



Sisal Group S.p.A.

**Condensed
Consolidated financial
statements**

At and for the three months period

Ended March 31, 2021 and 2020

Management Discussion & Analysis

Sisal Group Profile

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

In the Italian market, the Group offers a broad portfolio of gaming products, including gaming machines (AWP and VLT’s terminals), betting, lottery and online games. Gaming products are offered through both retail channels and online platforms (website and mobile). The retail distribution network includes about 40.633 points of sale, made up of newsstands, bars, tobacconists, betting shops and corners, gaming halls exclusively dedicated to gaming machines and multifunctional gaming halls formats.

In February 2018 Sisal Spa was awarded the tender issued by the National Lottery Management Company of Morocco (SGLN). The 10 years 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) and recently the product offer was extended to VLT’s. Gaming products are offered through the retail channels and the retail distribution network includes about 1.359 points of sale.

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 years contract includes two general licenses: one for betting and the other to develop other games, with unique licenses for roulette, slots and blackjack.

In September 2019, in partnership with Şans Digital, 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). Starting in August 2020 and lasting for 10 years, this contract involves managing and developing a portfolio of numeric games, instant lotteries and online games.

The Group also offers in Italy a wide range of banking & payments services, through its retail network and digital applications.

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

Following the segregation of the two businesses, a corporate reorganization was executed, and the two organizations became independent.

Following the segregation of the Banking & Payments business, the outstanding portion of Sisal Group’s bond will be repaid with the cash flow generated by the Gaming Business, and consequently this MD&A and the attached Condensed Consolidated Financial Statements will focus on the Gaming Business performance and results. In particular, for the first quarter 2021 that ended March 31, 2021 the financial statement only refers to the Gaming Business perimeter, while the investment in Mooney Group S.p.A. (formerly Sisal Pay Group) has been accounted for at cost, as well as the Statement of Financial Position at December 31, 2020.

The Statements of Comprehensive Income and Cash Flows for the three months ended March 31, 2021 and March 31, 2020 are related to the Gaming business perimeter too, allowing a “full like for like” comparison between the two periods.

Following the aforementioned segregation of Gaming and Banking & Payments business, Sisal Group’s operating segments structure has also been updated, with the aim of aligning it with the new vision, and has therefore been reorganized into three operating segments: Retail, Online Gaming and International.

Below is a brief description of the three operating segments:

Retail: in charge of managing Gaming Machines, Fixed-odds betting and Sports Betting, as well Lottery business (the new exclusive NTNG concession awarded to Sisal for the next 9 years). This operating segment manages the physical distribution network in Italy for both the Branded and Affiliated channels.

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

International, dedicated to the international development, which at present has a presence in Morocco, Turkey and Spain. In these markets the Group offers a wide product range from online to lotteries, betting and entertainment products.

Key Factors affecting operations in the three months ended March 31, 2021

Covid-19 regulatory framework and macroeconomic scenario

The first three months of 2021 continued to be strongly impacted by the Covid-19 pandemic which heavily influenced gaming market evolution and the Group's business results, due to the restrictions imposed by the authorities to limit the contamination, which led to the second retail lockdown starting November 6, 2020 and still in place.

The Italian economy has undergone major slowdowns in 2020, because of Covid-19 impact, while in the first months of 2021 the picture has slightly improved although uncertainties remain. The Bank of Italy has prepared macroeconomic projections 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 that the support for budget policy will continue and that the monetary policy guarantees favorable financial conditions throughout the period, as indicated by the Executive Board of the European Central Bank (ECB). Based on these assumptions, Italian GDP should grow significantly during the spring, currently expected to be around 3,5% in 2021, 3,8% in 2022 and 2,3% in 2023, when a return to pre-pandemic levels would be seen.

The Italian Gaming market in the first quarter 2021 still reflects the effects of Covid-19 pandemic, mainly impacting the Retail channel. The restrictive measures issued on November 6, 2020 have been confirmed and the lockdown is still in place. All the activities carried out at arcades and betting shops are suspended, while bars and tobacco shops are operational but with the prohibition of carrying out gaming activities, with the only exception of Lottery products. Despite all this, Turnover reached €23.8bn up 1,5%, thanks to extraordinary Online performance at €18bn up 70% compared to last year, while the Retail channel at €5,8bn down by 55%. Regarding the Value Chain, the players spending (GGR) fell by 28% compared to last year.

Sisal Market shares on Turnover was stable at 8,7%, while the market leadership in the Online segment was confirmed with 11,9% market shares on GGR at the end of March 2021.

The restart of the gaming business in the Retail channel is still uncertain. On April 21, the Italian Government approved the Decree that regulates the progressive elimination of the restrictions necessary to limit the effects of Covid-19 pandemic from May 1st until July 31, 2021, based on scientific data on the epidemiological outbreak and the progress of the vaccination campaign. To date, there is no re-opening forecast for the gaming industry, however other decrees that could define the re-opening dates are announced soon: the main hypothesis is that activity can start again from July 1st. In the meantime, discussion tables have been opened with the authorities for the definition of the new safety protocol of the gaming industry, which has been shared with the Ministry of Economy and sent to the Ministry of Health asking for the gradual re-opening in the so called "yellow areas".

Concerning the International business and the Covid-19 pandemic impact, it is worthy to notice that:

- in Morocco the performance fully recovered the pre-Covid 19 levels, with the only restriction remaining the curfew at 9 p.m.
- in Turkey, the restrictions imposed by the Government led to lockdown starting from evening hours and full lockdowns on weekends.

In this context, the Group continued to focus on measures aimed at protecting the health of its employees and to minimize business impact, continuing to invest supporting strategic initiatives for the development of the business and activating actions to protect liquidity. The employees smart working was further encouraged and the granting of safety protocols to limit contagion was a key priority. The Wage Integration Fund (FIS) was also extended in the first quarter 2021.

Sisal Group's performance

The first three months of 2021 marked an overall positive financial performance, in spite of the Covid-19 restrictions still affecting the Retail business, mainly driven by i) the very positive Online performance, ii) the higher margin generated by the extension of the NTNG Lottery Concession iii) the contribution of the business start-up in Turkey.

Group's Key Financial Highlight for the three months ended March, 31 2021 and March 31, 2020

(€ in millions)	Three months ended March 31,		
	2021	2020	% change
Revenues	127.0	146.6	-13.3%
Operating Segment Ebitda	51.5	50.2	2.6%
% Margin	40.5%	34.2%	18.5%
Adj. Ebitda	51.5	50.1	2.8%
% Margin	40.5%	34.2%	18.7%
Ebitda	48.8	48.3	1.1%
% Margin	38.4%	32.9%	16.8%

(€ in millions)	As of		
	March 31, 2020	December 31, 2020	% change
Net Financial position	322.0	305.4	5.4%
Cash position and liquidity	117.5	146.6	-19.8%

Revenues of €127 million, down 13.3% compared to prior year, mainly due to:

- **Retail business** affected by Covid-19 restrictions, with different impacts on the various products:
 - o **Lotteries** recorded a positive performance mainly thanks to volume growth and higher affiliation fees compared to Q1 2020 (1st wave restrictions started in mid-March), significantly underpinned by MySisal program (#30.7K contracts as of March 31, 2021).
 - o **Betting and Gaming Machines** not operational due to new restrictions effective from November 6, 2020 and still in place.
- **Online gaming** continued the extraordinary performance recorded in 2020 thanks to the successful customers' acquisition strategy via SEO and the effective Affiliation business model, further strengthened by the progressive consumers' spending shift from retail to online, even if Sisal outperformed the market growth maintaining the leading position already achieved in 2020.
- **International business** recorded a very positive performance in Turkey, despite Covid-19 restrictions, thanks to a better than expected Online active customers (approx. 325K) and the enlargement of retail distribution network (#7.300). Morocco performance was positive too, driven by the expansion of the retail network and the high jackpot level. VLT's were also launched in the market with very good start.

Operating Segments Ebitda of €51.5 million, up from € 50.2 million in the prior year, in spite of Covid-19 restrictions, only partially impacting first quarter 2020.

The positive performance was mainly driven by the combined effect of:

- the extraordinary Online performance confirmed by the market leadership at the end of March, with 11.9% market shares on GGR.
- the higher Lottery affiliation fees driven by the new MySisal program and the higher Jackpot level.
- the fully incremental contribution of the business in Turkey (start-up in August 2020)
- the lower profit contribution from retail business due to lockdown, mainly affecting Gaming Machines and Betting
- the lower Sport Betting margin and the new betting tax (effective May 2020)

Ebitda of €48.8 million, slightly above last year (€48.3 million) driven by:

- Higher operating segments Ebitda as described above.
- Slight increase of non-recurring costs mainly related to the participation to the UKNL tender.

Adj. Ebitda of € 51.5 million, up from € 50.1 million in the prior year, due to the mentioned dynamics normalized by the gross-up of non-recurring costs of about € 2.7 million as of March 31 2021, compared to € 1.8 million at March 31, 2020.

Net Financial Position of €322 million, up from € 305.4 million as of December 31, 2020, with an increase of € 16 million mainly due to:

Net financial position at December 31, 2020	305.4
EBITDA	(51.5)
EBITDA Adjustments	2.7
Increase in Capex and acquisitions	23.9
Change in trade working capital	0.3
Change in other assets and liabilities	33.3
Net interests	5.7
Net change in IFRS 16 lease liability	2.6
Other	(0.4)
Net financial position at March 31, 2021	322.0

Cash Position and Liquidity of €117.5 million, down from €146.6 million as of the end of December 2020, with a net decrease of 29.1 million, mainly due to:

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- € 15.2 cash flow generated by operating activities
- € (23.9) million cash flow used in investing activities
- € (20.4) million cash flow provided in financing activities.

Group's results for the three months ended March 31, 2021

The following table show the condensed consolidated income statement for the three months ended March 31, 2021 and March 31, 2020:

(€ in millions)	Three months ended March 31,				
	2021	% of total revenues and income	2020	% of total revenues and income	% change 2021-2020
Revenues	91.8	72.3%	105.5	72.0%	-13.0%
Fixed-odds betting income	35.1	27.6%	40.9	27.9%	-14.2%
Other income	0.1	0.1%	0.2	0.2%	-39.8%
Total Revenues and Other Income	127.0	100.0%	146.6	100.0%	-13.3%
Purchases of raw materials, consumables and goods	3.3	2.6%	2.7	1.8%	23.6%
Costs for services	50.8	40.0%	64.4	44.0%	-21.2%
Personnel costs	18.7	14.7%	21.8	14.9%	-14.2%
Other operating expenses	5.4	4.2%	9.4	6.5%	-43.5%
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	33.0	26.0%	32.3	21.9%	2.7%
Operating profit (loss)	15.8	12.4%	16.0	10.9%	-1.0%
Financial income	2.7	2.1%	2.3	1.6%	18.6%
Financial expenses	8.1	6.4%	5.9	4.0%	38.0%
Profit (loss) before income taxes	10.4	8.2%	12.4	8.4%	-16.1%
Income taxes	3.0	2.4%	4.4	3.0%	-31.0%
Profit (loss) for the year	7.4	5.8%	8.0	5.4%	-7.5%

Revenues and other income

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

(€ in millions)	Three months ended March 31,				Change	
	2021	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Gaming revenues	73.4	57.8%	87.8	59.9%	(14.4)	-16.4%
Fixed-odds betting income	35.1	27.6%	40.9	27.9%	(5.8)	-14.2%
Points of sale revenues	17.5	13.8%	15.9	10.8%	1.6	10.0%
Related parties revenues and other core business revenues	0.9	0.7%	1.8	1.2%	(0.9)	-50.0%
Other income	0.1	0.1%	0.2	0.2%	(0.1)	-50.0%
Total	127.0	100.0%	146.6	100.0%	(19.6)	-13.3%

Revenues and income amounted to €127 million for the three months ended March 31, 2021, recording a decrease of €19.6 million, or 13.3%, compared to €146.6 million for the three months ended March 31, 2020.

Gaming revenues and fixed-odds betting income results reflect the Covid-19 pandemic impact on the Retail business due to the restrictions affecting gaming machines and betting business, significantly mitigated by the online business contribution and by the business start in Turkey.

Point of sales revenues increased by 10.0% versus prior year thanks to the successful deployment of MySisal program. The growing trend also benefitted of a higher NTNG Jackpot in comparison with Q4 2020.

Gaming Revenues

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

<i>(€ in millions)</i>	Three months ended March 31,				Change	
	2021	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Gaming machines revenues	0.0	0.0%	47.9	32.7%	(47.9)	-100.0%
NTNG revenues	16.6	13.0%	13.3	9.1%	3.3	25.0%
Virtual Races	2.6	2.0%	8.5	5.8%	(5.9)	-69.6%
Online game revenues	30.0	23.6%	15.6	10.6%	14.4	92.6%
Horse race betting revenues	0.2	0.2%	0.9	0.6%	(0.7)	-74.5%
Sports pools revenues	0.1	0.1%	0.1	0.1%	(0.0)	-31.0%
Domestic revenues	49.5	39.0%	86.4	58.9%	(36.9)	-42.7%
Morocco revenues	1.9	1.5%	1.2	0.8%	0.6	50.8%
Turkey revenues	22.0	17.3%	0.0	0.0%	22.0	>100%
Spain revenues	0.0	0.0%	0.2	0.1%	(0.2)	-77.3%
International revenues	23.9	18.8%	1.4	1.0%	22.5	>100%
Total revenues	73.4	57.8%	87.8	59.9%	(14.4)	-16.4%

The overall gaming revenues amounted to € 73.4 million for the three months ended March 31, 2021 recording a decrease of €14.4 million, or 16.4%, compared to €87.8 million for the three months ended March 31, 2020, with Domestic business at €49.6 million compared to €86.4 million of previous year and International business at €23.8 million compared to €1.4 million in 2020. The analysis by products shows:

Gaming machines revenues: the first three months were negatively impacted by the full shutdown of the Retail network due to restriction measures caused by Covid-19 pandemic.

NTNG revenues: the first three months of 2021 performance was very positive (+25% versus March 31, 2020), thanks to the increased volume driven by higher Jackpot level and the positive contribution of affiliation fees generated by Mysical program.

Virtual Races: the negative performance (- 69,6% versus March 31, 2020) was mainly related to the shutdown of the Retail channel due to Covid-19 restrictions, partially mitigated by the volume growth in the Online channel. Moreover, Virtual Races margin has been negatively impacted by the introduction of the new tax on Turnover (0,5%, starting from May 2020).

Online game revenues: the very positive performance (+ 92.6% vs last year) thanks to volume growth driven by the successful customers' acquisition strategy via SEO, the effective Affiliation activities which led to an increase of the active customers and revenue per customer, benefitting also of the consumer spending shift form retail to online channel.

Horse race betting revenues and Sport pool revenues: the negative performances versus 2020 (respectively -74.5% and -31%), were mainly related to Covid-19 pandemic impact, as well as to the introduction of the new Tax on Turnover (0,5%, starting from May 2020).

Morocco revenues: the positive performance (+50.8%) was mainly driven by the expansion of retail distribution network and the Lottery's high SuperJackpot Loto.

Turkey revenues: the results are not comparable cause the Turkish business started on August 1, 2020. The positive performance, in spite of Covid-19 restrictions, leveraged on the Online customer base growth and on the positive impact from Sayisal Loto jackpot, still growing, and on Virtual Races positive trend.

Spain game revenues: the performance was impacted by higher pay-out.

Fixed odds betting income

Fixed odds betting income amounted to €35.1 million for the three months ended 31 March 2021 with a decrease of €5.8 million, or 14.2%, from € 40.9 million for the three months ended March 31 2020, mainly due to Retail channel lockdown impacting arcades and betting shops starting from November, 6th 2020, significantly offset by the very positive Online performance which more than doubled its size compared Q1 2020 results (+132 %), even increasing the betting margin from 10.9% to 11.4%, in spite of the introduction of a new tax on Turnover (0,5%, starting from May 2020).

Point of sale revenues

Point of sale fees amounted to €17.5 million for the three months ended March 31 2021, with an increase of €1.6 million, or 9.9%, from €15.9 million for the three months ended March 31, 2020, due to higher affiliation fees, as result of a wider range of services offered to the lottery distribution network through the MySisal contract, a commercial initiative offering to lottery retail customers online training, marketing tools to improve Pos attractiveness and other services to improve pos performance .

MySisal program was launched on September, 1st 2020 and reached a distribution network at the end of March 31 2021 of about 30.7 #K of active contracts.

Related parties' revenues and other core business revenues

Related parties' revenues and other core business revenues amounted to € 0.9 million for the three months ended March 31, 2021 with a decrease of € 0.9 million from €1.8 million for the three months ended March 31, 2020.

These revenues mainly include intercompany proceeds towards the companies belonging to the Banking & Payments Group (Mooney) for corporate services. The decrease is related to the progressive phase-out of the *Transition Support Agreements*, which was put in place between Gaming and Banking & Payments companies after the separation of the two businesses occurred at the end of 2019 on the basis of the achieved segregation and operational autonomy of the respective business.

Other income

Other income, equal to € 0.1 million are mainly related to other revenues not directly linked to the core business.

Costs

Purchases of raw materials, consumables and goods

Purchases of materials, consumables and goods amounted to € 3.3 million for the three months ended March 31 2021 with an increase of € 0.6 million, from € 2.7 million for the three months ended March 31 2020, due to higher gaming material costs related to Lottery business, partially offset by lower costs for gaming materials and consumables and lower spare parts for gaming terminals, as a consequence of the reduced business volume caused by Covid-19 pandemic.

Costs for services

Costs for services amounted to € 50.8 million for the three months ended March 31 2021 with a decrease of € 13.6 million, or 21.2%, from € 64.4 million for the three months ended March 31 2020.

Costs for services amounted to 40% of total revenues for the three months ended March 31 2021 compared to 44% of previous year.

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

(€ in millions)	Three months ended March 31,				Change	
	2021	% of total revenues and income	2020	% of total revenues and income	(amount)	%
Sales channel costs - gaming	18.0	14.1%	36.5	24.9%	(18.5)	-50.8%
Commercial services	6.0	4.7%	4.6	3.1%	1.4	29.8%
Consulting	4.1	3.2%	2.7	1.8%	1.4	51.3%
Others services costs	22.7	18.0%	20.6	14.1%	2.1	10.3%
Total cost for services	50.8	40.0%	64.4	44.0%	(13.6)	-21.2%

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

- *Sales channel costs – Gaming:* amounted to €18 million for the three months ended March 31 2021 with a decrease of € 18.5 million, or 50.8 %, from € 36.5 million of previous prior year, mainly due to gaming machines network fees reduction caused by the shutdown of the specialized channel due to Covid-19 restrictions. As a percentage of total revenues, sales channel gaming costs amounted to 14.1% for the three months ended March 31 2021 and 24.9% for the three months ended March 31 2020.
- Increase of the overall operating costs for € 4.9 million, mainly due to:
 - online business costs (affiliation fees, online circuits bank charges) due to the significant volume growth
 - different reporting perimeter, being Turkey business not fully operational in the first quarter 2020
 - higher consultancies mainly related to the International business development, with special focus on the application process to UK National Lottery tender.

Personnel costs

Personnel costs amounted to €18.7 million for the three months ended March 31 2021 with a decrease of €3.1 million, or 14.2%, from €21.8 million for the three months ended March 31 2020. As a percentage of total revenues, Personnel costs amounted to 14.7% in 2021 and 14.9% in 2020. The average workforce, expressed in FTE's, reached 2,162 at the end of March 31 2021, recording an increase of 512 units from 1,650 at the end of March 2020.

The cost decrease is mainly related to the non-recurring severance and settlement agreements costs as part of the corporate reorganization process which began at the end of 2019 and included in Q1 2020 as well as to the use of the supplementary wage-fund (FIS) for an amount equal to €2,5 million, a measure that the Group has activated also in the first three months of 2021 to mitigate the impact of Covid-19 pandemic.

Other operating expenses

Other operating costs amounted to €5.4 million for the three months ended March 31 2021 vs €9.4 million for the three months ended in March 31 2020. As a percentage of total revenues, Other operating expenses amounted to 4.2% in 2021 and to 6.5 % in 2020. The decrease compared to the first three months of 2020 is mostly related to the lower gaming machines and betting concession fees, due to the Covid-19 shutdown, partially offset by the increase in the Online gaming concession fees directly link to the turnover trend.

Moreover, the decrease was attributable to the lower non-deductible VAT due to the cost saving initiatives aimed at preserving the operating profitability.

Amortization, depreciation, impairment and impairment reversal of tangible and intangible asset

This cost item amounted to €33 million for the three months ended March 31 2021 and is substantially steady in comparison with the three months ended March 31 2020. As a percentage of total revenues, this item amounted to 26% for the three months 2021 and 21.9% for the three months 2020. The higher incidence was mainly due to revenues shortfall related to Covid-19 pandemic emergency and the different reporting perimeter, including Turkey investments.

The cost breakdown can be summarized as follows:

- Intangible Assets amortization for € 18.9 million mainly referred to software and concession rights
- Tangible Assets depreciation for € 12.8 million, mostly referred to IFRS16 rights of use, gaming machines and hardware
- Bad Debt provision for € 1.3 million

Net operating profit (loss) (EBIT)

Net operating profit (loss) (EBIT) amounted to € 15.8 million for the three months ended March 31 2021 with a slight decrease of € 0.2 million, from €16.0 million for the three months ended March 31 2020.

Net operating margin was 12.4 % for the three months 2021 compared to 10.9% for the three months 2020.

Financial income

Financial income amounted to € 2.7 million for the three months ended March 31 2021 mainly referred to income matured (non-cash interest) in relation to the “Deferred Purchase Price Agreement” of € 100 million underwritten between the Parent Company Sisal Group S.p.A. and the Banking & Payments business’s holding company Mooney Group S.p.A., in the context of the separation between the gaming business and the payments business.

Financial expenses

Financial expenses amounted to €8.1 million for the three months ended March 31 2021 with an increase of €2.2 million from € 5.9 million for the three months 2020.

Financial expenses include:

- Bond-related interests and expenses, including the quarterly reversal of the original upfront fees, for €5.2 million;
- RCF-related interest and expenses for € 0.8 million;
- IFRS-16 lease liabilities related interests for about € 0.5 million;
- Other bank interests for € 0.2 million;
- FX rate realized and unrealized losses for about € 1.4 million;

The increase was mainly related to the impact of foreign exchange loss referred to the FX conversion of the intercompany Financial Loan towards Sisal Sans, the Turkish subsidiary, amounting to € 10 million at the end of March 31 2021.

Income taxes

Income taxes amounted to € 3 million for the three months ended March 31 2021 compared to € 4.4 million for the three months ended March 31 2020, and have been calculated according to IAS 34 on the basis of the expected tax rates at the end of the current fiscal year.

Profit(loss) for the period

Profit(loss) for the period amounted to a profit of € 7.4 million for the three months 2021 compared to € 8.1 million for the three months 2020.

Segment Information

(€ in millions)	Three months ended March 31,					
	2021	2020	2021	2020	2021	2020
	Revenues and income		Segment EBITDA		EBITDA Margin	
Retail	33.1	110.8	3.9	32.1	11.8%	28.9%
Online gaming	70.1	34.0	44.0	19.5	62.8%	57.4%
International	23.8	1.5	3.6	(1.4)	15.1%	-93.3%
Other	0.0	0.3			-	-
Segment EBITDA (1)			51.5	50.2		
Non-recurring items			(0.5)			
Reorganization costs			(0.6)	(0.9)		
Special items			(1.6)	(0.9)		
Total EBITDA adjustments			(2.7)	(1.8)		
Items with different classification			(0.0)	(0.1)		
Total	127.0	146.6	48.8	48.3		
Ebitda margin			38.4%	32.9%		

- (1) 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

Retail: Retail segment for the three months ended March 31 2021, although reflecting the strong setback due to the Covid-19 restrictions which led to a complete shutdown of the specialized network since last November 2020, has nonetheless accelerated its recovery driven by Lottery business which benefitted from the increase in affiliation fees, after launching the new MySisal program on September, 2020 as well as from an higher Jackpot level.

Online Gaming: Online Gaming showed brilliant results for the three months ended March 31 2021 compared to 2020, both in terms of Revenues and EBITDA, thanks to the successful customers' acquisition strategy via SEO and to the effective Affiliation activities which allowed the Group to enlarge its customer base, increasing the average revenue per customer (ARPU) as well. In terms of EBITDA, the Online gaming segment recorded 62.8% margin for the three months 2021 compared to 57.4% for the same period in 2020.

International: the international business results for the three months 2021 are not fully comparable to Q1 2020 because of the different reporting perimeter, which includes Turkey business started on August 1 2020, thus being fully incremental in comparison with 2020.

The overall performance of this operating segment was positive driven by Turkey's contribution, in spite of Covid-19 restrictions, with distribution network expansion, the Online customer base enlargement and the positive impact of Sayisal Loto jackpot.

Non-recurring items amounted to € 2.7 million at the end of March 31 2021, compared to € 1.8 million in 2020, and were mainly related to the International business start-up, the costs related to the UK National Lottery, reorganization costs and Covid-19 related cost.

Items with different classification, mainly referred to the net effect of the provision to risks funds not directly attributable to any specific operating segment, amounted to nil at the end of March 31 2021 compared to € 0.1 million at the end of Q1 2020.

Net Financial Position and Liquidity

The following table sets forth the breakdown of the Net Financial Position as of March 31 2021 and December 31 2020:

<i>(€ in millions)</i>	As of March 31,	As of December 31,
	2021	2020
Current financial assets	(12.8)	(0.9)
Cash and cash equivalents	(117.5)	(146.6)
Long-term debt	310.6	321.7
Short-term debt	111.2	100.9
Current portion of long-term debt	30.5	30.3
Total Net Financial Position	322.0	305.4

Current financial assets are composed as follows:

- € 12.1 million represents the cash collateral requested by the Banks to issue the bank surety which was requested by ADM (Agenzia delle Dogane e dei Monopoli) with reference to the dispute for NTNG Concession-spending requirements for “communication and information” projects.
The total amount requested by ADM to the Group as spending to be allocated during the period July 1 2018 - June 30 2020 for the purposes of communication and information was €24.3 mio and the Group was therefore forced to release in April a further bank surety to guarantee the entire amount requested.
- € 0.7 million is the short terms portion of the financial receivable recognized towards the Payments business for a building sub-lease booked in accordance with IFRS 16.

Cash and cash equivalents amounting to € 117.5 million include banks and postal accounts, as well as cash and cash equivalent in hand.

Long-term debt amounting to € 310.6 million is composed as follows:

- € 275 million: bond issue at fixed rate “Senior Secured Note”, characterized by semi-annual coupon payments of interest (due on January 31st and on July 31st) and repayment of the principal in a lump sum on July 31, 2023. The interest is calculated at a fixed annual rate of 7%.
- (€ 4.4) million: upfront fees related to the bond
- € 40 million: long-term portion of the IFRS16 Lease Liability.

Short-term debt amounting to € 111.2 million is composed as follows:

- € 100 million: Super Senior Revolving Facility (ssRCF) underwritten with a bank pool, for a total amount of € 125 million, of which € 25 million detachable in the form of a current bank account overdraft. The expiry date of the ssRCF is September 2022 and interest are calculated on the basis of the periodic Euribor rate plus a margin of 3.50% subject to reduction based on the measurement of specific financial ratios (as of March, 31 2021 the spread is equal to 3%, in line with previous year);
- € 0.1 million: accrued interest on the ssRCF;
- (€ 0.8) million: upfront fees related to ssRCF;
- € 11.9 million: used overdraft facilities related to ssRCF.

The ssRCF, doesn't envisage maintenance covenants, but in any event requires compliance with a series of financial covenants such as the guarantor coverage test and a quarterly calculation of the leverage ratio, which also determines the applicable margin on the facility for the subsequent interest period. As at March 31, 2021 the recorded leverage ratio allowed the maintenance of the applicable spread cat 3%, which is the lowest applicable margin according to the financial agreement in place.

Current portion of long-term debt amounting to € 30.5 million is composed as follows:

- € 7.1 million: loan received by the minority shareholder of the Turkish subsidiary Sisal Şans. 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 faculty. Therefore, with a resolution made by the Board of Sisal Şans on the same date, the loan can be repaid in advance in 2021 according to the available financial resources. 7During the first quarter 2021 it has been repaid an amount equal to about € 3.1 million (TL 30.8 million);
- € 3.1 million: accrued interests on the bond Senior Secured Notes;
- € 20.3 million: short-term portion of the IFRS16 Lease Liability.

Movements in trade working capital and working capital

The following table sets forth a summary of cash flows from working capital for the periods indicated:

<i>(€ in millions)</i>	Three months ended March 31,	
	2021	2020
Change in trade receivables	52.0	40.5
Change in inventories	(0.3)	(0.6)
Change in trade payables	(52.0)	(50.4)
Cash flows from trade working capital	(0.3)	(10.4)
Change in other assets and liabilities	(33.3)	30.0
Cash flows from working capital	(33.6)	19.5

In the first three months of 2021, the working capital generated a cash absorption of € 33.6 million, compared to a cash generation of € 19.5 million during the first three months of 2020.

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

Moreover, the first quarter 2021 was heavily influenced by the impact of Covid-19 and the measures adopted by government to cope with it, especially with regard to the full shutdown of the specialized Retail channel which is currently still in place since November, 6th 2020. On the opposite, the first quarter 2020 has been partially impacted by Covid-19 because the lockdown started on 11 March 2020.

In particular, the negative movement in trade working capital for € 0.3 million is mainly due to the combined effect of:

- cash generated by the change in trade receivables for € 52 million mainly related to:
 - i. Automatic cash system collection from point of sales related to Payments & Services business, transferred to Mooney Spa from the beginning of March 2021 (equal to € 47.6 million). This effect is counterbalanced by a cash disbursement included in the change in trade payables
 - ii. collection of trade receivables related to subsidiaries in Turkey for € 3.7 million. The business has been launched in August 2020, so this effect is fully incremental in comparison with Q1 2020;
 - iii. collection of affiliation fees referred to “My Sisal”, the affiliate program for sales point launched on September 2020;

- cash absorption related to change in trade payables for € 52million as effect of:

- i. cash disbursement related to automatic cash system collection from point of sales related to Banking & Payments business for € 47.6 million;
- ii. cash disbursement related to payable for services for € 4.4 million.

The negative movements of the Other Assets and Liabilities item, equal to € 33.3 million, they mainly include:

- the payment of PREU for € 26.3 million;
- the payment of NTNG, betting and online concession fee for € 4.7 million;
- a decrease in other payables of € 2 million (of which €0.9 million related to the payment of Retail gaming M&A payables).

Cash flows

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

<i>(€ in millions)</i>	Three months ended March 31,	
	2021	2020
Cash flows from operating activities before changes in working capital	48.8	48.5
Changes in working capital	(33.6)	19.5
Cash flows from operating activities	15.2	68.0
Cash flows from (used in) investment activities	(23.9)	(34.9)
Cash flows from (used in) financial activities	(20.4)	86.8
Increase/(Decrease) in cash and cash equivalents	(29.1)	120.0
Net cash at the beginning of the period	146.6	102.5
Net cash at the end of the period	117.5	222.4

Cash provided by operating activities amounted to € 15.2 million for the three months ended March 31, 2021, compared to cash generation of € 68 million recorded during the three months ended March 31, 2020. The cash flow is mainly related to the trends in working capital already commented, both referred to the change in other assets and liabilities and in trade working capital.

The cash flows used in investing activities amounted to €23.9 million for the three months 2021 compared to €34.9 million for the three months 2020. The investing activities were referred for € 8.3 million to PPE, mostly related to investments in equipment for NTNG required by the new concession, including the Galileo terminals; and to Intangible assets for € 15.5 million, mostly related to software developments and gaming concessions rights.

Cash flows used by financing activities amounted to €20.4 million for the three months 2021 compared to cash provided of €86.8 million for the three months 2020. The cash flows related to financing activities included:

- net interest paid, for € 11.5 million of which € 5 million accrued last year on the Senior Secured Note;
- repayment of the Turkish shareholder loan for € 2.8 million in force of the deed of amendment above described.
- leasing repayment for € 6.1 million.

Capital Resources

The following table sets forth the amounts of financial liabilities (principal amounts plus accrued interest for the reference period) at March 31, 2021 and at December 31 2020:

<i>(€ in millions)</i>	As of March 31, 2021	As of December 31, 2020
Senior revolving Facility	99.3	100.9
Senior Secured notes	278.2	283.2
Overdraft senior revolving facility	11.9	-
Financial payables due to shareholders	7.1	10.7
Other financial liabilities (1)	59.6	63.1
Total external financial liabilities	456.1	457.9

(1) Amount as of March 31, 2021 and December 2020 is related to financial liabilities for leasing.

Other Financial Information

<i>(€ in millions)</i>	Three months ended March 31,	
	2021	2020
EBITDA ⁽¹⁾	48.8	48.3
EBITDA Adjustments	2.7	1.8
Adjusted EBITDA ⁽²⁾	51.5	50.1
Adjusted EBITDA margin ⁽³⁾	40.6%	34.2%

(1) We define EBITDA as profit (or loss) for the period plus net finance expenses and similar, income taxes and depreciation, amortization and impairments and bad debt provision. EBITDA does not include reclassification of some amortization and bad debt provision as per IFRS15 application. EBITDA is a non-IFRS measure. The following table sets forth a reconciliation between the profit for the period and the EBITDA.

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

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

<i>(€ in millions)</i>	Three months ended March 31,	
	2021	2020
Profit (loss) for the year	7.4	8.0
Net finance expense and similar	5.4	3.6
Income taxes	3.0	4.4
Amortisation, depreciation and impairments*	31.7	29.2
Bad debt provision**	1.3	3.1
EBITDA	48.8	48.3

* including IFRS 15 adjustments for € 0.05 mio classified in the Consolidated Income Statement within Revenues (0.1 mio as of March 31,2020).

** including IFRS 15 adjustments for € 0 mio classified in the Consolidated Income Statement within Revenues (0.3 mio as of March 31,2020).

<i>(€ in millions)</i>	As of march 31, 2021	As of December 31, 2020
Unrestricted cash (4)	117.5	146.6
SISAL GROUP net senior secured debt (5)	259.9	237.4

(4) Unrestricted cash represents cash and cash equivalents that do not include restricted cash relating to bank accounts managed by the Group but for which the cash is restricted to the payment of prize winnings and, to a lesser extent, deposits made by players for our online games.

(5) Sisal Group net senior secured debt consists of the amount due under the Senior Secured Facilities and the senior secured notes, less unrestricted cash. Net senior secured debt does not include debt under finance leases, and other sundry financial.

CONSOLIDATED INCOME STATEMENT

Three months ended March 31,					
<i>(in thousands of Euro)</i>	Notes	2021	Related parties	2020	Related Parties
Revenues	9	91,793	812	105,496	850
Fixed-odds betting income	10	35,068		40,931	
Other income		141		234	
Total Revenues and Other Income		127,002		146,662	
Purchases of raw materials, consumables and goods		3,311		2,679	
Costs for services		50,832	306	64,494	414
Personnel costs		18,691	687	21,792	879
Other operating expenses		5,375		9,506	
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets		33,029		32,169	
Operating profit (loss)		15,764		16,022	
Financial income	11	2,722	2,459	2,296	2,275
Financial expenses	12	8,109		5,876	
Profit (loss) before income taxes		10,377		12,441	
Income taxes		3,023		4,379	
Profit (loss) for the year		7,354		8,063	
Attributable to non-controlling interests		731		(430)	
Profit (loss) for the year attributable to the Group		6,623		8,493	

OTHER COMPREHENSIVE INCOME

Profit (loss) for the year	7,354	8,063
Other comprehensive income		
Other income components not to be reclassified subsequently to the income statement	-	-
Change in currency translation reserve	(732)	(266)
Other income components to be reclassified subsequently to the income statement	(732)	(266)
Comprehensive result for the year	6,620	7,797
Attributable to non-controlling interests	458	(393)
Comprehensive result for the year attributable to the Group	6,161	8,190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of Euro)</i>	Notes	Three months ended March 31			
		2021	Related parties	2020	Related parties
Non-current assets					
Property, plant and equipment	13	174,020		181,937	
Goodwill	14	260,974		260,974	
Intangible assets	13	415,418		418,941	
Equity-accounted companies		150,076		150,076	
Other non current assets		130,266	111,906	128,297	109,450
Total non-current assets		1,130,754		1,140,225	
Current assets					
Inventories		8,143		7,900	
Trade receivables		21,674	3,447	75,078	2,262
Current financial assets		12,796	652	867	867
Tax receivables		51		51	
Other current assets		268,686	1,203	265,473	989
Restricted cash and cash equivalents	15	237,001		179,389	
Cash and cash equivalents	16	117,541		146,605	
Total current assets		665,891		675,363	
Total assets		1,796,645		1,815,588	
Equity					
Share capital	17	102,500		102,500	
Reserves		628,268		637,298	
Net result attributable to the group		6,623		(8,568)	
Total equity attributable to the group		737,391		731,230	
Equity attributable to non-controlling interests		4,358		3,900	
Total Equity		741,749		735,130	
Non-current liabilities					
Borrowings from bank and other lenders	18	310,609		321,696	10,013
Employee benefit obligations		6,802		6,931	
Provisions for risks and charges	19	26,369		26,714	
Deferred tax liabilities		82,396		83,181	
Other non-current liabilities		8,590		7,703	
Total non-current liabilities		434,766		446,225	
Current liabilities					
Trade payables and other payables		91,997	262	149,602	48,209
Borrowings from bank and other lenders	18	141,735	7,089	131,146	649
Tax payables		21,481		17,679	
Other current liabilities		364,917	5,190	335,806	5,552
Total current liabilities		620,130		634,233	
Total equity and liabilities		1,796,645		1,815,588	

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Profit (loss) before taxes	10,377	12,441
Amortisation/depreciation	31,647	29,209
Writedowns of receivables included in current assets	1,382	3,024
Accruals to provisions for risks and charges and postemployment and other employee benefits	45	209
Financial (income)/expenses	5,387	3,580
Cash flows from operating activities before changes in working capital	48,838	48,463
Change in trade receivables	52,023	40,541
Change in inventories	(243)	(562)
Change in trade payables	(52,043)	(50,383)
Change in other assets and liabilities	(33,332)	29,953
Cash flows from operating activities (A)	15,243	68,012
Investments in intangible assets	(15,510)	(18,778)
Investments in property, plant and equipment	(8,347)	(14,506)
Investments in non-current financial assets	-	(7)
Change in other assets	-	(228)
Acquisitions net of acquired cash and cash equivalents	-	(1,362)
Cash flows from (used in) investment activities (B)	(23,857)	(34,881)
Establishment of medium/long-term loans	-	3,816
Repayment of loans	(2,828)	-
Leasing reimbursement	(6,148)	(5,262)
Establishment/repayment of revolving credit lines	-	99,363
Net interest paid	(11,474)	(11,068)
Cash flows from (used in) financial activities (C)	(20,450)	86,849
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(29,064)	119,980
Cash and cash equivalents at beginning of the year	146,605	102,466
Cash and cash equivalents at the end of the year	117,541	222,446

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>(In thousands of Euro)</i>	Notes	<i>Share Capital</i>	<i>Legal Reserve</i>	<i>Share Premium reserve</i>	<i>Other Reserves</i>	<i>Net result attributable to the Group</i>	<i>Total Equity attributable to the Group</i>	<i>Equity attributable to non controlling interests</i>	Total Equity
Equity at December 31,2019		102,500	200	94,484	266,224	277,647	741,055	756	741,811
Sisal Sans capital increase		-	-	-	-	-	-	4670	4,670
Comprehensive result for the year		-	-	-	(303)	8,493	8,190	(393)	7,797
Equity at March 31,2020		102,500	200	94,484	265,921	286,140	749,245	5,033	754,278
Equity at December 31,2020		102,500	19,482	94,484	523,332	(8,568)	731,230	3,900	735,129
Allocation of prior year net result		-	-	-	(8,568)	8,568	-	-	-
Comprehensive result for the year		-	-	-	(461)	6,623	6,161	458	6,620
Equity at March 31, 2021	17	102,500	19,482	94,484	514,302	6,623	737,391	4,358	741,749

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2021

1. General information

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

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

The sole shareholder of the Company is currently Schumann Investments S.A. (“**Schumann Inv.**”), a Luxembourg-based company indirectly owned, through vehicle companies, by funds promoted by the CVC Group and by a number of Group managers.

2. Basis of preparation

Background

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

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

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

Criteria applied for the Special Purpose Financial Statements preparation

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

Therefore, in order to allow Sisal Group’s bond holders to get a better and easier understanding of the gaming business’s performances and results, these condensed consolidated interim financial statements for the three months ended March, 31 2021 (hereafter the “**Condensed Consolidated Interim Financial Statements**” or “**The Special Purpose Interim Financial Statements**”) represent:

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

- The notes to the Condensed Consolidated Interim Financial Statements have been prepared following IAS 34, 'Interim financial reporting' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "IFRS"), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2020 (the "Annual Consolidated Financial Statements").

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

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

These Condensed Consolidated Interim Financial Statements have been approved by the board of directors of Sisal Group S.p.A. on May 24th, 2021.

3. Going concern

During the three months ended March 31, 2021 the Group recorded a net loss equal to € 7,354 thousand (net profit for € 8,063 thousand for the three months ended March 31, 2020); at March 31, 2021 the consolidated equity was equal to € 741,749 thousand (€ 735,129 thousand at December 31, 2020) and the net financial position was equal to € 322,000 thousand (€ 305,370 thousand at December 31, 2020).

The table below shows a comparison between the total debt and equity breakdown at March 31, 2021 and at December 31, 2020:

<i>(In thousands of Euros)</i>	As of March 31, 2021	%	As of December 31, 2020	%
Long term debt	310,609		311,683	
Short-term debt and current portion of long-term debt	134,646		130,497	
Funding from third parties	445,255	37.3%	442,180	37.2%
Shareholder Loan	7,089		10,662	
Funding from sole shareholder	7,089	0.6%	10,662	0.9%
Total Equity	741,749	62.1%	735,130	61.9%
Total debt and equity	1,194,093	100.0%	1,187,972	100.0%

The first three months of 2021 continued to be strongly impacted by the Covid-19 pandemic which heavily influenced gaming market evolution and the Group's business results, due to the restrictions imposed by the authorities to limit the contamination, which led to the second retail lockdown starting November 6, 2020 and still in place.

The Italian economy has undergone major slowdowns in 2020, because of Covid-19 impact, while in the first months of 2021 the picture has slightly improved although uncertainties remain. The Bank of Italy has prepared macroeconomic projections 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 that the support for budget policy will continue and that the monetary policy guarantees favorable financial conditions throughout the period, as indicated by the Executive Board of the European Central Bank (ECB). Based on these assumptions, Italian GDP should grow significantly during the spring, currently expected to be around 3,5% in 2021, 3,8% in 2022 and 2,3% in 2023, when a return to pre-pandemic levels would be seen.

The Italian Gaming market in the first quarter 2021 still reflects the effects of Covid-19 pandemic, mainly impacting the Retail channel. The restrictive measures issued on November 6, 2020 have been confirmed and the lockdown is still in

place. All the activities carried out at arcades and betting shops are suspended, while bars and tobacco shops are operational but with the prohibition of carrying out gaming activities, with the only exception of Lottery products. Despite all this, Turnover reached €23.8bn up 1,5%, thanks to extraordinary Online performance at €18bn up 70% compared to last year, while the Retail channel at €5,8bn down by 55%. Regarding the Value Chain, the players spending (GGR) fell by 28% compared to last year.

Sisal Market shares on Turnover was stable at 8,7%, while the market leadership in the Online segment was confirmed with 11,9% market shares on GGR at the end of March 2021.

The restart of the gaming business in the Retail channel is still uncertain. On April 21, the Italian Government approved the Decree that regulates the progressive elimination of the restrictions necessary to limit the effects of Covid-19 pandemic from May 1st until July 31, 2021, based on scientific data on the epidemiological outbreak and the progress of the vaccination campaign. To date, there is no re-opening forecast for the gaming industry, however other decrees that could define the re-opening dates are announced soon: the main hypothesis is that activity can start again from July 1st. In the meantime, discussion tables have been opened with the authorities for the definition of the new safety protocol of the gaming industry, which has been shared with the Ministry of Economy and sent to the Ministry of Health asking for the gradual re-opening in the so called “yellow areas”.

Concerning the International business and the Covid-19 pandemic impact, it is worthy to notice that:

- in Morocco the performance fully recovered the pre-Covid 19 levels, with the only restriction remaining the curfew at 9 p.m.
- in Turkey, the restrictions imposed by the Government led to lockdown starting from evening hours and full lockdowns on weekends.

In this context, the Group continued to focus on measures aimed at protecting the health of its employees and to minimize business impact, continuing to invest supporting strategic initiatives for the development of the business and activating actions to protect liquidity. The employees smart working was further encouraged and the granting of safety protocols to limit contagion was a key priority. The Wage Integration Fund (FIS) was also extended in the first quarter 2021.

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

4. Accounting policies

In preparing these Financial Statements, the accounting standards and measurement criteria applied comply with those used for the Financial Statements as at 31 December 2020, other than that described below.

Standards, amendments and interpretations applicable as of 1 January 2021

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 4 “Insurance Contracts”

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 interpretation	Obligatorily applicable as of
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 Accounting 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

5. Estimates

The preparation of Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Consolidated Financial Statements.

6. Financial risk management

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

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

Liquidity risk

At March 31, 2021 the Group has a revolving line of credit under the Super Senior Revolving Facility and related ancillary facility Agreements for a total of € 125.0 million (of which € 25 million detachable in the form of a current bank account overdraft), expiring in September 2022. At March 31, 2021 these facilities were partially drawn down for a total of € 100 million. Additional 11.9 million have been used as bank account overdraft and represents the cash collateral requested by the Banks to issue the bank surety which was requested by ADM (Agenzia delle Dogane e dei Monopoli) with reference to the dispute for NTNG Concession-spending requirements for "communication and information" projects.

Fair value estimation

In relation to the assets and liabilities recognized 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:
 - a) 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;
 - b) 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:
 - a) listed prices for similar assets or liabilities on active markets;
 - b) listed prices for identical assets or liabilities on inactive markets;
 - c) data other than listed observable prices for assets or liabilities.
- Level 3: Fair value determined using measurement techniques that refer to non-observable market variables.

The Consolidated Statement of Financial Position at March 31, 2021 and at December 31, 2020 does not include assets or liabilities measured with the fair value method.

7. Operating segment information

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

Retail: in charge of managing Gaming Machines, Fixed-odds betting and Sports Betting, as well Lottery business (the new exclusive NTNG concession awarded to Sisal for the next 9 years). This operating segment manages the physical distribution network in Italy for both the Branded and Affiliated channels.

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

International, dedicated to the international development, which at present has a presence in Morocco, Turkey and Spain. In these markets the Group offers a wide product range from online to lotteries, betting and entertainment products.

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

For the three months ended March 31, 2021					
<i>(In thousands of Euros)</i>	Retail	Online Gaming	International	Not allocated	Total
Revenues	33,077	87,572	15,329		135,978
Distribution chain/other revenues	23	(17,498)	8,463		(9,012)
Other revenues	-	-	-	36	36
Total revenues	33,100	70,074	23,792	36	127,002
Operating segment ebitda	3,912	44,038	3,564	-	51,514

For the three months ended March 31, 2020					
<i>(In thousands of Euros)</i>	Retail	Online Gaming	International	Not allocated	Total
Revenues	88,924	41,628	1,661		132,213
Distribution chain/other revenues	21,919	(7,588)	(197)		14,134
Other revenues	-	-	-	315	315
Total revenues	110,843	34,040	1,464	315	146,661
Operating segment ebitda	32,074	19,524	(1,385)	-	50,213

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

<i>(In thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Operating segment EBITDA	51,514	50,213
Allocation/releases of provision for risk	(4)	(116)
Expense/income with different classification	2	22
Adjusted EBITDA	51,512	50,119
EBITDA adjustments	(2,689)	(1,830)
EBITDA	48,823	48,289
Amortisation, depreciation impairment and impairment reversals of tangible and intangible assets	33,029	32,169
Expense/income with different classification	30	98
Operating profit (loss)	15,764	16,022

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

Group revenues are mainly achieved in Italy, although gaming operations have been started in Morocco, Spain and Turkey.

8. Seasonality of operations

The operations of the Group are subject to sports scheduling and other seasonal factors as well as extraordinary events, which may adversely affect results of operations. Indeed, the professional football season in Italy usually runs from late August to mid-May and has a result the Group has historically recorded higher betting revenues and income in these months. The volumes of bets collected are also affected by the schedules of other significant sporting events, such as the FIFA Football World Cup, UEFA European Football Championship and the Olympics. As a result of the sport events' seasonality, income from offline and online betting activities can vary significantly throughout the year, and on a year-to-year basis. Lottery business unit is also affected by seasonality, since lottery tickets sales typically decrease in the summer months, due to the summer vacation peak.

All the above considerations are partially applicable to these Consolidated Interim Financial Statements at March, 31 2021 because of the impact of the Covid 19 lockdown on the specialized Retail channel, leading to the currently in place shutdown of all the activities carried out at arcades and betting shops from last November, 6th 2020 .

9. Revenues

The following table sets forth an analysis of Revenues:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Gaming revenues	73,447	87,843
Points of sale revenues	17,481	15,900
Related parties revenues and other core business revenues	865	1,753
Total Revenues	91,793	105,496

The gaming revenues are drilled-down as follows:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Gaming machines revenues	128	47,965
NTNG revenues	16,564	13,294
Virtual Races	2,595	8,538
Online game revenues	29,981	15,842
Horse race betting revenues	226	883
Sports pools revenues	70	102
Morocco revenues	1,868	1,239
Turkey revenues	22,015	-
Total revenues	73,447	87,843

10. Fixed odds betting income

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

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Fixed-odds betting income	34,421	40,134
Fixed-odds horse race betting income	647	760
Reference horse race betting income	0	37
Total	35,068	40,931

11. Finance income and similar

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

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Financial Income towards group companies	2,459	2,275
Other financial income towards third parties	263	21
Total financial income	2,722	2,296

12. Finance expense and similar

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

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Interests expenses on bond	4,600	4,603
Interests on IFRS 16 liabilities	461	478
Other interest expenses	1,685	812
Exchange (gains) losses	1,364	(17)
Total financial expenses	8,109	5,876

13. Property, plant and equipment and Intangible assets

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

<i>(in thousands of Euros)</i>	PPE	Intangible assets
three months ended March 31, 2021		
Opening net book amount as at January 1, 2021	181,937	418,941
Increases	5,263	15,510
Depreciation, amortisation and impairment	(12,791)	(18,856)
Disposals /reclassification	(389)	(177)
Closing net book amount as at March 31, 2021	174,020	415,418

14. Goodwill

In accordance with the application of the accounting standard IAS 36, besides the internal and external impairment indicators usually monitored, the effect of the Covid 19 pandemic the outbreak on the recoverable value of the CGUs tested as of December 31, 2020 was assessed.

On the basis of both the analysis conducted and the evidence available as of March 31, 2021, including their foreseeable developments, no recoverability issue has emerged.

15. Restricted cash and cash equivalents

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

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

16. Cash and cash equivalents

Cash and cash equivalents at March 31, 2021 and December 31, 2020 are as follows:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Bank and postal accounts	113,775	142,658
Cash and cash equivalents in hand	3,766	3,947
Total	117,541	146,605

17. Share capital

At March 31, 2021 share capital amounts to € 102,500,000, it is fully paid in and consists of 102,500,000 ordinary shares. This share capital is referred to the parent company, Sisal Group S.p.A., and it is unchanged compared to December 31, 2020.

18. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Super Senior Revolving Facility	99,294	99,914
Overdraft senior revolving facility	11,946	-
Senior Secured Bond	273,811	278,349
Financial payables due to shareholders	7,089	10,662
Total financial payables due to banks and shareholders	392,140	388,925
<i>of which current</i>	121,484	109,697
<i>of which non-current</i>	270,656	279,228
Liabilities for leased assets	60,204	63,917
Total liabilities for leased assets	60,204	63,917
<i>of which current</i>	20,252	21,450
<i>of which non-current</i>	39,952	42,468
Total borrowings from banks and other lenders	452,344	452,842
<i>of which current</i>	141,735	131,146
<i>of which non-current</i>	310,609	321,696

Movements in borrowings are analyzed as follows:

<i>(in thousands of Euros)</i>	For the three months ended March 31,	
	2021	2020
Opening amount as at January 1	452,842	352,014
Overdraft senior revolving facility	11,946	-
New borrowings	-	103,816
IFRS 16 net financial liability	(3,713)	(2,998)
Net accrued interest and amortized fee	(4,913)	(4,575)
Repayments of borrowings	(2,828)	(85)
Exchange rate difference	(991)	-
SHL waiver	-	(637)
Closing amount as at March 31	452,344	447,535

At March 31, 2021, the market price of the senior secured notes was a total of € 280.5 million compared to a face total value of € 275 million.

Repayment of borrowings includes the repayment of the Turkish shareholder loan for €2.8 million.

19. Provisions for risks and charges

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

<i>(in thousands of Euros)</i>	January 1 ,2021	Changes during the period				March 31,2021
		increase	decrease	reclass	release	
Sundry risks and charges provisions	26,668	-	(350)	-	(100)	26,218
Technological updating provision	46	105	-	-	-	151
Total	26,714	105	(350)	-	(100)	26,369

20. Related party transactions

With reference to transactions with the ultimate parent, Schumann Investments S.A., at March 31, 2021 there are no items to be disclosed.

Below the detail of related party transactions:

<i>(in thousands of Euros)</i>	<i>Revenues</i>	<i>Operating expenses</i>	<i>Financial Income</i>
<i>Board members fees</i>	-	276	-
<i>Key management personnel fees</i>	-	687	-
<i>Mooney</i>	812	30	2,459

<i>(in thousands of Euros)</i>	<i>Other non current assets</i>	<i>Current financial assets</i>	<i>Other current assets</i>	<i>Trade receivables</i>	<i>Trade payables</i>	<i>Financial liabilities - current</i>	<i>Other current liabilities</i>
<i>Board members fees</i>	-	-	-	-	-	-	205
<i>Key management personnel fees</i>	-	-	-	-	-	-	1,803
<i>Mooney</i>	111,906	652	1,203	3,419	215	-	3,182
<i>Other related parties</i>	-	-	-	28	47	-	-
<i>Sans Dijital</i>	-	-	-	-	-	7,089	-

21. Commitments

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately € 29.2 million; such capital expenditure will be financed with cash on bank balance and net cash generated from operating activities.

22. Significant events occurring after the end of period

As already said, the restart of the gaming business in the Retail channel is still uncertain. On April 21, the Italian Government approved the Decree that regulates the progressive elimination of the restrictions necessary to limit the effects of Covid-19 pandemic from May 1st until July 31, 2021, based on scientific data on the epidemiological outbreak and the progress of the vaccination campaign. To date, there is no re-opening forecast for the gaming industry, however other decrees that could define the re-opening dates are announced soon: the main hypothesis is that activity can start again from July 1st. In the meantime, discussion tables have been opened with the authorities for the definition of the new safety protocol of the gaming industry, which has been shared with the Ministry of Economy and sent to the Ministry of Health asking for the gradual re-opening in the so called "yellow areas".

In this context, the Group is putting on the ground all the efforts to foster a reopening plan fully compliant with the healthy and safety protocol to be ready as soon as the greenlight should arrive.