, for which the amount or date of payment cannot be determined at the end of the year. These are recognised only when there is a current obligation (legal or implicit) involving a future outflow of economic resources as a consequence of past events and it is probable that this outflow will be required to fulfil the obligation. The amount represents the best discounted estimate of the spending required to fulfil the obligation. When the financial effect over time is significant and the payment date for the obligations can be reliably estimated, provisions are measured at the current value of the outflow expected using a rate which reflects market conditions, the change in the cost of money over time and the specific risk associated with the obligation. An increase in the value of a provision, determined by changes in the cost of money over time, is recognised as interest expense. Risks for which the manifestation of a liability is only possible are indicated in the specific disclosure on potential liabilities and no provisioning is carried out.

RECOGNITION OF REVENUES

The revenue recognition model is based on standard IFRS 15 and includes five steps:

- identification of the contract with the client: the provisions of the standard apply to each individual contract, except for cases for which the standard itself requires that the entity consider multiple contracts together and consequently see to the relative recognition;
- identification of separate performance obligations, that is contractual promises to transfer assets and/or services contained in the contract;
- determination of the price of the transaction. If the fee is variable, it is estimated by the entity, to the extent it is highly probable that when the uncertainty linked to the variable fee is resolved no significant decreases will be seen in the amount of cumulative revenues recognised;
- allocation of the price of the transaction to the separate identified performance obligations, based on the relative stand-alone sale prices for each asset or service;
- recognition of the revenue at the time and/or to the degree the relative separate performance obligation has been satisfied.

Revenues are initially recognised at the fair value of the payment received.

With reference to the component of revenues relative to the gaming business, in compliance with the provisions of standard IFRS 15, revenues relative to gaming services in which Sisal is the “main” actor are stated:

- gross of the remuneration component paid to the supply chain (agencies, managers and merchants) and any relative concession fees;
- net of tax withholdings and payouts made.

Similarly, with reference to the NTNG concession, in which Sisal is classified as an "agent”, revenues are recognised in an amount equal to the earnings accrued on the transaction pertaining to the concessionaire. The residual balance of the upfront fee paid in relation to the NTNG concession existing as of the reporting date is classified under the item “Other current assets”.

Revenues accrued by the Company through resales of telephone top-ups and television content are recognised in an amount equal to the differential between the sale price and the nominal cost of the cards. The cost relative to the acquisition of the same is hence recognised as an adjustment to the gross revenue recorded, as the Company serves as an “agent”.

With reference to the recognition of revenues related to the payment services business, it should be noted that:

- commission income from sales points, circuits or digital platforms is recognised in the Income Statement on an accrual basis, based on the negotiation date of the expenses made by final customers;
- revenues related to services of a recurring nature are allocated on a straight-line basis over the duration of the contracts to which they relate;
- revenues accrued by the Company through resales of telephone top-ups and television content are recognised in an amount equal to the differential between the sale price and the nominal cost of the cards. The cost relative to the acquisition of the same is hence recognised as an adjustment to the gross revenue recorded, as the Company serves as an “agent”.
- revenues from activities related to development projects specifically requested by customers are recognised during the development activity (over time) provided that the following requirements are met:

- the customer simultaneously receives and uses the benefits of the service throughout the performance of the service;
- the service is performed on an activity under the client's control;
- the activity on which the service is performed has no alternative use and the Group is entitled to be remunerated for the work done so far;

otherwise, project costs and revenues are suspended and recognised at the end of the project phase.

For contracts which identify separate performance obligations, allocation of the transaction prices to the performance obligation identified is done on the basis of the stand-alone sales price for each asset or service included in the contract.

FIXED-ODDS BETTING INCOME

Turnover linked to fixed-odds betting is initially recognised as a financial liability in accordance with IFRS 9 on the date the bet is accepted. Subsequent changes in the value of the financial liability are recognised in the income statement under the item fixed-odds betting income until the date on which the event linked to the bet occurs.

ACQUISITION COST FOR ASSETS AND SERVICES

This is recognised in the Income Statement on an accrual basis. Non-deductible VAT, calculated on the basis of the “pro-rata ratio”, is classified as a general cost and recognised under other operating expenses when it refers to acquisitions of goods and services classified within cost items, while it is recognised as an increase of the asset in the case of acquisitions regarding intangible or tangible fixed assets.

INCOME TAXES

Income taxes are allocated based on a forecast of the tax charges for the financial year, with reference to the regulations in effect. The expected payable is recognised under “Tax payables”.

Deferred tax assets and liabilities are calculated against all differences which emerge between the taxable base of an asset or liability and its relative carrying value, with the exception of goodwill at initial recognition and that relative to differences deriving from equity investments in subsidiaries, when the time for reversing these differences can be controlled by the Group and it is probable that they will not be reversed within a reasonably foreseeable period of time.

Deferred tax assets and liabilities are offset when they are applied by the same tax authority, there is a legal right to offset them and payment of the net balance is expected. The balance of the offsetting, if positive, is recognised under the item “deferred tax assets” and, if negative, under the item “deferred tax liabilities”. When the results of transactions are recognised directly to equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised to equity.

Deferred taxes are determined using the tax rates expected to be applied in the year in which the underlying temporary differences will be realised or eliminated, provided they have already been approved as of the reporting date.

Any expenses linked to disputes with tax authorities are recognised under “taxes” for the portion relative to the tax evaded and the corresponding fines.

4. Management of Financial Risk

The Group’s activities are exposed to various types of financial risk: market risk, defined as exchange risk and interest rate risk, bank risk, liquidity risk, credit risk and capital risk.

The Group's risk management strategy is intended to minimise potential negative effects on the Group's financial performance. Risk management is centralised within the Finance Department which identifies, measures and ensures coverage of financial risks in close cooperation with the Group's operating departments. The Finance department provides indications on how to monitor risk management, as well as providing specific guidance for individual departments regarding interest rate risk and exchange risk.

With reference to the Covid-19 pandemic, no material impacts were identified with respect to the financial risks to which the Group is exposed, therefore the directors did not consider it appropriate to adopt significant changes to the management, risk control and risk assessment systems.

Instead, effective plans were implemented to ensure business continuity and to ensure the normal operation of the business, guaranteeing the health and safety of employees and the highest level of service for customers.

For further details, see the section on Significant events during the period “Covid-19”.

MARKET RISK

Exchange rate risk

The Group mainly operates on the Italian market and is therefore only exposed to exchange risk in a limited manner, solely with reference to supplies of insignificant amounts of spare parts for gaming equipment acquired in currencies other than the Euro (mainly the US Dollar and British Pound).

With the development of its internationalisation strategy, the Group is increasingly exposed to exchange rate risk. At 31 December 2020 the Group is exposed to the Euro/Turkish Lira and Euro/Morocco Dhiram exchange rates for both financial and commercial transactions. Considering that the internationalisation strategy is still in its start-up phase, the Group estimates that the impacts of oscillation in the aforementioned exchange rates may not have significant impacts.

Interest rate risk

The Group is theoretically exposed to risks linked to changes in interest rates in relation to variable rate financing, that is short-term Revolving Credit facilities, the medium/long-bond (Senior Secured Floating Rate Notes) and the variable rate shareholder's loan (Turkish overnight rate).

In particular, the Group normally makes use of short-term debt to finance its working capital needs and makes use of medium or long-term financing to cover investments made and correlated with business, as well as for extraordinary transactions. Financial liabilities that expose the Group to interest rate risk are in part medium/long-term loans indexed to a variable rate.

With reference to interest rate risk, sensitivity analysis was carried out to determine the impact that would be seen on the income statement and on equity from a hypothetical 100 basis point increase or decrease with respect to that effectively recognised in each period.

The analysis was carried out mainly with regards to the following items:

- cash and cash equivalents;
- short-term and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average balance and return rate for the period, while for short and medium/long-term liabilities, the impact was calculated precisely. Fixed rate financial payables were also included in this analysis, in that the represent a hedge against interest rate risk, even if they do not lead to an oscillation in the same, for € 482,058 thousand in 2020 and € 463,966 thousand in 2019, while any tax impacts were not considered.

	2020				
		Income Statement		Equity	
(in thousands of Euros)	as at 31 December 2020	1% profit / (loss)	-1% profit / (loss)	1% profit / (loss)	-1% profit / (loss)
Net financial debt	(1,029,085)	(2,320)	(9)	(2,320)	(9)
Total	**(1,029,085)**	**(2,320)**	**(9)**	**(2,320)**	**(9)**

	2019				
		Income Statement		Equity	
(in thousands of Euros)	as at 31 December 2019	1% profit / (loss)	-1% profit / (loss)	1% profit / (loss)	-1% profit / (loss)
Net financial debt	(885,315)	(837)	-	(837)	-
Total	**(885,315)**	**(837)**	**-**	**(837)**	**-**

With specific reference to the direct consequences of the economic crisis, caused by the Covid-19 pandemic, and to interest rate risk, no particular critical issues are identified, also in light of the current context characterised by predominantly negative short-term interest rates.

BANK RISK

Bookmaking is the activity that involves determining odds for fixed-odds bets, which represent a de facto contract between the bookmaker (bank), which undertakes to pay a pre-determined amount (quotation), and the player, who accepts the bank's proposal and decides the amount of their bet within the limits established under the regulations in effect.
The implicit risk of these activities is managed by the Group through the systematic and professional work of its own odds-making staff in the "Risk management department", which also makes use of external consultation to properly determine odds and limits on the possibility of speculative gaming.

LIQUIDITY RISK

Liquidity risk refers to the risk of not being able to fulfil one's own future or present obligations due to insufficient available funds. The Group manages this risk by working to achieve balance between cash outflows and sources of short and long-term financing, distributing due dates over time with reference to medium and long-term funding. In particular, prudential management of liquidity risk means maintaining an adequate level of cash and cash equivalents and an adequate amount of funds that can be accessed through credit lines.
At 31 December 2020 there were approved and unused credit lines totalling € 56 million (€ 212.5 million at 31 December 2019), associated with revolving credit lines.
The table below includes an analysis of the maturity dates for payables due to banks and other financing entities, for trade payables and other payables. The various maturity categories were determined based on the period between the reporting date and the contractual maturity of the obligations.

(in thousands of Euros)	as at 31 December 2020	Outflows foreseen			
		Up to three months	Over three months-up to a year	Over one year-up to five years	Over five years
Borrowing from banks and other lenders (*)	1,271,805	76,735	126,075	332,157	736,839
Trade payables	308,920	196,160	112,760	-	-
Other payables	382,332	353,848	16,860	11,624	-
Total	**1,963,056**	**626,742**	**255,695**	**343,780**	**736,839**

(in thousands of Euros)	as at 31 December 2019	Outflows foreseen			
		Up to three months	Over three months-up to a year	Over one year-up to five years	Over five years
Borrowing from banks and other lenders (*)	1,093,824	20,970	18,548	331,932	722,375
Trade payables	301,783	222,022	77,822	1,164	775
Other payables	298,757	167,521	128,805	2,431	-
Total	**1,694,364**	**410,513**	**225,174**	**335,527**	**723,150**

(*) The amount does not include upfront fees

During the year in question, the Group complied with all the contractual conditions established for its existing loans.

With specific reference to the impact of the Covid-19 pandemic on the Group's liquidity risk, no critical elements were identified as the level of available liquidity is adequate to meet the Group's financial needs and investment plans

CREDIT RISK

The potential risk found in existing commercial relationships, essentially with betting shops, based on partnership contracts, is guaranteed through specific procedures used to select sales points, assign operating limits for bet acceptance on gaming terminals and daily checks on credit trends which will block terminals in the case of unpaid amounts, followed by revocation of authorisation to serve as a SISAL betting shop in the case of recidivism.

Potential risk in existing commercial relationships with agencies managed by third parties, based on partnership contracts and with entities which manage entertainment equipment, used to collect legal betting on the Group's account, is guaranteed through the issuing of promissory notes or sureties when contracts are stipulated. These relationships are also monitored and periodically reviewed by the Group.

Gaming credit which may be granted to individual players, based on internal procedures, is subject to examination and authorisation by company management based on technical/commercial assessments.

The amount of financial assets deemed unlikely to be collected is covered by appropriate allocations to the bad debt provision.

The tables below breakdown current assets relative to customers at 31 December 2020 and 2019, separated into homogeneous macro-risk classes.

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Receivables due from customers, generalist channel	134,489	171,270
Receivables due from customers, specialised channel	405	2,958
Receivables due from customers, "providing" channel	5,135	15,082
Other trade receivables	17,237	9,042
Provision for impairment of trade receivables	(55,999)	(84,914)
Total Trade Receivables	**101,267**	**113,439**
Other receivables due from public entities	11,916	31,029
Other receivables	27,732	24,932
Provision for impairment of other receivables	(5,006)	(5,065)
Total Other Receivables	**34,642**	**50,897**
Total	**135,909**	**164,335**

Receivables due from public entities mainly include receivables due from the Customs and Monopolies Agency deriving from management of games carried out in accordance with the specific concessions;

The item *Other receivables* does not include the downpayment of € 222 million (€ 111 million at 31 December 2019), paid by Sisal S.p.A. to ADM in relation to the award of the tender for the new NTNG concession with effect from 1 December 2021, as there is no risk of collection.

Receivables due from customers, generalist channel, referring to coffee and tobacco shops, mainly represents receivables due from bet collection and payment services in which the method of payment occurs through weekly automated payment flows. The large number of customers in this channel exposes the Customer to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by the Directors, is duly covered by a specific provision for impairment of trade receivables;

Receivables due from customers, specialised channel represents receivables due from VLT rooms and from partners recognised net of fees accrued by the same and not yet liquidated. These mainly consist of horse-racing and sporting bets, received by agencies operating under partnership contracts and not yet transferred to the Company's current accounts. The large number of betting shop customers exposes the Customer to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by the Directors, is duly covered by a specific provision for impairment of trade receivables;

Receivables due from customers, "providing" channel includes receivables due from sales points with collection mainly carried out through the use of employees or AWP managers resulting from legal gambling turnover using entertainment equipment, including single tax withdrawal (PREU) which the Group, through its subsidiaries which hold gaming concessions, must periodically pay to the tax authorities; the large number of these entities and the significance of the sums collected exposes the Group to the risk of partial non-recoverability of the receivable which, based on appropriate assessments by the Directors, is duly covered by a specific provision for impairment of trade receivables;

The item *Other receivables* includes insurance receivables, receivables from service providers for distribution fees, receivables from third party customers for integrated digital solutions for transport and mobility services, receivables from employees and other receivables not included in the previous categories. The Group has not identified any significant risks associated with this category of receivable.

Tax receivables were excluded from this analysis, given that no significant correlated risk is held to exist.

Exposure to risk

The following tables provide details on exposure to credit risk, with reference to relative age at 31 December 2020 and 2019:

(in thousands of Euros)	At 31 December 2020	falling due	overdue less than 90 days	overdue between 90 and 180 days	overdue over 180 days
		Breakdown of receivables by due date			
Trade receivables	157,266	88,256	9,625	2,163	57,222
Bad debt provision	(55,999)	(75)	(2,850)	(1,012)	(52,062)
Net value	**101,267**	**88,181**	**6,775**	**1,151**	**5,160**
Other receivables	39,648	32,158	1,547	702	5,242
Bad debt provision	(5,006)	(14)	-	-	(4,992)
Net value	**34,642**	**32,144**	**1,547**	**702**	**250**
Total	**135,909**	**120,325**	**8,322**	**1,853**	**5,410**

(in thousands of Euros)	At 31 December 2019	falling due	overdue less than 90 days	overdue between 90 and 180 days	overdue over 180 days
		Breakdown of receivables by due date			
Trade receivables	198,353	99,890	7,651	6,785	84,027
Bad debt provision	(84,914)	(1,349)	(3,591)	(2,891)	(77,083)
Net value	**113,439**	**98,541**	**4,060**	**3,894**	**6,944**
Other receivables	55,962	50,700	-	-	5,262
Bad debt provision	(5,065)	(21)	-	-	(5,044)
Net value	**50,897**	**50,679**	**-**	**-**	**218**
Total	**164,335**	**149,219**	**4,060**	**3,894**	**7,162**

The Group has one overdue amount that has not been written down as it is not held there are any genuine worries about collection. As already noted, the Group monitors existing credit risk essentially relative to betting shops, thanks to specific procedures used to select sales points, assign operating limits for bet acceptance on gaming terminals and daily checks on credit trends which will block terminals in the case of unpaid amounts, followed by revocation of authorisation to serve as a SISAL betting shop in the case of recidivism.

With reference to the impacts deriving from the Covid-19 pandemic, at the reporting date, although in a context of significant economic uncertainty, which has also led to situations of recovery of potentially critical credit items, the management considers the impacts on credit risk of the events deriving from the pandemic to be limited, also by virtue of risk management policies, monitoring activities and remedial actions implemented by the Group.

CAPITAL RISK

The Group's goal in managing capital risk is mainly to guarantee returns to shareholders and benefits to other stakeholders, protecting the business as a going concern.

The size of debt, deriving from the operation in which the CVC Capital Partners investment fund entered the shareholding structure, was decided after an assessment of the Group's ability to constantly generate income and financial cash flow adequate to its needs to pay back the same, while satisfying the relative charges and self-financing ordinary operations and investments to develop business.

Additionally, in the presence of investment opportunities intended to strengthen the value and stability of the Group, the international character of the shareholders which control and the relative equity amounts guarantee the Group's ability to take advantage of these opportunities, also through risk capital.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

To complete the information on financial risks, below is a reconciliation of classes of financial assets and liabilities, as identified in the Group's statement of financial position and the categories identified under IFRS 9:

	At 31 December 2020		
(in thousands of Euros)	**Financial assets and receivables at amortised cost**	**Financial liabilities and payables at amortised cost**	**TOTAL**
Trade receivables	101,267	-	101,267
Other assets (current and non-current)	294,080	-	294,080
Restricted cash and cash equivalents	240,531	-	240,531
Cash and cash equivalents	215,709	-	215,709
Total assets	**851,587**	**-**	**851,587**
Borrowing from banks and other lenders	-	1,244,794	1,244,794
Trade payables and other payables	-	308,920	308,920
Other liabilities (current and non-current)	-	390,333	390,333
Total liabilities	**-**	**1,944,047**	**1,944,047**

	At 31 December 2019		
(in thousands of Euros)	**Financial assets and receivables at amortised cost**	**Financial liabilities and payables at amortised cost**	**TOTAL**
Trade receivables	113,439	-	113,439
Other assets (current and non-current)	198,065	-	198,065
Restricted cash and cash equivalents	148,585	-	148,585
Cash and cash equivalents	172,014	-	172,014
Total assets	**632,103**	**-**	**632,103**
Borrowing from banks and other lenders	-	1,057,329	1,057,329
Trade payables and other payables	-	301,783	301,783
Other liabilities (current and non-current)	-	305,058	305,058
Total liabilities	**-**	**1,664,170**	**1,664,170**

In the financial years in question, the Group did not reclassify any financial assets to different categories.

Given the short-term characteristics of trade receivables and payables, it is held that the carrying value, net of any provisions for bad debt, represents a good approximation of their fair value.

The item Borrowing from banks and other lenders includes the value of the senior secured bonds, for which the fair value at 31 December 2020 was € 815 million (€ 284 million for the Sisal Group bond and € 531 million for the Sisal Pay Group bond). The fair value was calculated using market listings (fair value hierarchy level 1).

FAIR VALUE ESTIMATE

In relation to the assets and liabilities recognised in the Consolidated Statement of Financial Position, IFRS 13 requires that these values be classified on the basis of a hierarchy, which reflects the significance of the inputs used to determine fair value.

Below is the classification of the fair value of financial instruments based on the following fair value hierarchy:

Level 1: fair value determined using (non-adjusted) prices from active markets for identical financial instruments. Therefore, in Level 1 emphasis is placed on determining the following elements:

- the main market for the asset or liability or, in the absence of a main market, the most advantageous market for the asset or liability;
- the possibility for the entity to carry out at transaction with the asset or liability at the price on that market on the measurement date.

Level 2: fair value determined using measurement techniques that refer to variables observable on active markets. The inputs for this level include:

- listed prices for similar assets or liabilities on active markets;
- listed prices for identical assets or liabilities on inactive markets;
- data other than listed observable prices for assets or liabilities, for example:
  - interest rates and return curves observable at commonly listed intervals;
  - implicit volatility;
  - credit spreads;
- market-backed input.

Level 3: Fair value determined using measurement techniques that refer to non-observable market variables.

The Consolidated Statement of Financial Position at 31 December 2020 and at 31 December 2019 does not includes assets or liabilities measured with the fair value method.

5. Estimates and assumptions

Preparation of financial statements requires directors to apply accounting standards and methods which, under certain circumstances, are supported by evaluations and estimates based on historical experience and assumptions which are considered reasonable and realistic at the time in question, based on the relative circumstances. Application of these estimates and assumptions influences the amounts found in the consolidated financial statements, including statement of financial position, income statement, statement of comprehensive income and the statement of cash flow, as well as the notes provided. The final results for financial statement items relative to which these estimates and assumptions were used may differ from those reported in financial statements indicating the effects of the manifestation of the event being estimated, due to the uncertainties involved in the assumptions and the conditions on which estimates are based.

Below is a brief description of the accounting standards which for the Sisal Group require greater subjectivity from the Directors in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on consolidated financial figures.

(A) PROVISIONS FOR RISKS AND CHARGES

Provisions representing the risk of a negative result are allocated against legal and tax risks. The value of the provisions recognised in the financial statements represents the best estimate as of that date made by the Directors. This estimate involves making assumptions which depend on factors which may change over time and, therefore, could have significant effects with respect to the current estimates made by the Directors in preparing the Group's consolidated financial statements.

(B) IMPAIRMENT OF ASSETS

Goodwill

Group assets are divided into three operating segments: Retail, Online Gaming, International and Banking & Payments. Based on the accounting standards used and its impairment procedure, the Group annually tests to determine whether Goodwill has suffered impairment. The recoverable value is determined based on a calculation of value in use. This calculation requires the use of estimates.

For more details on the Goodwill impairment test, please see the Note “Goodwill and Intangible Assets”.

Property, plant and equipment and intangible assets with defined useful life

Based on the accounting standards applied by the Group and its impairment procedure, property, plant and equipment and intangible assets with defined useful life are subject to verification to ascertain whether impairment exists, which is recognised through a write-down, when there are indications that suggest difficulties in recovering the relative net carrying value through use. Verification of whether these indicators exist requires the Directors to make subjective assessments based on information available within the Group and on the market, as well as on historical experience. Additionally, when impairment is identified, the Group determines the amount using measurement techniques deemed valid. Proper identification of potential impairment indicators, as well as estimation of the amount of the same, depend on factors which may vary over time, influencing measurements and estimates made by the Directors.

During 2020, the Group verified the existence of indicators of possible impairment in its operating segments. Based on these tests, the Group did not write down any assets, in that no lasting loss of value was identified. For more information, please see the Note “Goodwill”.

Bad debt provision

Impairment of receivables is recognised in the financial statements using the “expected credit loss method”, in compliance with the provisions of standard IFRS 9. In particular, impairment of trade receivables and contract assets is carried out with a simplified approach, which estimates expected loss throughout the life of the receivable at the time of initial recognition and in subsequent assessments. For each customer segment, the estimate is mainly made by determining average expected non-payment, based on historical statistical indicators, possibly adjusted by using forward looking elements. For certain credit categories which feature special risk elements, specific assessments are instead carried out on individual creditor positions.

(C) AMORTISATION/DEPRECIATION

The cost of fixed assets is amortised/depreciated at constant rates throughout the estimated useful life. The useful economic life of the Group's fixed assets is determined by the Directors at the time the fixed asset is acquired. This is based on historical experience for similar fixed assets, market conditions and forecasts of future events which could have an impact on useful life, including changes in technology. Therefore, effective useful life may differ from estimated useful life. The Group periodically assesses technological and sector changes to update residual useful life. This periodic update may include changes in the amortisation/depreciation period and, hence, also in the amortisation/depreciation rates used in future years.

(D) DEFERRED TAX ASSETS

Recognition of deferred tax assets is done on the basis of expected income for future years. Measurement of expected income for the purpose of recognising deferred taxes depends on factors which may vary over time, determining significant effects on the measurement of this item.

(E) LEASING

Recognition and measurement of liabilities linked to lease contracts and the corresponding rights of use may be influenced by various estimates.

Specifically, the Group estimates the internal debt rate to discount expected rent. Additionally, management considers all facts and circumstances that create an economic incentive to exercise renewal options. In fact, renewal options are only included in the total duration of a lease when it is reasonably certain that the option will be exercised. The assessment made with regards to renewal options is revised only and if a significant event occurs which influences this assessment and is under the control of the lessee.

6. Concessions and disputes

GAMING CONCESSIONS

Below is a summary of the main concession relationships held by the Group's companies and developments in the relative disputes:

			Concession in effect	
Holder	**Description**	**Country**	**Start**	**End**
Sisal S.p.A.	National Totalizator Numeric Gaming (NTNG)	Italy	26 June 2009	30 November 2021
Sisal Entertainment S.p.A.	Operation of the network for digital management of legal gaming using entertainment and gaming equipment	Italy	20 March 2013	30 March 2022
Sisal Entertainment S.p.A.	"Bersani" sporting bet acceptance	Italy	28 March 2007	30 June 2021
Sisal Entertainment S.p.A.	"Bersani" horse-racing bet acceptance	Italy	28 March 2007	30 June 2021
Sisal Entertainment S.p.A.	"Giorgetti" horse-racing bet acceptance	Italy	31 October 2013	30 June 2021
Sisal Entertainment S.p.A.	"Monti" horse-racing and sporting bet acceptance	Italy	31 July 2013	30 June 2021
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	12 November 2013	11 November 2022
Sisal Entertainment S.p.A.	Remote gaming convention (GAD)	Italy	7 November 2019	31 December 2022
Sisal Loterie Maroc S.a.r.l	Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).	Morocco	1 January 2019	31 December 2028
Sisal Sans *	Concession to accept bets for numeric games, instant lotteries and online gaming	Turkey	August 2020	August 2030
Sisal Entertainment S.p.A.	Concession to accept bets for online gaming	Spain	July 2019	July 2029

* Sisal Sans Interaktif Hizmetler Teknoloji Yatirim Anonim Sirketi

Concession to manage numeric gaming for national totalizators, complementary and optional games and the relative remote forms of participation, as well as additional numeric games based on a single national totalizator

In compliance with Italian Budget Law 2017, Law 232 of 11/12/2016, in article 1 paragraph 576, ADM[10] began the selection procedure to aware the concession to manage National Totalizator Numeric Gaming.

With a deed of 2 December 2019, ADM declared that Sisal S.p.A. had been awarded the concession. Following the Covid-19 epidemiological emergency, article 101 of Decree Law 104 of 14 August 2020, converted with Law 126 of 13 October 2020, established that the date for stipulation and efficacy of the agreement for the concession to manage National Totalizator Numeric Gaming was set, due to the extraordinary and unforeseeable nature of the events caused by the current Covid-19 epidemiological emergency, at 1 December 2021.

[10] Customs and Monopolies Agency

Disputes:

Spending requirements for "communication and information" projects

With a note dated 18 December 2020 and subsequently, with a payment request dated 5 February 2021, ADM, in relation to article 15, paragraph 2 of the Concession Convention, on the subject of spending requirements for "communication and information", ordered that Sisal S.p.A. had to pay the tax authorities the amount of € 24,288,420.22 (to which would be deducted any sums suffered in June 2020), as the amount of spending the company was held to allocated during the period in question (1 July 2018 to 30 June 2020) for the aforementioned purposes of communication and information.

ADM also anticipated that, in line with other concessions, it would similarly assess the remaining period of extension, that is from 1 July 2020 through to 1 December 2021 (the date on which the new concession begins).

Holding that these requirements for the concession were no longer applicable in its current format but must be recalculated as a function of the new regulatory provisions, after the Dignity Decree took effect in 2018 and based on communications with ADM regarding the effects of this decree on specific concession requirements, Sisal S.p.A. challenged the cited ADM notes with the Regional Administrative Court (TAR - Tribunale Amministrativo Regionale) of Lazio, asking for them to be suspended.

On 11 February 2021, a decree issued by the presiding judge of the TAR granted this suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021. To guarantee the entire sum requested by ADM, the Lazio TAR asked that Sisal S.p.A. provide the same agency with a first request bank surety. Sisal S.p.A. delivered this surety by 6 April 2021, the deadline indicated by the Lazio TAR.

Baglivo writ of summons

With a writ of summons dated 10 July 2014, Giovanni Baglivo, the holder of a contract for physical bet acceptance for the NTNG and, at the time, the chairman of the bet acceptance union STS, disputed the amount due for fees established in the same contract given that they were inherent to the supply, by the Company, of services in part already due pursuant to the concession and in part lacking any utility for the owner of the sales point. Sisal S.p.A. holds these claims to be ungrounded and authorised its attorneys to prepare the relative defence.

With judgement 11767/2017, published on 22 November 2017, the Court of Milan held the request made by Giovanni Baglivo to be partially founded, partially nullifying the agreements contained in article 8 of the Contract between the Concessionaire and the Sales Point for, in particular, that regarding some of the services indicated in Annex 2 to the Contract.

In fact, in the opinion of the Court of Milan, the performances associated with the aforementioned services should be understood to be included in that which Sisal is already required to carry out based on the Convention signed with AAMS[11].

Holding that this judgement was flawed by both erroneous assessments of law and fact, an appeal was filed with the Milan Court of Appeals.

With a judgement issued on 3 December 2019, the Court of Appeals de facto confirmed the first level judgement, although it granted the aspect of the Sisal appeal regarding the date on which interest began to accrue (as of the date of the request until the balance and not as of the date of each individual payment). Sisal S.p.A. filed an appeal with the Supreme Court on 30 July 2020.

Concession to activate and operate the network for digital management of legal gaming using entertainment and gaming equipment, as well as associated activities and functions

With a notice published in the Official Journal of the European Union on 8 August 2011, AAMS began the procedure to assign the "concession to create and operate the network for digital management of legal gaming using entertainment and gaming equipment envisaged under article 110, paragraph 6, TULPS, as well as associated activities and functions". Sisal Entertainment S.p.A. was awarded the tender, with the 9 year contract signed on 20 March 2013, and expiring on 30 March 2022.

(11) Autonomous Administration of Monopolies of the State, now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM).

Disputes:

Tax accounting

With a report dated 16 July 2012, received by the concessionaires and, in particular, to Sisal Entertainment S.p.A. on 5 September 2012, the Office of the Reporting Magistrate for Tax Accounting asked the Section with jurisdiction to issue an opinion on "the impossibility of carrying out any judicial audit with regards to the cited accounts, as they have been provided by the concessionaires, due to the the lack of certainty regarding the accounting data presented". The report states that the concessionaire/accounting agent "is held to comply with the accounting obligation above all with regards to the Administration", that this latter has not certified "the reality of the information, both due to a lack of connection with the digital network and due to the extremely generic nature of the criteria used to established the amounts recognised", that "the accounts produced through financial year 2009 were not examined by the Administration's Internal Control Office which should have granted the so-called certification of the Account", and that "in the absence of this certification from the Internal Control Office, no judicial audit can be carried out by this Judge".

At a hearing held on 17 January 2013, the concessionaires were informed that the Unified Court of Audit had filed, in mid-December 2012, the reporting scheme which the concessionaires were to follow for accounting activities. The proceedings were then referred to the hearing on 16 March 2013, after which the judges confirmed the impossibility of judicial auditing of the accounts and sending the deeds to the Public Prosecutor. The concessionaire appealed this decision. After the hearing on 15 January 2015, the judgement on the appeal was published which, establishing that the Investigating Magistrate's report does not note a debt due from the concessionaire, but only that the accounts presented have lacunae and irregularities, states that a decision cannot be made with regards to the accounts, "much less a sentence" to pay a debt and sent the deeds to the initial judge to reconstruct and define the accounts, so as to identify a final result, with quantification of any sums not allowed and consequent payment of the same.

Extra limit setting for entertainment equipment (ADI)

With a provision dated 5 August 2013, regarding compliance with article 1, paragraph 81, letter f) of Italian Law 220/2010, AAMS (now the Customs and Monopolies Agency - ADM) requested payment from Sisal Entertainment S.p.A., in the form of an administrative fine, in the amount of € 300 for each individual piece of entertainment and gaming equipment exceeding the number established in the rules in effect from January to August 2011 regarding the extra limits set for the same.

Based on that claimed by AAMS, the AAMS/SOGEI databases identified, with reference to January - August 2011, excess amounts not relative to an individual network concessionaire but determined by the presence, in the same location, of equipment relative to multiple concessionaires, among which Sisal Entertainment S.p.A. This latter challenged the provision with the TAR of Lazio, asking that it be annulled and noting the erroneous action of AAMS in determining that these excess amounts could be charged to Sisal Entertainment S.p.A., and therefore requesting that these amounts claimed be deemed illegitimate, which would amount to € 4,293,258.16, according to AAMS.

At present, the date has not yet been set for the hearing to discuss the case.

2015 and 2016 Stability Laws

The 2015 Stability Law established a € 500 million decrease in the fees due to entertainment equipment concessionaires for concession-related activities. This same law established that the reduction was to be divided up between the concessionaires as a function of the number of entertainment equipment dispensations held by each of these as of 31 December 2014. Calculation of the amount due from each concessionaire was done through a specific directorial decree issued by the Customs and Monopolies Agency on 15 January 2015. The concessionaires, after redrafting the contracts with operators along the supply chain responsible for bet acceptance, applied the aforementioned reduction pro rata to the fees of the latter.

Since that established in the 2015 Stability Law was deemed to be unjust and illegitimate constitutionally, Sisal Entertainment S.p.A., in line with other concessionaires, filed an appeal with the TAR of Lazio, which held that the claims of unconstitutionality made by the Company could be heard and transferred the case to the Constitutional Court.

The 2016 Stability Law also took action in this area, through a comprehensive revision of the aforementioned reduction of the fees, introducing a criteria for division among supply chain operators based on the participation of each operator in distribution of the payment, taking into account the contractual agreements and their duration relative to 2015.

In the light of the changes introduced by the 2016 Stability Law and after legal/regulatory investigation, Sisal Entertainment S.p.A. came to the conclusion that the aforementioned law, solving the problem of the lack of quantification for dividing the reduction in fees among various supply chain operators, ordered autonomy and independence not solely for the items to be compensated, but also for the relative payables applying to individual operators. With reference to that due from other supply chain operators on the basis of that established in the 2015 Stability Law, the Company was therefore not obliged, and was to pay ADM the amounts pertaining to it when and to the extent that these were collected by the same from the various operators.

With a judgement published on 13 June 2018, the Constitutional Court ordered the return of the deeds to the TAR of Lazio so that, after the 2016 Stability Law took effect, it could again evaluate the question of constitutional legitimacy raised with regards to that established in the 2015 Stability Law.

After this new assessment by the initial judges, a judgement was issued on 3 October 2019 which found that these doubts had been removed by the new law (2016 Stability Law), declaring the appeal could not be proceeded with due to a lack of interest and a lack of standing. While the writer of this decision seems to have adhered to the regulatory structure, clearly distinguishing between the amount due from the concessionaires and that due from the supply chain, also again noting the parameter under the law is solely "contractual fees in effect in 2015", the decision can still be attacked in terms of the constitutionality of the measure after the application law takes effect. Therefore, the decision was made to appeal the judgement with the Council of State.

With an order issued 31 August 2020, the Council of State sent the deeds to the Court of Justice of the European Union, submitting two questions. In the first, the judges asked whether an action such as that established by the 2015 Stability Law, which reduces earnings and fees solely for a specific category of operator is compatible with the principle of the freedom of establishment and the freedom to provide services. In the second, they asked whether a norm introduced for solely economic reasons is compatible with European law. At present, the Court of Justice has not yet issued a judgement.

In the light of the above, the amounts due from supply chain operators as an effect of the 2015 Stability Law and not paid to the concessionaire are not recognised in the financial statements (in terms of both receivables due from operators and corresponding payables due to the Administration).

Concession for horse-racing and sporting bet acceptance

The concession to accept horse-racing and sporting bets held by the concessionaire Sisal Entertainment S.p.A. expired on 30 June 2016, after which the duration of the concession was extended year after year through to 31 December 2020.

With a law dated 24 April 2020, the expiration of 31 December 2020 was extended for an additional six months against the payment of an annual amount of € 7,500 by right for sales points for which sales of public gaming products are their main business, including regularised acceptance points, and of € 4,500 by right for sales points for which the sales of public gaming products are an accessory activity.

Sisal Entertainment S.p.A. renewed 1,375 sales points for which the sales of public gaming products are their main business and 471 sales points for which sales of public gaming products are an accessory activity.

Disputes

Guaranteed minimums, concession for national fixed-odd horse-racing bet totalizator (former Sisal Match Point S.p.A.)

After the merger by incorporation with Sisal Match Point S.p.A. in 2013, Sisal Entertainment S.p.A. became the holder of the concessions to accept horse-racing bets for the national fixed-odd totalizator, assigned after the tender issued through Ministry of Finance notice 109 of 11 May 1999.

The aforementioned concessions call for the payment of guaranteed minimum amounts to UNIRE[12], which constitutes the predetermined lump sum amount due by the winner of the tender to exercise the concession activities. The mechanism underlying these guaranteed minimums establishes that after the annual accounting for the year, carried out by the Ministry of Finance, if the concessionaire has not collected amounts sufficient to reach the minimum offered during the tender procedure, they must pay the Administration an amount corresponding to the relative difference. For some of the amounts relative to these minimums, Sisal Match Point (now Sisal Entertainment S.p.A.) did not make the payment, holding that these minimums were inadequate with respect to the market which had developed after the agreement was signed in 2000. On this subject, in relation to certain historic concessions arbitration had begun with certain concessionaires which were acquired by Sisal Entertainment S.p.A., after the arbitration had been declared. The arbitration hearing on 26 May 2003 which issued a result in favour of the concessionaires was subsequently annulled through the judgement filed by the Rome Court of Appeals on 21 November 2013, which Sisal Entertainment S.p.A. appealed on 2 July 2014 with the Supreme Court. With an interlocutory judgement of 11 December 2019, the case was transferred to the Unified Court in that there was an issue of jurisdiction relative to the ordinary and administrative courts. With a judgement filed on 26 October 2020, the Unified Court annulled the Appeals Court judgement, confirming jurisdiction for the ordinary court and transferring the case to a different section of the Appeals Court for a decision, also with regards to Supreme Court costs. The case was therefore returned to the Appeals Court.

[12] Unione Nazionale Incremento Razze Equini - the holder of horse-race betting activities to be exercised directly or through assignment to third parties

Guarantee minimums, historic concessions

Again with reference to the cited concessions for acceptance of horse-racing bets, with a writ of summons dated 3 August 2017 Sisal Entertainment S.p.A. began a dispute with the Customs and Monopolies Agency intended to obtain compensation for damages consequent to the granting body's non-fulfilment of the obligations deriving from the contractual concession relations, in particular due to the non or late implementation of all types of bets, the non and/or late issuing of regulations for the acceptance of on-line bets by the concessionaire, as well as neglecting to protect the betting market from illegal and online phenomenon and, in any case, not establishing and maintaining the market conditions promised in the concession deed and under the responsibility of the granting body. Relative to this case, a hearing was set for 5 May 2020 to state the conclusions. At present the judgement has not yet been issued.

With reference to the same concession, in response to the request for payment of the horse-racing minimums sent in 2018 and in the initial months of 2019 to the concessionaires holding the "historic" concessions by ADM, Sisal Entertainment S.p.A. responded by highlighting the case in course with the Civil Court of Rome and disputing the legitimacy of the payment requests. The judgement has not yet been issued.

Concession fees

With a note dated 23 January 2018, Sisal Entertainment informed the Betting and Totalizator Sporting Games Office, Central Office for Management of Taxes and Game Monopoly, ADM, that in compliance with that established in the current concession agreements and the regulatory provisions in article 1, paragraph 1048 of Italian Law 205 of 27 December 2017, it had paid the concession fees, solely for the rights active as of 31 December 2017, based on which it continued bet acceptance activities for the year 2018. Sisal Entertainment S.p.A. indicated that it had not paid the fees relative to concessions 4300 and 4802 as these had been partially used to offset the respective credit due to it pursuant to that established in the relative agreement. In fact, in contrast to that stated by ADM, that the fees paid by the concessionaires in relation to the agreements for bet acceptance do not necessarily have to be equal to or less than 1% of annual bets accepted by the concessionaire, Sisal Entertainment holds that the stated 1% found in the text of the agreements is the maximum amount attributable to the annual concession fees.

This interpretation dispute led Sisal Entertainment to file a case with the TAR of Lazio, through an appeal dated 18 May 2018, in order to see its claims accepted. Relative to this case, the date for the hearing on merits has not yet been set.

Remote gaming convention (GAD)

GAD Concession 15155

The Company holds the concession for accepting "remote" bets for public gaming, issued to Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), pursuant to and in accordance with article 24, paragraph 13, letter a) of Law 88/2009, by the Monopolies Administration (now ADM), following the tender issued through Directorial Decree no. 2011/190/CGV.

The concession is in effect until 11 November 2022.

GAD Concession 15467

On 4 November 2020, with a deed notarised by the notary Stefano Campanella, Sisal Entertainment acquired from Gioco Servizi S.r.l., with registered office in Milan, Via Poliziano 18, tax ID and VAT no. 10266160968, registered with the Chamber of Commerce and Business Registry of Milan under no. R.E.A. 2518063, a business unit involving, among other things, the remote gaming convention (GAD) 15467, expiring on 31 December 2022.

Disputes

Expiration of remote gaming convention (GAD)

In a communication dated 26 October 2020, ADM informed Sisal Entertainment that the GAD concession would expire on 10 November 2020. This date, based on ADM's rejected claims, would derive from the fact that the convention in question, despite containing in its text the duration of nine years, starting on 12 November 2013, does not end on 11 November 2022, but rather on the date of 10 November 2020. In fact, again according to ADM, the transfer from the original concessionaire Match Point to the new concessionaire Sisal Entertainment would maintain the original duration unaltered, and hence for nine years as of the original signing date of 11 November 2011, despite (i) the issuing to Sisal Entertainment of a new concession title which explicitly indicates the duration of nine as a function of the above and (ii) the fact that the 2016 stability law, in order to guarantee continuity for tax inflows, as well as to protect players and public faith through actions to combat illegal gambling, established the temporal alignment, of 31 December 2022, of all concessions involving the commercialisation of remote gaming. The Company filed an appeal with the Regional Administrative Court (TAR) of Lazio against ADM's interpretation, obtaining a presidential decree through which ADM's provision was suspended until 2 December 2020. On that date, the chamber confirmed the suspension order, setting the hearing on merits for 6 October 2021.

National instantaneous lotteries (Gratta &Vinci - Scratch&Win) Convention

Disputes:

In December 2017, the Customs and Monopolies Agency extended the instant lottery concession through 30 September 2028, exclusively in favour of the concessionaire at that time.

Sisal S.p.A. holds that this extension was ordered in violation of both EU principles and national laws on the awarding of concessions. In fact, these principles hold that concessions must necessarily be awarded through the holding of public tenders. Additionally, the granting of the extension in the exclusive favour of the current concessionaire is an additional violation of the law which calls for the awarding of multiple concessions for this type of concession.

In the light of the above, Sisal S.p.A. filed an appeal against this extension with the TAR of Lazio. After an investigation of the merits, the TAR rejected the appeal with a judgement published on 4 October 2018. Holding this judgement to be deficient and in some ways illogical, Sisal S.p.A. appealed again to the Council of State.

After the IV Section of the Council of State examined the merits of the appeal, it was found that there are doubts that the continuation of the exclusive concession for management of bet acceptance for the national instant lottery as ordered by ADM may be in conflict with fundamental rights which are doubly protected (nationally and in the EU), such as legal certainty, freedom to provide to services, non-discrimination, transparency, impartiality and freedom of competition. The Council of State therefore transferred the case to the European Court of Justice. At present, the Court has not yet issued a judgement.

Concession to accept bets for online gaming in Spain

In July 2019 Sisal Entertainment S.p.A. was awarded the tender issued by the Spanish General Directorate for Gambling Regulation (DGOJ). More specifically, the 10 year contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

Concession to accept bets for numeric games, instant lotteries and online gaming in Turkey

In September 2019, in partnership with Şans Digital ve Interaktif Hizmetler Teknoloji Yatirim A.S., a company in the Turkish Demirören Group, Sisal S.p.A. was awarded the tender issued by Turkey's Sovereign Wealth Fund (TWF), which holds the license for the Turkish National Lottery (Milli Piyango), granting it a ten year operating contract. Starting in August 2020 and lasting for ten years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

Concession to accept bets for fixed-odd numeric games, for national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL) in Morocco

In February 2018 Sisal Spa and the subsidiary Sisal Loterie Maroc S.a.r.l. were awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 year concession, starting on 1 January 2019, includes management and development of a portfolio which includes fixed-odd numeric games, national totalizators, instant lotteries, online games, virtual races and interactive lottery machines (MIL).

New concessions for gaming using entertainment equipment

Italian Law 160 of 27 December 2019, establishing the government budget for financial year 2020 and a multi-year budget for 2020-2022, stated that, by 31 December 2020 (a deadline then postponed by six months by Law 27 of 24 April 2020) ADM was to issue a call for tender to assign the following concessions:

- 200,000 rights for AWPR equipment (remote AWP) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 1,800 per right, with a minimum of 10,000 rights;
- 50,000 rights for VLT (Video Lottery Terminals) to be placed in sales points, betting and bingo rooms; minimum bid of no less than € 18,000 per right, with a minimum of 2,500 rights;
- 35,000 rights to operate sales points in coffee and tobacco shops, in which AWPR can be placed; minimum bid of no less than € 11,000 per sales point, with a minimum of 100 rights;
- 2,500 rights to operate locations in which AWPR and VLT can be placed; minimum bid of no less than € 35,000 per sales point, with a minimum of 100 rights.

The cited law also called for the issuing of a tender to award rights to accept remote bets. To that end, by 31 December 2020 (deadline extended by six months by Law 27 of 24 April 2020), ADM must issue a call for tender to assign 40 rights to offer remote gaming, with a minimum bid of no less than € 2,500,000 per right.

All of the above concessions shall have a duration of nine years, non-renewable.

7. Other legal and tax disputes

Below is a summary of the main legal and tax disputes. Note that for disputes relative to concession contracts signed by the companies in the Sisal Group, information can be found in the section "Gaming concessions and regulatory framework".

INTRALOT

With reference to the procedure for outsourcing the service to create and operate a new automated management system for acceptance of bets for public gaming in Morocco, Sisal S.p.A. was awarded the contract in 2018 through the relative tender procedure and, with the then newly established Sisal Loterie Maroc S.a.r.l, a 100% subsidiary, signed the relative convention in July 2019 (with a total duration of 10 years), investing its best efforts in creating the technological, commercial and organisational structure needed to begin operating the concession activities, which occurred punctually on 1 January 2019.

On 19 December 2018, close to the go-live date for the new concession, Intralot S.A., Integrated Lottery Systems and Services (a Greek company which is the parent of Intralot Maroc S.a.r.l.), the previous holder of the concession, presented Sisal S.p.A. with a warning letter intended to impede the use of Microlot Terminals in Morocco.

The Greek company claims that these Terminals cannot be used in Morocco as this use would violate the territorial restrictions of the Software license it holds, installed on each piece of equipment.

Sisal S.p.A. responded to the letter, claiming that Intralot's claims were entirely unfounded.

Between December 2018 and February 2019 additional correspondence was had by the two companies with the aim of beginning negotiations with the aim of amicably settling the issue, as called for in the same supply contract.

In substance, Intralot did not comply with the requirement to begin friendly negotiations and in April 2019 began an arbitration procedure, as called for under the same contract to resolve disputes arising between the parties in relation to its execution and interpretation.

In the arbitration request filed, Intralot requested that the Arbitration Chamber: (i) prohibit Sisal S.p.A. from using Microlot terminals in Morocco; (ii) compensate them for damages which derived from the claimed violation of the usage license by Sisal S.p.A., quantified in the amount of € 5 million.

Sisal S.p.A. presented itself to the Arbitration Chamber specifically disputing Intralot's claims and demonstrating the legitimacy of its actions, introducing a counter-claim of compensation for damages in the amount of € 2 million.

Subsequently, filing its final declaration of its claims and maintaining its request for prohibition of use, Intralot further added to its compensation for damage claims, asking the Arbitration Chamber to order Sisal S.p.A.:

- **principally**, pay a total sum of € 25,330,598, plus 5% annual interest as of 01.01.2019 through to full payment. This request is based on the claim that Sisal S.p.A. could not have been awarded the tender in Morocco or in any case could not have made a bid with the proposed terms if it had not offered Microlot terminals. A consequence of the asserted structural illegitimacy of the bid made by Sisal S.p.A. would be that Intralot would have been awarded the tender and, consequently had the right to compensation for the losses suffered, quantified as above. This claim is contested due not only to the lack of merit, but also the illegitimacy of the request as it is entirely new and not a modification of the request initially filed for arbitration;
- **secondarily**, if the above claims are not accepted, to compensate for damages due to the unauthorised use, without a mandate and, in any case, in bad faith, of the TAPIS software. Based on the complainant's reconstruction, this damage is to be quantified through Sisal paying Intralto the profits achieved during the period of unauthorised use of the software. The damage is quantified in the amount of € 1,031,068 for each year of asserted unauthorised use, plus 5% annual interest from 1 January 2019 through 31 December 2019.
- **thirdly**, to compensation for the damage deriving from the undue enrichment that Sisal benefited from. The damage is quantified in the same amount as point b), plus 5% annual interest.
- **fourthly**, compensation for damages in the form of Sisal returning the full net profits generated through the contract with SGLN or as dividends perceived as the result of the activities of the Moroccan subsidiary, estimated by the complainant, for the entire duration of the contract, as € 10,310,682, through 31 December 2028 or until another date as determined by the Arbitration Chamber. In this case, the quantification per year would be € 1,145,631.33. A 5% annual interest adds to all the above.

To these demands for compensation are added the request for payment of arbitration costs by Sisal S.p.A. in the case of an adverse judgement.

Following the preliminary stage and after setting the schedule for the proceedings, the arbitration procedure was formally begun. Based on the schedule, approved by theInternational Chamber of Commerce (ICC) of Geneva, the final judgement should be filed by June 2021.

JAMAGI SESO SERVICE SARL

Jamagi Seso Service Sarl, a Moroccan company, sent a writ of summons to the Company in May 2020, requesting a sum as compensation for damages due to the asserted pre-contractual liability of Sisal S.p.A., as the latter had not executed a letter of intent signed between the two parties in 2018, conditional upon the awarding of the tender to the Company and upon the signing of the contract with SGLN (National Lottery Management Company of Morocco), in which they agreed upon future cooperation, postponing until later a subsequent agreement to define the subject of that cooperation/fees/duration.

Jamagi claims that the Company had been dilatory with the aim of not finalising the contract called for in the letter of intent and then abandoning the negotiations in progress.

This non-signing of the contract is claimed to have caused damage to Jamagi, quantified by the company in the amount of over € 1,558,869.

In its response, the Company disputed that claimed by the counterparty, presenting a reconstruction of the negotiations which, in contrast to that claimed by the latter, had taken place between the parties.

Briefs were filed during 2020 and the two parties are waiting for the hearing to discuss the documents.

SISAL ENTERTAINMENT S.P.A. / PLAY LINE S.R.L.

At the beginning of 2020, Sisal Entertainment S.p.A. sued Play Line s.r.l. (a former gaming room manager) to demand and obtain payment of the amount due from the latter, of € 126,000, due to the termination of the contract for breach by Play Line.

The case followed assisted negotiation in which the parties were unable to reach an agreement.

The counterparty presented a counter-claim against Sisal Entertainment, requesting the sum of € 801,755 as compensation for damages due to a delay by the latter in the digital transfer of the location.

At present all requests made by the counterparty have been denied (oral examination, technical expert and discovery disclosure order) and the hearing to specify conclusions has been set for 24 June 2021.

Tax disputes

As of the end of the financial year, certain disputes and/or tax audits and investigations were pending with regards to certain companies of the Group.

More specifically during 2009, Sisal S.p.A. was the subject of a tax audit by the Revenue Agency, Lombardy Regional Office, intended to audit certain transactions carried out in that period, specifically with reference to the extraordinary transaction which involved the Company, in terms of direct taxes, VAT and IRAP (regional production tax). This audit ended with the issuing of a findings report (PVC) on 22 October 2009 which was presented as a notice of findings issued by the local Milan 2 Revenue Agency Office on 17 December 2009. This report identified an undue deduction of VAT in the amount of € 530,000 in financial year 2005, in addition to interest, applying a fine of the same amount. The company promptly appealed this notice of findings in 2010 with the Milan Provincial Tax Commission and the first hearing, also in relation to that indicated below, was set for the end of October 2012. Following the hearing, the assigned Tax Commission accepted the Company's appeal on the merits. This decision was then appealed by the counterparty with the relevant Regional Tax Commission (hearing in January 2014) which overturned the decision made by the first level judge, holding that the deduction in question referred to costs not classifiable as activities intended to produce income for the Company. In December 2014 it decided to appeal to the Supreme Court, represented by the attorney Maisto, with the aim of demonstrating the ungrounded nature of this assumption. In the meantime, following the decision issued by the Regional Tax Commission, the company received a payment order for provisional collection of the higher tax plus 100% fines, as well as interest and collection fees, for a total of around € 1.3 million which was properly paid in January 2015.

In a judgement issued on 17 September 2020, the Supreme Court accepted the Company's appeal and ordered that the proceedings be newly taken up with the Regional Tax Commission.

On the other hand, relative to the dispute arising after an 2015 audit carried out by the Revenue Agency, Lombardy Regional Office, Large Taxpayer Office regarding VAT non-deductibility, which gave rise to notices of findings for 2010-2013 for a total of around € 8.5 million including taxes and fines, after unsuccessfully having attempted a tax settlement proposal, Sisal S.p.A. filed its appeals. The first level hearing was held on 9 September 2019 and the Milan Provincial Tax Commission issued a judgement in favour of the company, accepting its claims and ordering the Revenue Agency to pay legal expenses. Consequently, the Revenue Agency promptly filed an appeal with the Regional Tax Commission. At present the date for the hearing has not been set. Finally, at the end of 2019 the company received an additional notice of findings for the same issue, relative to financial year 2014, for a total of around € 2.7 million including taxes and fines, against which the company presented an appeal in May 2020.

With reference to additional tax disputes triggered by a 2010 tax audit of Sisal Entertainment S.p.A. by agents of the Revenue Agency Lombardy Regional Office, Large Taxpayers Office, which was outlined in detail in the financial statements for previous years and involved a presumed illegitimate deduction during the period in question and subsequently of greater depreciation of entertainment equipment relative to “paragraph 6”, with the adoption of a tax depreciation rate (20%) held to be unsuitable by the auditors. This situation was resolved by the company in 2017 through the process known as “scrapping” and at the beginning of 2018 this was also used for all years with similar disputes through 2012. In 2019, the company also dealt with the year 2013, by paying a total of around € 400 thousand in taxes and fines. In December 2019 the Company also received a notice of findings for the year 2014 (including a finding of insufficient taxes paid in the amount of € 557 thousand plus fines and interest), against which the Company presented a request for adhesion at the beginning of 2020. In the meantime, a response was received from the Ministry of Economy and Finance (MEF) to the technical report sent by the Company with the aim of definitively clarifying the proper rate to apply to entertainment equipment. The MEF confirmed tax depreciation in the amount of 20% and as a consequence the relative item in the notice of findings was no longer effective.

Employment disputes

With reference to the subsidiary Sisal Entertainment S.p.A., note a pending dispute with INPS, which originated with an issue concerning a notice of findings issued by the social security institution regarding the legal classification by the Company for collaborators who carried out business activities. The Injunction Order issued after the audit activities was appealed with the relevant Court with the aim of obtaining a declaration of the correctness of the company's actions. On 30 October 2018, the Court of Milan issued a judgement on the merits, rejecting the appeal and substantially agreeing with the notice of findings issued by INPS.

On 23 April 2019, Sisal Entertainment S.p.A. filed another appeal. The case was heard on 10 December 2019 by the relevant chamber of the Milan Court of Appeals - Labour Section. The judgement, filed on 13 January 2020, rejected the Company's appeal and again agreed with the findings issued by INPS, based on which the collaborators in reality carried out tasks which entirely coincide with the company purpose, as employees of the company. The company reserves the right to assess possible actions for the future.

8. Business combinations

BANCA 5 S.P.A.

On 13 December 2019 the operation to transfer the payment services business of Banca 5 S.p.A. was finalised, therefore when preparing the consolidated financial statements at 31 December 2019 the fair value of the assets and liabilities acquired were determined provisionally in accordance with that allowed under IFRS 3 - Business Combinations, identifying provisional goodwill of around € 238.5 million.

During the year which ended on 31 December 2020, hence within 12 months of the date of acquisition, the process of allocation the price paid to the fair value of the assets and liabilities acquired was completed, known as the purchase price allocation, with the consequent definitive identification of goodwill deriving from the business combination.

Specifically, the purchase price allocation process led to the recognition of the following assets and liabilities as of the date of acquisition:

(in thousands of Euros)	Provision fair value on the date of acquisition	Definitive fair value on the date of acquisition
Intangible assets (goodwill)	238,464	215,842
Intangible assets (Physical network)	-	10,700
Intangible assets (Contractual network)	-	23,100
Property, plant and equipment	27,303	27,303
Other current and non-current assets	12	12
Trade receivables	2,923	2,923
Deferred tax assets	17	17
Total assets acquired	**268,720**	**279,898**
Provision for TFR (employee severance indemnity)	1,035	1,035
Current and non-current financial payables	19	19
Trade payables	3,063	3,063
Deferred tax liabilities	-	11,178
Other current and non-current liabilities	14,603	14,603
Liabilities acquired	**18,720**	**29,898**
Net assets acquired including goodwill	**250,000**	**250,000**

As seen in the table above, the process led to the recognition of intangible assets associated with the distribution of the company's network of sales points (physical network) and with existing contractual relationships with the same sales points (contractual network) for a total of € 33.8 million net of the relative tax effect of € 11.2 million.

PLUSERVICE S.R.L.

In March 2019, the Group acquired 30% of the shares in the share capital of myCicero S.r.l. through the Group company Sisal S.p.A..

In December 2019 the investment was transferred to SisalPay Servizi S.p.A. as part of a corporate reorganisation process that led to the segregation of the services business.

On 31 July 2020 SisalPayServizi S.p.A. completed the acquisition of 51% of Pluservice S.r.l. The company acquired holds 70% of the units of myCicero S.r.l., in which SisalPay Servizi S.p.A. already held the remaining 30%. Therefore, after the above-referenced acquisition, the Group has obtained an indirect control over myCicero S.r.l..

The acquisition agreement also includes an option for SisalPay Servizi S.p.A. to acquire the remaining shares of the share capital by 2023 on the basis of consideration based on the performance of the controlled entities.

The companies develop integrated digital solutions mainly for transport companies and resell mobility services to consumers on apps and through the web. The myCicero platform allows users to pay for parking spaces and blue lines via the app, as well as buy train, local public transport and long-distance bus tickets and passes.

The operation is part of a strategy to diversify and grow the Group's business which sees Mobility as an important area for development and synergy.

The following is a summary of the values included in the acquisition by SisalPay Servizi S.p.A.:

	Provision fair value on the date of acquisition		
(in thousands of Euros)	**Pluservice S.r.l.**	**myCicero S.r.l.**	**Total**
Assets			
Property, plant and equipment	195	12	207
Intangible assets	4,335	10,152	14,487
Goodwill	29	427	456
Equity investments	6,289	-	6,289
Trade receivables	6,051	2,610	8,661
Other current and non-current assets	3,588	2,338	5,926
Total assets acquired	**20,487**	**15,539**	**36,026**
Liabilities			
Provision for TFR (employee severance indemnity)	2,510	430	2,940
Trade payables	2,259	2,806	5,064
Other current and non-current liabilities	7,820	6,836	14,656
Total liabilities acquired	**12,588**	**10,072**	**22,661**
Net assets acquired	**7,899**	**5,467**	**13,366**
Valuation of consideration			**17,292**
Equity attributable to minorities			**5,501**
Goodwill			**9,427**

As shown in the table, on the basis of the application of IFRS 3, the Group recorded the non-controlling interests at fair value in the amount of € 5.5 million at the date of acquisition. The Group exercised the option to recognise the fair value of assets and liabilities acquired in the statement of financial position on a provisional basis, thereby recognising goodwill of € 9.4 million. The completion of the purchase price allocation, as allowed by the standard, will be finalised in financial year 2021 within 12 months from the date of finalisation of the transaction.

DIVI S.R.L.

In December 2019 Sisal Entertainment S.p.A. completed the acquisition of 100% of the units of DiVi S.r.l. Therefore, when preparing the consolidated financial statements as at 31 December 2019 the fair value of the assets and liabilities acquired was determined provisionally in accordance with that allowed under IFRS 3 - Business Combinations.

During the year which ended on 31 December 2020, hence within 12 months of the date of acquisition, the process of allocation the price paid to the fair value of the assets and liabilities acquired was completed, known as the purchase price allocation, with the consequent definitive identification of values deriving from the business combination.

Specifically, the purchase price allocation process led to the recognition of the following assets and liabilities as of the date of acquisition:

(in thousands of Euros)	Provision fair value on the date of acquisition	Definitive fair value on the date of acquisition
Intangible assets	2,815	6,313
Property, plant and equipment	596	602
Other current and non-current assets	222	222
Deferred tax assets	189	189
Trade receivables	1,403	-
Cash and cash equivalents (including restricted cash and cash equivalents)	678	678
Total assets acquired	**5,903**	**8,004**
Employee benefits	55	55
Deferred tax liabilities	700	1,688
Trade payables	2,204	2,204
Other current and non-current liabilities	416	995
Tax payables	328	328
Liabilities acquired	**3,703**	**5,270**
Net assets acquired	**2,200**	**2,734**
Valuation of consideration	**2,200**	**2,734**
Net assets acquired	**2,200**	**2,734**
Goodwill	**-**	**-**

ACQUISITION OF SLOT ITALIA S.R.L.

On 23 December 2019 Network Italia S.r.l. acquired 100% of the share capital of Slot Italia S.r.l. Therefore, when preparing the consolidated financial statements as at 31 December 2019 the fair value of the assets and liabilities acquired was determined provisionally in accordance with that allowed under IFRS 3 - Business Combinations.

During the year which ended on 31 December 2020, hence within 12 months of the date of acquisition, the process of allocation the price paid to the fair value of the assets and liabilities acquired was completed, known as the purchase price allocation, with the consequent definitive identification of values deriving from the business combination.

Specifically, the purchase price allocation process led to the recognition of the following assets and liabilities as of the date of acquisition:

(in thousands of Euros)	**Provision fair value on the date of acquisition**	**Definitive fair value on the date of acquisition**
Intangible assets	5,733	5,394
Property, plant and equipment	1,147	1,147
Deferred tax assets	8	8
Other current and non-current assets	140	140
Tax receivables	34	34
Trade receivables	666	933
Cash and cash equivalents (including restricted cash and cash equivalents)	2,238	2,238
Total assets acquired	**9,966**	**9,894**
Provision for TFR (employee severance indemnity)	177	177
Provisions for risks and charges	4	4
Deferred tax liabilities	1,572	1,476
Trade payables	1,857	1,642
Other current liabilities	349	349
Tax payables	246	246
Liabilities acquired	**4,205**	**3,894**
Net assets acquired	**5,761**	**6,000**
Valuation of consideration	**5,761**	**6,000**
Net assets acquired	**5,761**	**6,000**
Goodwill	**-**	**-**

Due to the definitive redetermination of the fair value of assets and liabilities acquired, as described above, the comparison figures from the consolidated financial statements as at 31 December 2019 have been restated (for details, please see the section *"Restatement of the comparative data")*.

9. Restatement of the comparative data

After the acquisition of Banca 5, DiVi and Slot Italia, the value of the assets, liabilities and potential liabilities as at 31 December 2019 were determined on a provisional basis, in compliance with that allowed under IFRS 3 - Business Combinations, in that the relative evaluation processes were still under way.
The aforementioned measurements, subject to change within twelve months of the date of acquisition, as established under IFRS 3 - Business Combinations, led to the restating of the Consolidated Financial Statements as at 31 December 2019.
Given that the acquisition transactions took place close to the reporting date of 31 December 2019, the economic effects arising from the process of allocating the final purchase price on the comparative balances were deemed immaterial. Therefore, the Group has opted to value the economic impacts as of 1 January 2020.
Below are the details of the changes made to statement of financial position as at 31 December 2019:

		Definitive purchase price allocation			
(in thousands of Euros)	**31/12/2019**	**DiVi**	**Slot Italia**	**Banca 5**	**31/12/2019* Redetermined**
Non-current assets					
Property, plant and equipment	224,750				224,750
Goodwill	807,817			(22,622)	785,195
Intangible assets	497,670	3,504	(339)	33,800	534,635
Equity-accounted companies	3,309				3,309
Other non-current assets	22,663				22,663
Total non-current assets	**1,556,209**	**3,504**	**(339)**	**11,178**	**1,570,552**
Current assets					
Inventories	10,958				10,958
Trade receivables	114,842	(1,403)			113,439
Tax receivables	231				231
Other current assets	175,135		267		175,402
Restricted cash and cash equivalents	148,585				148,585
Cash and cash equivalents	172,014	-			172,014
Total current assets	**621,765**	**(1,403)**	**267**	**-**	**620,629**
Total assets	**2,177,974**	**2,101**	**(72)**	**11,178**	**2,191,181**
Equity					
Share capital	102,500				102,500
Reserves	350,127				350,127
Net result attributable to the Group	(11,535)				(11,535)
Total equity attributable to the Group	**441,092**	**-**		**-**	**441,092**
Equity attributable to non-controlling interests	(63,491)				(63,491)
Total equity	**377,601**	**-**		**-**	**377,601**
Non-current liabilities					
Borrowing from banks and other lenders	1,019,607				1,019,607
Employee benefit obligations	10,125				10,125
Provisions for risks and charges	17,686				17,686
Deferred tax liabilities	104,000	988	(96)	11,178	116,071
Other non-current liabilities	236				236
Total non-current liabilities	**1,151,654**	**988**	**(96)**	**11,178**	**1,163,724**
Current liabilities					
Trade payables and other payables	301,998		(215)		301,783
Borrowing from banks and other lenders	37,722				37,722
Tax payables	5,529				5,529
Other current liabilities	303,470	1,113	239		304,822
Total current liabilities	**648,719**	**1,113**	**24**	**-**	**649,856**
Total equity and liabilities	**2,177,974**	**2,101**	**(72)**	**11,178**	**2,191,181**

For more details, please see that found in the section “Business Combinations”.

10. Segment reporting

In December 2019 the Sisal Group began a corporate reorganisation project with the objective of separating Payment Services business from Gaming, which led to the creation of the first Italian Proximity Banking & Payments company, deriving from the union of SisalPay and Banca 5 (Intesa Sanpaolo Group).

This corporate reorganisation was accompanied by a significant overhaul of the two businesses, now distinct both in terms of the legal/corporate structure and the strategic and organisational framework.

In particular, the Gaming organisational and reporting structure was revised and is organised around three operating segments (Retail, Online Gaming and International), with three business structures (Lottery, Betting, Gaming Machines & Online Casino).

To the Gaming operating segment was added the sole operating segment of the payment services, now referred to as Banking & Payments.

Below is a brief description of the four operating segments:

Banking & Payments, which includes the Electronic Money Institution (EMI), develops and commercialises both Retail and Online (1) Bill Payments, including utilities payments and payments of taxes and levies to the public administration, payments of vehicle taxes, etc.; (2) Prepaid Cards, including top-ups of prepaid cards (including the SisalPay card), revenues from activation of SisalPaycards and associated fees; (3) Telco Top-Ups which includes telephone top-ups; (3) Other Payments, including other services such as Trenitalia tickets, Amazon PINs, etc.

Retail, responsible for managing and developing activities relative to entertainment equipment, fixed-odds betting and traditional sporting event predictions, as well as activities linked to management of NTNG turnover, for which the Group is the exclusive concessionaire. This segment manages the physical sales points distributed throughout Italy for both the Branded and Affiliated channels.

Online Gaming, responsible for managing online betting and gaming acceptance through the concession for remote gaming, in effect for the Italian market through the sisal.it website, which can be used with both desktop and mobile devices, and through various applications (or Apps) for smart phones. The Group's online offerings are among the most extensive on the market and include an entire portfolio of the various types of products allowed under current regulations, including sport and horse-racing bets, virtual race bets, totocalcio and totogol, online casino games, slots, poker, lotteries and bingo.

International, dedicated to the international development of the Group, which at present has a presence in Morocco, Turkey and Spain. In these markets the Group offers products that range from online offerings to lotteries, betting and entertainment equipment (ADI).

Monitoring of operating sectors refers to: *i*) revenues and proceeds, *ii*) revenues and proceeds after revenues returned to the supply chain and *iii*) EBITDA by operating segments. The latter is also referred to as the result for the year, adjusted for the following items: *i*) amortisation, depreciation, impairment and impairment reversal of tangible and intangible assets; *ii*) financial income; *iii*) financial expenses; *iv*) share of profit/(loss) of equity-accounted companies; and *v*) taxes. EBITDA by operating segments is also adjusted for other material non-cash items other than depreciation and amortisation, such as provisions and releases to risk provisions.

EBITDA used for monitoring operating segments therefore does not include items relative to the results of financial management (financial income and expense), given that it is not directly linked to the scope of managerial responsibility in terms of the segments in question. Similarly, items relative to impairment or depreciation/amortisation are not included, nor are other non-monetary items relative to impairment, depreciation and amortisation, the relevant portions of profits or losses from associated companies, or income taxes or tax proceeds, which must be indicated separately pursuant to IFRS 8.

Solely in terms of presentation, without this criteria changing the measurement of balance sheet items, the portion of revenues returned to the supply chain for the Retail and Banking & Payments operating segments are shown in reports sent to company management after subtracting the relative costs. Similarly, there are certain cost categories shown in the consolidated financial statements which adjust revenues that in management reports are included under operating expense, including costs for incentives paid to players in the Online Gaming segment.

In terms of the equity structure, segment activities are not included in the information revised by company management.

The tables below represent: i) Revenues and proceeds; ii) Revenues and proceeds net of revenues returned to the supply chain; and iii) EBITDA for the operating segments identified by the Group for the years ending at 31 December 2020 and 2019:

(in thousands of Euros)	2020					
	Retail	Online Gaming	International	Banking & Payments	Not allocated/ eliminated	Total
Revenues	267,986	195,617	26,262	153,155	-	**643,021**
Distribution chain/ other revenues	60,136	(41,791)	14,076	158,793	-	**191,214**
Other revenues	-	-	-	-	1,472	**1,472**
Intersegment revenues and other revenues	-	-	-	-	(7,802)	**(7,802)**
Total Revenues	**328,123**	**153,826**	**40,338**	**311,948**	**(6,330)**	**827,905**
Adjusted operating segments EBITDA	**85,990**	**90,649**	**(508)**	**81,789**	**(1,550)**	**256,370**

(in thousands of Euros)	2019					
	Retail	Online Gaming	International	Payments and Services	Not allocated/ eliminated	Total
Revenues	406,244	125,036	4,564	107,709	-	**643,553**
Distribution chain/ other revenues	144,605	(27,384)	88	108,164	-	**225,473**
Other revenues	-	-	-	-	361	**361**
Total Revenues	**550,849**	**97,652**	**4,652**	**215,873**	**361**	**869,387**
Adjusted operating segments EBITDA	**154,293**	**48,858**	**(2,347)**	**63,304**	**-**	**264,108**

Other revenues includes the result of assets and business which do not constitute an operating segment pursuant to IFRS 8 and mainly refer to contingent assets, income deriving from contributions and tax subsidies, capital gains from sales of fixed assets and other residual items.

The table below provides a reconciliation between EBITDA for the operating segments and the operating profit (loss):

(in thousands of Euros)	2020	2019
Adjusted operating segments EBITDA	**256,370**	**264,108**
Allocations/releases of provisions for risks	40	(4,488)
Expense/income with different classification	20	30
Adjusted EBITDA (*)	**256,430**	**259,650**
EBITDA adjustments	(45,000)	(19,840)
EBITDA (**)	**211,430**	**239,810**
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	(179,544)	(153,704)
Expense/income with different classification	(1,349)	(668)
Operating profit (loss)	**30,537**	**85,438**

(*) Adjusted EBITDA means EBITDA before charges and revenues deriving from corporate reorganisation, before charges and revenues not considered as recurring and before "special items".

(**) EBITDA means the profit/(loss) for the year before depreciation, amortisation, writedowns, financial expense and income, share of profit/(loss) of equity-accounted companies and before taxes. Additionally, EBITDA is calculated before the release to the income statement of the one time charge sustained by the Group for the awarding of the NTNG (National Totalizator Numeric Gaming) concession. Based on that established in IFRS15 "Revenues from Contracts with Customers", these charges are recognised against revenues in the Group's Income Statement.

The item EBITDA adjustments of € 45 million can be broken down as follows:

Non-recurring costs/(revenue) for € 17.6 million, mainly represented by costs linked to managing the Covid-19 pandemic;

- costs linked to the integration/segregation process after the extraordinary transaction to separate gaming business from Banking & Payments business;
- costs linked to management of the Wirecard case;
- costs relative to the rebranding operation in the Banking & Payments segment which led to the launching of the "Mooney" brand.

Costs for corporate reorganisation of € 5.2 million, in relation to the process of revising the Group's corporate structure and the relative governance framework.

Special items for € 22.2 million, mainly involving:

- start-up costs linked to the process of internationalising the gaming business;
- one-off costs linked to the brand extension process for the range of banking & payments business products.
- other non-cash items which due to their extraordinary nature management intends to exclude and normalise when presenting EBITDA

Items with difference classification refers to expenses and income included under the definition of EBIT in the statutory accounts, other than amortisation/depreciation and impairment, but not included in the operating definition of margin by operating segment.

11. Revenues

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Gaming and Betting Revenue	324,205	465,781
Amortisation, one time NTNG charges	(118)	(543)
Payments and other services	251,607	169,582
Sales point revenues	115,041	90,775
Revenues from third parties	5,754	6,256
Total	**696,489**	**731,851**

In particular, Gaming and Betting Revenue can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
NTNG	49,420	70,836
Gaming machines	133,228	303,875
Horse-racing bets	2,516	4,897
Big betting revenues	5	10
Virtual races revenues	26,651	33,398
Sporting event predictions	215	285
Online Gaming	71,716	48,034
International revenues	40,454	4,446
Total	**324,205**	**465,781**

Gaming and Betting Revenues, totalling € 324,205 thousand at 31 December 2020, shows a significant decrease with respect to the previous year, in the amount of € 141,576 thousand, substantially due to the effects of the Covid-19 pandemic which heavily affected the retail channel (NTNG, gaming machines, horse-racing bets and virtual races), partially offset by the very positive performance of the Online channel and the start of the Lottery concession in Turkey on 1 August 2020, to which can be attributed the notable increase in revenues coming from the international segment.

Revenues from payments and other services is broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Revenues payments and other services	218,559	138,366
Revenues from distribution/sales of top-ups and other services	28,863	31,124
Revenues from issuing of Electronic Money	432	92
Revenues from Mobility	525	-
Revenues and Hardware/Software services	3,228	-
Total	**251,607**	**169,582**

Payments and other services, totalling € 251,607 thousand at 31 December 2020, refers to fees paid to the Group and mainly related to revenues from payments of money orders and car taxes, the distribution, issuing and topping up of prepaid cards, the sale and distribution of telephone top-ups, the sale and distribution of television content top-ups and fees relative to other banking services or mobility services. At 31 December 2020, this item showed a significant increase (€ +82 million), mainly due to the effects of a full year of inclusion of payment and banking services linked to Banca 5 products which in 2019 only contributed to this item during the final period of the year, after the relative business unit had been acquired.

The item *Revenues from sales points,* totalling € 115,041 thousand (€ +24,266 thousand with respect to 2019) mainly includes revenues from affiliation fees paid by Sisal Betting Shops on the basis of the relevant contractual conditions, including also the new MySisal contract, to which can be added fees charged to Betting Shops which meet the requirements to serve as Horse-Racing and Sporting betting shops, based on that established under the "Bersani" Decree, as well as fees from sales points in the Mooney network.

Given the type of services and products sold by the Group, there are no issues of significant concentration of revenues coming from individual customers.

Revenues by geographical area can be broken down as as follows:

Country	2020	2019
Italy	283,633	460,792
Morocco	3,848	4,446
Turkey	35,985	-
Spain	621	-
Total revenues	**324,087**	**465,238**

12. Fixed-odds betting income

Below are details on fixed-odds betting income:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Proceeds from fixed-odds sporting event bets	125,659	131,425
Proceeds from fixed-odds horse-racing bets	2,741	3,410
Proceeds from horse-racing bets with reference	28	223
Total	**128,428**	**135,058**

Fixed-odds betting income amounted to € 128,428 thousand at 31 December 2020, down by € 6,630 thousand with respect to the previous year, substantially due to the effects of both the Covid-19 pandemic, which led to the closure of specialised sales points in compliance with the restrictive measures imposed by various government decrees, as well as due to the effects of specific decrees which penalised profits in the sector, including the "Save Sport" tax, introduced to support the sports system.

13. Other income

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Other sundry income	2,988	2,478
Total	**2,988**	**2,478**

The item other income saw an increase of around € 510 thousand with respect to the previous year, mainly due to contributions received from other Group companies for measures to assist companies with the Covid-19 emergency (for further details please refer to the paragraph Law 124/2017).

14. Purchases of raw materials, consumables and goods

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Acquisition of gaming materials	8,769	7,427
Acquisition of spare parts	3,128	4,347
Acquisition of various materials	4,767	3,409
Storage	136	239
Change in inventories	(664)	(158)
Total	**16,136**	**15,264**

This item, equal to € 16,136 thousand at 31 December 2020, shows an increase of € 872 thousand with respect to financial year 2019, mainly due to greater costs sustained for gaming materials for the start-up of the gaming concession in Turkey of around € 3.2 million, to greater costs for various consumables for around € 1.4 million, partially offset by lower costs for gaming materials and consumables to manage business in Italy for around € 2 million and lower spare parts for gaming terminals and services for around € 2 million as a consequence of the reduced volumes and terminal transactions during the Covid-19 pandemic emergency.

15. Costs for services

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	2020	2019
Marketing and Commercial Expenses	*17,878*	*16,982*
Other Commercial Initiatives	*2,269*	*4,744*
Other Commercial Services	*2,507*	*2,079*
Commercial services	**22,654**	**23,805**
Sales Channel - Gaming	**121,681**	**207,378**
Sales Channel - Payment Services	**161,778**	**106,756**
Consulting	**24,559**	**24,653**
Gaming management costs	*16,008*	*12,096*
Maintenance costs	*17,826*	*15,900*
Logistics	*4,869*	*5,374*
Sisal TV	*1,794*	*1,940*
TLC	*11,028*	*9,850*
Directors and auditors fees	*1,705*	*2,638*
Banking expenses	*24,414*	*15,168*
Expense reports	*3,537*	*4,820*
Utilities	*4,717*	*6,761*
Insurance	*3,084*	*2,289*
Outsourcing services	*21,126*	*13,444*
Other services	*13,276*	*10,004*
Total other services	**123,384**	**100,284**
Leases	**2,666**	**2,179**
Total	**456,722**	**465,055**

The item Costs for Services, equal to € 456,722 thousand at 31 December 2020, shows a decrease of € 8,333 thousand with respect to the previous year.

As noted in the Directors' Report, the main changes can be linked to the following items:

- Gaming sales and payment services costs which respectively saw a decrease of € 85,697 thousand and an increase of € 55,022 thousand, basically accounting for the fees paid to the gaming supply chain and distribution network, based on the remuneration structures which make these items directly linked to trends in turnover and revenues as described above;
- Gaming management costs, up by € 3,912 thousand with respect to the previous year, substantially referring to costs to manage online gaming platforms. In 2020 Online business performed brilliantly, also demonstrated by the associated increase in costs, despite the Covid-19 pandemic;
- Banking expenses saw a net increase of € 9,246 thousand over the previous year due to greater costs on the online channel and for credit cards, as well as greater costs in the Banking & Payments sector. in particular for cashless circuit acquiring costs;
- Outsourcing services rose by € 7,682 thousand and mainly includes call center services, visual merchandising, platform management and specific services directly connected to business payments.
- Other services increased by € 3,272 thousand, for the most part due to the increase in costs for services acquired relative to cards branded as SisalPay.

During the financial year, the company incurred expenses for short-term rental contracts and/or having as underlying asset a low value asset for a total of € 2,666 thousand.

Note that fees paid to the independent auditors for the audit of the Group's annual accounts (including these consolidated financial statements, certain recurrent activities mainly relating to the various requirements foreseen in existing concessions and other non-recurring activities) amounted to around € 1,037 thousand (VAT inclusive), compared to € 874 thousand in 2019.

Also note that the fees due to the parent company's statutory auditors for providing their services for other companies included in the scope of consolidation cumulatively amount to € 386 thousand.

With respect to the previous year, leases not falling under the scope of application of standard IFRS 16 were reclassified to costs for services, as well as costs for multimedia subscriptions previously recognised under the item "Other operating expenses".

16. Personnel costs

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Salaries and Wages	63,693	67,396
Social Security Charges	25,112	23,205
Severance Indemnity (TFR)	6,313	5,519
Other Personnel Costs	4,001	914
Total	**99,119**	**97,034**

Personnel costs totalled € 99,119 thousand at 31 December 2020 and show, with respect to the figure of € 97,034 thousand at 31 December 2019, an increase of € 2,085 thousand. For the most part this increase is due to the increase in Group personnel and settlement agreements signed with employees as part of the corporate reorganisation process which began at the end of 2019, partially offset by lower costs incurred by the Group during the period of the Covid-19 pandemic, thanks to the use of the Pay Supplement Fund (FIS), which substantially affected business structures in the retail channel.

The table below shows the number of employees at 31 December 2021, broken down by categories, for the years in question:

	Year ending on 31 December	
Number of employees	**2020**	**2019**
Executives	67	52
Middle Managers	254	189
Office Workers	2,210	1,906
Labourers	113	83
Total	**2,644**	**2,230**

17. Other operating expenses

The item in question can be broken down as follows:

(in thousands of Euros)	Year ending on 31 December 2020	2019
Non-income taxes	2,467	3,759
Gifts and donations	1,577	1,149
Gaming concession fees	12,919	21,693
Other operating expenses	17,374	21,803
Provisioning (releases) for risks and other charges	11,510	4,488
Total	**45,847**	**52,892**

The item in question, equal to € 45,847 thousand at 31 December 2020, shows a decrease of € 7,045 thousand with respect to the year ending at 31 December 2019, substantially due to:

- gaming concession fees, or concession fees established under the regulations in effect relative to the acceptance of legal bets using entertainment equipment, for sports and horse-racing bets and National Totalizator Numeric Gaming (NTNG) for a total of € 8,774 thousand, as a direct consequence of the decrease in gaming volumes during the Covid-19 pandemic;
- other operating expenses, down with respect to the previous year, in which they were affected by undue detraction by third parties for around € 4.4 million;
- greater provisioning for risks and other charges, up with respect to the previous year by € 7,022 thousand, for the most part due to the provisioning of € 11,550 thousand in 2020 against a dispute with ADM relative to the NTNG concession and spending requirements applying to Sisal S.p.A. for "communication and information" projects.

18. Amortisation, depreciation, impairment and impairment reversal of property, plant and equipment and intangible assets

The item in question can be broken down as follows:

(in thousands of Euros)	Year ending on 31 December 2020	2019
Amortisation of intangible assets	96,252	83,604
Depreciation of property, plant and equipment	67,401	56,462
Other writedowns on property, plant and equipment and intangible assets	247	11
Writedowns on receivables included in current assets	15,644	13,627
Total	**179,544**	**153,704**

The item *amortisation of intangible assets* includes € 23,964 thousand (€ 24,286 thousand in 2019) as amortisation deriving from the Purchase Price Allocation process carried out in 2017 when CVC Capital Partners became part of the Group. The € 12,648 thousand increase in the item is mainly due to greater amortisation of applications and software development compared to the previous year in the amount of € 11,502 thousand and, for € 1,690 thousand, to greater amortisation deriving from the Banca 5 Purchase Price Allocation process relative to the business unit transfer from Banca 5 S.p.A..

The item *depreciation of property, plant and equipment* shows an increase of around € 10,939 thousand, mainly due to greater depreciation on gaming terminals and services of around € 7,891 thousand and due to application of accounting standard IFRS 16 for around € 1,118 thousand.

The item *writedowns on receivables included in current assets* includes greater provisioning of € 2,017 thousand with respect to the previous year, relative to impaired creditor positions.

19. Financial income

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Financial income from bank current accounts	283	31
Other financial income	296	6
Total	**579**	**37**

Financial income, totalling € 579 thousand, shows an increase of € 542 thousand with respect to 2019, mainly due to interest income accrued on bank current accounts for Turkey gaming business of around € 270 thousand, as well as other financial income associated with interest income on tax receivables received during the year and interest income accrued on credit recovery.

20. Financial expenses

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Interest expense and other financial expenses relative to third parties	70,818	74,663
Realised translation differences	(543)	103
Unrealised translation differences	2,260	(31)
Total	**72,535**	**74,735**

The item *Interest expense and other financial expenses relative to third parties,* equal to € 70,818 thousand, refers for around € 50,362 thousand to interest and fee and commission components associated with the new credit lines deriving from Group refinancing in December 2016 and December 2019, and for € 2,152 thousand to interest expense deriving from the application of accounting standard IFRS 16. It also includes around € 17,052 thousand for interest expense deriving from the deferred price acquisition for Banca 5 S.p.A. and around € 700 thousand for other financial expenses on the credit lines provided by the Turkish minority shareholder to Sisal Sans.

Relative to translation differences, note the significant negative impact, of around € 2,085 thousand, deriving from the translation of the loan granted to Sisal S.p.A. by the parent company, with a specific limit on its use, with the aim of creating funding specifically intended to support the business of the Turkish company Sisal Sans, partially offset by realised exchange gains of around € 543 thousand.

21. Income taxes

The item can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	2020	2019
Current Taxes	13,816	29,476
Current taxes relative to previous years	301	1,698
Deferred tax assets/liabilities	(15,272)	(6,923)
Total	**(1,155)**	**24,251**

The table below provides a reconciliation of the theoretical tax and the effective impact on the result for the year:

	Year ending on 31 December	
(in thousands of Euros)	2020	2019
Profit (loss) before income taxes	(41,419)	10,613
Nominal tax rate	24%	24%
Theoretical taxes based on the nominal rate	(9,941)	2,547
Dividends	747	1,414
Covid-19 contributions	(301)	-
Greater depreciation of tangible goods	(1,993)	(1,771)
ACE	-	(217)
Business combinations	-	8,799
Other changes	5,519	6,536
IRES taxes	**(5,969)**	**17,308**
IRAP taxes	**2,912**	**5,511**
Current and deferred taxes relative to previous years	1,902	1,432
Total effective taxes	**(1,155)**	**24,251**

22. Property, plant and equipment

Tangible assets, totalling € 245,872 thousand at 31 December 2020, net of the relative provisions for depreciation, show an increase of € 21,122 thousand with respect to the previous year.

The composition and changes in this item are detailed below:

(in thousands of Euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at 31.12.2019	**136,569**	**38,211**	**462,661**	**33,629**	**671,070**
- increases	17,805	2,963	62,477	14,467	97,712
- decreases (-)	(7,593)	(185)	(7,381)	(1,534)	(16,693)
- changes in scope of consolidation	480	251	101	1,486	2,318
- exchange differences	(53)	(5)	(776)	(961)	(1,796)
- other changes		16	232	(212)	36
- reclassifications			(149)	149	-
Historical cost at 31.12.2020	**147,208**	**41,250**	**517,165**	**47,024**	**752,648**
Provision for amortisation, depreciation and impairment at 31.12.2019	**(51,315)**	**(29,111)**	**(346,256)**	**(19,637)**	**(446,320)**
- amortisation/depreciation for the year (-)	(21,866)	(3,290)	(36,154)	(6,090)	(67,401)
- decreases (-)	1,630	149	6,737	1,386	9,902
- changes in scope of consolidation		(193)	(85)	(803)	(1,081)
- exchange differences	2		23	4	29
- other changes	(1,636)	(13)		(10)	(1,658)
- writedowns				(247)	(247)
Provision for amortisation, depreciation and impairment at 31.12.2020	**(73,184)**	**(32,458)**	**(375,736)**	**(25,397)**	**(506,776)**
Net carrying values at 31.12.2019	**85,254**	**9,099**	**116,405**	**13,992**	**224,750**
- historical cost	147,208	41,250	517,165	47,024	752,648
- provision for amortisation/ depreciation (-)	(73,184)	(32,458)	(375,736)	(25,397)	(506,776)
Net carrying values at 31.12.2020	**74,024**	**8,792**	**141,429**	**21,627**	**245,872**

Euro/000	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at 31.12.2018	**52,047**	**38,383**	**373,852**	**23,664**	**487,945**
Values at 1 January 2019					
- increases	10,513	2,713	47,440	5,848	66,515
- decreases (-)	(6)	(2,945)	(15,018)	(2,448)	(20,417)
- acquisitions	19	60	56,308	2,674	59,061
- IFRS16	74,027			3,891	77,917
- reclassifications	(31)		80		49
Historical cost at 31.12.2019	**136,569**	**38,211**	**462,661**	**33,629**	**671,070**
Provision for amortisation, depreciation and impairment at 31.12.2018	**(29,890)**	**(28,622)**	**(306,023)**	**(14,671)**	**(379,205)**
Values at 1 January 2019					
- amortisation/depreciation for the year (-)	(21,425)	(3,368)	(26,731)	(4,938)	(56,462)
- decreases (-)		2,925	13,641	1,881	18,448
- acquisitions		(46)	(27,422)	(1,910)	(29,378)
- writedowns			277		277
Provision for amortisation, depreciation and impairment at 31.12.2019	**(51,315)**	**(29,111)**	**(346,257)**	**(19,637)**	**(446,320)**
Net carrying values at 31.12.2018	**22,157**	**9,761**	**67,829**	**8,993**	**108,740**
Values at 1 January 2019					
- historical cost	136,569	38,211	462,661	33,629	671,070
- provision for amortisation/ depreciation (-)	(51,315)	(29,111)	(346,257)	(19,637)	(446,320)
Net carrying values at 31.12.2019	**85,254**	**9,099**	**116,405**	**13,992**	**224,750**

Investments in land and buildings, totalling around € 18 million, mainly refer to costs incurred for the sales point remodelling project of around € 10.6 million, as well as costs incurred of around € 1.5 million mainly for improvements made to the Milan offices in via Tocqueville and for new investments in Banking & Payments companies of around € 4.6 million, including new contracts falling under the scope of IFRS 16 and remodelling work.

Investments in plant and machinery, totalling around € 3 million, refer mainly to remodelling of sales points and Group company offices.

Investments in industrial and commercial equipment came to around € 62.5 million and mainly refer to:

- investments in next generation equipment for NTNG bet acceptance called for under the new concession, including the Galileo terminals, other Lottery terminals, hardware and ADSL connectivity for a total of € 24.9 million;
- investments to support development of ADI Management activities for around € 8 million, including purchases and improvements on gaming terminals, hardware and other gaming equipment.
- investments incurred by the Turkish subsidiary, to purchase gaming terminals and servers for the new Lottery concession which began on 1 August 2020, equal to € 17.3 million;
- investments in Banking & Payments business for around € 7.8 million, mainly for terminals to provide Banking & Payments services.

Investments in Other assets, equal to around € 14.5 million, can substantially be attributed to costs incurred for gaming terminals and services by the Turkish subsidiary which had not yet begun operating at 31 December 2020, as well as the impact of new IFRS 16 contracts signed during the year.

Below are changes in property, plant and equipment recognised in compliance with accounting standard IFRS 16:

(in thousands of Euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at 31.12.2019	**82,968**		**7,241**	**6,988**	**97,197**
- increases	15,545	4,109	1,067	4,713	25,433
- decreases (-)	(7,593)			(258)	(7,851)
- exchange differences	(3)			(7)	(10)
- other changes					-
Historical cost at 31.12.2020	**90,917**	**4,109**	**8,307**	**11,436**	**114,768**
Provision for amortisation, depreciation and impairment at 31.12.2019	**(17,489)**	**-**	**(1,153)**	**(2,536)**	**(21,178)**
- amortisation/depreciation for the year (-)	(17,699)	(130)	(1,828)	(3,539)	(23,196)
- decreases (-)	1,638			154	1,792
- exchange differences	(48)			(56)	(104)
- other changes	(1,634)				(1,634)
Provision for amortisation, depreciation and impairment at 31.12.2020	**(35,232)**	**(130)**	**(2,980)**	**(5,977)**	**(44,320)**
Net carrying values at 31.12.2019	**65,478**		**6,088**	**4,452**	**76,019**
- historical cost	90,917	4,109	8,307	11,436	114,768
- provision for amortisation/ depreciation (-)	(35,232)	(130)	(2,980)	(5,977)	(44,320)
Net carrying values at 31.12.2020	**55,685**	**3,978**	**5,327**	**5,458**	**70,448**

23. Goodwill

At 31 December 2020 the goodwill item amounted to € 795,076 thousand. The following changes were seen during the year:

(in thousands of Euros)	31 December 2020
Balance at 31.12.2019*	**785,195**
Pluservice acquisition	9,882
Balance at 31.12.2020	**795,076**

(*) The Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to the Banca 5 business unit and the companies Slot Italia and Di.Vi. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

After the reorganisation at the end of 2019 which led to the separation of Gaming business from that of Banking & Payments, the Group operates in the sectors described below:

- **Retail**, responsible for managing and developing activities relative to entertainment equipment, fixed-odds betting and traditional sporting event predictions, as well as activities linked to management of NTNG turnover, for which the Group is the exclusive concessionaire. This segment manages the physical sales points distributed throughout Italy for both the Branded and Affiliated channels.
- **Online Gaming**, responsible for managing the activities in the gaming and online betting acceptance segment through the sisal.it portal and through the mobile telephony channel. The Group's online offerings are among the most extensive on the market and include an entire portfolio of products allowed under current regulations, including online betting and online poker, casino games, lotteries and bingo.
- **International**, the segment dedicated to the international development of the Company and Group, which today includes business in presence in Morocco, Turkey and Spain. In these markets the Company is present through its subsidiaries, with products that range from online offerings to lotteries, betting and entertainment equipment.
- **Banking & Payments**, which includes the Electronic Money Institution (EMI), develops and commercialises both Retail and Online (1) Bill Payments, including utilities payments and payments of taxes and levies to the public administration, payments of vehicle taxes, etc.; (2) Prepaid Cards, including top-ups of prepaid cards (including the SisalPay card), revenues from activation of SisalPaycards and associated fees; (3) Telco Top-Ups which includes telephone top-ups; (3) Other Payments, including other services such as Trenitalia tickets, Amazon PINs, etc.

In the context of the Retail operating segment, goodwill is allocated to and tested separately for the Lottery CGU and the three CGUs relative to betting products, AWP and VLT (together "Retail Gaming"), which share investments in the distribution channel and regulatory instructions which affect their strategic decisions.

The **International** operating segment has no associated goodwill.

The goodwill recognised in the financial statements at 31 December 2020 (at 31 December 2019) is divided up between the various CGUs as follows:

	At 31 December	
(in thousands of Euros)	**2020**	**2019***
Retail	170,472	170,472
of which: Lottery	50,138	50,138
Retail Gaming	120,334	120,334
Online Gaming	90,502	90,502
Banking & Payments	534,102	524,221
Total	**795,076**	**785,195**

(*) The Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to the Banca 5 business unit and the companies Slot Italia and Di.Vi. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

The value of Goodwill, in accordance with that required by the reference accounting standards, was subjected to an impairment test at 31 December 2020.

To that end, operating cash flows were assessed to determine the value in use of the CGUs identified, using the discounted cash flow method with the same methodology used in previous years.

For the purposes of the impairment test, the Group uses five-year projections of financial cash flows approved by top management, differentiated by the historical trends of various products and developments foreseen in the various reference markets.

The parameters of WACC and growth rate beyond the explicit period were differentiated between the Gaming area and the Banking and Payments sector.

With regard to the riskiness of operating cash flows for CGUs in the gaming area, the post-tax WACC has been estimated at 7.2% (7.3% at 31 December 2019) and the growth rate beyond the explicit forecast period is zero, in line with last year.

With regard to the riskiness of the operating cash flows for the Banking and Payments CGU, the post-tax WACC was estimated at a rounded 7.7%. As regards the growth rate beyond the explicit forecast period, it was assumed to be 1.5%, in line with the expected long-term inflation for Italy formulated by authoritative macroeconomic forecasting sources.

Retail and Online Gaming impairment test

In the light of the current macroeconomic situation associated with the current Covid-19 pandemic, based on instructions provided by ESMA, impairment tests were developed at the end of the year with regards to multiple scenarios, to reflect the uncertain context. These alternative scenarios were developed in particular for CGUs which involve the physical channel (Lottery CGU and Retail Gaming CGU), as they are more affected by Covid-19 and the regulatory provisions implemented to contain it.

The base scenario in the plan already reflects the Directors best estimate of the impacts of Covid on cash flows during the years in question.

Lottery CGU

With reference to the Lottery CGU, alternative scenarios specifically involved the launching and development of the MySisal project, which represents a crucial commercial initiative for the Group, incorporating different speeds for the growth and signing of contracts in the network of affiliated sales points.

Retail Gaming CGU

The alternative scenarios assessed involved possible extensions on the restrictions imposed on the network, the process of normalisation in terms of sales conditions applied to sales points and third-party managers post-Covid and schedules and tender conditions for the betting world and AWP.

Online Gaming CGU

Considering the performance seen during the year for the Online Gaming segment, the Directors did not deem it necessary to carry out any weighting of scenarios in this specific case.

The impairment test indicated that the recoverable value of the CGUs exceeds the carrying value of the capital invested by the Group, including goodwill, attributed to each CGU. Hence it was necessary to recognise any impairment for the item in question.

Considering the above parameters, the excess recoverable value for operating segments at 31 December 2020 with respect to the relative carrying value is detailed in the table below:

	At 31 December
(millions of Euros)	2020
Retail	
of which: Lottery	22.4
Retail Gaming	12.0
Online Gaming	841.9

The following table provides the values which the terminal growth rate and WACC would need to have, considered individually and keeping the other assumptions unchanged, to make the recoverable value of the CGUs equal to their carrying value (break even rates).

	WACC	Terminal growth rate
Retail		
of which: Lottery	8%	-1%
Retail Gaming	7.4%	-0.2%
Online Gaming	n.a	n.a

With respect to the Online Gaming CGU, considering the entity of the values reported in terms of the difference between value in use and carrying amount, the change in the value assigned to the basic assumptions, in terms of the growth rate assumed in the determination of the terminal value and the discount rate that makes the recoverable amount of the Online Gaming CGU equal to its carrying amount, is related to unreasonable parameters.

Banking & Payments impairment test

For this CGU, the Group developed a business results and cash flow plan that envisages significant growth targets over the five-year plan horizon, consistent with the Group's mission to be the first and most accessible proximity banking & payments network.

Projected growth is linked to the development of all sectors and products in which the group operates. In particular, the plan envisages the growth of PagoPa and Digital Payments services, the expansion of the distribution network, the development and accreditation of the Mooney Card, launched during the year, and the activation of new business lines in the mobility sector thanks to the know-how obtained through the strategic acquisition of myCicero S.r.l. and Pluservice S.r.l..

The impairment test was carried out by weighting, starting from the above-mentioned reference plan, multiple scenarios, reflecting different development hypotheses, in order to determine the so-called "impairment loss". "value in use" or recoverable value of said invested capital. The plan assumptions that were analysed to determine the various scenarios are linked to the assumptions of network growth and development, as well as of the penetration of banking products.

The impairment test indicated that the recoverable value of the CGUs, for the portion of flows attributable to the Group, exceeds the carrying value of the invested capital, including goodwill, attributed to each CGU. It was not necessary, therefore, to recognise an impairment for the item in question.

In particular, the excess of the recoverable amount of the CGU in question, determined on the basis of the parameters described above, over its carrying amount is € 454.3 million.

The following table provides the values which the terminal growth rate and WACC would need to have, considered individually and keeping the other assumptions unchanged, to make the recoverable value of the CGU equal to their carrying value (so-called break even rates).

	WACC	Terminal growth rate
Banking & Payments	11.5%	-4.3%

24. Intangible assets

The composition and changes in this item are detailed below:

(in thousands of Euros)	Patents and copyrights	Concessions, licenses, brands and similar rights	Fixed assets in progress	Other fixed assets, intangible	Total
Historical cost at 31.12.2019*	**163,411**	**797,228**	**689**	**280,533**	**1,241,861**
- increases	72,693	17,079	3,450	1,108	94,330
- decreases (-)	(1,903)	(140)	(97)	-	(2,140)
- changes in scope of consolidation	33,644	273	-	-	33,917
- exchange differences	(305)	-	-	-	(305)
- other changes	-	(30)	-	-	(30)
Historical cost at 31.12.2020	**267,539**	**814,411**	**4,042**	**281,641**	**1,367,633**
Provision for amortisation, depreciation and impairment at 31.12.2019*	**(116,718)**	**(509,553)**	**-**	**(80,955)**	**(707,225)**
- amortisation/depreciation for the year (-)	(44,303)	(34,546)	-	(17,402)	(96,252)
- decreases (-)	1,234	136	-	-	1,370
- changes in scope of consolidation	(19,480)	(260)	-	-	(19,741)
- exchange differences	17	-	-	-	17
- reclassifications	122	307		(429)	-
Provision for amortisation, depreciation and impairment at 31.12.2020	**(179,128)**	**(543,916)**	**-**	**(98,786)**	**(821,831)**
Net carrying values at 31.12.2019*	**46,693**	**287,676**	**689**	**199,578**	**534,635**
- historical cost	267,539	814,411	4,042	281,641	1,367,633
- provision for amortisation/ depreciation (-)	(179,128)	(543,916)	-	(98,786)	(821,831)
Net carrying values at 31.12.2020	**88,411**	**270,495**	**4,042**	**182,855**	**545,803**

(*) The Consolidated Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Banca 5, Slot Italia and Di.Vi. For more details, please see the sections on “Restatement of the comparative data” and “Business Combinations”.

(in thousands of Euros)	Patents and copyrights	Concessions, licenses, brands and similar rights	Fixed assets in progress	Other fixed assets, intangible	Total
Historical cost at 31.12.2018	**119,545**	**780,986**	**579**	**225,884**	**1,126,995**
- increases	46,476	17,891	110	1,918	66,395
- decreases (-)	(11,120)	(2,602)		(698)	(14,420)
- change in scope of consolidation	8,146	1,299		53,428	62,873
- reclassifications	363	(346)			18
Historical cost at 31.12.2019*	**163,411**	**797,228**	**689**	**280,532**	**1,241,860**
Provision for amortisation, depreciation and impairment at 31.12.2018	**(88,071)**	**(475,695)**		**(65,705)**	**(629,471)**
- amortisation/depreciation for the year (-)	(32,804)	(36,376)		(14,424)	(83,604)
- decreases (-)	10,959	2,602		680	14,241
- acquisitions	(6,801)	(85)		(1,506)	(8,391)
Provision for amortisation, depreciation and impairment at 31.12.2019*	**(116,718)**	**(509,553)**		**(80,955)**	**(707,225)**
Net carrying values at 31.12.2018	**31,474**	**305,292**	**579**	**160,179**	**497,523**
- historical cost	163,411	797,228	689	280,532	1,241,860
- provision for amortisation/ depreciation (-)	(116,718)	(509,553)		(80,955)	(707,225)
Net carrying values at 31.12.2019*	**46,693**	**287,676**	**689**	**199,577**	**534,635**

(*) The Consolidated Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Banca 5, Slot Italia and Di.Vi. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

During 2020, new investments in intangible assets equalled around € 94.3 million, mainly consisting of:

- purchase and development of software, also through internal capitalisation, for corporate operations management and new projects, for around € 72.7 million;
- acquisition of concessions, licenses, brands and similar rights for around € 17 million, including the acquisition and renewal of concession rights mainly relative to the acceptance of horse-racing and sports bets for around € 10 million;

Finally, note a significant increase of around € 33.9 million in the item changes in the scope of consolidation, due to the acquisitions of Pluservice S.r.l. and myCicero S.r.l. during 2020.

25. Equity-accounted companies

At 31 December 2020 the item "Equity-accounted companies" amounted to € 20 thousand (balance of € 3,309 thousand at 31 December 2019), represented by the equity investment in Rete Servizi Integrati S.r.l. (49%).

The tables below provide a breakdown of equity-accounted companies and changes occurring during 2020.

Below are changes during the period:

	31.12.2020
Balance at start of year	3,309
Increases	20
Decreases	(3,309)
Balance at end of year	**20**

Relative to the increases during the period, note that on 29 January 2020 the establishment of Rete Servizi Integrati S.r.l. was finalised. The company provides management and commercial services to the network of sales points, with share capital subscribed at the time of establishment equal to € 40 thousand and paid in for € 10 thousand. The Group company Sisal Entertainment S.p.A. holds 49% of share capital. At 31 December 2020 the newly established company was not yet operating.

Relative to decreases during the period, note that during the year the Group acquired control over the companies myCicero S.r.l (at 31 December 2019 the Group held a 30% stake). Therefore, at 31 December 2020 this company was consolidated on a line by line basis.

Additionally, on 22 December 2020 the sale to Univest S.r.l. was finalised relative to the entire stake held in Sistema S.r.l., equal to 49% of its share capital, for the amount of € 1. The equity investment in Sistema S.r.l. had been entirely written down during previous years.

Details of equity-accounted companies are reported below:

(in thousands of Euros)	% held	Carrying value, end of year	share capital	Total assets	Total liabilities	Total Revenues	Result for the year	equity at the end of the year	value based on stake held in SE
Rete Servizi Integrati S.r.l.	49%	20	40	42	3	-	-	40	19
Associated companies		**20**	**40**	**42**	**3**	**-**	**-**	**40**	**19**

26. Other non-current assets

This item totals around € 21,191 thousand at 31 December 2020 (€ 22,663 thousand at 31 December 2019) and mainly consists of the receivable requested for repayment from the tax authorities totalling € 12,693 thousand. The item also includes € 1,780 thousand relative to the measurement of certain guarantees provided by previous shareholders as part of the acquisition process which occurred in 2016, as well as security deposits for utilities and other deposits for a total of € 6,717 thousand.

27. Inventories

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Pay slips	2,281	493
Gaming Terminal rolls inventory	1,076	833
VLT Ticket inventory	20	12
Repairable spare parts inventory	3,594	3,192
Consumable spare parts inventory	1,819	1,368
Food & Beverage inventory	60	19
Raw and subsidiary materials and consumables	**8,850**	**5,917**
Virtual top-up inventory	2,566	5,039
ADI finished product inventory	407	2
Finished product and goods	**2,973**	**5,041**
Total	**11,823**	**10,958**

The item Inventory, equal to € 11,823 thousand, shows an increase of € 865 thousand with respect to 2019, mainly due to the start-up of business in Turkey and the recognition of gaming material inventories totalling € 1,822 thousand and to greater inventory relative to spare parts for terminals both for gaming and services for € 733 thousand, partially offset by lower inventories relative to virtual telephone top-ups in the Banking & Payments segment, relative to procurement during the year of around € 2,473 thousand.

Inventories are shown net of the provision for impairment due to obsolescence. Details of these changes are shown below:

(in thousands of Euros)	Provision for impairment due to obsolescence
Year ending on 31.12.2018	**3,237**
Net provisioning	629
Use	(492)
Year ending on 31.12.2019	**(3,374)**
Net provisioning	(261)
Use	-
Year ending on 31.12.2020	**(3,635)**

The provision for obsolescence, equal to € 3,635 thousand at 31 December 2020, substantially refers to spare parts for terminals and specific gaming equipment.

28. Trade receivables

The item in question can be broken down as follows:

	Year ending on 31 December	
(in thousands of Euros)	2020	2019*
Receivables due from customers, generalist channel	134,489	171,271
Receivables due from customers, "providing" channel	5,135	15,082
Receivables due from customers, specialised channel	405	2,958
Other Receivables	17,237	9,042
Provision for impairment of trade receivables	(55,999)	(84,914)
Total	**101,267**	**113,439**

(*) The Schedules were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Slot Italia and Di.Vi.. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

The item *Receivables due from customers, generalist channel* refers to receivables due to the Group for bets associated with the final sporting event predictions in the last month of the year, as well as for payment services provided during the same period.

The item *Receivables due from customers, providing channel* includes receivables ADI manager customers for which Sisal Entertainment S.p.A., as the concessionaire, provides the service to connect to the Customs and Monopolies Agency (AAMS) digital network. The aforementioned receivable consists of the Concessionaire fee, the Single Tax Withdrawal (PREU) and the AAMS Concession Fee.

Receivables due from customers, specialised channel consists of horse-racing and sports bets accepted by agencies operating under a partnership contract and not yet transferred to the Group's current accounts.

The item *Other receivables* includes current receivables deriving from components not closely connected to bet acceptance and group business.

The items in question include *Impaired receivables*, which mainly refer to unpaid amounts generated by *SDD* amounts subject to collection, mainly with regards to betting shops, which are subject to collection also through legal action, with the exception of the portion attributable to natural occurrences which can be resolved in the short-term.

The table below shows changes in the bad debt provision.

(in thousands of Euros)	Provision for impairment of trade receivables
Year ending on 31/12/2018	**(76,050)**
Net provisioning	(13,722)
Use	9,543
Change in scope of consolidation	(4,685)
Year ending on 31/12/2019	**(84,914)**
Net provisioning	(16,876)
Change in scope of consolidation	(479)
Use	46,270
Year ending on 31/12/2020	**(55,999)**

The increases recognised in 2019 and 2020 reflect a natural trend in insolvencies (in particular with reference to the larger network of betting shops). The decrease recorded in particular in 2020 mainly refers to operations to write off non-performing positions which are no longer recoverable, also through receivable transfer operations.

29. Tax receivables

The item in question can be broken down as follows:

(in thousands of Euros)	At 31 December 2020	2019
Receivable due from Revenue Agency-IRES	44	31
Receivable due from Revenue Agency-IRAP	19	200
Total	**63**	**231**

30. Other current assets

The item in question can be broken down as follows:

(in thousands of Euros)	At 31 December 2020	2019*
NTNG downpayment	222,108	111,226
Other receivables due from the Public Administration	11,916	31,029
Other receivables due from the Revenue Agency	15,949	13,012
Receivables for advance charges	8,049	6,742
Other receivables from third parties	19,207	18,039
Other receivables from employees	666	419
Provision for impairment of other receivables	(5,006)	(5,065)
Total	**272,889**	**175,402**

(*) The Schedules were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Slot Italia and Di.Vi.. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

Other current assets totalled € 272,889 thousand at 31 December 2020 (€ 175,402 thousand at 31 December 2019), showing an increase of € 97,487 thousand.

The item *NTNG downpayment* refers to the downpayment, amounting to € 222 million (€ 111 million at 31 December 2019), relating to the new NTNG concession for which the Group was awarded a contract. The increase in this item is mainly attributable to the payment during the year of the second tranche of the Downpayment for € 111 million.

The item *Other receivables due from Public Administration* mainly refers to receivables due from the Customs and Monopolies Agency for the security deposit made in the context of concession relationships to accept legal bets through entertainment equipment in the amount of € 8,623 thousand, and receivables for the PREU (single tax withdrawal) and Fees of € 3,265 thousand.

The decrease in the item is due to the reduction in the receivable due from ADM of around € 12 million relative to the security deposit described above, the approximately € 3.3 million decrease in receivables mainly due to the recovering of main category Win for Life payouts advanced by the Group in the previous year based on that established in the regulations for the game and the decrease in PREU receivables and fees relative to entertainment equipment of around € 3.5 million, offsetting the payments due for the year.

The item *Other receivables due from the Revenue Agency* mainly consists of VAT receivables, for € 15,949 thousand (€ 13,012 thousand at 31 December 2019). The € 2.9 million change during the year is mainly due to the increase in the Group VAT credit and the recognition of receivables due from the Revenues Agency for tax subsidies deriving from provisions to support companies with regards to the Covid-19 pandemic.

Receivables for advance charges increased by € 1.4 million over the previous year. It mainly refers to the portion not pertaining to the year in course for charges incurred against the issuing of bank sureties for leases payable, charges linked to health insurance policies and to acquire supplies.

Other receivables from third parties, totalling € 19,207 thousand at 31 December 2020 (€ 18,039 thousand at 31 December 2019), mainly includes € 6,432 thousand relative to the insurance policy taken out in the context of managing the national numeric totalizator game (Win For Life Vinci Casa), and impaired receivables relative to certain Banking & Payments counterparts for around € 5 million, entirely covered by a bad debt provision.

The € 1.2 million increase during the year can mainly be attributed to amounts collected but not yet recognised relative to fees paid by users of payment circuits and cards for Banking & Payments services.

31. Restricted cash and cash equivalents

Restricted cash and cash equivalents total € 240,531 thousand at 31 December 2020 (€ 148,585 thousand at 31 December 2019) and include the balances of accounts for jackpots for National Totalizator Numeric Gaming (NTNG and other numeric totalizator games) for € 159,862 thousand, as well as the balance of current accounts for the Online segment of € 19,527 thousand and restricted cash deriving from funds received from customers in compliance with the Payment services Directive (PSD2), for € 61,142 thousand, in the context of the services provided by SisalPay S.p.A. in its role as an Electronic Money Institution (IMEL).

These deposits are managed by the Group but are restricted to payment of jackpots accumulated for the relative games and the payout of any withdrawals made relative to online gaming, as well as the resolution of payables relative to service partners.

The amount of these deposits fluctuates mainly as a function of the amount of the relative receivables to which they refer at the end of the year, and are affected both the timing of the end of year cut-off and the relative volumes of gaming and services.

32. Cash and cash equivalents

The item in question can be broken down as follows:

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Bank and postal deposits	211,760	161,210
Cash and cash on hand	3,949	10,804
Total	**215,709**	**172,014**

For an analysis of the trends which influenced the change in cash and cash equivalents, please see that found in the cash flow statement and the comments in the section "Statement of cash flow" in the Directors' Report.

33. Equity

A breakdown of equity at 31 December 2020 follows:

	At 31 December	
(in thousands of Euros)	2020	2019
Equity attributable to the Group	409,566	441,092
Equity attributable to non-controlling interests	(64,163)	(63,491)
Total	**345,403**	**377,601**

The change in individual items is shown in the consolidated statement of changes in equity.

Consolidated equity saw a decrease of € 32,198 thousand with respect to 31 December 2019, mainly due to the loss for the year of € 40,264 thousand recorded for 2020.

Equity attributable to non-controlling interests at 31 December 2020 mainly refers to the Banca5 S.p.A. equity investment in the sub-consolidated entity SisalPay Group S.p.A. as a consequence of the business combination already described in paragraph "Business Combinations".

The item also includes the value of minority interests held in certain minor Italian subsidiaries and in the Turkish company Sisal Şans Interaktif Hizmetler Ve Şans Oyunlari YAT.A.Ş., established during the year with the partner Sans Dijital, which as of August 2020 manages and develops numeric games, instant lotteries and online games in Turkey.

34. Borrowings from banks and other lenders

The item in question amounted to € 1,244,794 thousand at 31 December 2020 (€ 1,057,329 thousand at 31 December 2019). Below is the breakdown:

	At 31 December	
(in thousands of Euros)	2020	2019
Financing	**1,169,613**	**975,503**
of which the current portion	173,927	15,755
of which the non-current portion	995,686	959,748
Liabilities for leased assets	**75,181**	**81,826**
of which the current portion	24,691	21,967
of which the non-current portion	50,490	59,859
Total	**1,244,794**	**1,057,329**
of which the current portion	198,618	37,722
of which the non-current portion	1,046,176	1,019,607

The table below provides a breakdown of financing by type:

(in thousands of Euros)	At 31 December 2020	2019
Super Senior Revolving Facility	159,238	914
Senior Secured Bonds - Sisal Group	278,349	276,965
Senior Secured Bonds - SisalPay Group	511,749	509,208
Total	**949,336**	**787,087**
Other financial payables	6,037	1,222
Total financial payables due to third parties	**955,373**	**788,309**
Financial payables due to shareholders	214,240	187,194
Total	**1,169,613**	**975,503**

Bond Loans

At 31 December 2020, the Group had two bond loans for a total of € 790 million, of which € 512 million with a variable rate (Senior Secured Floating Rate Notes - FRN) and € 278 million at a fixed rate (Senior Secured Notes - SSN).

The Senior Secured Floating Rate Notes were subscribed during the year ending on 31 December 2019 by the subsidiary SisalPay Group S.p.A. and involve a quarterly coupon for interest and a bullet repayment of the capital at 17 December 2026.

Interest is calculated based on a variable rate determined by the 3-month Euribor plus a spread of 3.875%.

The Senior Secured Notes were subscribed in 2016 by Sisal Group S.p.A. and involve a six-month coupon for interest and a bullet repayment of the capital at 31 July 2023. Interest is calculated using an annual fixed rate of 7%.

Revolving credit lines

At 31 December 2020 the Group had two partially used revolving credit lines, described below:

- Super Senior Revolving Facility (ssRCF) credit line for a total of € 125 million, obtained in 2016 and maturing in September 2022. Interest is calculated based on the Euribor rate for the period, plus a spread of 3.50%; the margin is subject to reduction based on the achievement of certain financial ratios. At the end of the year the credit line was utilised for € 100 million. The balance in the financial statements at 31 December 2020 includes interest accrued, for € 867 thousands and net of directly attributable fees.
- Senior Secured Revolving Credit Facility: stipulated during the previous year by SisalPay Group S.p.A., as part of the corporate reorganisation which led to the issuing of the bond loan described above for a total of € 92.5 million, maturing in 2026. Interest is calculated based on the Euribor rate for the period plus a spared of 3%. The margin is subject to reduction down to 2% based on the achievement of certain financial ratios.
  At year-end, the available credit line was used for hedging requirements on working capital for a total of € 61.5 million, in addition to approximately € 1.5 million used to issue guarantees in favour of the Mastercard group. The accounting balance of € 59 million is shown net of directly attributable fees.

Existing financing agreements do not require compliance with maintenance covenants but do require compliance with certain financial parameters in relation to the revolving credit lines, including the guarantor coverage test and quarterly calculation of the leverage ratio which, among other things, determines the margin applied to the line. These parameters were complied with at the end of the year.

Additionally, relative to the financing agreements, the Group must comply with a series of restrictions including, among other things, limitations on: *i*) mergers, demergers, corporate restructuring, joint ventures, *ii*) acquisitions and investments, *iii*) dispositions involving all or part of its assets, *iv*) increasing financial debt. These limitations may be derogated if authorised by the lending banks and entities which hold the bonds issued.

The Group has also pledged in favour of the financing entities the shares it holds in Sisal S.p.A., Sisal Entertainment S.p.A., SisalPay Group S.p.A., SisalPay Servizi S.p.A. and SisalPay S.p.A. and similarly, the shares of the parent company held by the ultimate parent Schumann Investments S.p.A. have been pledged, which represents 100% of the Company's share capital.

The Company has the right to repay the bonds issued early, entirely or partially, as established in the contract which governs the issuing of the same. Below are the main conditions which still apply in the case of early repayment.

Relative to the (fixed rate) SSN for Sisal Group S.p.A., in the case of (partial or total) early repayment: i) between 1 August 2020 and 31 July 2021, the Group must pay an amount equal to 101.75% of the amount repaid plus any interest accrued and not yet paid; and ii) after 31 July 2021, any early repayments solely involve payment of the nominal value of the amount repaid and any interest accrued and not yet paid.

These options are considered to be closely connected to the debt instruments to which they refer and, in this sense, have not been separated from their primary contracts.

Below are details on loans existing at 31 December 2020 and on the relative maturity dates:

			Residual debt at 31 December			
(in thousands of Euros)	**Company**	**Type**	**2020**	**2019**	**Maturity**	**Repayment**
SSN bond (fixed rate)	Sisal Group S.p.A.	Bullet	275,000	275,000	31/07/2023	at maturity
SSFRN bond (variable rate)	SisalPay Group S.p.A.	Bullet	530,000	530,000	17/12/2026	at maturity
Super Senior Revolving Credit Facility	Sisal Group S.p.A.	Revolving facility	100,867	-	30/09/2022	at maturity
Senior Secured Revolving Credit Facility	SisalPay Group S.p.A.	Revolving facility	59,323	5,000	2026	at maturity
Total including accessory charges			**965,190**	**810,000**		
Interest payment			8,980	9,029		
Accessory charges connected to financing			(24,834)	(31,942)		
Total payables for bonds and revolving credit lines			**949,336**	**787,087**		

Other financial payables

At 31 December 2020 the item Other financial payables amounted to € 6,037 thousand, referring to loans and current account overdrafts:

- loan to Mooney S.p.A. for € 132 thousand, maturing in May 2021.
- loan to Pluservice for € 2,603 thousand.
- loan to MyCicero for € 1,508 thousand, maturing in February 2022, plus a loan for advance on invoices of € 900 thousand, maturing on 30 June 2021.
- current account overdrafts relative to the subsidiaries Pluservice and MyCicero, for a total of € 894 thousand.

Shareholder loans

Financial payables due to shareholders amounted to around € 214 million at 31 December 2020 (€ 187 million at 31 December 2019), broken down as follows:

- “Deferred Purchase Price Agreement” signed in 2019 after the partnership operation relative to payment services with regards to the minority shareholder Banca 5 S.p.A. The loan matures interest at an annual rate of 9%. The debt is deferred and the value of capital (including interest accrued) will be paid no earlier than 6 months after the full repayment of the Senior Secured Floating Rate Notes relative to SisalPay Group S.p.A. The carrying value at 31 December 2020, including interest, was € 204 million.
- Loan granted to the subsidiary Sisal Sans by the partner Sans Digital (member of the Turkish group Demiroren). This loan is part of the development plan for the foreign subsidiary which began operating in August 2020. The loan was disbursed in four tranches and accrues interest at a variable rate indexed to the overnight Turkish rate plus a 2.5% spread, with six-monthly repayment of capital starting in March 2022. With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and minority shareholder Sans Digital amended the existing

Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 31 March 2024, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan will be repaid in advance in 2021, using the available financial resources.

Liabilities for leased assets

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Long term liabilities for leased assets	24,691	21,967
Short term liabilities for leased assets	50,490	59,859
Total	**75,181**	**81,826**

Liabilities for leased assets mainly include financial payables which arose after application of accounting standard IFRS 16 for leased assets, mainly involving real estate, gaming terminals, hardware and vehicles.

Liabilities for leased assets are recognised in an amount equal to the current value of payments due for leases not yet made as of the commencement date, calculated by adopting a discount rate equal to the implicit interest rate of the lease or, if this cannot be easily determined, the Group's incremental lending rate.

Below are changes in lease liabilities during the year, as well as analysis of the schedule of payments due for leases, net of discounting.

(in thousands of Euros)	**Payables, IFRS 16**
Balance at 31 December 2019	**81,826**
Net increases/decreases	17,155
Payments	(26,432)
Interest	2,227
Change in scope of consolidation	70
Change	(116)
Other changes	451
Balance at 31 December 2020	**75,181**

Below is the Group's net financial debt at 31 December 2020 and 2019, determined in compliance with that established in paragraph 127 of the recommendations contained in the document issued by ESMA, no. 81 of 2011, to implement Regulation (EC) 809/2004:

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
A Cash	3,949	10,804
B Cash equivalents	211,760	161,210
C Securities held for trading	-	-
D Liquid assets (A+B+C)	**215,709**	**172,014**
E Current financial receivables	**-**	**-**
F Current financial payables	160,190	5,000
G Current portion of medium/long-term financial payables	36,633	31,306
H Other current financial payables	1,795	1,416
I Current financial debt (F+G+H	**198,618**	**37,722**
J Net current financial debt (I-E-D)	**(17,091)**	**(134,292)**
K Medium/long-term financial payables	215,217	186,690
L Bonds issued	781,118	773,058
M Other non-current financial payables	49,841	59,859
N Non-current financial debt (K+L+M)	**1,046,176**	**1,019,607**
O Net financial debt (J+N)	**1,029,085**	**885,315**

35. Employee benefit obligations

The change in the item in question is detailed below:

	Year ending on	
(in thousands of Euros)	31.12.2020	31.12.2019
Initial balance	**10,125**	**8,381**
Current cost	536	276
Financial expenses	73	130
Actuarial Losses (gains)	(61)	224
Contributions paid - Benefits paid	(1,021)	(667)
Change in the scope of consolidation	3,248	1,781
Closing balance	**12,900**	**10,125**

The change in the scope of consolidation mainly refers to the addition of Pluservice and MyCicero, while decreases refer to uses for advances and liquidations occurring during the year in question.
Below is a breakdown of the economic and demographic assumptions used for actuarial measurements in 2020 and 2019:

	31.12.2020	31.12.2019
Economic and financial assumptions		
Annual discount rate	0.5%	0.80%
Annual inflation rate	0.5%	0.80%
Annual salary increase rate	1.5%	1.80%
Demographic assumptions		
Expected mortality rate	ISTAT 2017 mortality schedule	ISTAT 2017 mortality schedule
Expected disability rate	CNR tables, reduced by 70%	CNR tables, reduced by 70%
Expected resignations/advances (annual)	3%	3%

Below is the result of sensitivity analysis, showing the value of the TFR debt after a 0.25 percentage point change in the discount rate used for the actuarial calculation.

(in thousands of Euros)	DBO* at 31.12.2020	DBO* at 31.12.2019
Discount rate +0.25%	12,444	8,118
Discount rate -0.25%	13,236	8,577

* Defined Benefit Obligation

The average financial duration of the obligation is around 12 years. The table below shows expected future disbursements as in the plan:

Years	Disbursements foreseen - 2020 actuarial calculation	Disbursements foreseen - 2019 actuarial calculation
1	609,547	411,979
2	573,658	405,122
3	558,288	561,495
4	541,634	255,894
5	628,669	351,271
Over 5	4,596,366	2,637,601

36. Provisions for risks and charges

The change in the item in question is detailed below:

(in thousands of Euros)	Total provisions for risks
Balance at 31 December 2018	**15,477**
Allocations	4,488
Use	(2,016)
Reclassification	(199)
Change in the scope of consolidation	(64)
Balance at 31 December 2019	**17,686**
Allocations	14,300
Use	(4,636)
Releases	(2,791)
Reclassification	2,402
Other	113
Balance at 31 December 2020	**27,074**

Increases during the period totalled € 14,300 thousand and mainly consisted of the following allocations:

- € 11,550 thousand for the dispute with the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Authority (ADM) relative to the NTNG and spending requirements for "communication and information" projects. The allocation was made in the amount of 50% of the spending requirements which, based on that stated by ADM, the Company was to have paid over the period of time in question (1 July 2018 to 30 June 2020) for the aforementioned communication and information purposes. In fact, while the Group considers ADM's request to be ungrounded, given the significance of the amount requested, as well as the receipt of the State Attorney's opinion, in a note dated 27 February 2020, followed by another of 18 December 2020, which holds there is a requirement to pay the sums not spent on communication as taxes and, as well, the fact that the current TAR order is still subject to appeal by the ADM and hence a ruling from the Council of State, it carried out the above provisioning, reflecting the relative amount in the financial statements for 2020.
- € 1,460 thousand to cover legal disputes, employment cases and other risks.

As of the date this document was prepared, based on available information, despite uncertainties it is not held that the cases and proceedings in course could give rise to liabilities not already reflected in the financial statements or leading to significant consequences.

Similarly, note that as of the end of 2020 certain audits and tax investigations were pending relative to which in any case it is not considered that additional charges will be applied to the Group with respect to those already shown in the financial statements.

Uses, totalling € 4,636 thousand, mainly refer to the negative conclusion of the dispute regarding the Social Security Institution's notice of findings regarding the legal classification of collaborators used to carry out company activities by the Group company Sisal Entertainment S.p.A relative to which the latter had appealed. This appeal was rejected in a judgement filed on 13 January 2020.

37. Deferred tax liabilities

The net change in the item in question is detailed below:

(in thousands of Euros)	Deferred tax assets and liabilities
At 31 December 2018	**(110,121)**
Provisioning/releases to the income statement	6,923
Provisioning/releases to the statement of comprehensive income	54
Change in the scope of consolidation	(12,927)
At 31 December 2019*	**(116,071)**
Provisioning/releases to the income statement	15,272
Provisioning/releases to the statement of comprehensive income	(16)
Other changes	(976)
At 31 December 2020	**(101,791)**

(*) The Consolidated Financial Statements were amended with respect to the data published after completion of the Purchase Price Allocation process relative to Banca 5, Slot Italia and Di.Vi. For more details, please see the sections on "Restatement of the comparative data" and "Business Combinations".

Deferred taxes can be broken down as follows:

	At 31 December			
(in thousands of Euros)	2020		2019	
	Amount of temporary differences	Fiscal effect	Amount of temporary differences	Fiscal effect
Provisioning for impairment of receivables	40,007	9,602	51,370	12,329
Provisioning for risks and impairment	26,636	7,397	17,326	4,702
Losses on unrealised translation differences	2,085	500		
Discounting of TFR Provision (employee severance indemnity)	344	83	4,369	290
Amortisation/depreciation	15,032	3,869	15,208	3,905
Other temporary differences	7,959	2,166	6,417	1,724
Tax losses	45,904	11,309	11,047	3,038
Total deferred tax assets	**137,967**	**34,926**	**105,737**	**25,988**
Amortisation/depreciation deducted off-balance sheet	(35,505)	(10,012)	(34,138)	(9,627)
Business combinations	(434,123)	(126,606)	(469,195)	(132,313)
Other temporary differences	(405)	(99)	(427)	(119)
Total deferred tax liabilities	**(470,033)**	**(136,717)**	**(503,760)**	**(142,059)**
Total deferred tax assets and liabilities	**(332,067)**	**(101,791)**	**(398,023)**	**(116,071)**
Tax losses for which no advance taxes were recognised	92,145	11,621	40,609	9,817

The Group expects to have future taxable income capable of absorbing the deferred tax assets recognised. The tax losses excluded from the calculation of deferred tax assets refer (i) for € 2,014 thousand, to tax losses for the year ended 31 October 2006, prior to the introduction of the tax consolidation regime with the Company as consolidating company, (ii) for € 36,573 thousand to tax losses realised by the former parent company Schumann S.p.A, (ii) for €36,573 thousand to tax losses realised by the former parent company Schumann S.p.A., before the completion of the reverse merger in the Company, for which the Italian Revenue Agency, following an appeal, did not recognise the carry-forward within the tax consolidation, (iii) for € 53,558 thousand to losses of MooneyGroup S.p.A., for which it was not deemed appropriate to recognise deferred tax assets in relation to the likelihood, at the current state of knowledge, of realising future taxable income against which the above-mentioned deductible temporary difference could be used.

38. Other non-current liabilities

The item in question amounted to € 8,604 thousand at 31 December 2020 (€ 236 thousand at 31 December 2019) and refers to:

- payables due to the network of sales points in Turkey against the security deposits paid by the same to guarantee the technological equipment received to accept bets for € 4,850 thousand;
- the long-term portion of the payable due to the former shareholder of Slot Italia S.r.l., acquired at the end of 2019, totalling € 2,853 thousand, for the portion of the fee to acquire the company itself, payment is through half-yearly instalments with the final one due in December 2022;
- the long-term portion of the payable due for the acquisition of Pluservice S.r.l., for € 901 thousand.

39. Trade payables and other payables

The item in question can be broken down as follows:

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Trade payables	133,201	131,301
Payables due to service partners	172,996	168,555
Payables due to ADI and sales point managers	1,143	1,301
Concessionaire trade payables	1,548	605
Other trade payables	32	21
Total	**308,920**	**301,783**

The item *Trade payables* mainly refers to technological, commercial and operating supplies received by the Group during the final months of the year.

The item *Payables due to service partners* mainly refers to fees for sales of telephone and television content top-ups as well as collection and payment services directly managed by the companies of the Banking & Payments business on the account of private and public entities.

The item *Payables due to ADI and sales point managers* mainly includes the sum to be paid to managers of entertainment equipment (AWP and VLT) in relation to bet acceptance as well as the sum to be paid to sales points relative to fees for distribution services carried out in favour of Banking & Payments companies and the debtor position relative to the sales point network for weekly management of turnover and payouts at the sales points themselves.

The item *Concessionaire trade payables* mainly represents the debt component due to concessionaires relative to Tax Withholdings and Concession Fees relative to the ADI concession.

40. Tax payables

The item in question can be broken down as follows:

	At 31 December	
(in thousands of Euros)	2020	2019
Payables due to the Revenue Agency, IRAP	4,777	456
Payables due to the Revenue Agency, IRES	14,252	5,073
Total	**19,029**	**5,529**

At 31 December 2020, the Group's final net position for national tax consolidation was a payable for IRES equal to € 14,252 thousand.

Relative to IRAP, the Group ended the year with a payable totalling € 4,777 thousand.

41. Other current liabilities

The item in question can be broken down as follows:

	At 31 December	
(in thousands of Euros)	2020	2019
Gaming payables	114,901	86,386
Jackpot payables	178,174	138,847
Employee payables	13,310	17,163
Other current liabilities	58,404	48,210
Social security payables	8,273	8,182
Other payables due to the Revenue Agency	8,400	4,713
Payables to collaborators	267	1,321
Total	**381,729**	**304,822**

Below the main categories which make up this item are analysed.

Gaming payables

The item *Gaming payables* can be broken down as follows:

	At 31 December	
(in thousands of Euros)	2020	2019
Payables due to the Revenue Agency for gaming	82,309	60,956
NTNG subscriptions	2,285	2,395
Remote Gaming Payables	25,045	13,813
Guaranteed Minimum Payables	-	3,905
Bet Management Payable	5,262	5,317
Gaming payables	**114,901**	**86,386**

Payables due to the Revenue Agency for gaming mainly include: *i)* tax withdrawals for NTNG events relative to the last eleven days of the year, *ii)* payables for PREU and concession fees on entertainment equipment relative to turnover in the fifth and sixth two-month periods of the year which involved instalment plans during the Covid-19 pandemic, based on specific ministerial decrees, *iii)* tax withdrawals relative to turnover in December, for sporting event predictions, horse-racing and sports bets and online gaming products. The € 21,353 thousand increase with respect to the previous year is mainly attributable to the PREU payables and ADI fees cited previously.

The item *NTNG subscriptions* includes the payable for subscriptions relative to SuperEnalotto competitions and the additional SuperStart game, SiVinceTutto Superenalotto, Vinci per la vita - Win for life and Eurojackpot and is substantially in line with the previous year.

The item *Remote Gaming Payables* indicates the value of sums deposited by players to make digital bets. The notable increase with respect to the previous year (€ +11,232 thousand) is for the most part directly connected to the excellent performance of the online sales channel during 2020.

The item *Minimum Guaranteed Debt* was included in the provisions for risks and charges in view of the developments in the related dispute.

The item *Bet Management Payable*, in line with the previous year, mainly shows the value of sums collected against bets which accrue in the next year and payables due to the Revenue Agency for prescribed payouts.

Jackpot payables

The individual items for *Jackpot payables* include the jackpots managed by the Group for winners of sporting event predictions, bets and VLTs at the reporting date and hence yet to be liquidated. These payables are offset mainly by the restricted bank deposits found in the balance sheet assets.

The item can be broken down as follows:

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Jackpot payable, Super Enalotto-SuperStar	160,298	111,040
Jackpot payable, Win for Life	14,674	20,906
Jackpot payable, SVT-Superenalotto	272	259
Payouts, Tris and Horse-racing bets	182	182
Payouts, CONI games	-	122
Payout payable, VLT	2,535	3,238
Payout payable, Eurojackpot	163	3,036
Payout payable, Play Six	50	50
Payout payable, Bets	-	13
Total jackpot payables	**178,174**	**138,847**

Fluctuations between the periods in question mainly depend on the jackpot levels for each game, linked to turnover during the period and the winnings assigned and not yet paid out at the end of the year.

Employee payables

This item includes the "fourteenth month" pay, bonuses, holidays, former holiday/ROL, amounts due and overtime accrued but not yet paid at the end of the year.

Other current liabilities

This item mainly includes:

- payables for security deposits received from the network for around € 6,740 thousand;
- non-deductible VAT from invoices to be received for around € 6,914 thousand;

- payables due to holders of prepaid cards for the relative deposits acquired against electronic money issued by the IMEL SisalPay S.p.A., for around € 15,588 thousand;
- payables for payment accounts including payables due to customers against deposits in accounts, or accounts opened to provide digital bill payment services and for services provided as a payment facilitator relative to Banking & Payments business, for around € 7,348 thousand;
- other payments in the form of accrued expenses and deferred income for € 5,303 thousand.

The item for 2019 also included the adjustment related to the transfer of the services business from Banca 5 S.p.A. for an amount of approximately € 14.1 million and other miscellaneous payables for the payment of the employees transferred from Banca 5 for the last December period after the transfer. These amounts are settled during 2020.

Social security payables

The item mainly represents payables due to INPS, INAIL and supplementary social security funds.

Other payables due to the Revenue Agency

The item *Other payables due to the Revenue Agency* can be broken down as follows:

	At 31 December	
(in thousands of Euros)	**2020**	**2019**
Payables due to the Revenue Agency, IRPEF	2,978	1,737
Payables due to the Revenue Agency for substitute tax	4	12
Payables due to the Revenue Agency, VAT	754	346
Other tax payables	4,664	2,618
Total	**8,400**	**4,713**

The item *Other tax payables* substantially consists of the short-term component of tax settlement proposals signed by certain Group companies to resolve disputes with the Revenue Agency and for tax payables involving real estate owned or leased by the Group.

42. Commitments and guarantees

As of the reference date, the Group's commitments and guarantees are as follows:

	At 31 December	
(in thousands of Euros)	2020	2019
Customs and Monopolies Agency	217,791	211,708
Non-gaming services	143,500	146,500
Other guarantees issued	36,318	32,700
Total	**397,609**	**390,908**

The item *Customs and Monopolies Agency* refers to the cumulative guarantees and/or commitments granted by certain Group companies which hold concessions in favour of the granting entity in relation to the concession granted and development of various games, and the correlated tax and management responsibilities; the item Non-gaming services instead refers to the guarantees issued by partner customers in relation to commercial agreements for payment services and for the sale and/or distribution of telephone top-ups for which the companies must guarantee prompt return to customers, net of their own fees, of the amounts collected based on the established contractual terms.

The item *Non-gaming services* refers to the guarantees issued by Sisal Group S.p.A. and Sisal S.p.A., which are now included in the contribution scope, to partner customers mainly in connection with agreements relating to payment services and the sale and/or distribution of telephone top-ups, respectively, for which these companies are required to guarantee the timely payment, net of their own amounts, of the amounts collected in accordance with the agreed terms. It should also be noted that the procedures for the transfer of these guarantees are still in progress with some issuing banks.

The item *Other guarantees given* mainly refers to guarantees given for concession responsibilities established by the relevant authorities in relation to the Group's international gaming business.

Also note that to guarantee debt deriving from loan contracts taken out, the Group has pledged to the lenders the shares it holds in the companies Sisal Group S.p.A., Sisal S.p.A., Sisal Entertainment S.p.A., SisalPay Group S.p.A., SisalPay Servizi S.p.A. and SisalPay S.p.A.

43. Related-parties transactions

Relations between the Group and related parties are mainly of a non-financial nature. The Company holds that all relationships with related parties are substantially carried out at an arms-length basis.

The table below provides details on equity balances with related parties at 31 December 2020:

(in thousands of Euros)	Trade payables	Employee benefit obligations	Financial payables	Other current liabilities
Associated companies				
Rete Servizi Integrati S.r.l.				15
Other related parties				
BoD Fees				511
Key Management Personnel fees		121		1,886
Zeta 6 S.r.l.	2			
Games Lodi S.p.A.	2			
Net S.r.l.	47			
Demiroren			10,662	
Other related parties				434
Total	**50**	**121**	**10,662**	**2,846**

The table below details the economic effects of related party transactions during the year ending on 31 December 2020:

(in thousands of Euros)	Operating expenses	Financial expenses
BoD Fees	1,231	
Key Management Personnel fees	5,218	
Zeta 6 S.r.l.	154	
Games Lodi S.p.A.	142	
Net S.r.l.		
Demiroren		705
Other related parties	554	
Total	**7,299**	**705**

It should be noted that the Group has significant transactions in place with Banca 5 S.p.A., a company that exercises significant influence over the group's subsidiary SisalPay Group S.p.A.. Specifically, the following transactions were recorded with this company at 31 December 2020:

- trade receivables equal to € 6 million;
- other current assets equal to € 1.3 million;
- cash and cash equivalents for € 10 million;
- restricted cash for € 0.6 million;
- trade receivables equal to € 2.8 million;
- financial payables amounting to € 203.5 million as financing (Deferred Purchase Price)
- revenues for € 38.2 million, service costs for € 4.4 million and financial expenses for € 17 million

Key Management Personnel

The following figures within the Group are considered key management personnel: i) the Chief Executive Officer of the Board of Directors, ii) the Chief Financial Officer, iii) the directors of the Business Unites (Retail Gaming, Lottery, Online Gaming and Payments&Services); iv) the director of betting business, v) the directors of the HR, Legal, Strategy, Marketing & Communication, Institutional Affairs and Security & Money Laundering departments.

Fees due to key management personnel within the Group are analysed below:

	Year ending on 31 December	
(in thousands of Euros)	**2020**	**2019**
Salaries and wages	4,882	3,812
Severance indemnity	336	278
Total	**5,218**	**4,090**

44. Italian Law 124/2017

Paragraph 125 of Law 124/2017 of 4 August 2017 introduced, starting in financial year 2018, the requirement for companies who receive subsidies, contributions, paid positions and, in any case, economic advantages of any type from public administrations and entities pursuant to the first sentence of the same paragraph, to publish these amounts in the notes to their annual financial statements.

Based on that established under the stated law, note that in 2020 the Group recognised receivables an contributions for a total amount of € 971 thousand relative to economic aid established by the government during the year in question to restore economic losses suffered due to the Covid-19 pandemic.

In particular, the Group recognised tax receivables for rent paid during the year for a total of € 494 thousand, following the issuing of Decree Law 18 of 17 March 2020 (known as Cure Italy), € 80 thousand following the issuing of Decree Law 34 of 19 May 2020 (known as Relaunch) and finally € 20 thousand following Decree Law 137 of 28 October 2020 (known as Restore).

Additionally, the Group recognised grants in the financial statements for a total of € 264 thousand, of which € 45 thousand after the issuing of Decree Law 34 of 19 May 2020 and € 219 thousand after the issuing of Decree Law 137 of 28 October 2020, known as Restore.

Finally, the Group made use of a social safety net to mitigate the economic impacts of the Covid-19 pandemic, including the use of the Pay Supplement Fund for around € 5 million, due to the blockage of business consequent to the Covid-19 restrictive measures.

45. Subsequent events

REGULATORY CHANGES

Covid-19

During 2020 and in the initial months of 2021, multiple national and regional regulations were issued to deal with the Covid-19 emergency, which led to the suspension of concession gaming. Most recently, in chronological order, Decree Law 44 of 1 April 2021 confirmed the measures already in effect since 6 November 2020 which suspends activities in gaming rooms, betting rooms, bingo parlours and casinos, even if carried out in areas furnished for different activities, through 30 April 2021.

The Company therefore continues to monitor proper application of measures to protect the health of its employees and collaborators.

Additionally, it continues to assess the impact that the prolonged state of emergency and hoped progressive return to normality will have on the Company's business.

DISPUTES

NTNG Concession-Spending requirements for “communication and information” projects

With reference to this dispute, for which more information can be found in the section “Concessions and disputes”, recall that on 11 February 2021, the presiding judge of the TAR granted a suspension until the hearing set for 17 March 2021. At that time, the precautionary suspension was confirmed and the hearing on the merits was set for 17 November 2021.

To guarantee the entire sum requested by ADM, € 24.3 million, the TAR of Lazio asked for the companies of the Sisal S.p.A. Group to deliver a first request bank surety to the same Agency, which the Company did by 6 April 2021, the deadline indicated by the TAR of Lazio.

To that end, note that parent company provided support to Sisal S.p.A. to deal with the above financial requirement, making it necessary to present cash collateral to obtain the bank surety requested by ADM.

FINANCING

Establishment of revolving credit line

On 12 March 2021, the Board of Directors of Sisal S.p.A. resolved to take out a short-term revolving loan from Unicredit S.p.A., up to a maximum of € 40 million, for which the main economic conditions are:

- 12 month duration as of the signing date;
- upfront fee of 0.25%,
- commitment fee of 0.35% and interest rate equal to the Euribor plus a spread of 3.5%.

In consideration of current uncertainties regarding the markets and the block on retail business due to the pandemic, this credit line will guarantee a liquidity buffer sufficient to deal with the possible prolonged blockage of retail business.

Early repayment of Shareholder Loan Agreement

With a deed of amendment signed on 18 March 2021, the Turkish subsidiary and minority shareholder Sans Digital amended the existing Shareholder Loan Agreement which did not envisage any faculty of early repayment prior to 31 March 2024, including this provision. Therefore, with a resolution made by the Board of Sisal Sans on the same date, the loan will be repaid in advance in 2021, using the available financial resources.

INTERNATIONALISATION

Tender for the Fourth National Lottery Licence

Continuing on its path towards international development, the Company will participate in the tender for the concession for the National Lottery issued by the Gambling Commission, to assign the "Fourth National Lottery Licence", to manage gaming products in the national lottery category within the United Kingdom, including the Isle of Man.

The tender procedure is structured with bids presented in two stages, the first of which expires on 16 April 2021 and the second on 17 September 2021.

The tender is expected to be awarded in December 2021, while the licence takes effect in August 2023.

Milan, 29 April 2021

For the Board of Directors

The Chairman

Aurelio Regina

ANNEX A-SCOPE OF CONSOLIDATION

Below is a list of companies consolidated on a line by line basis.

Name	Country	Registered offices	Currency	Share capital	% stake
SisalPay Group S.p.A. (*)	Italy	Milan	Euro	10,050,000	70.00%
SisalPay S.p.A. (*)	Italy	Milan	Euro	86,658,331	70.00%
SisalPay Servizi S.p.A. (*)	Italy	Milan	Euro	8,549,999	70.00%
Pluservice S.r.l.	Italy	Senigallia (Ancona)	Euro	450,000	70.00%
myCicero S.r.l.	Italy	Senigallia (Ancona)	Euro	1,142,857	70.00%
Sisal S.p.A.	Italy	Milan	Euro	125,822,467	100.00%
Sisal Point S.p.A.	Italy	Milan	Euro	600,000	100.00%
Sisal Loterie Maroc S.a.r.l.	Morocco	Casablanca	Dirham	67,395,000	100.00%
Sisal Albania Sh.P.K.	Albania	Tirana	Lek	39,600,000	100.00%
Sisal Şans Interaktif Hizmetler Ve Şans Oyunlari YAT.A.Ş.	Turkey	Istanbul	Turkish Lira	66,000,000	49.00%
Sisalşans Dijital ve Elektronik Şans Oyunları ve Yayıncılık A.Ş.	Turkey	Istanbul	Turkish Lira	50,000	49.00%
Sisal Entertainment S.p.A.	Italy	Milan	Euro	2,131,622	100.00%
Acme S.r.l.	Italy	Milan	Euro	20,000	100.00%
Sisal Gaming S.r.l.	Italy	Milan	Euro	130,000	100.00%
Sisal Juego Espana S.A.	Spain	Ceuta (ES)	Euro	60,000	100.00%
Network Italia S.r.l.	Italy	Milan	Euro	2,560,000	60.00%

(*) On 29 March 2021, the Extraordinary Shareholders' Meeting of SisalPay Group S.p.A. resolved to change the following company names: SisalPay Group S.p.A. to Mooney Group S.p.A., SisalPay S.p.A to Mooney S.p.A., SisalPay Servizi S.p.A to Mooney Servizi S.p.A..

Below is a list of companies consolidated with the equity method:

Name	Country	Registered offices	Currency	Share capital	% stake
Rete Servizi Integrati S.r.l.	Italy	Rome	Euro	40,000	49.00%


Sessions
Conversions
Acquisition
Behavior
Conversions

Independent Auditors' Report

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholder of Sisal Group SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sisal Group (the Group), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Sisal Group SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sisal Group SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Sisal Group SpA are responsible for preparing a report on operations of the Sisal Group as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Sisal Group as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Sisal Group as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 29 April 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Sisal