



LOTTOMATICA S.P.A.

**Condensed consolidated interim financial statements
as of September 30, 2022**

These condensed consolidated interim financial statements as of September 30, 2022 (including any accompanying oral presentation, question and answer session and any other document or materials distributed with or in connection with this document) (collectively, the “Condensed Consolidated Interim Financial Statements”) have been prepared by Lottomatica S.p.A. (the “Company” or “Lottomatica” and together with its subsidiaries, the “Group”) for information purposes only.

These Condensed Consolidated Interim Financial Statements do not, and is not intended to, constitute or form part of, and should not be construed as, an offer to sell, a solicitation to buy, an invitation or a solicitation of an offer, to buy, sell or subscribe for or otherwise acquire, any securities of any kind in any jurisdiction where such an offer, solicitation or sale should require registration, qualification, notice, disclosure or application in the United States or in any other jurisdiction, nor shall it or any part of it form the basis of or be relied upon in connection with or act as any inducement or recommendation to enter into any contract or commitment or investment decision whatsoever.

The information set forth herein is qualified in its entirety by the information set out in the Company’s financial statements as of and for the nine months ended September 30, 2022.

These Condensed Consolidated Interim Financial Statements have not been independently verified and contain summary information only and do not purport to be comprehensive and are not intended to be (and should not be used as) the sole basis of any analysis or other evaluation. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, the accuracy, completeness, quality, relevance, sufficiency or fairness for any purpose whatsoever of any of the information contained in the Condensed consolidated interim financial statements, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein relating to, or resulting from, the Condensed Consolidated Interim Financial Statements.

To the extent applicable, the industry, market and competitive position data contained in the Condensed consolidated interim financial statements has come from official or third-party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the fairness, quality, accuracy, relevance, completeness or sufficiency of such data. While the Group believes that each of these publications, studies and surveys has been prepared by a reputable source, the Group has not independently verified the data contained therein. In light of the foregoing, no reliance may be or should be placed on any of the industry, market or competitive position data contained in the Condensed Consolidated Interim Financial Statements.

The information in the Condensed Consolidated Interim Financial Statements may include statements that are, or may be deemed to be, forward-looking statements regarding future events and the future results of the Group that are based on current expectations, estimates, forecasts and projections about the industry in which the Group operates and the beliefs, assumptions and predictions about future events of the management of the Group. In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature. Forward-looking information and forward-looking statements (collectively, the “forward-looking statements”) are based on the Group’s internal expectations, estimates, projections assumptions and beliefs as at the date of such statements or information including management’s assessment of the Group’s future financial performance, plans, capital expenditures, potential acquisitions and operations concerning, among other things, future operating results from targeted business and development plans and various components thereof or the -looking statements necessarily involve known and unknown risks, assumptions, uncertainties and other factors which may cause the Group’s actual performance and financial results in future periods to differ materially from any estimates or projections contained herein. When used in the Condensed Consolidated Interim Financial Statements, the words “expects,” “believes,” “anticipate,” “plans,” “may,” “will,” “should”, “scheduled”, “targeted”, “estimated” and similar expressions, and the negatives thereof, whether used in connection with financial performance forecasts, expectation for development funding or otherwise, are intended to identify forward-looking statements. Such statements are not promises or guarantees and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements and the risk that the future benefits and operating activity by the Group may be adversely impacted. These forward-looking statements speak only as of the date of the Condensed Consolidated Interim Financial Statements and are subject to change without notice and do not purport to contain all information that may be required to evaluate the Group. In the view of the Group’s management, the Condensed Consolidated Interim

Financial Statements have been prepared by management on a reasonable basis, reflect the best currently available estimates and judgements, and present, to the best of management's knowledge and belief, the expected course of action and the expected future performance and results of the Group. However, such forward-looking statements are not fact and should not be relied upon as being necessarily indicative of future results. The Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions of the information, opinions or any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based except as required by applicable securities laws.

The Condensed Consolidated Interim Financial Statements contain non-International Financial Reporting Standards ("IFRS") and non-Italian GAAP industry benchmarks and terms, including "EBITDA", "Contribution Margin" and "Net financial debt". The non-IFRS financial measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. The Group uses the foregoing measures to help evaluate its performance. As an indicator of the Group's performance, these measures should not be considered as an alternative to, or more meaningful than, measures of performance as determined in accordance with IFRS and non-Italian GAAP. The Group believes these measures to be key measures as they demonstrate the Group's underlying ability to generate the cash necessary to fund operations and support activities related to its major assets.

By reading or accessing the Condensed Consolidated Interim Financial Statements you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Group and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Group's business. Recipients should not construe the contents of the Condensed Consolidated Interim Financial Statements as legal, tax, regulatory, financial or accounting advice and are urged to consult with their own advisers in relation to such matters. Unless as otherwise stated herein, the Condensed Consolidated Interim Financial Statements speak only as of September 30, 2022 and the information and opinions contained in the Condensed Consolidated Interim Financial Statements are subject to change without notice and do not purport to contain all information that may be required to evaluate the Group. The information included in the Condensed Consolidated Interim Financial Statements may be subject to updating, completion, revision and amendment and such information may change materially. No person is under any obligation to update or keep current the information contained in the Condensed Consolidated Interim Financial Statements and any opinions expressed relating thereto are subject to change without notice. To the fullest extent permissible by law, the Group disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of the Condensed Consolidated Interim Financial Statements.

Contents

Corporate bodies and external auditor.....	5
Corporate information	6
Interim report on operations	6
Interim Condensed consolidated financial statements as of September 30, 2022.....	23
- Consolidated statement of comprehensive income.....	24
- Consolidated statement of financial position.....	25
- Consolidated statement of cash flows.....	26
- Consolidated statement of changes in equity.....	27
Notes to the Interim Condensed consolidated financial statements as of September 30, 2022.....	28

Corporate bodies and external auditor

BOARD OF DIRECTORS

Andrea Moneta	Chairman
Guglielmo Angelozzi	Chief Executive Officer
Michele Rabà	Director
Michael Ian Saffer	Director
John Paul Maurice Bowtell	Director
Natalia Tsitoura	Director
Lurie Eric Press	Director
Benjamin David Sambur	Director
Yulia Shakhova	Director
Catherine Guillouard ¹	Director

BOARD OF STATUTORY AUDITORS

Maurizio De Magistris	Chairman
Andrea Collalti	Auditor
Francesca Di Donato	Auditor

INDEPENDENT EXTERNAL AUDITOR

PricewaterhouseCoopers S.p.A.

¹ The new member was nominated by Board of Directors resolution on October 7, 2022

Corporate information

On January 26, 2022 the merger by incorporation of Gamma Bidco S.p.A. into its direct subsidiary Lottomatica S.p.A. was finalized with all accounting and tax effects backdated to January 1, 2022 (for details of the transaction see the consolidated financial statements as of and for the year ended December 31, 2021, hereinafter also the “Annual Consolidated Financial Statements”). Gamma Bidco S.p.A. (now Lottomatica) held the entire share capital of Gamenet Group S.p.A. as of February 26, 2020, the date on which the latter was delisted from the STAR segment of the MTA, the Italian screen-based trading system managed by Borsa Italiana S.p.A. On May 10, 2021, Gamenet Group S.p.A. completed the acquisition of 100% of the shares held by International Game Technology PLC (“IGT PLC”), through IGT Lottery S.p.A. (formerly Lottomatica Holding S.r.l.), in Lottomatica Scommesse S.r.l. and Lottomatica Videolot Rete S.p.A. (together the “Acquired IGT Business”), among the leading operators in the Italian online, sports betting and gaming machines b2c market. On completion of the acquisition Gamenet Group S.p.A. changed its name to Lottomatica S.p.A. (hereinafter also “Lottomatica”, the “Company” and together with its subsidiaries the “Group” or “Lottomatica Group”). The first consolidation of the Acquired IGT Business was as of April 30, 2021 (rather than May 10, 2021, the date of the acquisition) to simplify determination of the relevant accounting balances, given that the income statement and balance sheet impact is not materially significant in terms of the Condensed Consolidated Interim Financial Statements. Accordingly, all financial and business-related information included in this report (e.g. bet, payout, number of sales points, rights) relating to the nine-month period ended September 30, 2021 includes data relating to the Acquired IGT Business for the five-month period from April 30, 2021 to September 30, 2021.

Finally, the merger by incorporation of Lottomatica Scommesse S.p.A. into Goldbet S.p.A., approved on March 15, 2022 by the shareholders’ meetings of the two companies, became legally effective on June 1, 2022. During the same shareholders’ meeting on March 15, 2022, the shareholders of Goldbet S.p.A. changed the company’s name to GBO Italy S.p.A., with effect from June 1, 2022.

For further details of the Group structure as of September 30, 2022, see Notes 2.2 and 6 of the Condensed Consolidated Interim Financial Statements.

Interim report on operations

Overview

The group headed by Lottomatica (hereinafter the “**Group**”), is one of the major operators in the Italian gaming market, with Euro 16.2 billion in bet collected during the nine months ended September 30, 2022, through a network of approximately 3,097 betting rights, 25 horse-race betting rights, 19,831 VLT rights, 67,598 AWP operating permits and 36,159 owned AWP and a network of around 18,136 points of sale of which 130 managed directly.

Lottomatica, through the Group companies, has followed a strategy of vertical integration, based both on the direct management of owned gaming halls and AWP (involving the acquisition of companies operating in the Street Operations segment) as well as distribution insourcing (involving increasing the number of owned devices, but internalizing only part of the supply chain activities).

The Group operates in three operating segments (the “Operating Segments”), as described below:

(1) sports betting and online gaming (“**Online**”)

The Group is active in the online segment through GBO Italy S.p.A. (it is recalled that on June 1, 2022 the merger by incorporation of Lottomatica Scommesse S.p.A. into Goldbet S.p.A. became effective and the name of the latter was changed to GBO Italy S.p.A.). In addition to sports betting, the Group offers its customers a wide range of online products mainly including virtual games such as casino games, poker and bingo through the GoldBet.it and Lottomatica.it websites.

(2) sports betting and gaming through the retail network (“**Sports Franchise**”)

The Group is active through GBO Italy S.p.A. in the Sports Franchise segment through its network of 3,097 sports betting rights and 25 horse-race betting rights. As of September 30, 2022, the Group offers its customers a wide range of games including, but not limited to, sports betting, virtual games and horse-race betting through 2,774 points of sale.

- (3) **“Gaming Franchise”**, which includes separate product divisions relating to the product lines: i) Amusement With Prize machines (**AWP**); ii) Video Lottery Terminals (**VLT**); and iii) management of owned gaming halls and AWP (**Retail & Street Operations**).

i) *Amusement With Prize machines (AWP)*

AWPs were first approved for use in Italy in 2004. They are relatively easy to play (compared to VLTs – see below) and offer players a good level of interaction, through the use of a graphical reel containing pictures.

The maximum cost of each single game is Euro 1.00 and each game may last between 4 and 13 seconds. Any winnings must be distributed immediately after the game (only) in coins and jackpots are not permitted. By law, monetary winnings must not exceed Euro 100 for a single play and as of January 2020, the minimum payout is set by law at 65.0% (Law No. 160 of December 27, 2019 - the so-called “2020 Budget Law” – effective as of 01/01/2020). The machine must calculate winnings in an unpredictable way over a cycle of a maximum of 140,000 games. For details regarding the evolution of PREU flat-tax rates, see the relevant comments in the consolidated financial statements as of and for the year ended December 31, 2021. AWP may not reproduce the game of poker nor, even partially, its basic rules. AWP may be installed in all authorized betting shops pursuant to Articles 86 or 88 of the TULPS, including bars, coffee shops and similar outlets, public gaming halls, horse racing and sports betting shops and agencies, etc. As of September 30, 2022, the Group had 67,598 AWP operating permits.

ii) *Video Lottery Terminals (“VLT”)*

VLTs, which were first approved for use in Italy in 2009 but only introduced in the second semester of 2010, are technologically advanced gaming machines that are directly controlled remotely by the concessionaire. They are similar to slot machines, except that they are connected to a centralized computer system that determines the outcome of each wager by using a random number generator located inside the terminal.

Relevant legislation requires that bets per game may range from a minimum of Euro 0.50 to a maximum of Euro 10.00, with payouts of up to Euro 5,000 as well as the chance to win jackpots of up to Euro 500,000; as of January 2020, the percentage of bets paid out as winnings may not be lower than 83.0% (Law No. 160 of December 27, 2019 - the so-called “2020 Budget Law” – effective as of 01/01/2020). Indeed, it is the chance of higher average winnings with respect to other games that makes VLTs one of the most innovative and attractive gaming solutions for players. The Group currently offers four VLT platforms (Spielo, Novomatic, Inspired and WMG) which differ in terms of the games on offer and whether or not jackpots are foreseen. As of September 30, 2022, the Group held 19,831 VLT rights and the distribution network included 1,299 gaming halls.

iii) *management of owned gaming halls and AWP (**Retail & Street Operations**)*

Since 2012, the Group has pursued a strategy of vertical integration in the segment involving the direct management of owned gaming halls (“Retail”), with such business being subsequently supplemented by direct management of owned AWP (“Street Operations”). As of September 30, 2022, the Group directly manages 130 halls and 36,159 owned AWP.

Macroeconomic context

The following table shows key data regarding the Italian economy, updated to include the latest available quarterly figures:

Gross domestic product ²	III Q 2019	IV Q 2019	I Q 2020	II Q 2020	III Q 2020	IV Q 2020	I Q 2021	II Q 2021	III Q 2021	IV Q 2021	I Q 2022	II Q 2022	III Q 2022
	+0,0%	-0,8%	-5,9%	-12,7%	+16,1%	-1,6%	+0,2%	+2,6%	+2,7%	+0,7%	+0,1 %	+1,0%	+0,5%

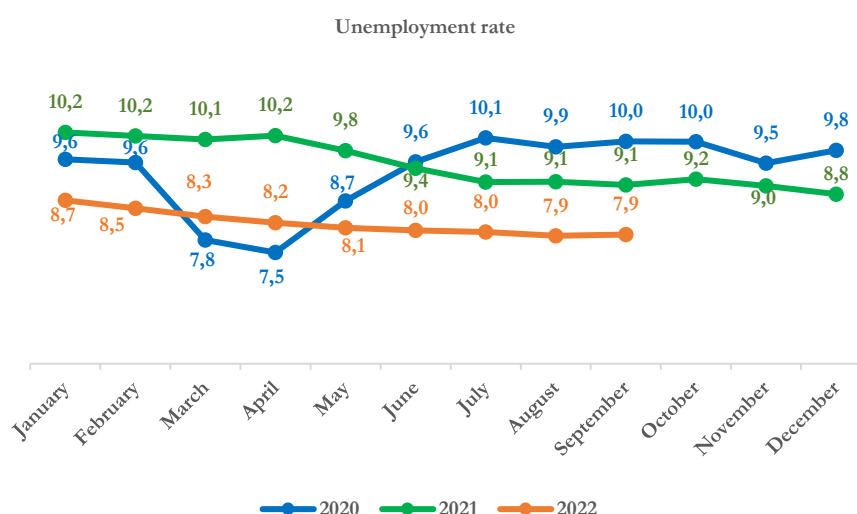
In Q3 2022, the Italian economy recorded GDP growth of 0.5 percent compared to the previous quarter. GDP, therefore, increased for the seventh consecutive quarter, but by less than in the second quarter of the year.

² Source: Istat – Preliminary GDP estimate – Q3 2022 (October 31, 2022)

Annual inflation in Italy as of September 30, 2022 increased, reaching +8.9 percent³. The acceleration in inflation mainly related to increases in the prices of food, as well as recreation, cultural and personal care services. Also contributing to such acceleration, albeit to a lesser extent, were the prices of non-durable and semi-durable goods, and, while slowing down slightly, energy prices continue to grow significantly.

	As of September 30,	
	2021	2022
Inflation rate	+2.6%	+8.9%

As shown in the following graph⁴, the unemployment rate as of September 30, 2022 was lower than that at the same date in 2021.



Evolution of gaming tax

For information regarding the evolution of gaming tax, see the relevant comments in the consolidated financial statements as of and for the year ended December 31, 2021.

Operations

As previously indicated, the comparability of key financial and non-financial performance indicators for the nine-month period ended September 30, 2022 with those for the corresponding period of the previous year is influenced both by the impact of the urgent measures put in place by the Government to contain and manage the Covid-19 pandemic which involved, inter alia, the closure of gaming halls (the so-called "professional channels"), bars and dedicated halls with the consequent suspension of collection activities during the first five months of 2021, and also by the acquisition of the IGT Business (it is recalled that the first consolidation of the Acquired IGT Business was as of April 30, 2021 and, therefore, all financial and business-related information included in this report (bet, payout, number of sales points, rights etc.) includes the contribution of such business for a period of five months, from April 30, 2021 to September 30, 2021).

³ Source: Istat - Consumer price index – September 2022. Percentage changes with respect to the same period in the prior year..

⁴ Source: Istat. Unemployment rate extract – (provisional) monthly figures.

Online

The following table provides details of the key financial and non-financial performance indicators used by management to monitor **Online** segment operations for the nine-month periods ended September 30, 2022 and 2021:

(€ in millions, except non-financial information)	As of and for the nine months ended September 30,	
	2022	2021
Unique active users ⁽¹⁾	758,147	813,790
Total online bet	6,303.4	4,604.2

⁽¹⁾ Unique active users refer to the number of customers who, in the period January-September, made at least one bet on one or more Online products (not only Sport).

The Online operating segment generated bet of Euro 6,303.4 million in the nine-month period ended September 30, 2022, an increase of around 37% with respect to the corresponding period in the previous year (Euro 4,604.2 million in the first nine months of 2021), benefitting from the acquisition of Lottomatica Scommesse, (which was merged by incorporation into GoldBet (now GBO Italy S.p.A.) on June 1, 2022). The increase in the online bet mainly related to the casino games bet, which increased from Euro 3,089.6 million in the nine-month period ended September 30, 2021 to Euro 4,767.3 million in the nine-month period ended September 30, 2022.

In addition to the points noted above, key contributing factors to Online segment growth included:

- the unification of the gaming platform for both Group brands;
- the increase in the online games offer (specifically, as of September 30, 2022, the Group offered around 1,999 casino games);
- further improvements made to the site and apps (graphic and functional refactoring of the deposit and withdrawals section; and inclusion of virtual games in the sports betting app);
- review of the CRM strategy through customer retention/reactivation activities implemented by the Group;
- the optimization of acquisitions from the retail channel through the introduction of focused marketing policies;
- the development of policies to acquire new customers through web portals and social network pages etc. owned by “affiliated” external companies;
- joining new gaming networks for poker and skill games.

Sports Franchise

The following table provides details of the key financial and non-financial performance indicators used by management to monitor **Sports Franchise** segment operations for the nine-month periods ended September 30, 2022 and 2021:

(€ in millions, except non-financial information)	As of and for the nine months ended September 30,	
	2022	2021
Number of licenses/concessions ⁽¹⁾	3,097	3,093
Number of active points of sale (shops and corner)	2,774	2,800
Average number of points of sale in operations (shops and corner) ⁽²⁾	2,797	2,273
Sports Franchisel bet	1,768.8	508.2
Average bet per point of sale for the period	0.63	0.22

⁽¹⁾ Excluding the 25 licenses related to horse racing (31 in 2021)

⁽²⁾ The average number of operating points of sale also includes periods of closure due to restrictive measures imposed by the government.

The Sports Franchise operating segment benefitted from the acquisition of Lottomatica Scommesse (merged by incorporation into GoldBet (now GBO Italy S.p.A.) on June 1, 2022), which contributed to a significant increase in the number of rights held and the number of active points of sale.

Bet in the nine-month period ended September 30, 2022 amounted to Euro 1,768.8 million, an increase with respect to the corresponding period of the previous year, thanks to the absence of the restrictive measures which impacted the first five months of 2021 and the contribution of the Acquired IGT Business.

Gaming Franchise

Bet in the Gaming Franchise operating segment in the nine-month period ended September 30, 2022 amounted to Euro 8,117.6 million, an increase of Euro 5,047.0 million with respect to the equivalent amount of Euro 3,070.6 million in the previous year, thanks to the absence of the restrictive measures which conditioned the first five months of 2021 and the contribution of the Acquired IGT Business.

AWP

The following table provides details of the key financial and non-financial performance indicators used by management to monitor the operations of the **AWP** product division for the nine-month periods ended September 30, 2022 and 2021:

(€ in millions, except non-financial information and percentages)	As of and for the nine months ended September 30,	
	2022	2021
Number of AWP in operation as of the period end	63,823	61,187
Average number of AWP in operation for the period ⁽¹⁾	62,627	44,550
AWP Bet ⁽²⁾	3,399.0	1,302.9
Average AWP PREU (as percentage of bet)	24.0%	24.0%

(1) The average number of AWP in operation also includes periods of closure due to restrictive measures imposed by the government in 2021.

(2) The figure does not include bet generated by halls connected to other concessionaires (different from Gamenet S.p.A. and Lottomatica Videolot Rete), which is included in the Retail and Street Operations operating segment. The bet in question for the nine-month periods ended September 30, 2022 and 2021 amounted to Euro 145.4 million and Euro 31.1 million respectively.

The AWP product division benefitted from the acquisition of Lottomatica Videolot Rete. The number of AWP devices in operation increased from 61,187 as of September 30, 2021 to 62,627 as of September 30, 2022. The average number of AWP devices in operation during the nine-month period ended September 30, 2022 was equal to 62,627, an increase of 40.6% with respect to the corresponding number in the previous year; the increase was mainly due to the contribution of Lottomatica Videolot Rete. Bet in the nine-month period ended September 30, 2022 amounted to Euro 3,399.0 million, an increase with respect to the corresponding period of the previous year, mainly due to the absence of the restrictive measures that characterized the early months of 2021 and the contribution of the Acquired IGT Business. The number of AWP NOE concession agreements held as of September 30, 2022 was equal to 67,598.

VLT

The following table provides details of the key financial and non-financial performance indicators used by management to monitor the operations of the **VLT** product division for the nine-month periods ended September 30, 2022 and 2021:

(€ in millions, except non-financial information and percentages)	As of and for the nine months ended September 30,	
	2022	2021
Number of VLT licenses	19,831	19,831
Average number of VLTs in operation for the period ⁽¹⁾	18,986	13,774
Number of VLTs in operation as of the period end	18,966	18,756
VLT in operation as percentage of VLT rights	95.6%	94.6%
VLT Bet ⁽²⁾	4,488.4	1,713.8
Average VLT PREU (as percentage of bet)	8.6%	8.5%

(1) The average number of VLTs in operation also includes periods of closure due to restrictive measures imposed by the government in 2021.

(2) The figure does not include bet generated by halls connected to other concessionaires (different from Gamenet S.p.A. and Lottomatica Videolot Rete), which is included in the Retail and Street Operations operating segment. The bet in question for the nine-month periods ended September 30, 2022 and 2021 amounted to Euro 84.7 million and Euro 22.8 million respectively.

The VLT product division benefitted from the acquisition of Lottomatica Scommesse which resulted in a significant increase in the number of licenses, equal to 19,831 as of September 30, 2022, and VLT devices in operation, equal to 18,966 as of September 30, 2022. The average number of VLTs in operation during the nine-month period ended September 30, 2022 was 18,986 as compared to an average of 13,774 in operation during the corresponding period of the previous year. Bet in the nine-month period ended September 30, 2022 amounted to Euro 4,488.4 million, an increase with respect to the corresponding period of the previous year, thanks mainly to the absence of the restrictive measures which characterized the early months of 2021 and the contribution of the Acquired IGT Business.

Retail & Street Operations

The following table provides details of the key financial and non-financial performance indicators used by management to monitor the operations of the **Retail & Street Operations** product division for the nine-month periods ended September 30, 2022 and 2021:

<i>(€ in millions, except non-financial information)</i>	As of and for the nine months ended September 30,	
	2022	2021
Number of gaming halls EoP	130	116
Bet VLT (including bet generated in company-owned gaming halls connected to the concessionaire Gamenet)	1,391.0	504.1
Average number of VLT	4,428	2,749
Average bet VLT per machine (in Euro thousand)	314.1	183.4
Bet AWP (including bet generated in company-owned gaming halls connected to the concessionaire Gamenet)	583.2	163.5
Average number of AWP	10,758	7,243
Average bet AWP per machine (in Euro thousand)	54.2	22.6

After reclassifying bet generated in owned gaming halls connected to the Gamenet and Lottomatica Videolot Rete concessionaires, total Retail & Street Operations bet in the nine months ended September 30, 2022 amounted to Euro 1,974.2 million (Euro 667.6 million in the nine months ended September 30, 2021) thanks to the contribution of the Acquired IGT Business and the absence of the restrictive measures that characterized the early months of 2021. For details regarding year-on-year movements, see the comments above in relation to the AWP and VLT operating segments.

Key Group financial indicators

The following table provides details of the main financial and economic indicators, as of and for the nine-month periods ended September 30, 2022 and 2021 and the year ended December 31, 2021:

	As of September 30, 2022	As of December 31, 2021 ^(*)	As of September 30, 2021 ^(*)
Revenues	1,017,804	808,113	457,386
EBITDA ^(**)	342,398	228,190	123,372
Net profit (loss) for the period ⁽¹⁾	83,730	(54,875)	(67,808)
Shareholders' equity	361,879	264,144	252,390
Net Financial Position ^{(**)(***)}	(1,126,077)	(1,287,442)	(1,223,567)

(*) Consolidated Statement of Comprehensive Income figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business.

(**) In addition to references to recognized IFRS financial measures, this report also makes reference to certain non-GAAP measures, which although derived from IFRS are not defined under IFRS. Such measures are presented to aid understanding of the Group's financial performance and should not be considered as alternatives to recognized IFRS measures.

(***) Adoption of IFRS 16 had a negative impact of Euro 72 million on the net financial position as of June 30, 2022 (Euro 65 million and Euro 69 million as of September 30, 2021 and December 31, 2021 respectively).

(1) The item includes the effect of the Purchase Price Allocation (PPA), mainly in relation to Lottomatica (formerly Gamenet Group) for the nine-month periods ended September 30, 2022 and 2021 and the Acquired IGT Business for the period from the acquisition date to September 30, 2021 and the nine-month period ended September 30, 2022, which had a negative impact of Euro 28.9 million on the net result for the nine-month period ended September 30, 2022 (Euro 16.0 million for the nine-month period ended September 30, 2021), of which Euro 40.7 million relating to higher depreciation and amortization and Euro 11.9 million to the lower tax charge (Euro 22.5 million relating to higher depreciation and amortization and Euro 6.5 million to the lower tax charge in the nine-month period ended September 30, 2021). For further details see Notes 7.6 and 7.10 in the Notes to the Condensed Consolidated Interim Financial Statements.

EBITDA

	For the nine months ended September 30,	
	2022	2021
	(€ in thousands)	
Net profit (loss) for the period	83,730	(67,808)
Income tax expense	45,395	(3,744)
Finance income	(101)	(201)
Finance expenses	71,810	69,294
Share of (profit)/loss of equity accounted investments	360	43
Depreciation, amortization and impairment	107,463	96,463
Reclassification to profit or loss of multiannual prepayments ^(*)	8,828	4,411
Accessory expenses for the purchase of participations ^(**)	9,161	10,319
Severance costs	661	1,529
Non recurring income/expenses	15,091	13,067
	- Non recurring employees benefits	66
	- Integration of acquired companies	913
	- other non recurring (income) / expense	14,113
EBITDA	342,398	123,373

^(*)EBITDA is defined as net profit (or loss) for the year adjusted for: (i) Income tax expense; (ii) Finance income; (iii) Finance expenses; (iv) Share of profit/(loss) of equity accounted investments (v) Depreciation, amortization and impairments; (vi) Non-monetary costs; (vii) Acquisition related transaction costs; (viii) Expenses on corporate restructuring and redundancy; (ix) income and expenses that by their nature are not reasonably expected to re-occur in future periods".

(*) Consolidated Statement of Comprehensive Income figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business.

(**) The figure for 2022 mainly related to acquisition related costs. The figure for 2021 mainly related to transaction costs totaling Euro 10.3 million in relation to the acquisition of the Target Companies as well as other income of Euro 0.3 million reflecting the adjustment of the put option payable relating to the residual share capital of the subsidiary Jolly in recognition of the postponement of the time limit for exercise of such option.

Review of Group results

It is recalled that the nine-month period ended September 30, 2021 was affected by the negative impact of the Covid-19 pandemic on retail outlets which, in compliance with the restrictive measures introduced by the Prime Ministerial Decrees (DPCMs), resulted in the closure of betting halls until May 31, 2021, the date from which gaming halls and betting halls gradually reopened throughout the country with resumption dates differing by region.

The following table shows the income statements for the nine-month periods ended September 30, 2022 and 2021:

(in thousands of Euro)	For the nine months ended September 30,				Change	
	% of		% of		(Euro)	%
	2022	revenues	2021	revenues		
Revenues	1,017,804	100.0%	457,386	100.0%	560,418	>100%
Other income	8,594	0.8%	5,112	1.1%	3,481	68.1%
Total revenues and income	1,026,398	100.8%	462,499	101.1%	563,899	>100%
Cost of services	(637,881)	-62.7%	(315,375)	-69.0%	(322,506)	>100%
Personnel expenses	(57,746)	-5.7%	(40,759)	-8.9%	(16,987)	41.7%
Other operating costs	(17,437)	-1.7%	(9,160)	-2.0%	(8,277)	90.4%
Depreciation, amortization and impairments ⁽¹⁾	(107,463)	-10.6%	(96,463)	-21.1%	(11,000)	11.4%
Accruals and impairments	(4,678)	-0.5%	(3,157)	-0.7%	(1,521)	48.2%
Net finance (expenses)/income	(71,709)	-7.0%	(69,093)	-15.1%	(2,616)	3.8%
Share of profit/(loss) of equity accounted investments	(360)	0.0%	(43)	0.0%	(317)	>100%
Profit before tax	129,125	12.7%	(71,552)	-15.6%	200,677	n.s.
Income tax expense ⁽¹⁾	(45,395)	-4.5%	3,744	0.8%	(49,139)	n.s.
Net profit (loss) for the period ⁽¹⁾	83,730	8.2%	(67,808)	-14.8%	151,538	n.s.
Net profit (loss) for the period attributable to minority interests	4,665	0.5%	(591)	-0.1%	5,256	n.s.
Net profit (loss) for the period attributable to the owners of the parent	79,065	7.8%	(67,217)	-14.7%	146,282	n.s.

⁽¹⁾ Consolidated Statement of Comprehensive Income figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business.

⁽¹⁾ The item includes the effect of the Purchase Price Allocation (PPA), mainly in relation to Lottomatica (formerly Gamenet Group) for the nine-month periods ended September 30, 2022 and 2021 and the Acquired IGT Business for the period from the acquisition date to September 30, 2021 and the nine-month period ended September 30, 2022, which had a negative impact of Euro 28.9 million on the net result for the nine-month period ended September 30, 2022 (Euro 16.0 million for the nine-month period ended September 30, 2021), of which Euro 40.7 million relating to higher depreciation and amortization and Euro 11.9 million to the lower tax charge (Euro 22.5 million relating to higher depreciation and amortization and Euro 6.5 million to the lower tax charge in the nine-month period ended September 30, 2021). For further details see Notes 7.6 and 7.10 in the Notes to the Condensed Consolidated Interim Financial Statements.

Revenues

The following table shows the income statements for the nine-month periods ended September 30, 2022 and 2021:

(in thousands of euro)	As of and for the nine months ended September 30,				Change	
	2022	% of revenues	2021	% of revenues	(Euro)	%
Online	239,514	23.5%	196,851	43.0%	42,663	21.7%
Sports Franchise	252,599	24.8%	65,285	14.3%	187,314	>100%
Gaming Franchise	525,691	51.6%	195,251	42.7%	330,441	>100%
Total	1,017,804	100.0%	457,386	100.0%	560,418	122.5%

Revenues for the nine months ended September 30, 2022 totaled Euro 1,017.8 million, an increase of Euro 560.4 million with respect to Euro 457.4 million for the nine months ended September 30, 2021. The following paragraphs provide details of movements in revenues in each of the three operating segments.

Online Revenues

Online segment revenues for the nine months ended September 30, 2022 amounted to Euro 239.5 million, an increase of Euro 42.7 million (21.7%) with respect to Euro 196.8 million for the nine months ended September 30, 2021. The increase is mainly explained by the comments already made regarding this segment in the section above on "Operations".

Sports Franchise Revenues

Sports Franchise segment revenues for the nine months ended September 30, 2022 amounted to Euro 252.6 million, an increase of Euro 187.3 million with respect to the equivalent amount for the nine months ended September 30, 2021, in part explained by the consolidation of the Acquired IGT Business. The level of revenues in the nine months ended September 30, 2021 was significantly influenced by the negative impact of the Covid-19 pandemic on retail outlets which, in compliance with the restrictive measures introduced by Prime Ministerial Decrees (DPCMs), remained closed until May 31, 2021, the date from which the gradual reopening, differentiated by region, of gaming and betting halls throughout Italy began.

Gaming Franchise revenues

Gaming Franchise revenues for the nine months ended September 30, 2022 amounted to Euro 525.7 million, an increase of Euro 330.4 million with respect to the equivalent amount for the nine months ended September 30, 2021. As for the Sports Franchise segment, the increase was mainly due to the events associated with the restrictive measures to contain and manage the Covid-19 pandemic which characterized the first six months of 2021 and the contribution of the Acquired IGT Business.

The following paragraphs provide details of revenues by Gaming Franchise segment product division:

AWP and VLT revenues

AWP and VLT revenues for the nine months ended September 30, 2022 amounted to Euro 196.4 million and Euro 314.7 million, increases of Euro 122.6 million and Euro 195.9 million respectively compared to the equivalent amounts for the nine months ended September 30, 2021. It is recalled, as noted above, that the first nine months of 2021 were significantly influenced by the measures put in place by the Government to contain and manage the Covid-19 pandemic.

Retail and Street Operations revenues

Firstly, it is recalled that Retail and Street Operations product line revenues refer solely to revenues from third-party dealers. In those cases where Gamenet S.p.A. and/or Lottomatica Videolot Rete is the concession holder, 100% of supply chain revenues are reported (by the concessionaire) within the AWP and VLT segments. In general, with regard to period-on-period movements regarding the Retail and Street Operations product line, reference is made to the comments above relating to the AWP and VLT product lines. That said, revenues from Retail and Street Operations for the nine months ended September 30, 2022 amounted to Euro 14.6 million, an increase of Euro 12.0 million with respect to the equivalent amount for the nine months ended September 30, 2021.

Other income

Other income for the nine months ended September 30, 2022 amounted to Euro 8.6 million, an increase of Euro 3.5 million with respect to the equivalent amount of Euro 5.1 million for the nine months ended September 30, 2021. Other income for the nine months ended September 30, 2022 included inter alia: income from the transfer to operators of GBO Italy S.p.A. point of sale device maintenance costs (Euro 2.8 million); the amount due to Lottomatica S.p.A. following the signing on April 13, 2022 of the Settlement Agreement between Lottomatica S.p.A. and the sellers of the equity interest in the Acquired IGT Business, IGT Lottery S.p.A. and International Game Technology PLC (Euro 1.0 million); income from the re-sale of consumables in halls (Euro 1.0 million); income from the transfer to the supply-chain of costs incurred in relation to the acquisition of AWP NOE concession agreements (Euro 0.5 million); and income from other operations.

Cost of services

Cost of services for the nine months ended September 30, 2022 amounted to Euro 637.9, an increase of Euro 322.5 million with respect to Euro 315.4 million for the nine months ended September 30, 2021.

Cost of services mainly related to compensation paid to the distribution network, which amounted to Euro 449.7 million for the nine months ended September 30, 2022, an increase of Euro 239.2 million with respect to Euro 210.5 million for the nine months ended September 30, 2022. Such increase was mainly due to the less restrictive measures in place during the nine months ended September 30, 2022 with respect to the nine months ended September 30, 2022 and the contribution of the Acquired IGT Business.

The item also included: i) concession fees due to the ADM; ii) the cost of gaming platform licenses; and iii) rental and lease charges. Specifically, in line with the exemptions permitted by IFRS 16, this last item included fees relating to short-term lease contracts (for periods of less than 12 months, including those with residual duration of less than

12 months at the date of initial application) and lease contracts concerning low value assets. In general, year on year movements in these other cost items (i.e. other than distribution network compensation) reflect:

- the mainly variable nature of the items in question (as they, like distribution network compensation, may be linked to bet trends or revenue sharing mechanisms – such as, for example, in the case of “Fee on gaming platform licenses”);
- initiatives taken by the Company to minimize the impact of the network being closed (as a result of the Covid-19 health emergency) through the re-negotiation of certain fixed costs.

“Other” mainly related to: i) Technical assistance and network management costs; ii) Utility costs, postal and logistics costs, security services; iii) Tax, administrative and legal consultancy costs; iv) Data transmission costs; with the balance relating to recurring costs including employee lunch vouchers, temporary staff costs, costs relating to live betting providers and other costs incurred.

The following table provides a breakdown of cost of services in the two periods under review:

<i>(in thousands of euro)</i>	As of and for the nine months ended September 30,				Change	
	2022	% of revenues	2021	% of revenues	(Euro)	%
Distribution network compensation	(449,685)	-44.2%	(210,523)	-46.0%	(239,162)	>100%
Concession fee	(34,468)	-3.4%	(16,111)	-3.5%	(18,357)	>100%
Fee on licensing gaming platforms	(50,623)	-5.0%	(25,323)	-5.5%	(25,300)	99.9%
Rentals, leases and other rentals	(3,875)	-0.4%	(4,352)	-1.0%	477	-11.0%
Other	(99,231)	-9.7%	(59,067)	-5.8%	(40,164)	68.0%
Total	(637,881)	-62.7%	(315,375)	-69.0%	(322,506)	>100%

Personnel expenses

Personnel expenses for the nine months ended September 30, 2022 amounted to Euro 57.7 million, an increase of Euro 17.0 million with respect to Euro 40.8 million for the nine months ended September 30, 2021. The increase was mainly due to consolidation of the Acquired IGT Business (which saw the average number of employees increasing from 999 in the nine months ended September 30, 2021 to 1,520 in the nine months ended September 30, 2022). It is noted that Personnel expenses for the first nine months of 2021 included the effects of initiatives put in place by the Company in response to the Covid-19 health emergency, which had resulted in a positive contribution of around Euro 4.0 million.

Other operating costs

Other operating costs for the nine months ended September 30, 2022 amounted to Euro 17.4 million, an increase of Euro 8.3 million with respect to Euro 9.2 million for the corresponding period in the previous year. It is noted that Other operating costs for the first nine months of 2021 included transaction costs totaling Euro 5.5 million in relation to the acquisition of the Acquired IGT Business, while in the first nine months of 2021 the item included acquisition-related strategic consultancy costs amounting to Euro 1.1 million. Excluding the impact of such costs, the period-on period increase in Other operating costs would amount to Euro 12.6 million and would mainly be explained by consolidation of the Acquired IGT Business and higher purchase costs linked to the full operation of gaming halls and betting shops in the first nine months of 2022 compared to the first nine months of 2021.

Depreciation, amortization and impairments

Depreciation, amortization and impairments for the nine months ended September 30, 2022 amounted to Euro 107.5, as compared to Euro 96.5 million for the corresponding period in the previous year. The increase was mainly due to the consolidation of the Acquired IGT Business and the higher depreciation and amortization relating to completion of the purchase price allocation in respect of the Acquired IGT Business, amounting to Euro 8.0 million.

Net finance expenses

Net finance expenses in the nine months ended September 30, 2022 amounted to Euro 71.8 million, an increase of Euro 2.6 million with respect to the net figure of Euro 69.1 million in the corresponding period of the previous year. The increase was mainly due to:

- the higher finance charges relating to interest on the bond issued on April 1, 2021 to finance the acquisition of the Acquired IGT Business (Euro 8.3 million including the amortized cost);
- interest expense on the bonds issued on September 27, 2022 (Euro 0.3 million including related costs);
- the increase of Euro 1.2 million in interest expense incurred on the revolving credit facility, as a result of the increases in the Revolving Credit Facility on March 31 and December 31, 2021; partially offset by
- the absence of interest expense on the so-called Bidco Senior Facility (Euro 7.5 million including the amortized cost in the nine months ended September 30, 2021) following repayment of the credit line.

For a more detailed breakdown of the item, see Note 7.8 in the Notes to the Condensed Consolidated Interim Financial Statements.

Profit (loss) before tax

As a result of the above, the pre-tax result for the nine months ended September 30, 2022 was a profit of Euro 129.1 million, as compared to a loss of Euro 71.6 million for the nine months ended September 30, 2021, an increase of Euro 200.7 million.

Income tax expense

Income tax for the nine months ended September 30, 2022 amounted to a charge of Euro 45.4 million, as compared to a benefit of Euro 3.7 million for the nine months ended September 30, 2021. For further details, see Note 7.10 in the Notes to the Condensed Consolidated Interim Financial Statements.

Net profit (loss) for the period

The net profit for the period amounted to Euro 83.7 million, as compared to a loss of Euro 67.8 million recorded for the corresponding period of the previous year.

Net profit (loss) for the period attributable to the Group

The net profit for the period attributable to the Group amounted to Euro 79.1 million, as compared to a loss of Euro 67.2 million recorded for the corresponding period of the previous year.

Group economic performance – by business segment

The following table shows information relating to income statement items by operating segment for the periods indicated.

<i>(in € thousands, except for percentages)</i>	Online		Sports Franchise		Gaming Franchise		Unallocated/ Elimination		Total	
	Set '22	Set '21	Set '22	Set '21	Set '22	Set '21	Set '22	Set '21	Set '22	Set '21 ^(*)
BET (including other Concessionaires)	6,303,415	4,604,243	1,768,764	508,249	8,117,563	3,070,585	-	-	16,189,742	8,183,078
Bet (Lottomatica Concessionaire)	6,303,415	4,604,243	1,768,764	508,249	7,887,421	3,016,671	-	-	15,959,599	8,129,163
Payout			(1,450,168)	(423,955)	(6,003,974)	(2,298,280)	-	-	(7,454,142)	(2,722,235)
GGR			318,597	84,294	1,883,447	718,391	-	-	2,202,043	802,685
Tax (PREU, IU, ecc.)			(66,694)	(19,008)	(1,201,731)	(460,482)	-	-	(1,268,425)	(479,490)
NGR			251,902	65,285	681,716	257,909	-	-	933,618	323,194
Non-bet based revenues			696	(0)	(209)	451	-	-	488	451
Retailers & street operators revenues			-	-	14,570	2,578	-	-	14,570	2,578
Third parties distribution costs indirect AWP			-	-	(170,386)	(65,686)	(0)	(0)	(170,386)	(65,686)
Revenues toward third parties	239,514	196,851	252,599	65,285	525,691	195,251	(0)	(0)	1,017,804	457,386
Other income toward third parties	964	18	3,483	1,081	4,147	4,013	0	(0)	8,594	5,112
Intragroup Revenues and Other income	8,523	255	7,626	86	4,984	1,510	(21,136)	(1,850)	-	-
Total Revenues and Income	249,002	197,124	263,708	66,451	534,822	200,774	(21,136)	(1,851)	1,026,398	462,498
Third parties distribution costs	(56,528)	(66,545)	(136,669)	(37,741)	(263,935)	(100,448)	6,196	336	(450,938)	(204,398)
Concession fees	(3,513)	(3,350)	(7,212)	(3,663)	(23,742)	(9,098)	(0)	0	(34,468)	(16,111)
Platform costs	(19,543)	(15,053)	(7,246)	(1,352)	(23,834)	(8,918)	-	-	(50,623)	(25,323)
Other direct costs	(10,659)	(7,980)	(287)	(132)	(29,367)	(10,001)	10,389	(0)	(29,925)	(18,114)
Contribution margin	158,758	104,195	112,293	23,563	193,944	72,309	(4,551)	(1,515)	460,444	198,552
Contribution Margin/Total Revenues and Income	63.8%	52.9%	42.6%	35.5%	36.3%	36.0%	21.5%	81.8%	44.9%	42.9%
Other operating costs ⁽¹⁾	(19,196)	(22,288)	(33,110)	(19,237)	(70,291)	(35,169)	4,551	1,515	(118,046)	(75,180)
EBITDA	139,562	81,907	79,183	4,326	123,653	37,140	-	-	342,398	123,372
EBITDA/Total Revenues and Income	56.0%	41.6%	30.0%	6.5%	23.1%	18.5%	n.a.	n.a.	33.4%	26.7%
Costs not included in EBITDA									(33,741)	(29,325)
Depreciation, amortisation and impairments ¹									(107,463)	(96,463)
Finance income									101	201
Finance expenses									(71,810)	(69,294)
Share of profit/(loss) of equity accounted investments									(360)	(43)
Profit (loss) before tax									129,125	(71,551)
Income tax expense									(45,395)	3,744
Net profit (loss) for the period ⁽²⁾									83,730	(67,807)

GGR refers to gross gaming revenues, defined as total bet minus payout.

NGR refers to net gaming revenues, defined as total bet minus winnings minus taxes

“Contribution margin” is calculated as the sum of: i) revenues; ii) other income; iii) distribution costs; iv) concession fees; v) platform costs; and vi) other direct costs

AWP accounting considers actual coin rather than a fixed (forfeit) taxable amount. In the first nine months of 2022, the fixed (forfeit) amount was equal to Euro -0.1 million (Euro 1.7 million in the first nine months of 2021).

(*) Consolidated Statement of Comprehensive Income figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business

- (1) The amounts reflect the effects of the refinement in 2021 of the “Other operating costs” allocation criteria introduced by management to enable improved monitoring of operating segment performance (comparative balances have also been restated to ensure consistency and comparability).
- (2) The item includes the effect of the Purchase Price Allocation (PPA), mainly in relation to Lottomatica (formerly Gamenet Group) for the nine-month periods ended September 30, 2022 and 2021 and the Acquired IGT Business for the period from the acquisition date to September 30, 2021 and the nine-month period ended September 30, 2022, which had a negative impact of Euro 28.9 million on the net result for the nine-month period ended September 30, 2022 (Euro 16.0 million for the nine-month period ended September 30, 2021), of which Euro 40.7 million relating to higher depreciation and amortization and Euro 11.9 million to the lower tax charge (Euro 22.5 million relating to higher depreciation and amortization and Euro 6.5 million to the lower tax charge in the nine-month period ended September 30, 2021). For further details see Notes 7.6 and 7.10 in the Notes to the Condensed Consolidated Interim Financial Statements.

EBITDA

Online

Online segment EBITDA for the nine months ended September 30, 2022 amounted to Euro 139.6 million (Euro 81.9 million for the nine months ended September 30, 2021), representing around 11.7% of total revenues and 40.8% of total EBITDA. Expressed as a percentage of Online revenues, EBITDA increased from 41.6% in 2021 to 58.3% in 2022 mainly due to (i) continuous improvement in the customer portfolio (including customer retention/reactivation strategies) and (ii) continuous improvement in the online games offer. The increase in EBITDA reflected the increases in bet and revenues and was due to the same factors described above in the section on Operations.

Sports Franchise

Sports Franchise segment EBITDA for the nine months ended September 30, 2022 amounted to Euro 79.2 million (Euro 4.3 million for the nine months ended September 30, 2021), representing around 6.6% of total revenues and 23.1% of total EBITDA. Expressed as a percentage of Sports Franchise revenues, EBITDA for the nine months ended September 30, 2022 amounted to 31.3%. The increase in EBITDA reflected the increases in bet and revenues and was due to the same factors described above in the section on Operations.

Gaming Franchise

Gaming Franchise segment EBITDA for the nine months ended September 30, 2022 amounted to Euro 123.6 million (Euro 37.1 million for the nine months ended September 30, 2021), representing around 10.3% of total revenues and 36.1% of total EBITDA. Expressed as a percentage of Gaming Franchise revenues, EBITDA for the nine months ended September 30, 2022 amounted to 17.7%. The increase in EBITDA reflected the increases in bet and revenues and was due to the same factors described above in relation to the individual product lines.

Cash flows

The following table shows summary details of the Group's cash flows for the nine-month periods ended September 30, 2022 and 2021:

	For the nine months ended September 30,	
	2022	2021
	(in thousands of Euro)	
Cash flow from operating activities (a)	325,498	135,146
Cash flow from investing activities (b)	(535,614)	(768,758)
Cash flow from financing activities (c)	244,325	660,856
Net Cash flow (a+b+c)	34,210	27,244
Cash and cash equivalents at the beginning of the period	124,740	145,807
Cash and cash equivalents at the end of the period	158,950	173,051

Cash flow generated by operating activities:

- cash flow generated by operating activities in the nine-month period ended September 30, 2022 amounted to Euro 325.5 million and was mainly attributable to:
 - o EBITDA of Euro 342.4 million, partially offset by: (i) corporate restructuring and redundancy costs amounting to Euro 0.7 million; (ii) transaction costs relating to equity investment acquisitions amounting to Euro 9.2 million; and (iii) other non-recurring income/expenses non included in EBITDA amounting to Euro 18.6 million;
 - o a positive change in net working capital of Euro 21.7 million, explained *inter alia* by:
 - o a negative change of Euro 8.8 million relating to the net difference between the increase in the security deposit receivable accrued in January-September 2022 and the collection of the corresponding amount accrued in 2021;
 - o a positive change of Euro 40.2 million relating to the increase in the flat tax liability. Specifically, during the third quarter, the payable relating to the months January - April is paid (in August) while the payable relating to the five-month period (May - September) is accumulated;
 - o a negative change resulting from cash outlays for the development and consolidation of business relations with strategic partners and the issue of NOE concession agreements by the ADM, in addition to the increase in the sports betting concession fee receivable, amounting to Euro 12.0 million;
 - o taxation paid during the period, amounting to Euro 16.9 million.

Cash flow used in investing activities:

- cash flow used in investing activities in the nine-month period ended September 30, 2022 amounted to Euro 535.6 million and was mainly attributable to:
 - o Euro 52.8 million spent on property, plant and equipment and intangible assets:
 - o of which Euro 30.6 million on property, plant and equipment, mainly in relation to the purchase of new IT hardware and equipment, as well as the purchase of furniture and fittings for the set-up of new betting points of sale;
 - o of which Euro 22.3 million on intangible assets, mainly in relation to the purchase and update of software used to manage the AWP and VLT collections network and internal software development.
 - o Euro 341.4 million representing the proceeds of the bond issue on September 27, 2022, which were deposited in an escrow account in the name of Lottomatica S.p.A. pending the satisfaction (no later than 18 months after the issue) of the "Escrow Release Conditions";
 - o payment of the second and final tranche of the deferred price for the Acquired IGT Business (Euro 125.4 million), which was made on July 13, 2022 in advance of the final due date of September 30, 2022;

- investments amounting to Euro 17.6 million linked to the acquisitions of Valtellina Giochi S.p.A., Giocaonline S.r.l. and Ares S.r.l., net of cash and cash equivalents acquired;

Cash flow used in financing activities:

- cash flow generated by financing activities in the nine-month period ended September 30, 2022 amounted to Euro 244.3 million and was mainly attributable to:
 - the positive cash flow relating to the issue of senior secured notes for a total principal of Euro 350 million on September 27, 2022;
 - the negative cash flow relating to the payment of finance costs for leases and rental of corporate offices and halls following the adoption of IFRS 16 (Euro 12.7 million);
 - the payment of interest on the bonds issued by the Company and other finance expenses amounting to Euro 69.3 million (for further details see Note 8.15 to the Condensed Consolidated Interim Financial Statements).
 - the payment of dividends amounting to Euro 19.1 million.

Group financial position – Net financial debt

The following table provides a breakdown of the Group's Net Financial Debt as of September 30, 2022.

<i>(in euro thousands)</i>	As of September 30, 2022	As of December 31, 2021
Cash at banks	158,950	124,740
Financial assets	399,683	36,946
	558,633	161,686
Senior Secured Notes		
Due to bondholders - capital	(1,542,917)	(1,197,965)
Due to bondholders - interest	(14,701)	(27,097)
	(1,557,618)	(1,225,062)
Bank overdrafts	(950)	(131)
Other financial liabilities	(126,142)	(223,935)
Total debt	(1,684,710)	(1,449,127)
Net financial debt	(1,126,077)	(1,287,442)

⁽¹⁾ Net financial debt is not defined by IFRS. Net Financial Debt as determined by the Group may be calculated on a different basis from similar measures used by other groups and may, therefore, not be comparable with such information presented by other groups.

⁽²⁾ Of which Euro 13.9 million related to current financial liabilities and Euro 57.9 million to non-current financial liabilities recognized following adoption of IFRS 16.

“Financial assets” mainly related to “Cash held by operators”, i.e. the cash in machines (i.e. in the hoppers and change machines) owned by Gamenet S.p.A., Lottomatica Videolot Rete and Big Easy S.r.l., amounting to Euro 7.7 million, Euro 13.4 million and Euro 3.0 million respectively and “Merchant accounts and restricted cash” amounting to Euro 34.7 million, which mainly related to amounts held as a guarantee by Nuvei. The item also included amounts relating to (i) “Escrow account” balances totaling Euro 347.8 million of which Euro 341.4 million representing the proceeds of the bond issue on September 27, 2022, which were deposited in an escrow account in the name of Lottomatica S.p.A.; Euro 5.0 million relating to the GoldBet acquisition; and Euro 1.4 million relating to the acquisition of The Box S.r.l.; (ii) “Interest rate swap assets” amounting to Euro 21.6 million, which reflects the fair value of the derivative contract entered into to hedge the risk linked to a potential change in interest rates applied to the bond issued by Gamma Bidco on July 23, 2020; and (iii) “Convertible bonds investment” amounting to Euro 1.8 million relating to the acquisition of convertible bonds on November 23, 2021 by Gamenet PRO S.r.l.

“Senior Secured Notes” related to:

- the senior secured notes issued by Lottomatica on September 27, 2022 for a total principal of Euro 350 million (recognized at amortized cost of Euro 341.7 million) bearing interest, to be paid semi-annually, at a fixed annual rate of 9.750 %. The notes in question, which mature in 2027, were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT segment of Borsa Italia.
- the senior secured notes issued by Gamma Bidco on April 1, 2021 to finance the acquisition of the Acquired IGT Business for a total principal of Euro 575 million (recognized at amortized cost of Euro 565.9 million) bearing interest, to be paid semi-annually, at a fixed annual rate of 5.125 %. The notes in question, which mature in 2025, were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT segment of Borsa Italiana;
- the senior secured notes issued by Gamma Bidco on July 23, 2020 for a total principal of Euro 640 million (recognized at amortized cost of Euro 635.3 million) of which Euro 300 million (issued below par – 98%) bearing interest equal to the sum of (i) six-month EURIBOR (with a 0% floor) and (ii) 6% per annum (reset quarterly), and Euro 340 million bearing interest at a fixed annual rate of 6.25 %. The notes mature in 2025.

For further details regarding the item, see Note 8.15 in the Notes to the Condensed Consolidated Interim Financial Statements

As of September 30, 2022, “Other financial liabilities” mainly comprised:

- the payable relating to the deferred price component in relation to the acquisition of GoldBet, amounting to Euro 29.1 million. The amount represents the difference between the nominal value of the deferred price component (Euro 30.0 million – including the Euro 5.0 million placed in the Escrow account) and the effect, amounting to Euro 0.9 million, of discounting such amount to present value;
- payables relating to other acquisitions totaling Euro 23.4 million;
- the payable relating to the eventual exercise of the put options, amounting to Euro 1.8 million;
- the financial liability recognized following the adoption of IFRS 16, representing the present value of the remaining lease payments as of September 30, 2022, including accrued finance expenses and charges contractually provided for as of such date (Euro 71.8 million).

Disclosures required by Article 2428, Paragraph 3 of the Italian Civil Code

Research and development

Research and development activities are aimed at the conception, creation, development and implementation of software applications, IT systems and platforms on behalf of the Group. For further details, see Notes 7.4 and 8.1 to the Condensed Consolidated Interim Financial Statements.

Outlook

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, as management has confirmed the absence of financial, operational or other indicators that may suggest an inability on the part of the Group to meet its obligations in the foreseeable future and, in particular, during the 12 months following the reporting date. For information regarding Coronavirus “COVID-19” and the Russia-Ukraine conflict, see Note 10.2 of the Notes to the Condensed Consolidated Interim Financial Statements.

Management of financial risks

For information regarding the Group’s exposure to financial risks, see Note 3 of the Notes to the Condensed Consolidated Interim Financial Statements.

Lottomatica S.p.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands of Euro)</i>	<i>Note</i>	For the nine months ended september 30 2022	For the three months ended september 30 2022	For the nine months ended september 30 2021 (*)	For the three months ended september 30 2021
Revenues	7.1	1,017,804	335,948	457,386	286,101
Other income	7.2	8,594	3,337	5,112	2,257
Total revenues and income		1,026,398	339,284	462,499	288,358
Cost of services	7.3	(637,881)	(217,880)	(315,375)	(190,702)
Personnel expenses	7.4	(57,746)	(20,558)	(40,759)	(19,258)
Other operating costs	7.5	(17,437)	(8,413)	(9,160)	(1,890)
Depreciation, amortization and impairments	7.6	(107,463)	(36,410)	(96,463)	(42,363)
Accruals and impairments	7.7	(2,492)	(1,016)	(3,059)	(1,181)
Other accruals	7.7	(2,186)	(40)	(98)	(338)
Finance income	7.8	101	83	201	201
Finance expenses	7.8	(71,810)	(24,806)	(69,294)	(26,965)
Share of profit/(loss) of equity accounted investments	7.9	(360)	136	(43)	-
Profit (loss) before tax		129,125	30,381	(71,552)	5,862
Income tax expense	7.10	(45,395)	(8,546)	3,744	(6,595)
Net profit (loss) for the period		83,730	21,835	(67,807)	(733)
Net profit (loss) for the period attributable to minority interests		4,665	1,433	(591)	1,589
Net profit (loss) for the period attributable to the owners of the parent		79,065	20,403	(67,217)	(2,322)

<i>(in thousands of Euro)</i>	<i>Note</i>	For the nine months ended september 30 2022	For the three months ended september 30 2022	For the nine months ended september 30 2021 (*)	For the three months ended september 30 2021
Net profit (loss) for the period		83,730	21,835	(67,807)	(733)
Actuarial gains and losses on employee benefit liabilities	8.13	2,859	468	643	229
Fiscal effect	8.14	(686)	(112)	(154)	(55)
Other items that will not be classified to profit or loss		2,173	356	489	174
Gains and (losses) on hedging derivatives		20,060	8,455	689	92
Fiscal effect Gains and (losses) on hedging derivatives		(4,814)	(2,029)	(165)	(21)
Other items that will be classified to profit or loss		561	-	-	-
Total comprehensive loss		15,806	6,426	524	71
Total comprehensive loss attributable to minority interests		101,709	28,617	(66,794)	(487)
Total comprehensive loss attributable to the owners of the parent		4,665	1,433	(591)	1,589
Net profit (loss) for the period		97,044	27,184	(66,203)	(2,076)

(*) Consolidated Statement of Comprehensive Income figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details) and following the reclassification of costs attributable to the management of indirect AWP's to reduce revenues (see Note 2.1 Basis of preparation).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of Euro)</i>	<i>Note</i>	As of September 30, 2022	As of December 31, 2021 (*)
Intangible assets	8.1	445,721	447,210
Goodwill	8.2	1,184,354	1,139,816
Property, plant and equipment	8.3	97,878	97,721
Right of use	8.4	65,838	63,623
Investment property	8.5	496	516
Non-current financial assets	8.6	31,935	11,657
Equity accounted investments	8.7	9,561	6,859
Non-current trade receivables	8.8	1,394	2,257
Deferred tax assets	8.9	34,747	4,928
Other non-current assets	8.10	34,503	38,446
Total non-current assets		1,906,427	1,813,033
Inventories		1,301	86
Current trade receivables	8.8	78,918	117,291
Current financial assets	8.6	371,070	28,608
Tax receivables	8.11	10,371	1,273
Other current assets	8.10	103,448	77,928
Cash and cash equivalents	8.12	158,950	124,740
Total current assets		724,058	349,926
Total assets		2,630,485	2,162,959
Share capital	8.13	32,301	50
Other reserves	8.13	280,924	338,009
Retained earnings	8.13	(4,235)	(109,614)
Total shareholders' equity attributable to the owners of the parent		308,990	228,445
Equity attributable to minority interests	8.13	52,889	35,699
Total shareholders' equity		361,879	264,144
Employee benefit liabilities	8.14	17,089	15,396
Non-current financial liabilities	8.15	1,637,285	1,286,135
Provisions for risks and charges	8.16	30,517	30,921
Deferred tax liabilities	8.9	112,957	83,795
Other non-current liabilities	8.17	35,619	15,048
Total non-current liabilities		1,833,468	1,431,296
Current financial liabilities	8.15	47,425	162,992
Current trade payables	8.18	90,939	80,943
Tax payables	8.11	13,291	7,426
Other current liabilities	8.17	283,483	216,158
Total current liabilities		435,138	467,519
Total equity and liabilities		2,630,485	2,162,959

(*) Consolidated statement of financial position balances have been restated as reported in Note 6.8 below.

CONSOLIDATED STATEMENT OF CASH FLOWS*(in thousands of Euro)*

INDIRECT METHOD		As of September 30,	
	<i>Note</i>	2022	2021 (*)
Profit (Loss) before tax		129,125	(71,552)
<i>Reconciliation of profit before tax with cash flow from operating activities:</i>			
Depreciation, Amortization and Impairment of intangible assets and property, plant and	7.6	107,463	96,463
Accruals and write-downs for impairment losses	7.7	4,678	3,157
Other accruals	7.4	3,169	2,018
Share of profit/loss of equity accounted investments		360	43
Net financial expenses	7.8	69,440	67,337
Leasing financial expenses	7.8	2,269	1,755
"Prepayment" amortization	7.3	5,806	5,482
Other adjustments for non-cash items		3,676	(802)
Cash flow from operating activities before changes in net working capital		325,986	103,903
<i>Changes in net working capital</i>			
Decrease/(increase) in inventories		(422)	(23)
Decrease/(increase) in trade receivables	8.8	46,168	(64,223)
Decrease/(increase) in trade payables	8.18	(270)	19,252
Other changes in net working capital	8.9-8.10-8.11-8.17	(23,826)	83,868
Cash flow from changes in net working capital		21,651	38,874
Income taxes paid		(16,865)	(5,728)
Accruals to employee benefits and provisions for risks and charges	8.14-8.16	(5,273)	(1,902)
Cash flow from operating activities (a)		325,498	135,147
<i>Cash flow from investing activities</i>			
Investments:		(51,188)	(28,793)
- intangible assets	8.1	(22,263)	(10,647)
- property, plant and equipment	8.3	(30,562)	(18,146)
-dividends from associates	8.7	1,638	-
Escrow accounts	8.6	(341,375)	-
Deferred purchase consideration for acquisition of subsidiaries/business units	8.15	(125,421)	(821)
Acquisition net of cash and cash equivalents	6	(17,630)	(739,144)
Cash flow from investing activities (b)		(535,614)	(768,758)
<i>Cash flow from financing activities</i>			
Lease payment	8.15	(12,686)	(8,706)
Increase in credit facility	8.15	819	-
Repayment of credit facility	8.15	(1,033)	(201)
Raising of bond	8.15	350,000	575,000
Net financial expenses on raising of bond	8.15	(2,625)	(13,370)
Changes in current and non-current financial assets	8.6	(1,756)	(2,618)
Net financial expenses	7.8	(69,278)	(62,050)
Dividends paid	8.13	(19,116)	-
Transactions with minorities		-	(2,200)
Shareholders' contribution	8.13	-	175,000
Cash flow from financing activities (c)		244,325	660,856
Net Cash flow (a+b+c)		34,210	27,243
Cash and cash equivalents at the beginning of the period	8.12	124,740	145,807
Cash and cash equivalents at the end of the period	8.12	158,950	173,050

(*) Consolidated Statement of Cash Flow figures as of September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in thousands of Euro)</i>	Share capital	Legal Reserve	Other Reserves	Total Other Reserves	Retained Earnings/ (Losses)	Retained Earnings/ (Losses)	Total Shareholders' Equity Attributable to Owners of the Parent	Equity Attributable to Minority Interests	Total Shareholders' Equity
As of December 31, 2020	50	10	180,588	180,598	(50,653)	(50,653)	129,995	2,653	132,648
Net profit/(loss) for the period	-	-	-	-	(67,216)	(67,216)	(67,216)	(591)	(67,807)
Actuarial gains and losses on employee benefit liabilities	-	-	-	-	489	489	489	-	489
Gains and (losses) on hedging derivatives	-	-	-	-	524	524	524	-	524
Total comprehensive income	-	-	-	-	(66,203)	(66,203)	(66,203)	(591)	(66,794)
Shareholders' contribution	-	-	175,000	175,000	-	-	175,000	-	175,000
Target Companies Acquisition	-	-	-	-	-	-	-	13,737	13,737
Transactions with minorities	-	-	-	-	(1,656)	(1,656)	(1,656)	(544)	(2,200)
As of September 30, 2021 (*)	50	10	355,588	355,598	(118,512)	(118,512)	237,136	15,255	252,391

(*) Consolidated Statement of Changes in Equity figures as of September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details).

<i>(in thousands of Euro)</i>	Share capital	Legal Reserve	Share premium reserve	Other Reserves	Total Other Reserves	Retained Earnings/ (Losses)	Retained Earnings/ (Losses)	Total Shareholders' Equity Attributable to Owners of the Parent	Equity Attributable to Minority Interests	Total Shareholders' Equity
As of December 31, 2021	50	10	-	337,999	338,009	(109,614)	(109,614)	228,445	35,699	264,144
Merger by incorporation of Gamma Bidco into Lottomatica	32,251	6,450	236,145	(299,680)	(57,084)	24,834	24,834	-	-	-
As of January 1, 2022	32,301	6,460	236,145	38,319	280,924	(84,780)	(84,780)	228,445	35,699	264,144
Net profit/(loss) for the period	-	-	-	-	-	79,065	79,065	79,065	4,665	83,730
Actuarial gains and losses on employee benefit liabilities	-	-	-	-	-	2,173	2,173	2,173	-	2,173
Gains and (losses) on hedging derivatives	-	-	-	-	-	15,245	15,245	15,245	-	15,245
Gains and (losses) on conversion of financial statements of the foreign companies	-	-	-	-	-	561	561	561	-	561
Total comprehensive income	-	-	-	-	-	97,044	97,044	97,044	4,665	101,709
Dividend distribution	-	-	-	-	-	(16,500)	(16,500)	(16,500)	(2,616)	(19,116)
Valtellina Acquisition	-	-	-	-	-	-	-	-	888	888
Giocaonline Acquisition	-	-	-	-	-	-	-	-	1,045	1,045
Marim Acquisition (Tecno-Mar minority interests)	-	-	-	-	-	-	-	-	18	18
Ares Acquisition	-	-	-	-	-	-	-	-	189	189
Optima Acquisition	-	-	-	-	-	-	-	-	(53)	(53)
Transactions with minorities for Marim Acquisition	-	-	-	-	-	-	-	-	13,054	13,054
As of September 30, 2022	32,301	6,460	236,145	38,319	280,924	(4,235)	(4,235)	308,990	52,889	361,879

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2022

1. GENERAL INFORMATION

Introduction

On January 26, 2022 the merger by incorporation of Gamma Bidco S.p.A. into its direct subsidiary Lottomatica S.p.A. was finalized with all accounting and tax effects backdated to January 1, 2022 (for details of the transaction see the consolidated financial statements as of and for the year ended December 31, 2021, hereinafter also the “Annual Consolidated Financial Statements”). In addition, it is recalled that these Condensed Consolidated Interim Financial Statements have been prepared with regard to Lottomatica S.p.A. (“**Lottomatica**”, the “**Company**” or the “**Parent**” and together with its subsidiaries and associates the “**Group**”), a company incorporated and domiciled in Italy, with registered offices in Rome, Via degli Aldobrandeschi 300, organized under the laws of the Republic of Italy. The Company’s ultimate controlling entity is Apollo Management, L.P., a limited company incorporated under the laws of the State of Delaware (USA). The share capital of Lottomatica amounts to Euro 32,300,625, divided into 30,368,100 ordinary shares with no par value. The term of the Company is fixed until 31 December 2060.

The Group offers a diversified product range spread across three operating segments: (i) online betting and gaming (Online); (ii) betting and gaming through the retail network (Sports Franchise); and (iii) management of the AWP (amusement with prize machines) and VLT (video lottery terminals) entertainment device networks and management of owned gaming halls and AWP (Gaming Franchise).

The condensed consolidated interim financial statements as of and for the nine months ended September 30, 2022 (hereinafter the “**Condensed Consolidated Interim Financial Statements**”) have also been prepared in accordance with the provisions of the senior secured notes issued on July 23, 2020, April 1, 2021 and September 27, 2022, which require, inter alia, that the company prepare and publish consolidated financial statements for the periods ended March 31, June 30 and September 30, within 60 days of the end of such periods.

* * *

The Condensed Consolidated Interim Financial Statements were approved and their publication authorized by the Company’s Board of Directors on November 23, 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, through Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 (hereinafter “EU-IFRS”).

The designation “EU-IFRS” includes all “International Financial Reporting Standards”, all “International Accounting Standards” (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), formerly the “Standing Interpretations Committee” (“SIC”), adopted by the European Union as of the date of approving these Condensed Consolidated Interim Financial Statements, in accordance with the procedures provided for in Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002.

Specifically, the Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, regarding interim financial reporting. IAS 34 allows entities to prepare condensed financial statements that include less information at interim dates than that foreseen by EU-IFRS.

These Consolidated Financial Statements have been prepared in condensed form and should therefore be read together with the Annual Consolidated Financial Statements prepared in accordance with EU-IFRS and approved by the Board of Directors on March 11, 2022.

With regard to the comparative period, it is noted that the scope of consolidation includes the first consolidation of the “Acquired IGT Business” (referring jointly to Lottomatica Scommesse S.p.A., Lottomatica Videolot Rete S.p.A. and Big Easy S.r.l. acquired on 10 May 2021) for a period of five months, from 30 April 2021 (the month-end closest to the date control was assumed) to 30 September 2021.

These Condensed Consolidated Interim Financial Statements:

- have been prepared on a going concern basis, as management has confirmed the absence of financial, operational or other indicators that may suggest an inability on the part of the Group to meet its obligations in the foreseeable future and, in particular, during the 12 months following the reporting date;
- have been prepared and are presented in Euro, the main currency in which Group companies operate. Unless otherwise specified, all amounts in this document are expressed in thousands of Euro (Euro ‘000);
- include the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and these notes to the consolidated financial statements.

The recognition, classification and measurement criteria and accounting policies adopted in preparing these Condensed Consolidated Interim Financial Statements are the same as those adopted in preparing the Annual Consolidated Financial Statements to which reference is made, except in the case of:

- a) income taxes, which in accordance with IAS 34 are recognized based on a best estimate of the expected weighted average rate on an annual basis, unless this would result in distortive effects on the tax burden for the period. In such case, current tax rates for the period are used;
- b) the principles and amendments listed in Note 2.4 below that became applicable with effect from January 1, 2022 following completion of the relevant endorsement procedures by the competent authorities; and
- c) the classification of costs relating to the management of indirect AWP (i.e., those for which the Lottomatica Group plays the role of concessionaire only, as the AWP themselves are owned by third parties), such as the fees due to AWP owners and operators, which with effect from the quarter in question are now recorded as a direct reduction in revenues. Such reclassification of costs was made based on a re-evaluation of the role actually played by the Lottomatica Group in the management of indirect AWP, which is less significant in terms of its actual ability to affect the related revenues, resulting in it assuming the role of “agent” rather than “principal”. Based on such reconsideration of role, have been reclassified from “Cost of services” to a reduction in “Revenues” Euro thousand 58,782 and Euro thousand 65,686 for the three and nine-month periods ended September 30, 2021, respectively.

The Group has not opted for early adoption of any standards, interpretations or amendments issued but not yet effective.

2.2 Basis and principles of consolidation

The Condensed Consolidated Interim Financial Statements include the financial statements of the Company and its subsidiaries, prepared based on the accounting records of the individual companies, adjusted as necessary to align them with EU-IFRS.

The following table provides, for each of the subsidiaries and associates as of September 30, 2022, a summary of the company name, location of registered office, percentage share capital held directly or indirectly by the Company and consolidation method used.

	Registered office	Share capital	Percentage share of capital held	Consolidation method	As of September 30 2022	As of December 31 2021
Parent Company:						
Lottomatica S.p.A.	Roma	€ 32,300,625	-	-	X	X
Subsidiaries:						
Gamenet S.p.A.	Roma	€ 8,500,000	94,4%	Line-by-line	X	X
Enjoy the Game S.r.l. (1)	Roma	€ 1,250,000	94,4%	Line-by-line	X	X
Billions Italia S.r.l.	Roma	€ 200,000	66,1%	Line-by-line	X	X
Gnetwork S.r.l.	Roma	€ 50,000	94,4%	Line-by-line	X	X
GBO Italy S.p.A. (già GoldBet S.p.A.) (2)	Roma	€ 860,000	100%	Line-by-line	X	X
Jolly Videogiochi S.r.l.	Roma	€ 15,000	80,2%	Line-by-line	X	X
New Matic S.r.l.	Roma	€ 100,000	48,2%	Line-by-line	X	X
Agesoft S.r.l.	Roma	€ 100,000	56,7%	Line-by-line	X	X
Rosilport S.r.l.	Roma	€ 91,000	60,1%	Line-by-line	X	X
GoldBet.News S.r.l.	Roma	€ 10,000	100%	Line-by-line	X	X
Lottomatica Videolot Rete S.p.A.	Roma	€ 3,413,984	94,4%	Line-by-line	X	X
Lottomatica Scommesse S.p.A. (2)	Roma	€ 22,773,394	100%	Line-by-line	X	X
Big Easy S.r.l. (1)	Roma	€ 2,474,219	94,4%	Line-by-line	X	X
GGM S.p.A.	Roma	€ 26,284,590	94,4%	Line-by-line	X	X
GBO S.p.A.	Roma	€ 300,000	100%	Line-by-line	X	X
Gamenet PRO	Roma	€ 10,000	100%	Line-by-line	X	X
GNet Inc.	Delaware (Stati Uniti)	USD 264,854	100%	Line-by-line	X	X
The Box S.r.l.	Roma	€ 5,277,680	94,4%	Line-by-line	X	X
Slottery S.r.l.	Roma	€ 90,000	94,4%	Line-by-line	X	X
Lottomatica UK Ltd.	Londra (UK)	£ 1,000	100%	Line-by-line	X	X
Valtellina Giochi S.p.A. (3)	Roma	€ 60,000	64,1%	Line-by-line	X	-
Giocaonline S.r.l. (4)	Milano	€ 10,000	60%	Line-by-line	X	-
Fondazione Lottomatica (5)	Roma	€ 1,000,000	100%	Line-by-line	X	-
Ares S.r.l. (6)	Roma	€ 10,000	75,5%	Line-by-line	X	-
Marim S.r.l. (7)	Roma	€ 500,000	94,4%	Line-by-line	X	-
Tecno-Mar S.r.l. (7)	Moncalieri (TO)	€ 1,000	66,1%	Line-by-line	X	-
Lottomatica Digital Solutions S.r.l. (8)	Roma	€ 10,000	100%	Line-by-line	X	-
AB Games S.r.l. (9)	Roma	€ 10,000	94,4%	Line-by-line	X	-
Battistini Andrea S.r.l. (9)	Cesenatico (FC)	€ 10,400	94,4%	Line-by-line	X	-
Optima Gaming Service S.r.l. (10)	Salò (BS)	€ 10,000	48,1%	Line-by-line	X	-
Associates:						
Thinkabout S.r.l.	Milano	€ 85,783	24,90%	Equity	X	X
iPRO Inc.	Nevada (Stati Uniti)	USD 8,000,000	19,70%	Equity	X	X
IMA S.r.l. (7)	Roma	€ 101,000	46,3%	Equity	X	-

(1) On April 28, 2022, the extraordinary shareholders' meeting of di Enjoy the Game S.r.l. (the "Incorporated Company") and Big Easy S.r.l. (the "Incorporating Company") approved the plan prepared pursuant to Article 2501-ter of the Italian Civil Code regarding the merger by incorporation of the Incorporated Company into the Incorporating Company. The merger became legally effective on July 1, 2022.

(2) On March 15, 2022, the shareholders' meetings of Lottomatica Scommesse S.p.A. (the "Incorporated Company") and Goldbet S.p.A. (the "Incorporating Company") approved the plan prepared pursuant to Article 2501-ter of the Italian Civil Code regarding the merger by incorporation of the Incorporated Company into the Incorporating Company. The merger became legally effective on June 1, 2022. During the same shareholders' meeting on March 15, 2022, the shareholders of Goldbet S.p.A. changed the company's name to GBO Italy S.p.A., with effect from June 1, 2022.

(3) On October 28, 2021, effective January 1, 2022, Jolly Videogiochi S.r.l. completed the purchase of 80% of the share capital of Valtellina Giochi S.p.A., a company involved in the collection of bets placed through AWP and VLT devices on behalf of public gaming concessionaires and manager of 1,695 owned AWP devices.

(4) On February 4, 2022 GBO Italy S.p.A entered into a share sale agreement regarding the acquisition of 60% of the shares of Giocaonline S.r.l., a company operating in the production of classic games as well as the design and creation of casino games and online slot machines with innovative and exclusive products.

(5) On March 31, 2022, Lottomatica S.p.A. established the non-profit Lottomatica Foundation, with the objective of providing assistance, study, scientific research, education and other public benefits. Specifically, through study, research, training and information initiatives, the foundation aims to contribute to a greater awareness and understanding of social, economic and sustainable development issues, at both local and global levels.

(6) On April 5, 2022 Gamenet S.p.A. entered into an agreement to acquire 80% of the share capital of Ares S.r.l., a company engaged in the creation, development, marketing and maintenance of VLT systems.

(7) On May 18, 2022, GGM S.p.A. entered into an agreement for the acquisition of the entire share capital of Marim S.r.l., a company specialized in the marketing and distribution of AWP game cards. Marim owns 70% of the share capital of Tecno-Mar S.r.l. and 49% of the share capital of IMA S.r.l., both of which operate in the same business as Marim.

(8) On May 2, 2022 GBO Italy S.p.A. (formerly Goldbet S.p.A.) completed the incorporation of Lottomatica Digital Solutions S.r.l.; the company will be involved in the design and delivery of IT services, the development and marketing of software products. and the installation, maintenance and technical support of IT systems.

(9) On July 4, 2022, Big Easy S.p.A. signed an agreement to acquire 100% of the share capital of the companies Battistini Andrea S.r.l. and AB Games S.r.l., each with share capital of Euro 10 thousand; the former company is involved in the management of bingo halls in accordance with concession No.

003/TL17R, the management of VLT/AWP bet and betting on behalf of other concession-holders, while the latter provides catering services at the halls managed by the former.

- (10) With effect from September 1, 2022, Jolly Videogiochi S.r.l completed the acquisition of 60% of the shares of Optima Gaming Service S.r.l, a company with share capital of Euro 10 thousand, which performs collection activities relating to amusement and entertainment devices pursuant to Article 110 of the T.U.L.P.S. on behalf of ADM authorized concession holders.

For details of changes in the scope of consolidation following the acquisitions made during the first nine months of 2022, see Note 6 – Business combinations.

2.3 Use of accounting estimates

The preparation of Condensed Consolidated Interim Financial Statements in conformity with relevant accounting standards and methods in certain cases requires management to make estimates and assumptions based on subjective judgments, past experience and hypotheses considered reasonable and realistic, given the information known at the time. Such estimates have an effect on the amounts reported in the financial statements, including the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the related notes to the consolidated financial statements. Actual results may then differ, even significantly, from those reported in the consolidated financial statements due to changes in the factors considered in determining the estimates, given the uncertainties that characterize the assumptions on which estimates are based.

Many reported account balances are based on estimates and while not all constitute large amounts, key accounting estimates involving a high degree of subjectivity and judgement on the part of management, where a change in the conditions underlying the assumptions could have a significant effect on the Group's financial results, are detailed below.

2.3.1 Deferred tax

Deferred taxes are recognized on temporary differences with respect to the related tax base and on unused tax losses carried forward, to the extent it is probable that future taxable profit will be available against which such deferred tax assets can be utilized. Judgement is required on the part of management, involving estimates regarding the timing and level of future taxable profits, to determine the level of deferred tax assets that should be recognized.

2.3.2 Trade receivables

In accordance with IFRS 15, trade receivables for the provision of services are recognized based on the terms of the relevant customer contract and classified according to the nature of the counterparty and/or the due date of the receivable (such definition includes invoices still to be issued for services already provided).

As trade receivables are typically short-term in nature and do not involve payment of interest, amortized cost is not calculated and they are accounted for at the nominal value stated on the invoice or statement or in the customer contract: such arrangement is followed even for those receivables due after more than 12 months, so long as the effect is not significant. This is due to the fact that the value of short-term receivables is very similar whether the historical cost method or amortized cost method is adopted and the impact of discounting is insignificant.

Trade receivables are tested for impairment in accordance with the requirements of IFRS 9. For measurement purposes, trade receivables are categorized by due date. Performing receivables are measured collectively, grouping individual exposures based on similar credit risk. The measurement process involves reviewing losses suffered on assets with similar credit risk based on past experience and considers expected losses. Provisions are made against individually significant receivables for which an objective risk of partial or total non-collection is identified.

The Group applies the simplified approach set out in IFRS 9 to estimate the recoverability of its trade receivables.

The adjustment of estimates takes into account the risk of non-collection of receivables by applying different expected loss allowances to groups of receivables, each characterized by similar risk profiles and ageing or status of actions taken to recover doubtful receivables.

2.3.3 Financial assets and liabilities

Financial assets and liabilities (other than derivative financial instruments) are initially recognized at fair value and subsequently measured at amortized cost, calculated using the effective interest method.

Except in the case of the bonds and the interest rate hedge, the fair values of such instruments do not differ materially from their book values as the relevant interest income/expense is in line with current market rates or the instruments are short-term in nature. As of the reporting date, the fair values of the bonds issued in 2020, 2021 and 2022 described

in Note 8.15 and the interest rate hedge described in Note 3.1 were Euro 599,463 thousand, Euro 518,995 thousand, Euro 351,313 thousand and Euro 21,558 thousand respectively.

Other financial assets and liabilities are short-term or valued at market rates and. Consequently, their fair value is deemed to be substantially in line with their book value.

2.3.4 Impairment of assets

Goodwill and other tangible, intangible and investment property assets with a finite useful life are tested for impairment when there are indicators of impairment are identified that suggest the full asset value may not be recovered through use. The recoverable amount is estimated and the carrying amount of the asset is reduced accordingly. Identification of the existence of such indicators of impairment requires management to exercise judgement based on experience and information available both within the Group and in the broader marketplace. In the case of goodwill, such tests are performed at least annually. If impairment indicators are identified, management employs what it considers to be the most appropriate measurement techniques to estimate such impairment. Both the correct identification of the indicators of impairment and the related estimates of the extent of such impairment depend upon factors that may change over time, thereby influencing measurements and management estimates.

Impairment tests are carried out for each cash-generating unit ("CGU") to which goodwill has been allocated (if events or changes in circumstances indicate that goodwill may be impaired, impairment tests are performed even in the event that the process of allocating goodwill to CGUs has not yet been completed). An impairment loss on goodwill is recognized when the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use, being the present value of estimated future cash flows; in calculating the value in use, the estimated future cash flows are discounted to present value using a net of tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the assets less costs of disposal;
- the value in use;
- zero.

Impairment losses recognized for goodwill may not be reversed in subsequent periods even if the conditions that gave rise to such impairment loss cease to exist.

2.3.5 Depreciation and amortization

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight-line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events that may affect them, such as technological changes. An asset's actual useful life may, therefore, be different from its estimated useful life.

2.3.6 IFRS 16 "Leases"

Right-of-use assets are measured as being equal to the related lease liabilities at the date of initial application, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The Group has elected to make use of the exemptions provided for in the standard in relation to short-term leases (for periods of less than 12 months, including those with residual duration of less than 12 months at the date of initial application) and low value assets (including IT equipment and office items and equipment), which in any event in total are not material. Lease payments relating to such contracts are recognized in the income statement.

Lease liabilities are measured at the present value of the lease payments that are not paid at the date of first application of the standard, which are fixed over the lease term. The lease term includes the non-cancellable periods of a lease during which the Group can exercise the right of use of the leased asset, as well as periods covered by an option to extend the lease if the Group is reasonably certain to exercise such option. Lease liabilities do not include costs other than costs directly associated with the lease (e.g. management or ancillary costs).

The discount rates used to measure lease liabilities are the Group's incremental borrowing rates, which take account of country risk. Currency, the duration of the lease contract and the Group's credit risk. Similar discount rates are applied to leases with similar lease terms.

The effects as of September 30, 2022 of adopting IFRS 16 included: an increase of Euro 12.7 million in EBITDA, as a result of the capitalization of a similar amount in relation to operating lease fees that were previously charged to the income statement as cost of services; an increase of Euro 10.9 million in depreciation charges; and an increase of Euro 2.3 million in finance expenses. Net financial debt also increased by Euro 71.8 million.

2.4 RECENTLY ISSUED ACCOUNTING STANDARDS

As of the reporting date, the following standards and amendments had been endorsed by the EU, effective for accounting periods beginning on or after January 1, 2022:

	Effective date
<i>Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)</i>	Effective for accounting periods beginning on or after January 1, 2022

The Group has determined that first-time application of the above accounting standards has had no significant effect on its operating results, financial position or cash flows.

3. MANAGEMENT OF FINANCIAL RISKS

The Group is exposed to the following risks: market risk (interest rate risk), credit risk and liquidity risk.

The Group's objective is to maintain a balanced approach to managing its financial exposure by matching assets and liabilities and achieving operational flexibility through the use of liquidity generated by current operating activities and bank loans.

The Group's ability to generate liquidity from operations together with its borrowing capacity enable it to satisfy its operational requirements to fund working capital, invest and meet its financial obligations.

Treasury and financial risk management are centralized within the Group. Specifically, the central finance function is responsible for evaluating and approving forecast financial requirements, monitoring trends and taking corrective action as necessary.

The following paragraphs provide qualitative information relating to the Group's exposure to the aforementioned financial risks.

3.1 Market risk

Interest rate risk

Interest rate changes on the variable component of financial payables and liquidity may result in higher/lower finance charges/income. It is noted that, following the issue of the bond as described in Note 8.15 below, the Group is exposed to interest rate risk in relation to the share of the notes amounting to Euro 300 million that bear interest equal to the three-month EURIBOR rate (with a 0% floor).

In order to hedge the risk relating to possible movements in the interest rate of the aforementioned bond, on August 12, 2020 a derivative contract was entered into with UniCredit S.p.A. for a notional value of Euro 300 million. The contract protects against the risk linked to a general increase in interest rates by exchanging the bond's three-month EURIBOR rate with a contractually determined fixed interest rate (0.1262% calculated quarterly, with the first period commencing on October 15, 2020 and a termination date of July 15, 2025). Such hedging transaction is accounted for as a cash flow hedge in accordance with IFRS 9.

3.2 Credit risk

Credit risk represents the Group's exposure to the risk of potential losses resulting from the non-fulfilment of obligations by counterparties.

The collection of wagers by points of sale and nominated third parties may generate credit risk for the Group, as the failure of or losses incurred by, one or more members of the distribution network or the interruption of relations with any of them for whatever reason can have a negative impact on the Group's results, business activities, financial conditions and future prospects. The Group mitigates such risk by obtaining bank and/or insurance guarantees.

In accordance with the new guidance in IFRS 9, trade receivables are recognized net of provisions, calculated on the basis of a model of risk of non-fulfilment of obligations by counterparts, in turn based on available information regarding the counterparty's solvency and historical data, in such a way as to represent the fair value of the receivables or expected realizable value of both already impaired receivables and those that may become impaired in the future. Provisions are made against individually significant receivables for which an objective risk of partial or total non-collection is identified.

3.3 Liquidity risk

Liquidity risk is the risk that owing to an inability to access new funds or sell assets, the Group is unable to meet its payment obligations, leading to a negative impact on results if it is then obliged to incur additional costs to meet its obligations or deal with insolvency.

The Group manages this risk by seeking to establish a financial structure that, consistent with its business objectives and defined limits: i) ensures sufficient liquidity, while minimizing the related opportunity cost; and ii) maintains an appropriate balance in terms of duration and composition of debt.

The Group's exposure to such risk mainly relates to repayment obligations regarding the bonds issued on July 23, 2020 and April 1, 2021 for Euro 640 million and Euro 575 million respectively, both maturing in 2025, and on September 27, 2022 for Euro 350 million maturing in 2027, as well as the revolving credit facility entered into for a total amount of Euro 347 million (as amended on issue of the 2022 bond), of which of which Euro 5 million used as of September 30, 2022 to issue unsecured signature loans and Euro 50 million available to provide guarantee commitments. See Note 8.15 for details regarding the bonds and the revolving credit facility in place as of the reporting date.

4. CAPITAL MANAGEMENT

The Group's capital management is aimed at guaranteeing solid credit ratings and adequate capital indicators to support its investment plans, while meeting contractual obligations with lenders.

The Group ensures it has sufficient capital to finance its business development needs and meet operating requirements; to guarantee a balanced financial structure and minimize the total cost of capital. finances are sourced through a mix of risk capital and debt to the benefit of all stakeholders.

The Group is subject to certain restrictions in relation to certain financial liabilities (for further details see "Note 8.15 Current and non-current financial liabilities").

Returns on capital are monitored by reviewing market trends and business performance, net of other commitments, including borrowing costs. In order to ensure the Group's going concern status, develop the business and provide an adequate return on capital. Management monitors the Group's debt to equity and debt to EBITDA ratios on an ongoing basis, as well as monitoring debt with respect to business trends and expected future cash flows in the medium/long term.

5. OPERATING SEGMENTS

The following disclosure regarding operating segments is provided in accordance with IFRS 8 "Operating segments" (hereinafter "**IFRS 8**"), which requires that such disclosure reflects the manner in which management manages the business and makes operational decisions. Accordingly, the operating segments and related disclosures are based on internal reporting used by management to make decisions about resources to be allocated to the various operating segments and assess performance.

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.

The Group is one of the largest operators in the Italian public gaming sector, thanks to its diversified offer of multi-concession gaming products. In the consolidated financial statements for the year ended December 31, 2020 and interim consolidated financial statements issued during 2021, the Group had identified the following operating segments: (i) online betting and gaming (**Online**); (ii) betting and gaming through the retail network (**Retail Betting**);

(iii) amusement with prize machines (**AWP**); (iv) video lottery terminals (**VLT**); and (v) management of owned gaming halls and AWP's (**Retail & Street Operations**) (hereinafter AWP, VLT, Retail Betting, Online and R&SO and together the "Historical Operating Segments").

With effect from December 2021, all reporting used by Group top management to monitor performance is prepared with regard to the following components: i) Online, ii) Retail Betting and iii) Gaming Machines (hereinafter the "2021 Components"). Accordingly, considering also the reorganization implemented during the final months of 2021, the Group revised the definition of its operating segments. Comparison of the Historical Operating Segments and the 2021 Components demonstrated that the Online and Retail Betting components are uniquely attributable to the Betting and Online segments, while AWP, VLT and Retail & Street Operations are aggregated in the Gaming Machines component. Starting from this interim consolidated financial statements, Betting Retail and Gaming Machines operating segments were renamed in Sports Franchise and Gaming Franchise, respectively.

Operating segments are monitored based on: i) revenues and other income; ii) contribution margin; and iii) EBITDA. Contribution margin is defined as revenues and other income net of distribution costs, concession fees, platform costs and other direct costs. EBITDA is defined as net profit (or loss) for the year adjusted for: (i) Income tax expense; (ii) Finance expenses; (iii) Finance income; (iv) Share of profit of equity accounted investments; (v) Impairment of financial assets; (vi) Depreciation, amortization and impairments; (vii) Non-monetary costs; (viii) Acquisition related transaction costs; (ix) Expenses on corporate restructuring and redundancy; (x) income and expenses that by their nature are not reasonably expected to re-occur in future periods.

Management believes that the aforementioned indicators provide a good indication of the performance of the Group's operating segments.

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

The Group currently operates for the main part in Italy.

Finally, in terms of the balance sheet, it is noted that details of assets and liabilities by segment are not included in the information periodically reviewed by management and therefore such information is not reported below.

The following table provides details of Group operating segments for the periods ended September 30, 2022 and 2021:

(in thousands of Euro)

	Online		(**) Sports Franchise		(**) Gaming Franchise		Elimination		Total	
	Sept '22	Sept '21	Sept '22	Sept '21	Sept '22	Sept '21	Sept '22	Sept '21	Sept '22	Sept '21(*)
Revenues toward third parties	239,514	196,851	252,599	65,285	525,691	195,251	-	-	1,017,804	457,386
Other income toward third parties	964	18	3,483	1,081	4,147	4,013	-	-	8,594	5,112
Intragroup Revenues and Other income	8,523	255	7,626	86	4,984	1,510	(21,136)	(1,850)	-	-
Third party distribution costs	(56,528)	(66,545)	(136,669)	(37,741)	(263,935)	(100,448)	6,196	336	(450,938)	(204,398)
Tax- concession fees – other	(3,513)	(3,350)	(7,212)	(3,663)	(23,742)	(9,098)	-	-	(34,468)	(16,111)
Other distribution & platform costs	(19,543)	(15,053)	(7,246)	(1,352)	(23,834)	(8,918)	-	-	(50,623)	(25,323)
Other direct costs	(10,659)	(7,980)	(287)	(132)	(29,367)	(10,001)	10,389	-	(29,925)	(18,114)
Contribution margin	158,758	104,195	112,293	23,563	193,944	72,309	(4,551)	(1,515)	460,444	198,552
Other operating costs	(19,196)	(22,288)	(33,110)	(19,237)	(70,291)	(35,169)	4,551	1,515	(118,046)	(75,180)
EBITDA	139,562	81,907	79,183	4,326	123,653	37,140	-	-	342,398	123,372
Costs not included in EBITDA									(33,741)	(29,325)
Depreciation, amortization and impairments									(107,463)	(96,463)
Finance income									101	201
Finance expenses									(71,810)	(69,294)
Share of profit/(loss) of equity accounted investments									(360)	(43)
Profit (loss) before tax									129,125	(71,551)
Income tax expense									(45,395)	3,744
Net profit (loss) for the period									83,730	(67,807)

(*) Figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details).

(**) The Betting Retail and Gaming Machines operating segments were renamed into Sports Franchise and Gaming Franchise, respectively.

6. BUSINESS COMBINATIONS AND ACQUISITION OF BUSINESSES

The following paragraphs provide a brief description of the acquisitions that took place during the period ended September 30, 2022.

6.1 Acquisition of Valtellina Giochi S.p.A.

On January 1, 2022, Jolly Videogiochi S.r.l. acquired 80% of the share capital of Valtellina Giochi S.p.A., a company involved in the collection of bets placed through AWP and VLT devices on behalf of public gaming concessionaires and manager of 1.695 owned AWP devices. The consideration for the acquisition amounted to approximately Euro 11.0 million (net of Euro 0.2 million, representing the effect of discounting the deferred price component to present value) including 80% of the net financial position as of the Effective Date. Of such amount, Euro 4.0 million was paid in cash on the effective date, Euro 3.2 million, equal to 80% of the net financial position as of the effective date, was paid on June 9, 2022 and Euro 4 million, the deferred price component, is due within 13 months of the effective date. The acquisition resulted in increased revenues of approximately Euro 3.9 million and an increase of around Euro 1.1 million in net profit attributable to the Group for the period between the effective date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely December 31, 2021, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group.

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 7.5 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Property, plant and equipment	314	-	314
Trade receivables	40	-	40
Deferred tax assets	6	-	6
Other assets	2,526	-	2,526
Cash and cash equivalents	5,708	-	5,708
Provisions for risks and charges	28	-	28
Employee benefit liabilities	491	-	491
Trade payables	2,234	-	2,234
Tax payables	341	-	341
Other liabilities	1,120	-	1,120
Net acquired assets (liabilities) (A)	4,380	-	4,380
Equity attributable to minority interests (B)	888	-	888
Net acquired assets (consideration paid) (C)	10,953	-	10,953
Goodwill (C) - (A) + (B)	7,461	-	7,461

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	7,028
Cash and cash equivalents at acquisition date	(5,708)
Net cash flow from acquisition as of September 30, 2022	1,320

(*) Euro 4.0 million will be paid within 13 months of the effective date.

6.2 Acquisition of Giocaonline S.r.l.

On February 4, 2022 GBO Italy S.p.A. (formerly GoldBet S.p.A.) entered into a share sale agreement regarding the acquisition of 60% of the shares of Giocaonline S.r.l., a company operating in the production of classic games as well as the design and creation of casino games and online slot machines with innovative and exclusive products.

The consideration for the acquisition, including the price adjustment, amounted to Euro 14.8 million. Of such amount Euro 13.8 million was paid at closing and Euro 1 million, the deferred price component, was paid on May 20, 2022. The acquisition resulted in increased revenues of approximately Euro 2.8 million and an increase of around Euro 1.1 million in net profit attributable to the Group for the period between the acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest

to the date control was assumed, namely December 31, 2021, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group (other differences relating to the period between December 31, 2021 and February 4, 2022 are not considered to be significant).

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 13.3 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Intangible assets	1,984	-	1,984
Property, plant and equipment	78	-	78
Right of use	107	-	107
Financial assets	32	-	32
Trade receivables	1,456	-	1,456
Other assets	386	-	386
Cash and cash equivalents	119	-	119
Employee benefit liabilities	201	-	201
Financial liabilities	612	-	612
Trade payables	83	-	83
Tax payables	251	-	251
Other liabilities	402	-	402
Net acquired assets (liabilities) (A)	2,612	-	2,612
Equity attributable to minority interests (B)	1,045	-	1,045
Net acquired assets (consideration paid) (C)	14,836	-	14,836
Goodwill (C) - (A) + (B)	13,269	-	13,269

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	14,836
Cash and cash equivalents at acquisition date	(119)
Net cash flow from acquisition as of September 30, 2022	14,718

6.3 Acquisition of Marim S.r.l.

On May 18, 2022, GGM S.p.A. entered into an agreement for the acquisition of the entire share capital of Marim S.r.l., a company specialized in the marketing and distribution of AWP game cards. Marim owns 70% of the share capital of Tecno-Mar S.r.l. and 49% of the share capital of IMA S.r.l., both of which operate in the same business as Marim. The consideration was agreed as the sum of a base price of Euro 13.1 million, plus an earn-out of up to Euro 3 million to be determined on the basis of Marim's performance in the 36 months following the acquisition (to be paid, to the extent due, following verification of such performance). Concurrent with completion of the acquisition, GGM S.p.A. increased its share capital through an issue of new shares equal to the amount of the agreed consideration to be paid and assigned such shares to the seller in settlement of the base price. The seller subscribed such newly issued shares in the amount of Euro 13.1 million (including the share premium) with the related amount settling in full the base price due by GGM for the acquisition of Marim.

The acquisition resulted in increased revenues of approximately Euro 0.8 million and a decrease of around Euro 0.5 million in net profit attributable to the Group for the period between the effective acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely May 31, 2022, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group (other differences relating to the period between May 13, 2022 and May 31, 2022 are not considered to be significant).

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 4.9 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Intangible assets	2	-	2
Property, plant and equipment	229	-	229
Right of use	624	-	624
Equity accounted investments	4,126	-	4,126
Trade receivables	7,458	-	7,458
Deferred tax assets	161	-	161
Inventories	787	-	787
Other assets	864	-	864
Tax receivables	263	-	263
Cash and cash equivalents	2,735	-	2,735
Employee benefit liabilities	423	-	423
Provisions for risks and charges	350	-	350
Financial liabilities	626	-	626
Trade payables	7,133	-	7,133
Tax payables	20	-	20
Other liabilities	544	-	544
Net acquired assets (liabilities) (A)	8,153	-	8,153
Equity attributable to minority interests (B)	18	-	18
Net acquired assets (consideration paid) (C)	13,054	-	13,054
Goodwill (C) - (A) + (B)	4,919	-	4,919

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	13,054
Cash and cash equivalents at acquisition date	(2,735)
Net cash flow from acquisition as of September 30, 2022	10,319

(*) Concurrent with completion of the acquisition, GGM S.p.A. increased its share capital by an amount equal to the agreed consideration to be paid and assigned such shares to the seller in settlement of the base price.

6.4 Acquisition of Ares S.r.l.

On April 5, 2022 Gamenet S.p.A. entered into an agreement to acquire 80% of the share capital of Ares S.r.l., a company engaged in the creation, development, marketing and maintenance of VLT systems. The consideration for the acquisition amounted to approximately Euro 1.0 million. Of such amount, Euro 0.5 million was paid in cash on the acquisition date and Euro 0.5 million, the deferred price component, is due to be paid within nine months of the acquisition date. The aforementioned acquisition had no significant impact on revenues or net profit attributable to the Group for the period between the acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely March 31, 2022, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group.

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 0.2 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Intangible assets	1,981	-	1,981
Property, plant and equipment	3	-	3
Trade receivables	29	-	29
Deferred tax assets	15	-	15
Other assets	53	-	53
Financial liabilities	1,102	-	1,102
Trade payables	14	-	14
Other liabilities	20	-	20
Net acquired assets (liabilities) (A)	944	-	944
Equity attributable to minority interests (B)	189	-	189
Net acquired assets (consideration paid) (C)	956	-	956
Goodwill (C) - (A) + (B)	201	-	201

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	478
Cash and cash equivalents at acquisition date	-
Net cash flow from acquisition as of September 30, 2022	478

(*) Euro 0.5 million, the deferred price component, is due to be paid at a later date.

6.5 Acquisition of Battistini Andrea S.r.l.

On July 4, 2022, Big Easy S.p.A. signed an agreement to acquire 100% of the share capital of Battistini Andrea S.r.l., a company with share capital of Euro 10 thousand, involved in the management of bingo halls in accordance with concession No. 003/TL17R, the management of VLT/AWP and betting on behalf of other concession-holders. The consideration for the sale of the shares, amounting to Euro 6.4 million, was agreed as the sum of a base price plus the net financial position as determined based on contractual provisions. Of such amount, Euro 2.3 million was paid in cash on the acquisition date and Euro 4.1 million, the deferred price component, is due to be paid within 24 months of the acquisition date. While the acquisition resulted in increased revenues of approximately Euro 1.7 million, it had no significant impact on net profit attributable to the Group for the period between the acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely June 30, 2022, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group.

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 4.0 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Property, plant and equipment	739	-	739
Financial assets	131	-	131
Trade receivables	160	-	160
Other assets	45	-	45
Tax receivables	3	-	3
Inventories	3	-	3
Cash and cash equivalents	2,462	-	2,462
Employee benefit liabilities	151	-	151
Provisions for risks and charges	27	-	27
Financial liabilities	271	-	271
Trade payables	157	-	157
Other liabilities	252	-	252
Net acquired assets (liabilities) (A)	2,686	-	2,686
Net acquired assets (consideration paid) (C)	6,678	-	6,678
Goodwill (C) - (A) + (B)	3,992	-	3,992

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	2,300
Cash and cash equivalents at acquisition date	(2,462)
Net cash flow from acquisition as of September 30, 2022	(162)

(*) Euro 0.5 million, the deferred price component, is due to be paid at a later date.

6.6 Acquisition of AB Games S.r.l.

On July 4, 2022, Big Easy S.p.A. signed an agreement to acquire 100% of the share capital of AB Games S.r.l., a company with share capital of Euro 10 thousand, which (as explained above in Note 6.5) provides catering services at the halls managed by Battistini Andrea S.r.l. The consideration for the sale of the shares, amounting to Euro 138 thousand, was agreed as the sum of a base price plus the net financial position as determined based on contractual provisions. Of such amount, Euro 50 thousand was paid in cash on the acquisition date and Euro 88 thousand, the deferred price component, is due to be paid within 24 months of the acquisition date. While the acquisition resulted in increased revenues of approximately Euro 0.5 million, it had no significant impact on net profit attributable to the Group for the period between the acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely June 30, 2022, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group.

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 0.1 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Property, plant and equipment	7	-	7
Financial assets	1	-	1
Trade receivables	1	-	1
Other assets	2	-	2
Inventories	4	-	4
Cash and cash equivalents	288	-	288
Employee benefit liabilities	33	-	33
Financial liabilities	106	-	106
Trade payables	44	-	44
Other liabilities	62	-	62
Net acquired assets (liabilities) (A)	58	-	58
Net acquired assets (consideration paid) (C)	170	-	170
Goodwill (C) - (A) + (B)	113	-	113

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	50
Cash and cash equivalents at acquisition date	(288)
Net cash flow from acquisition as of September 30, 2022	(238)

(*) Euro 88 thousand, the deferred price component, is due to be paid at a later date.

6.7 Acquisition of Optima Gaming Service S.r.l.

With effect from September 1, 2022, Jolly Videogiochi S.r.l. completed the acquisition of 60% of the shares of Optima Gaming Service S.r.l., a company with share capital of Euro 10 thousand, which performs collection activities relating to amusement and entertainment devices pursuant to Article 110 of the T.U.L.P.S. on behalf of ADM authorized concession holders. The consideration for the sale of the shares, amounting to Euro 480 thousand, was agreed as the sum of a base price plus the net financial position as determined based on contractual provisions. Of such amount, Euro 240 thousand was paid in cash on the acquisition date and Euro 240 thousand, the deferred price component, is due to be paid within 6 months of the acquisition date. While the acquisition resulted in increased revenues of approximately Euro 4.1 million, it had no significant impact on net profit attributable to the Group for the period between the acquisition date and September 30, 2022. Such amounts have been calculated based on the accounting records of the acquired company as of the date closest to the date control was assumed, namely August 31, 2022, adjusted as required to recognize any differences with respect to the accounting policies adopted by the Group.

The net assets acquired were recognized at fair value, together with goodwill amounting to approximately Euro 1.3 million, calculated as shown in the table below:

<i>(in thousands of Euro)</i>	Book Value as at acquisition date	Purchase price allocation as at acquisition date	Fair Value as at acquisition date
Property, plant and equipment	186	-	186
Right of use	875	-	875
Trade receivables	282	-	282
Deferred tax assets	502	-	502
Other assets	496	-	496
Cash and cash equivalents	7,556	-	7,556
Employee benefit liabilities	1,679	-	1,679
Financial liabilities	875	-	875
Trade payables	562	-	562
Tax payables	19	-	19
Other liabilities	7,644	-	7,644
Net acquired assets (liabilities) (A)	(881)	-	(881)
Equity attributable to minority interests (B)	(53)	-	(53)
Net acquired assets (consideration paid) (C)	480	-	480
Goodwill (C) - (A) + (B)	1,308	-	1,308

As of the date of preparing this document, the measurement of the fair value of the assets acquired and liabilities assumed, as well as the amount to be allocated to goodwill, is still ongoing and, therefore, in accordance with the provisions of IFRS 3, the company shall complete such measurement within twelve months from the acquisition date. The provisional values of the assets acquired and liabilities assumed may be adjusted retrospectively to recognize their fair value at the acquisition date, with such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

<i>(in thousands of Euro)</i>	
Net acquired assets (consideration paid) as of September 30, 2022 (*)	240
Cash and cash equivalents at acquisition date	(7,556)
Net cash flow from acquisition as of September 30, 2022	(7,316)

(*) Euro 240 thousand, the deferred price component, is due to be paid at a later date.

6.8 Acquisition of Lottomatica Videolot Rete S.p.A. and Lottomatica Scommesse S.p.A.

With regard to the acquisition in question, it is noted that the provision for risks relating to penalties attributable to the ADM service level was modified following analysis of the related contingent liability, which was assessed as probable. Specifically, the revised estimate resulted in i) an increase in the risk provision of Euro 3.337 thousand, ii) recognition of related deferred tax assets in the amount of Euro 972 thousand and iii) an increase in goodwill attributable to the acquisition in the amount of Euro 2.365 thousand. In accordance with IFRS 3, such adjustments are accounted for as of the date of acquisition of Lottomatica Videolot Rete S.p.A. and Lottomatica Scommesse S.p.A. and are therefore included in the comparative figures as of December 31, 2021 reported in the consolidated statement of financial position as of September 30, 2022.

6.9 Acquisition of businesses

As part of the distribution insourcing strategy relating to the Gaming Franchise segment, contracts were entered into during the period to acquire the following businesses involving the acquisition of AWP devices:

<i>(in thousands of Euro)</i>						
Company	Target	Effective date	Asset quantity	Acquisition price (*)	Net assets acquired	Goodwill
Property, plant and equipment						
Gaming Hardware Other assets						
Rosilport S.r.l.	Verbano Business	February 1, 2022	135	600	230	370
Valtellina Giochi S.p.A.	Radaelli Business	February 16, 2022	141	650	189	398
Gamenet S.p.A.	AC Group Business	March 16, 2022	286	1,100	590	474
Jolly Videogiochi S.r.l.	Valti Games Business	May 1, 2022	61	350	82	268
Rosilport S.r.l.	Rocca Michelangelo Business	June 1, 2022	162	350	147	203
Gamenet S.p.A.	Di Nunno Business (GSPA)	June 1, 2022	541	2,200	1,006	997
Lottomatica Videolot Rete S.p.A.	Di Nunno Business (LVR)	June 1, 2022	1,010	5,800	1,574	3,462
Gamenet S.p.A.	Center Games Business (GSPA)	June 16, 2022	120	165	147	18
Lottomatica Videolot Rete S.p.A.	Center Games Business (LVR)	June 16, 2022	509	1,690	401	1,150
Lottomatica Videolot Rete S.p.A.	J Play Business	June 16, 2022	83	345	70	257
Valtellina Giochi S.p.A.	Bluejoker Games Business (LVR)	June 16, 2022	147	590	118	402
Valtellina Giochi S.p.A.	Bluejoker Games Business (Gl. St.)	June 16, 2022	35	130	28	98
Gamenet S.p.A.	Giochi Fumarolo Business	July 1, 2022	285	1,700	398	1,258
Lottomatica Videolot Rete S.p.A.	Giochi Fumarolo Business	July 1, 2022	391	2,150	398	1,612
Gamenet S.p.A.	Fun Seven Business	July 1, 2022	424	1,600	547	993
Lottomatica Videolot Rete S.p.A.	Giochi Elettronici Toscani Business	July 16, 2022	522	1,800	385	1,315
Total			4,852	21,220	6,310	13,275

(*) excluding cash in the hoppers.

The difference between the purchase price and the fair value of the net assets acquired was recognized as goodwill allocated to the Gaming Franchise segment.

The cash flow relating to the total consideration paid for the acquisition of the businesses amounted to Euro 7.7 million.

7. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

7.1 Revenues

The following table provides a breakdown of “Revenue”:

(in thousands of Euro)

	As of September, 30	
	2022	2021
Online	239,514	196,851
Sports Franchise	252,599	65,285
Gaming Franchise	525,691	195,251
	<i>of which:</i>	
	AWP	196,440
	VLT	314,682
	Retail and Street Operations	14,569
Total	1,017,804	457,386

Any analysis of revenues with respect to the equivalent period of the previous year must bear in mind that, in 2021, gaming hall and betting hall activities were suspended until June 1 in implementation of the measures introduced by the government to contain and manage the emergency situation linked to the spread of the Covid-19 virus.

The Online segment on the other hand remained operational throughout the nine-month periods ended September 30, 2022 and 2021.

It is recalled that in 2021 the Acquired IGT Business were included within the consolidation for five months only, starting from May; related revenues totaled approximately Euro 201.6 million (specifically, Online segment revenues Euro 57.9 million, Sports Franchise segment revenues Euro 18.7 million and Gaming Franchise segment revenues Euro 125 million).

7.2 Other income

“Other income” amounted to Euro 8.6 million and included *inter alia*: income from the services provided to GBO Italy S.p.A. sales point operators (Euro 2.8 million); the amount due to Lottomatica S.p.A. following the signing on April 13, 2022 of the Settlement Agreement between Lottomatica S.p.A. and the sellers of the equity interest in the Acquired IGT Businesses, IGT Lottery S.p.A. and International Game Technology PLC (Euro 1.0 million); income from tax contributions for technological innovation & technological innovation 4.0 (Euro 1.1 million); income from the re-sale of consumables in halls (Euro 1.0 million); income from the transfer to the supply chain of costs incurred in relation to the acquisition of AWP NOE concession agreements (Euro 0.5 million); and income from other operations.

7.3 Cost of services

The following table provides a breakdown of “Cost of services”:

(in thousands of Euro)

	As of September, 30	
	2022	2021
Distribution network compensation	(449,685)	(210,523)
Concession Fee	(34,468)	(16,111)
NOE (nulla osta d'esercizio) and other prepayments	(5,806)	(5,482)
Fee on gaming platform licenses	(50,623)	(25,323)
Leases and rentals	(3,875)	(4,352)
Marketing and advertising	(5,041)	(3,129)
Technical assistance and network management	(15,259)	(8,274)
Utility costs, postal and logistics costs, security services	(18,382)	(5,216)
Tax, administrative and legal consultancy costs	(16,770)	(12,940)
Data transmission	(12,373)	(6,975)
Bank and insurance expenses	(12,897)	(8,766)
Board of Directors remunerations and costs	(1,682)	(1,175)
Pay-TV	(3,166)	(2,352)
Other	(7,854)	(4,757)
Total	(637,881)	(315,375)

It is recalled that in 2021 the Acquired IGT Business were included within the consolidation for five months only, starting from May; related cost of services totaled approximately Euro 123.2 million (mainly, “Distribution network compensation” costs Euro 77.3 million, “Concession fees” Euro 8.2 million, “Fees on gaming platform licenses” Euro 12.4 million, “Leases and rentals” Euro 3.1 million, “Technical assistance and network management” Euro 3.0 million and “Data transmission” Euro 5.8 million).

“Distribution network compensation” costs were mainly influenced by the supply chain remuneration model (linked to a percentage of bet and/or revenue sharing mechanisms), which means that this cost item varies in line with revenues.

In general, other cost items reflected the variable nature of the items in question (as they may be linked to bet trends or revenue sharing mechanisms – such as, for example, in the case of “Fee on gaming platform licenses”).

In addition to such general considerations, the following points are noted with regard to specific cost items other than “Distribution network compensation”:

- “Leases and rentals”, in line with the exemptions permitted by IFRS 16, includes fees relating to short-term lease contracts (for periods of less than 12 months, including those with residual duration of less than 12 months at the date of initial application) and lease contracts concerning low value assets.
- The increase in “Utility costs, postal and logistics costs, security services” was attributable to the rise in energy prices. In terms of the change with respect to the corresponding period of the previous year, it must be borne in mind that, in 2021, the Acquired IGT Business was included within the consolidation for five months only and that gaming hall and betting hall activities were suspended until June 1 in implementation of the measures introduced by the government in response to the Covid-19 emergency.
- “Other” mainly related to recurring costs including temporary staff costs, costs relating to live betting providers and other costs incurred.

7.4 Personnel expenses

The following table provides a breakdown of “Personnel expenses”:

(in thousands of Euro)

	As of September, 30	
	2022	2021
Remuneration	(39,926)	(28,782)
Social security contributions	(13,012)	(8,342)
Other personnel costs	(4,808)	(3,635)
Total	(57,746)	(40,759)

“Remuneration”, “Social security contributions” and “Other personnel costs” are stated net of capitalized personnel expenses linked to internal software development, totaling Euro 7.6 million.

In the comparative period, “Remuneration”, “Social security contributions” and “Other personnel costs” are stated net of capitalized personnel expenses linked to internal software development totaling Euro 5.2 million, while initiatives put in place by the Company in response to the Covid-19 health emergency resulted in a positive contribution of around Euro 4.0 million.

It is recalled that in 2021 “Personnel expenses” included the effects of the acquisition of the Acquired IGT Business, amounting to Euro 11.8 million, in the period from May-September 2021.

The following table shows Group employee numbers by category:

	Number as of September 30, 2022	Number as of September 30, 2021	Average number 2022	Average number (*) 2021
Executives	38	38	40	36
Middle managers	163	144	166	119
White collar	1,117	878	1,120	730
Blue collar	187	138	194	114
Total	1,505	1,198	1,520	999

(*) The Acquired IGT Business contributed to average figures for the final five of the nine months only, that is, from when the Acquired IGT Business was included within the scope of consolidation.

The following table provides a breakdown of Group employees by company:

Company	Employees number as of September 30, 2022	Employees number as of September 30, 2021
LOTTOMATICA S.P.A.	36	11
GAMENET S.P.A.	262	289
ENJOY THE GAME S.R.L. (*)	-	34
GBO ITALY S.P.A. (già GoldBet S.p.A.) (*)	547	264
GOLDBET NEWS S.R.L.	2	2
LOTTOMATICA VIDEOLOT RETE S.P.A.	130	143
LOTTOMATICA SCOMMESSE S.R.L. (*)	-	224
BIG EASY S.R.L. (*)	81	50
GNETWORK S.R.L.	39	43
BILLIONS S.R.L.	54	66
AGESOFT S.R.L.	12	11
NEWMATIC S.R.L.	19	16
JOLLY VIDEOGIOCHI S.R.L.	22	22
ROSISPORT S.R.L.	23	23
LOTTOMATICA UK LTD	1	-
GNET INC	1	-
GIOCAONLINE S.R.L.	23	-
SLOTTERY S.R.L.	79	-
VALTELLINA GIOCHI S.P.A.	33	-
LOTTOMATICA DIGITAL SOLUTION S.R.L.	5	-
ARES S.R.L.	4	-
MARIM S.R.L.	20	-
AB GAMES S.R.L.	19	-
BATTISTINI ANDREA S.R.L.	23	-
OPTIMA GAMING SERVICE S.R.L.	70	-
Total	1,505	1,198

(*) The number of employees as of September 30, 2022 represents the total number following the merger of the incorporating company and the incorporated company (for further details see Note 2.2 above).

7.5 Other operating costs

The following table provides a breakdown of “Other operating costs”:

(in thousands of Euro)

	As of September, 30	
	2022	2021
Purchase of goods and other purchases	(6,557)	(1,135)
Fines, penalties and losses on receivables	(337)	(364)
Taxes and sundry duties	(2,197)	(1,061)
Entertainment expenses	(1,493)	(26)
Other expenses	(6,853)	(6,573)
Total	(17,437)	(9,160)

The increase in “Purchase of goods and other purchases” mainly related to: the purchase of components for the production of AWP devices by Marim S.r.l. and Tecno-Mar S.r.l., which were included within the Lottomatica group from May 2022 (Euro 2.2 million); the purchase of spare parts for AWP & VLT devices (Euro 0.9 million); the purchase of goods for gaming halls (Euro 0.6 million); and the purchase of consumables for betting halls (Euro 0.5 million). It is recalled that in 2021, the scope of consolidation included the Acquired IGT Business for a five-month period only, from May onwards, and that gaming and betting hall activities were suspended until June 1 in implementation of the measures introduced by the government to contain and manage the emergency situation linked to the spread of the Covid-19 virus.

7.6 Depreciation, amortization and impairments

The following table provides a breakdown of “Depreciation, amortization and impairments”:

(in thousands of Euro)

	As of September, 30	
	2022	2021 (*)
Amortization of intangible assets	(64,601)	(59,870)
<i>of which purchase price allocation of Gamenet Group</i>	(21,582)	(21,582)
<i>of which purchase price allocation ex Intralot and ex Goldbet</i>	(937)	(936)
<i>of which purchase price allocation Acquired IGT Business</i>	(18,122)	(10,068)
<i>of which purchase price allocation Goldbet.News</i>	(92)	(92)
Depreciation of property, plant and equipment	(31,957)	(29,175)
Depreciation of investment property	(20)	(20)
Impairments of property, plant and equipment and intangible assets	-	(5)
Depreciation of right of use	(10,885)	(7,393)
Total	(107,463)	(96,463)

(*) Figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details).

It is recalled that in 2021 the Acquired IGT Business were included within the consolidation for five months only, starting from May; related depreciation, amortization and impairments totaled approximately Euro 28.1 million (specifically, amortization of intangible assets Euro 11.1 million, depreciation of property, plant and equipment Euro 14.2 million and depreciation of right of use assets Euro 2.8 million).

7.7 Impairment of receivables and financial assets and other provisions

The following table provides a breakdown of “Impairment of receivables and financial assets and other provisions”:

(in thousands of Euro)

	As of September, 30	
	2022	2021
(Provision) / release for impairment of receivables and financial assets	(2,492)	(3,059)
(Provision) / release for risks and charges	(2,186)	(98)
Total	(4,678)	(3,157)

Provisions are stated net of releases.

For further details regarding movements in the Allowance for doubtful receivables and the Provision for risks and charges see Notes 8.8 and 8.16 respectively.

7.8 Finance income and expenses (net)

The following table provides a breakdown of Finance income and expenses (net):

(in thousands of Euro)

	As of September, 30	
	2022	2021
Other interest income	101	201
Total financial income	101	201
Commissions on Bridge Facility		(7,485)
Interest expense on bond 2022	(284)	-
Interest expense on bond 2021	(22,102)	(14,653)
Interest expense on bonds 2020	(29,583)	(29,583)
Amortized cost on bond 2022	(9)	-
Amortized cost on bond 2021	(2,156)	(1,289)
Amortized cost on bonds 2020	(1,066)	(1,019)
Commission on sureties	(4,131)	(3,315)
Interest expense on Revolving Loan	(3,683)	(2,529)
Leasing interest expense	(2,261)	(1,755)
Other interest expense	(6,264)	(7,380)
IRS interest expense	(271)	(286)
Total financial expenses	(71,810)	(69,294)
Financial income and expenses net	(71,709)	(69,093)

Reference is made to Note 8.15 below for details regarding the bonds and the revolving loan.

“Other interest expense” mainly included the amortized cost relating to deferment of part of the Acquired IGT Business purchase price (Euro 5.2 million), part of the ex-GoldBet purchase price (Euro 0.4 million), part of the Valtellina purchase price (Euro 0.2 million), part of the Battistini purchase price (Euro 0.2 million) and part of the purchase price of The Box (Euro 0.1 million).

It is recalled that in 2021 the Acquired IGT Business was included within the consolidation for five months only, starting from May; related Finance income and expenses (net) amounted to approximately Euro 2.0 million.

7.9 Share of profit of equity accounted investments

(in thousands of Euro)

	As of September, 30	
	2022	2021
Share of profit/(loss) of equity accounted investments	(360)	(43)
Total	(360)	(43)

The item relates to the recognition of results in the context of the equity method consolidation of the associates IMA and iPro inc.

7.10 Income tax expense

The following table provides a breakdown of “Income tax expense”:

<i>(in thousands of Euro)</i>		As of September, 30	
		2022	2021 (*)
Current taxes		(50,886)	(9,667)
Deferred taxes Purchase price allocation		11,861	9,516
Deferred taxes		(6,370)	3,895
Total		(45,395)	3,744

(*) Figures for the period ended September 30, 2021 have been restated following completion of the purchase price allocation relating to the acquisition of the Acquired IGT Business (see Note 7.2 of the Consolidated Financial Statements for the year ended December 31, 2021 for further details).

In 2021, in order to avoid the distorting effects produced on the tax burden for the period by the application of IAS 34 (due to the variability of the results for the period as a consequence of the COVID-19 pandemic), it was considered appropriate to apply current tax rates to estimated taxable income for the period. In 2022, in order to ensure comparability with the previous year, it was decided to continue with such approach.

As a result of the reorganization and the aforementioned merger between Gamma Bidco S.p.A. and Lottomatica S.p.A., the Group will now in accordance with the timing and terms provided for by law extend its tax consolidation arrangements to include the Italian parent company (Gamma Midco S.p.A.). With effect from 2022, this latter company, which until 2021 had been excluded from the scope of the Group's taxation consolidation, will become the Group's tax consolidating company. Tax balances as at September 30 already take into account the effects of the above.

Current taxes include:

- IRAP, where applicable, for Group companies;
- IRES, where applicable, for companies not included within the scope of the tax consolidation;
- tax consolidation charges/income for companies included within the scope of Group taxation.

Deferred tax assets/liabilities mainly reflect the release of deferred taxes resulting from the PPA in the amount of approximately Euro 12 million.

8. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8.1 Intangible assets

The following table provides a breakdown of intangible assets and movements during the period:

	Software	Concessions	Trademarks	Assets under development and payments on account	Agency Network Relationship	Total
Cost as of December 31, 2021	113,734	60,297	199,862	8,663	214,392	596,950
Accumulated amortization as of December 31, 2021	(50,278)	(51,977)	(14,289)	(771)	(32,423)	(149,740)
Net book amount as of December 31, 2021	63,455	8,320	185,572	7,891	181,969	447,210
Additions	7,454	38,116	-	17,124	-	62,694
Business combination: Giocaonline S.r.l.	1,984	-	-	-	-	1,984
Business combination: Ares S.r.l.	1,981	-	-	-	-	1,981
Business combination: Marim S.r.l.	2	-	-	-	-	2
Disposal	(3,549)	-	-	-	-	(3,549)
Depreciation for the year	(22,489)	(9,670)	(11,026)	(2,828)	(18,588)	(64,601)
<i>of which purchase price allocation of Intralot and Goldbet</i>	(937)	-	-	-	-	(937)
<i>of which purchase price allocation of Gamenet Group</i>	(10,257)	-	(3,609)	-	(7,716)	(21,582)
<i>of which purchase price allocation of Business IGT</i>	-	-	(7,249)	-	(10,873)	(18,122)
<i>of which purchase price allocation of Goldbet.News</i>	-	-	-	(92)	-	(92)
Reclassifications	8,701	-	-	(8,701)	-	-
Cost as of September 30, 2022	130,307	98,413	199,862	17,086	214,392	660,060
Accumulated amortization as of September 30, 2022	(72,767)	(61,647)	(25,315)	(3,599)	(51,011)	(214,339)
Net book amount as of September 30, 2022	57,540	36,766	174,547	13,487	163,381	445,721

“Software” mainly relates to costs incurred in relation to: the purchase of software licenses required for collection and bet management activities (including software costs determined on completion of the Gamenet Group and the Acquired IGT Business, ex-GoldBet and ex-Intralot purchase price allocations); the purchase and upgrade of software to support the alignment of the systems used to manage the network of AWP and VLT devices; and the upgrade of

the SAP ERP system. Additions mainly related to the purchase of software licenses and software development required for collection and bet management activities and the upgrade of the Group's SAP ERP system.

"Concessions" includes the cost of VLT licenses acquired by the Group over time as well as costs incurred in relation to the award of public gaming concession rights. Additions related to the cost of the two-year extension pursuant to Article 18-ter of Decree Law No. 36 of April 30, 2022, converted with amendments by Law No. 79 of June 29, 2022, from which GBO Italy S.p.A. benefitted in relation to the retail network concessions, (see notes 8.17 and 10.2 "Extension of concessions" below for details - GBO Italy S.p.A. paid the first instalment relating to the first year on October 27, 2022, in the amount of Euro 9.5 million).

"Trademarks" mainly relates to the values attributed in the Purchase Price Allocation to the right to use the "Goldbet", "Intralot", "Billions", "Lottomatica" and "Better" trademarks.

"Agency Network Relationship" mainly relates to the values attributed in the Purchase Price Allocation to the "Betting Agencies", "AWP Gaming" and "VLT Gaming" networks.

"Assets under development and payments on account" mainly relates to internal development costs relating to software still under development. Additions amounting to Euro 17.1 million mainly related to the value of internal software development during the period.

8.2 Goodwill

The following table provides a breakdown of goodwill and movements during the period:

(in thousands of Euro)

Goodwill	CGU	Total
Balance as of December 31, 2021 (*)		1,139,816
Valtellina Acquisition	Gaming Franchise	7,461
Giocaonline Acquisition	Online	13,269
Verbano Business	Gaming Franchise	370
Radaelli Business	Gaming Franchise	398
AC Group Business	Gaming Franchise	474
Marim Acquisition	Gaming Franchise	4,919
Ares Acquisition	Gaming Franchise	201
Valti Games Business	Gaming Franchise	268
Rocca Michelangelo Business	Gaming Franchise	203
Di Nunno Business (GSPA)	Gaming Franchise	997
Di Nunno Business (LVR)	Gaming Franchise	3,462
Center Games Business (GSPA)	Gaming Franchise	18
Center Games Business (LVR)	Gaming Franchise	1,150
J Play Business	Gaming Franchise	257
Bluejoker Games Business (LVR)	Gaming Franchise	402
Bluejoker Games Business (Gl. St.)	Gaming Franchise	98
Giochi Fumarolo Business (GSPA)	Gaming Franchise	1,258
Giochi Fumarolo Business (LVR)	Gaming Franchise	1,612
Fun Seven Business	Gaming Franchise	993
Giochi Elettronici Toscani Business	Gaming Franchise	1,315
AB Games Acquisition	Gaming Franchise	113
Battistini Acquisition	Gaming Franchise	3,992
Optima Acquisition	Gaming Franchise	1,308
Balance as of September 30, 2022		1,184,354

(*) The balance as of December 31, 2022 has been restated as reported in Note 6.8 above

For details regarding acquisitions during the nine-month period ended September 30, 2022, see Note 6 – Business combinations.

The group of cash-generating units (CGUs) to which goodwill is allocated, representing the level at which it is monitored by Company management, corresponds with the operating segments of the Group, described in detail in Note 5 - Operating segments.

In accordance with applicable accounting standards, goodwill is recognized as an intangible asset with an indefinite useful life. It is initially measured at cost and subsequently tested for impairment annually or more frequently, whenever events or changes in circumstances indicate that goodwill may be impaired. Impairment tests are normally performed at each year end and therefore the reference date for such tests is the year-end financial reporting date.

As of September 30, 2022, no indicators of impairment had been identified such as to require the performance of a specific test in relation to the item in question, also considering the effects of tensions in international financial markets

resulting from the Russian-Ukrainian conflict, which have led to a general increase in prices and interest rates (as described in Note 10.2 below).

8.3 Property, plant and equipment

The following table provides a breakdown of property, plant and equipment and movements during the period:

<i>(in thousands of Euro)</i>	Gaming Hardware	Other assets	Furniture	Leasehold improvement	Assets under development and payments on account	Total
Cost year ended December 31, 2021	309,578	50,071	61,170	118,116	12,108	551,041
Accumulated amortization year ended December 31, 2021	(274,167)	(35,091)	(47,473)	(96,590)	-	(453,320)
Net book amount year ended December 31, 2021	35,411	14,980	13,697	21,526	12,108	97,721
Additions	7,186	4,776	1,248	2,810	6,718	22,738
Business combinations – Valtellina Giochi S.p.A.	222	72	20	-	-	314
Business combinations – Giocaonline S.r.l.	41	25	12	-	-	78
Business combination – Marim S.r.l.	-	218	11	-	-	229
Business combination – Ares S.r.l.	-	3	-	-	-	3
Business combination – Battistini S.r.l.	-	726	-	13	-	739
Business combination – AB Games S.r.l.	-	7	-	-	-	7
Business combination - Optima Gaming Service S.r.l.	-	186	-	-	-	186
Business	6,311	840	794	-	-	7,945
Disposal	(119)	(7)	-	-	-	(126)
Depreciation for the year	(16,820)	(4,770)	(2,686)	(7,681)	-	(31,957)
Reclassifications	1,523	366	(629)	432	(1,692)	-
Cost as of September 30, 2022	324,742	57,283	62,626	121,371	17,134	583,156
Accumulated amortization as of September 30, 2022	(290,987)	(39,861)	(50,159)	(104,271)	-	(485,278)
Net book amount as of September 30, 2022	33,755	17,422	12,467	17,100	17,134	97,878

“Gaming hardware” includes the company’s investments in AWP and VLT devices as well as cash desks and other IT equipment for owned halls and hardware equipment for betting halls. Additions mainly related to the purchase of AWP game cards, VLT hardware and IT equipment for the set-up of new betting points of sale.

“Other assets” mainly comprises new storage systems, network hardware for the Data Center and other IT equipment for VLT halls. Additions mainly related to the purchase of new hardware for the modernization of back-up systems and data storage.

“Furniture” included furniture and fittings for owned betting agencies and VLT halls.

“Leasehold improvements” included investments for the upgrading of gaming and betting halls, as well as for the modernization of the premises in Via Aldobrandeschi in Rome.

“Assets under development and payments on account” mainly relates to the purchase of furniture and fittings and down payments for the purchase of new gaming devices and other IT equipment for the set-up of new betting points of sale.

8.4 Right of use assets

The following table provides a breakdown right of use assets:

<i>(in thousands of Euro)</i>	Land. Buildings and Offices	Gaming halls	Vehicles	Other	Right of Use
Balance as of December 31, 2021	16,376	44,955	1,655	637	63,623
Giocaonline S.r.l. Acquisition	107	-	-	-	107
Marim S.r.l. Acquisition	624	-	-	-	624
Optima Gaming S.r.l. Acquisition	577	-	298	-	875
Amortization	(2,319)	(7,630)	(720)	(216)	(10,885)
Additions	478	12,085	637	-	13,200
Disposal	(53)	(1,500)	(63)	-	(1,616)
Other movements	111	(191)	(10)	-	(90)
Balance as of September 30, 2022	15,901	47,719	1,797	421	65,838

The Group leases office buildings, gaming halls, vehicles and other assets. Lease contracts typically provide for a lease term of 1-6 years but may include the option to renew the lease to maximize flexibility in terms of contract management. Most renewal and withdrawal options may be exercised only by the group and not by the respective lessor. The contracts do not provide for covenants and leased assets are not used to guarantee borrowing. Right of use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of each asset and the lease term. For further details see Note 2.3 above.

8.5 Investment property

Investment property relates to a property located in Via Liegi in Rome. Movements relate solely to depreciation during the period as shown in the table below:

<i>(in thousands of Euro)</i>	
Investment property	Total
Balance as of December 31, 2021	516
Acquisitions	-
Depreciation	(20)
Balance as of September 30, 2022	496

8.6 Current and non-current financial assets

The following table provides a breakdown of current and non-current financial assets:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
Cash held by operators	24,475	23,040
Escrow account	347,775	6,400
Merchant accounts and restricted cash	3,728	3,892
Partnership	3,319	3,319
Interest rate swap assets	21,558	1,498
Convertible bonds investment	1,803	1,803
Other investments	346	313
Total	403,005	40,265

“Cash held by operators” related to cash in machines (i.e. in the hoppers and change machines) owned by Gamenet S.p.A., Lottomatica Videolot Rete S.p.A. and Big Easy S.r.l., amounting to Euro 8.1 million, Euro 13.4 million and Euro 3.0 million respectively.

“Escrow account” included: Euro 341.4 million representing the proceeds of the bond issue on September 27, 2022 (as described in Note 8.15 below), which were deposited in an escrow account in the name of Lottomatica S.p.A. pending the satisfaction (no later than 18 months after the issue) of the “Escrow Release Conditions” (as contractually defined); and the “Special and General Indemnity” deposit of Euro 5.0 million made in the context of the Sale and Purchase Agreement entered into on October 9, 2018 regarding the acquisition of GoldBet S.p.A., which will be released, if not used by the acquirer, 15 years and six months after the acquisition date. The item also included the deposit of Euro 1.4 million made by Big Easy in the context of the acquisition of 100% of the shares in The Box S.r.l., which will be released by November 30, 2022.

“Merchant accounts and restricted cash” mainly relates to balances held as a guarantee by Nuvei, an electronic money provider made available to players to re-charge their gaming accounts.

“Partnership” refers to the “Ancona Time” partnership set up by Lottomatica Videolot Rete S.p.A. for business development purposes.

“Interest rate swap assets” relates to the fair value of the derivative contract entered into to hedge the risk linked to a potential change in interest rates applied to the bond issued by Gamma Bidco on July 23, 2020 and specifically to that share of the notes amounting to Euro 300 million that bear variable interest equal to the three-month EURIBOR rate. The fair value was a positive amount of Euro 21.558 thousand. The cash flow hedge reserve had a positive balance of Euro 16.384 thousand, net of the related tax effect.

“Convertible bonds investment” relates to the acquisition on November 23, 2021 by Gamenet PRO S.r.l. of convertible bonds issued by the associate iPro Inc. (for a consideration of USD 2 million).

“Other” mainly related to the receivable of Euro 0.1 million resulting, in accordance with the terms of the amending agreement entered into with the seller on January 24, 2019, from the reduction in the original value of the investment in La Chance S.r.l. acquired on March 2, 2017 by Enjoy the Game S.r.l.; the seller has committed to settle such amount by December 31, 2022.

8.7 Equity accounted investments

The item relates to the equity method consolidation of the associates Thinkabout S.r.l. and iPro Inc.

The following table provides a breakdown of “Equity accounted investments” totaling Euro 9.6 million:

Thinkabout S.r.l.

(in thousands of Euro)

	As of September 30, 2022	As of December 31, 2021
Balance at the beginning of the period	-	61
Book value	-	-
Capital increase	-	46
Changes in the period	-	(107)
Total	-	-

Thinkabout S.r.l. is an innovative start-up specialized in ethical trade, which was established to create software and social solutions aimed at generating economic and social value and promoting sustainable food consumption and has developed the NO.W! – No Waste e-commerce platform.

iPro Inc.

(in thousands of Euro)

	As of September 30, 2022	As of December 31, 2021
Balance at the beginning of the period	6,859	-
Book value	-	5,429
Capital increase	-	1,790
Changes in the period	78	(360)
Total	6,937	6,859

iPro Inc. has its headquarters in Nevada (USA) and offers innovative gaming experiences in the casino and entertainment industry through mobile gaming platforms and technologies.

IMA S.r.l.

(in thousands of Euro)

	As of September 30, 2022	As of December 31, 2021
Balance at the beginning of the period	-	-
Book value	4,126	-
Capital increase	-	-
Dividend distribution	(1,638)	-
Changes in the period	136	-
Total	2,624	-

On May 18, 2022, GGM S.p.A. entered into an agreement to acquire the entire share capital of Marim S.r.l., which holds 49% of the share capital of IMA S.r.l., a company specialized in the marketing and distribution of AWP game cards.

8.8 Current and non-current trade receivables

The following table provides a breakdown of “Current and non-current trade receivables:

(in thousands of Euro)

	As of September 30, 2022	As of December 31, 2021
Concessionaires' receivables from operators/TIR	79,930	127,856
Other receivables from distribution network	8,395	13,669
Concessionaires' receivables from operators	16,341	14,273
Receivables guaranteed by formal commitments	960	2,203
Receivables for penalties and interest on delayed payments	553	596
Receivables from customers	8,767	1,790
Allowance for doubtful receivables	(34,634)	(40,837)
Total	80,312	119,548

“Concessionaires' receivables from operators/TIR” mainly comprises receivables relating to collection activities (mainly PREU, concession fees and other amounts owing to the concessionaires Gamenet S.p.A. and Lottomatica Videolot Rete S.p.A., amounting to Euro 32.5 million and Euro 47.4 million respectively) and other trade receivables.

“Other receivables from distribution network” mainly relates to jackpot amounts not yet disbursed, tickets awaiting validation by halls, receivables relating to compensation for permits and receivables relating to contract termination penalties.

“Receivables from operators” related to the amounts owing to the concession-holder GBO Italy S.p.A. (formerly Goldbet S.p.A.) for bet collection activities, net of compensation due to the supply chain.

The following table shows details of movements in the allowance for doubtful receivables:

<i>(in thousands of Euro)</i>	
Allowance for doubtful receivables	Total
Balance as of December 31, 2021	40,837
Provisions net of releases	2,350
Utilization	(8,553)
Balance as of September 30, 2022	34,634

8.9 Deferred tax assets and liabilities

The following table provides a breakdown of “Deferred tax assets and liabilities”:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021 (*)
Deferred tax assets	34,747	4,928
Deferred tax liabilities	(112,957)	(83,795)
Total	(78,210)	(78,867)

(*) The balance as of December 31, 2021 has been restated as reported in Note 6.5 above

The temporary differences reported above will reverse during 2022 and later years. Tax losses may be carried forward indefinitely.

8.10 Other current and non-current assets

The following table provides a breakdown of “Other current and non-current assets”:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
ADM guarantee deposits	39,548	30,847
NOE (nulla osta d'esercizio) & Entry fees	13,572	11,147
Receivables from Snaitech	175	730
Accrued income and prepayments	14,608	15,270
Gaming online accounts	21,550	20,678
Tax receivables	3,027	1,902
Guarantee deposits	2,991	2,312
Receivables from Gamma Midco for national fiscal consolidation	10,694	-
Receivables from other concessionaires	1,751	7,186
Other receivables	30,035	26,301
Total	137,951	116,374

“ADM guarantee deposits” represents 0.5% of amounts waged using devices connected to the online network. Such deposits are reimbursed to the Concessionaire by the Administration when certain service levels set by the Administration are achieved.

“NOE (nulla osta d'esercizio) & Entry fees” includes payments made in relation to the development and consolidation of business relations with strategic partners, as well as payments made in respect of NOE concession agreements issued by the ADM.

“Accrued income and prepayments” mainly relates to prepayments regarding the hire of CPUs for VLT devices, the annual VLT-related I-LINK guarantee, arrangement fees relating to the Revolving Credit Facility, fees relating to commission on concession-related sureties granted in favor of the ADM as required by the Convention and the Warranty & Indemnity policy.

“Gaming online accounts” relate to bank balances representing amounts paid by players into online accounts. As required by the concession, such sums must be held in dedicated bank accounts. Since the amounts in question are owned by players, they are classified as other assets.

The movement in “Other receivables” was mainly due to the receivable due from the ADM in relation to the betting concession fee, which is paid on account in two tranches at the beginning of each half-year. As of September 30, 2022, the concession fee receivable related to the second tranche, which was paid in advance but did not wholly relate to the period ended September 30, 2022. The item also included the indemnification asset amounting to Euro 16.9 million recognized in relation to Provisions for risks and charges on completion of the Lottomatica (formerly Gamenet

Group) purchase price allocation process, for details of which see the Annual Consolidated Financial Statements. It is noted that during the nine months ended September, 2022 the aforementioned provision for risks and charges as utilized in the amount of Euro 2.9 million following the signing of the Tax Settlement Agreement between GBO Italy and the Tax Authorities and the consequent payment of the amounts assessed for fiscal years 2016 and 2017 using funding provided by Logispin Austria GmbH. The indemnification asset was therefore adjusted by an equal amount. For further details see Note 10.2 Significant Events, *Tax audit report (ex GoldBet S.p.A.) – Withholding tax on royalties*.

8.11 Current tax receivables and payables

Current tax receivables related to IRES and IRAP current tax credits net of related payables.

8.12 Cash and cash equivalents

The following table provides a breakdown of “Cash and cash equivalents”:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
Bank deposits	141,747	114,119
Cash on hand	17,203	10,621
Total	158,950	124,740

“Cash on hand” included cash in the machines (i.e. in the hoppers and change machines) owned by the Group and managed by Group companies involved in Street Operations activities. amounting to Euro 8.8 million.

Reference is made to the Consolidated Statement of Cash Flows for further details regarding movements during the period in Cash and cash equivalents.

8.13 Shareholders' Equity

It is recalled that on January 26, 2022 the merger by incorporation of Gamma Bidco S.p.A. into its direct subsidiary Lottomatica S.p.A. was finalized with all accounting and tax effects backdated to January 1, 2022. Accordingly, the net equity reported in these Condensed Consolidated Interim Financial Statements relates to that of the incorporating entity Lottomatica S.p.A.

Share capital

The share capital of Lottomatica amounts to Euro 32,300,625, divided into 30,368,100 shares with no par value.

Reserves and retained earnings

Movements in reserves and retained earnings are reported in the Consolidated Statement of Changes in Equity.

Equity attributable to minority interests

Equity attributable to minority interests represents the interest of third parties in the companies controlled by the Group. Related movements in such minority interests are reported in the relevant statements of these condensed consolidated interim financial statements. It is noted that, following the acquisitions of Valtellina, Giocaonline, Ares, Marim (in relation to the minority interest in Tecno-Mar), AB Games, Battistini Andrea and Optima Gaming Service during the period ended September 30, 2022 (as described above) equity attributable to minority interests increased by Euro 2.1 million as a result of third-party interests in the equity of such companies. It is further noted that concurrent with its acquisition of Marim, GGM S.p.A. increased its share capital through an issue of new shares equal to the amount of the agreed consideration to be paid and assigned such shares to the seller (already a minority shareholder in GGM) in settlement of the base price. As a result of the subscription of such newly issued shares, equity attributable to minority interests further increased by Euro 13.1 million.

8.14 Employee severance indemnity

The following table provides a breakdown of the “Employee severance indemnity”:

<i>(in thousands of Euro)</i>	Total
Employee benefit liabilities	
Balance as of December 31, 2021	15,396
Additions 2022	3,444
Service cost	1,703
Interest cost	236
Advances and benefits paid	(832)
Actuarial gains/(losses)	(2,859)
Balance as of September 30, 2022	17,089

8.15 Current and non-current financial liabilities

The following table provides a breakdown of “Current and non-current financial liabilities”:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
Bonds 2022	341,730	-
Bonds 2021	565,856	563,700
Bonds 2020	635,331	634,265
Accrued interest – bonds 2022	284	-
Accrued interest – bonds 2021	6,139	13,507
Accrued interest – bonds 2020	8,277	13,590
Bank borrowings	950	131
Interest Rate Swap	81	80
Put option liability	1,758	1,713
Payables for acquisitions	52,518	153,135
Payables for leasing	71,786	69,007
Total	1,684,710	1,449,127

“Current and non-current financial liabilities” included:

- the bonds issued on July 23, 2020, April 1, 2021 and September 27, 2022, for nominal amounts of Euro 640,000 thousand, Euro 575,000 thousand and Euro 350,000 thousand, recognized at amortized cost of Euro 635,331 thousand, Euro 565,856 thousand and Euro 341,730 thousand respectively. Transaction costs incurred for the main part included professional fees related to the bond issue as well as the discount on issue (the latter only in relation to the bond issued in 2020 bearing interest equal to the three-month EURIBOR rate). For further details, see the relevant section of this note below;
- short-term bank borrowings relating for the main part to credit lines used by certain subsidiaries in their normal business activities;
- the Interest Rate Swap liability on the share of the negative differential accruing as of September 30, 2022, which was settled on July 15, 2022 in the amount of Euro 95 thousand;
- the put option liability, recognized at its present value of Euro 1.758 thousand as of September 30, 2022, based on the best estimate of the disbursement required for Gamenet S.p.A. to acquire the residual share capital of Jolly Videogiochi S.r.l.;
- the remaining payables outstanding in relation to the investments in GoldBet, The Box, Valtellina, NewMatic, Jolly, Optima Gaming Service, Battistini and Ares and the acquisition of certain businesses. With regard to the acquisition of GoldBet, the payable relating to the deferred price component amounted to Euro 29.090 thousand. Such amount represents the difference between the nominal value of the deferred price component (amounting to Euro 30 million – including the Euro 5 million placed in the Escrow account) and the effect (Euro 910 thousand) of discounting such amount to present value. The acquisition agreement, signed by the parties on July 24, 2018, provided for the amount to be settled in tranches as follows:
 - Euro 25.000 thousand in four tranches to be paid over the medium/long-term, two of which subject to the fulfilment of certain conditions provided for in the acquisition agreement, considered unlikely to occur within twelve months; and
 - Euro 5.000 thousand, currently deposited in an escrow account with the trust company Cordusio, to be redeemed by the first ten days of April 2034, unless utilized in advance subject to the fulfilment of certain conditions provided for in the acquisition agreement.

As noted above, in accordance with IFRS 9, the deferred price component is stated at present value, calculated using amortized cost at an internal rate of return (IRR) of 6.01% (equal to the IRR of the Bond issued by Lottomatica - formerly Gamenet Group - in September 2018).

In the case of the acquisition of The Box, the payable relating to the deferred price component amounted to Euro 2,2 million. The amount represents the difference between the nominal value of the residual deferred price component (amounting to Euro 2,3 million, to be paid by November 30, 2022 - including the Euro 1.4 million deposited in the escrow account) and the effect (Euro 94 thousand) of discounting such amount to present value. In accordance with IFRS 9, the deferred price component is stated at present value, calculated using amortized cost at an internal rate of return (IRR) of 5.831% (equal to the IRR of the Bond issued on April 1, 2021).

In the case of the acquisition of Valtellina, the payable relating to the deferred price component amounted to Euro 3.9 million. The amount represents the difference between the nominal value of the deferred price component (amounting to Euro 4.0 million, due within 13 months of the effective date) and the effect (Euro 74 thousand) of discounting such amount to present value. In accordance with IFRS 9, the deferred price component is stated at present value, calculated using amortized cost at an internal rate of return (IRR) of 5.831% (equal to the IRR of the Bond issued on April 1, 2021).

In the case of the acquisition of Battistini, the payable relating to the deferred price component amounted to Euro 4.4 million. The amount represents the difference between the nominal value of the deferred price component (amounting to Euro 4.5 million, due within 24 months of the effective date) and the effect (Euro 155 thousand) of discounting such amount to present value. In accordance with IFRS 9, the deferred price component is stated at present value, calculated using amortized cost at an internal rate of return (IRR) of 5.831% (equal to the IRR of the Bond issued on April 1, 2021).

The payable relating to the deferred price components of other acquisitions amounted to Euro 12.9 million;

- payables relating to the lease liabilities recognized following the adoption of IFRS 16, representing the present value of the remaining lease payments as of September 30, 2022, including accrued finance expenses and charges contractually provided for as of such date. For further details see Note 2.3.6 above.

The following table provides a summary of key information relating to financial liabilities:

<i>(in thousands of Euro)</i>	As of September 30, 2022	Of which current
Bonds 2022	341,730	-
Bonds 2021	565,856	-
Bonds 2020	635,331	-
Accrued interest – bonds 2022	284	284
Accrued interest – bonds 2021	6,139	6,139
Accrued interest – bonds 2020	8,277	8,277
Bank borrowings	950	615
Interest Rate Swap	81	81
Put option liability	1,758	-
Payables for acquisitions	52,518	18,111
Payables for leasing	71,786	13,918
Total	1,684,710	47,425

The following table provides changes in liabilities arising from financing activities as required by IAS 7:

<i>(in thousands of Euro)</i>	As of December 31, 2021	Cash flow from financing activities	Non-cash changes	As of September 30, 2022
Bonds	1,197,965	347,375	(2,423)	1,542,917
Accrued interest on Bonds	27,097	(27,097)	14,700	14,700
Bank borrowings	131	819	-	950
Interest Rate Swap	80	(80)	81	81
Put option liability	1,713	-	45	1,758
Payables for acquisitions	153,135	(120,233)	19,616	52,518
Payables for leasing	69,007	(12,686)	15,465	71,786
Total	1,449,127	188,098	47,484	1,684,710

Bonds

Bond (Senior Secured Notes) issued on July 23, 2020

On July 23, 2020, Gamma Bidco issued senior secured notes, guaranteed by Lottomatica S.p.A. and Gamenet S.p.A. for a total principal of Euro 640 million, of which Euro 300 million issued below par (at 98%), bearing interest equal to the sum of (i) three-month EURIBOR (with a 0% floor) and (ii) 6% per annum (reset quarterly), and Euro 340 million bearing interest, to be paid semi-annually, at a fixed annual rate of 6.25 %. The notes in question were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT

Pro segment of Borsa Italia and mature in 2025. Collateral posted as security in relation to the Notes included liens on the following: the entire share capital of Gamma Bidco, the entire share capital of Lottomatica (formerly Gamenet Group), the entire share capital of Gamenet S.p.A., the entire share capital of Goldbet S.p.A., receivables relating to Gamma Bidco. Lottomatica (formerly Gamenet Group) and Gamenet S.p.A. in the context of intra-group financing and the key current account balances of Gamma Bidco and Lottomatica (formerly Gamenet Group).

The proceeds of the bond issue were used by the Company to: (i) fully redeem in advance the outstanding senior secured notes issued by Lottomatica (formerly Gamenet Group) on April 27, 2018 and September 20, 2018; (ii) repay in full the Senior Facility Agreement (the so-called Bidco Senior Facility) entered into on December 11, 2019 by Gamma Bidco as borrower and Credit Suisse AG (Milan Branch), UniCredit S.p.A., Barclays Bank PLC, Banca IMI S.p.A. and BNP Paribas (Italian Branch) as lending institutions; and (iii) pay certain fees and expenses in connection with such transactions.

The Company has the facility to reimburse the notes (or a portion thereof) in advance, under the conditions described below (for full details of such reimbursement conditions see the Offering Memorandum published in the Investor Relations section of the Lottomatica (formerly Gamenet Group) website at:

www.lottomaticagroup.com/investors/obbligazionisti-lottomatica:

- **with regard to the floating rate share:** i) if reimbursed between July 15, 2021 and July 14, 2022, the Group is required to repay a total of 101% of the principal amount reimbursed plus the Additional Amount, plus unpaid interest due; ii) if reimbursed in advance but from July 15, 2022 onwards, the Group is required to repay the principal amount reimbursed plus the Additional Amount and unpaid interest due;
- **with regard to the fixed rate share:** i) if reimbursed between July 15, 2022 and July 14, 2023, the Group is required to repay a total of 103.125% of the principal amount reimbursed plus the Floating Rate Applicable Premium, plus unpaid interest due; ii) if reimbursed between July 15, 2023 and July 14, 2024, the Group is required to repay a total of 101.5625% of the principal amount reimbursed plus the Additional Amount, plus unpaid interest due; and iii) if reimbursed in advance but from July 15, 2024 onwards, the Group is required to repay the principal amount reimbursed plus the Additional Amount and unpaid interest due.

Bond issue on April 1, 2021

In order to finance the acquisition (the “Acquisition”) by Lottomatica (formerly Gamenet Group) of 100% of the shares held by International Game Technology PLC through IGT Lottery S.p.A. (formerly Lottomatica Holding S.r.l.) in Lottomatica Scommesse S.p.A. and Lottomatica Videolot Rete S.p.A., as already described in the 2020 Consolidated Financial Statements, on April 1, 2021 Gamma Bidco S.p.A. issued senior secured notes (the “New Notes”) for a total principal of Euro 575 million bearing interest, to be paid semi-annually, at a fixed annual rate of 5.125 %. The notes in question, which mature in 2025, were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT segment of Borsa Italia under the same terms and conditions as the notes issued by Gamma Bidco on July 23, 2020 (the “Existing Notes”) which, pursuant to the Indenture, are considered together with the latter to be a single class of securities. Pending completion of the Acquisition and the satisfaction of certain other conditions, the proceeds of the issue of the New Notes were transferred to an escrow account in the name of Gamma Bidco (and subsequently released on satisfaction of such conditions on completion of the Acquisition). Collateral posted as security in relation to the Notes includes liens on the following: the entire share capital of Gamma Bidco, the entire share capital of Lottomatica (formerly Gamenet Group), the entire share capital of Gamenet S.p.A., receivables relating to Gamma Bidco, Gamma Bidco and Lottomatica (formerly Gamenet Group) in the context of intra-group financing and the key current account balances of Gamma Bidco and Lottomatica (formerly Gamenet Group). Within 30 working days of closing, the entire share capital of Lottomatica Videolot Rete S.p.A. and Lottomatica Scommesse S.p.A. were also posted as collateral in relation to the Notes. Ratings as of the issue date were as follows: B (S&P) and B1 (Moody’s).

The Company has the facility to reimburse the New Notes (or a portion thereof) in advance, under the conditions described below (for full details of such reimbursement conditions see the Offering Memorandum published in the Investor Relations section of the Lottomatica (formerly Gamenet Group) website at:

www.lottomaticagroup.com/investors/obbligazionisti-lottomatica:

- i) if reimbursed between July 15, 2022 and July 14, 2023, the Group is required to repay a total of 102.5625% of the principal amount to be reimbursed plus the Additional Amount, plus unpaid interest due; ii) if reimbursed between July 15, 2023 and July 14, 2024, the Group is required to repay a total of 101.2813% of the principal amount reimbursed plus the Additional Amount, plus unpaid interest due; and iii) if reimbursed in advance but from July 15, 2024 onwards, the Group is required to repay the principal amount reimbursed plus the Additional Amount and unpaid interest due.

Bond (Senior Secured Notes) issued on September 27, 2022

In order to finance potential strategic investments or acquisitions, on September 27, 2022 Lottomatica S.p.A. issued senior secured notes for a total principal of Euro 350 million bearing interest, to be paid semi-annually, at a fixed annual rate of 9.750 %. The notes in question, which mature in 2027, were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT segment of Borsa Italia. Pending satisfaction of the contractually defined Escrow Release Conditions, the proceeds of the issue of the notes were transferred to an escrow account in the name of Lottomatica S.p.A. Collateral posted as security in relation to the Notes includes liens on the following: the entire share capital of Gamma Midco, receivables relating to Gamma Midco and Lottomatica in the context of intra-group financing, Lottomatica's key current account balances, Lottomatica's interests in GGM S.p.A. and GBO S.p.A., as well as the aforementioned escrow account. Ratings as of the issue date were as follows: B (S&P) and B1 (Moody's).

If the Escrow Release Conditions are not satisfied in full within 12 months (which may in accordance with the contract be extended to 18 months), the Group will be required to reimburse the entire principal amount plus accrued and unpaid interest and the Additional Amount.

The Company has the facility to reimburse the notes (or a portion thereof) in advance, under the conditions described below (for full details of such reimbursement conditions see the Offering Memorandum published in the Investor Relations section of the Lottomatica website at: www.lottomaticagroup.com/investors/obbligazionisti-lottomatica:

i) if reimbursed prior to September 30, 2024, the Group is required to repay 100% of the principal amount, plus accrued and unpaid interest and the Additional Amount plus the relevant "make-whole" premium; ii) if reimbursed at any time on or after September 30, 2024, the Group may redeem all or a portion of the notes at redemption prices set forth in the offering memorandum, plus the Additional Amount and accrued and unpaid interest.

The Credit Facilities

On July 23, 2020, Gamma Bidco, Lottomatica (formerly Gamenet Group) and Gamenet as original borrowers and original guarantors entered into a Revolving Credit Facility agreement for an amount of Euro 100 million with Credit Suisse AG (Milan Branch), UniCredit S.p.A., Barclays Bank PLC, Intesa Sanpaolo S.p.A., BNP Paribas (Italian Branch) and Oldenburgische Landesbank Aktiengesellschaft as lending institutions. which was then subsequently increased during 2021 following the acquisition on May 10, 2021 of 100% of the shares held by International Game Technology PLC through IGT Lottery S.p.A. (formerly Lottomatica Holding S.r.l.) in Lottomatica Scommesse S.p.A. and Lottomatica Videolot Rete S.p.A. to Euro 247 million. It is recalled that the amount of the above-mentioned loan was subsequently increased: (i) on August 22, 2022, by a further Euro 25 million (available to provide guarantee commitments) following signature of the Incremental facility notice by Deutsche Bank S.p.A. as Incremental Facility Lender; and (ii) in conjunction with the bond issue on September 27, 2022, by a further Euro 75 million following signature of the Incremental facility notice by Credit Suisse AG (Milan Branch), Barclays Bank Ireland PLC, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, UniCredit S.p.A. and JPMorgan Chase Bank, N.A. (Milan Branch) as Incremental Facility Lender. Accordingly, as of September 30, 2022, the Revolving Credit Facility amounted to Euro 347 million, of which Euro 5 million used to issue unsecured signature loans and Euro 50 million available to provide guarantee commitments.

The facility will expire six months prior to maturity of the notes or October 1, 2024 if earlier. Interest on the loan is set at Euribor plus a spread. The agreement provides that the spread may be reduced over time in line with variations in the ratio between net secured financial debt and EBITDA (i.e. the Consolidated Senior Secured Debt Ratio defined in the New Revolving Credit Facility agreement), as shown in the following table:

Net financial debt / EBITDA (*)	Annual spread
> 3.50:1	3.50
≤ 3.50:1 e > 3.00:1	3.25
≤ 3.00:1 e > 2.50 :1	3.00
≤ 2.50:1 e > 2.00:1	2.75
≤ 2.00:1	2.50

* As defined contractually

The agreement provides that the Consolidated Senior Secured Debt Ratio be calculated for the first time three calendar quarters after the Closing Date of July 23, 2020 and subsequently each quarter with regard to the preceding twelve months. The Consolidated Senior Secured Debt Ratio must not exceed 8.30:1 and is not valid if the Test Condition (as defined contractually) is not met. The spread to be applied to amounts drawn down under the Revolving Credit

Facility is adjusted based on the aforementioned ratio. The spread applicable at the current date in the event of drawing down funds under the Revolving Credit Facility is 3.50%.

In addition, at each year end (commencing with the closure of the 2021 financial statements), confirmation is required that the aggregate EBITDA of the so-called Material Companies (i.e. Group companies other than GoldBet S.p.A., whose EBITDA – as defined contractually – represents at least 5% of the related consolidated Group totals) accounts for at least 80% of the Group's consolidated EBITDA (Guarantor coverage).

In line with normal market practice in such cases, the terms and conditions of the Revolving Credit Facility also require that the Group comply with a series of restrictions regarding its right to undertake certain operations, unless specific restrictive covenants or specific exceptions provided for contractually are complied with.

Right to take on or guarantee further borrowing

Other than in certain exceptional cases, the Group may only take on or guarantee further borrowing if it complies with certain requirements in terms of: a) the Fixed Charge Coverage Ratio or Consolidated Total Debt Ratio (in the case of non-secured debt); b) the Consolidated Senior Secured Debt Ratio in the case of secured debt, as shown below:

a) in the case of non-secured debt:

Covenants	Description	Contractual value
<i>Fixed Charge Coverage Ratio</i>	Consolidated EBITDA / consolidated financial costs (*)	\geq to 2.0
Or		
<i>Consolidated Total Debt Ratio</i>	Consolidated Total Indebtedness net of Cash and Cash Equivalents / consolidated EBITDA (*)	\leq to 3.15
(*) As defined contractually		

b) in the case of secured debt:

Covenants	Description	Contractual value
<i>Consolidated Senior Secured Debt Ratio</i>	Consolidated Total Secured Indebtedness net of Cash and Cash Equivalents / consolidated EBITDA (*)	\leq to 2.90
(*) As defined contractually		

It is noted that the above ratios must be calculated at the time the Group intends to take on or guarantee further borrowing. The above conditions, however, do not prohibit the Group from taking on certain other specific borrowing set out in the contractual conditions of the Revolving Credit Facility and the notes.

Right to distribute dividends

The terms and conditions of the Revolving Credit Facility and the notes provide that the Group may make certain types of payment, including the distribution of dividends and distribution of reserves to shareholders, solely within certain limits and under certain specific conditions that are defined both for “Restricted Payments” and for “Permitted Payments”.

Such limits on distributions (including dividends) remain in place even in the event of partial redemption of the notes or full reimbursement of the Revolving Credit Facility.

Guarantees and ratings

Collateral posted as security in relation to the Notes issued on July 23, 2020 and the New Revolving Credit Facility in place as of September 30, 2022 included liens on the following: the entire share capital of Gamma Bidco, the entire share capital of Lottomatica (formerly Gamenet Group), the entire share capital of Gamenet S.p.A., the entire share capital of Goldbet S.p.A., receivables relating to Gamma Bidco, Lottomatica (formerly Gamenet Group) and Gamenet in the context of intra-group financing and the key current account balances of Gamma Bidco and Lottomatica (formerly Gamenet Group).

Collateral posted as security in relation to the Notes issued on April 1, 2021 includes liens on the following: the entire share capital of Gamma Bidco, the entire share capital of Lottomatica (formerly Gamenet Group), the entire share capital of Gamenet S.p.A., receivables relating to Gamma Bidco, Gamma Bidco and Lottomatica (formerly Gamenet Group) in the context of intra-group financing, the key current account balances of Gamma Bidco and Lottomatica (formerly Gamenet Group) and the entire share capital of Lottomatica Videolot Rete S.p.A. and Lottomatica Scommesse S.p.A.

Collateral posted as security in relation to the Notes includes liens on the following: the entire share capital of Gamma Midco, receivables relating to Gamma Midco and Lottomatica in the context of intra-group financing, Lottomatica's key current account balances, Lottomatica's interests in GGM S.p.A. and GBO S.p.A., as well as the aforementioned escrow account.

For the sake of completeness, it is noted that the contracts relating to the Notes outstanding as of September 30, 2022 provide that certain of the aforementioned restrictions and covenants no longer apply if the bonds achieve investment grade status, defined as a credit rating of BBB- or higher (S&P) and Baa3 or higher (Moody's). As of the reporting date, ratings are as follows: B (S&P) and B1 (Moody's).

Derivative financial instrument and hedge accounting

In order to hedge the risk relating to possible movements in the interest rate of the share of the aforementioned bond issued on July 23, 2020, which bears interest linked to the three-month EURIBOR rate, a derivative contract for a notional value of Euro 300 million was entered into with UniCredit S.p.A. on August 12, 2020. The derivative contract (which is not listed on any official market) protects against the risk linked to a general increase in interest rates by exchanging the bond's three-month EURIBOR rate with a contractually determined fixed interest rate of 0.1262% calculated quarterly, with the first period commencing on October 15, 2020 and a termination date of July 15, 2025.

The fair value of the instrument was calculated by UniCredit S.p.A.

The transaction qualifies as a cash flow hedge as it meets the hedge effectiveness requirements set out in paragraph 6.4.1.c of IFRS 9, namely:

- i. *There is an economic relationship between the hedged item and the hedging instrument.*

The existence of an economic relationship is confirmed by the alignment of the key elements (nominal amount, termination date and underlying) of the hedged item and the hedging instrument.

The hedged item is exposed to an interest rate risk equal to the three-month EURIBOR rate (with a 0% floor) applied to a notional capital of Euro 300 million, calculated quarterly, from October 15, 2020 to July 15, 2025. The interest rate swap, calculated on the same notional amount grants the right to receive the three-month EURIBOR rate (with a 0% floor) and the obligation to pay interest at a fixed rate of 0.1262%, on the same due dates as the hedged item.

- ii. *The effect of credit risk does not dominate the value changes that result from that economic relationship.*

The credit risk of both parties is minimal and is represented by the credit rating assigned to the parties

- iii. *The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.*

The hedging instrument generates cash flows opposite in nature but of a similar amount, payment dates and duration as the hedged item. The hedge is therefore considered to be fully effective.

8.16 Provisions for risks and charges

The following table provides a breakdown of "Provisions for risks and charges":

<i>(in thousands of Euro)</i>	
Provisions for risks and charges	Total
Balance as of December 31, 2021	30,921
Acquisition	405
Provisions/ (Releases)	2,186
Utilizations	(2,995)
Balance as of September 30, 2022	30,517

(*) The balance as of December 31, 2022 has been restated as reported in Note 6.5 above

The provision for risks and charges comprises: i) the "Provision for technological renewals", amounting to Euro 2.2 million (released in the amount of Euro 586 thousand during the first quarter of 2022 following the ADM's approval of the release of investments for technological upgrades made in 2021 by Lottomatica Videolot Rete), which represents periodic provisions made by the Group's AWP and VLT concession-holders for technological and structural upgrading of the online network and other infrastructures used for gaming-related collection activities; and ii) the "Provision for legal disputes", to cover estimated costs relating to disputes, including labor-related disputes, with third parties.

The balance as of September 30, 2022 also included contingent liabilities amounting to Euro 18.7 million following completion of the Lottomatica (formerly Gamenet Group) purchase price allocation process, for details of which see the Annual Consolidated Financial Statements. It is recalled that during the nine months ended September 30, 2022 the provision for risks and charges relating to the aforementioned contingent liabilities was utilized in the amount of Euro 2.9 million following the signing of the Tax Settlement Agreement between GBO Italy and the Tax Authorities and the consequent payment of the amounts assessed for fiscal years 2016 and 2017 using funding provided by Logispin Austria GmbH. For further details see Note 10.2 Significant Events, *Tax audit report (ex GoldBet S.p.A.) – Withholding tax on royalties*.

The balance as of September 30, 2022 also included the provisions made by Gamenet and Lottomatica Videolot Rete in response to the notification issued by the ADM in July 2022 regarding the initiation of proceedings mainly relating to non-compliance with the concession-holder network management service level obligations provided for in Annex 2 of the Concession Agreement during the period from March 2013 to December 2014 and the consequent application of related penalties. With regard to such non-compliance, the aforementioned companies have also made provisions in relation to the years subsequent to 2014.

8.17 Other current and non-current liabilities

The following table provides a breakdown of “Other current and non-current liabilities”:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
Payables to tax authorities for PREU	59,990	93,320
Payables to distribution network for guarantees	16,240	14,874
Other payables to tax authorities	16,407	15,813
Concession fee payables	6,817	15,124
Provision for Jackpot and VLT tickets to be validated	11,740	11,461
Deferred income on VLT contribution	-	580
Public gaming taxes	59,633	19,392
Payables to other concessionaires for bets/wagers collection	2,178	1,878
Payables to employees	15,465	16,709
Payables to INPS	6,095	7,063
Players' online accounts	21,550	20,678
Payables to Gamma Midco for national fiscal consolidation	47,972	-
Other payables	55,016	14,314
Total	319,103	231,206

“Payables to tax authorities for PREU” included the current balance relating to the month of September 2022 net of the first instalment relating to the fifth period of 2022.

“Payables to distribution network/TIR for guarantees” related to guarantees from third party operators who perform collection activities.

“Concession fee payables” mainly related to the concession-fee owing in respect of September 2022, which was paid in November 2022.

“Other payables to tax authorities” mainly included withholding tax due in relation to remuneration paid to agents and other professional service providers and VAT.

“Provision for Jackpot and VLT tickets to be validated” included amounts provided in respect of jackpots that had not yet been won and VLT tickets issued as of September 30, 2022 but not yet cashed by players, who have 90 days in which to collect their winnings before they are paid over to the ADM as required by the concession.

“Public gaming taxes” included the gaming tax balance owing in respect of March-August 2022 which will be paid on November 30 and the amount relating to September 2022, which will be paid together with the amounts due for October and November on December 20, 2022. For the sake of completeness, it is noted that the amount due in relation to the month of December will be paid on January 31 of the following year.

“Payables to employees” and “Payables to INPS” included amounts due in respect of “fourteenth month” salary payments, holiday pay, holidays and additional hours worked. Reimbursements, overtime and contributions due but not yet paid as of September 30, 2022.

“Players' online accounts” related to balances on players' GBO Italy S.p.A. online accounts at the reporting date.

“Other payables” included Euro 38.1 million relating to the cost of the extension pursuant to Article 18-ter of Decree Law No. 36 of April 30, 2022, converted with amendments by Law No. 79 of June 29, 2022 (see Note 8.1 above and

Note 10.2 "Extension of concessions" below for details - GBO Italy S.p.A. paid the first instalment relating to the first year on October 27, 2022, in the amount of Euro 9.5 million); and Euro 7.2 million relating to GBO Italy S.p.A. payables due in respect of open and decided sports bets (respectively, the value of bets placed as of September 30, 2022 relating to events after such date and amounts due for winnings accrued but not paid as of September 30, 2022). The item also included casino games, poker and bingo related jackpots totaling Euro 5.0 million.

8.18 Current trade payables

The following table provides a breakdown of "Current trade payables:

<i>(in thousands of Euro)</i>	As of September 30, 2022	As of December 31, 2021
Invoices to be received	35,977	35,232
Trade payables	34,997	32,183
Payables relating to remuneration in respect of Gaming Franchise collection activities	7,148	5,039
Payables to operators	12,817	8,490
Total	90,939	80,943

"Payables relating to remuneration in respect of Gaming Franchise collection activities" mainly comprised payables due to the relevant parties in the supply chain.

"Payables to Betting operators" relate to amounts due to GBO Italy S.p.A. operators for fees due to them, as well as to third parties appointed for services linked to the obtaining of new potential customers.

9. RELATED PARTY TRANSACTIONS

The following table shows Group receivables and payables due from/to related parties:

<i>(in thousands of Euro)</i>	As of September 30, 2022		As of December 31, 2021	
	Receivables	Payables	Receivables	Payables
Shareholders				
Gamma Midco S.p.A.	10,902	47,972	208	3
Total Shareholders	10,902	47,972	208	3
Total Related Parties	10,902	47,972	208	3

Payables as of September 30, 2022 included the amount due to Gamma Midco in relation to the tax consolidation (see the tables in Notes 7.10, 8.10 and 8.17 above).

10. OTHER INFORMATION

10.1 Commitments and risks

Guarantees granted in favor of third parties

It is noted that as of September 30, 2022, the Group had granted concession related guarantees in favor of the ADM amounting to Euro 271.738 thousand. For details regarding guarantees relating to the bond loan, see Note 8.15 above

Commitments

For details of commitments relating to the agreements regarding the acquisition of Betflag S.p.A. see Note 10.3 below.

Contingent liabilities

Other than as reported in the consolidated financial statements as of and for the year ended December 31, 2021, management is not aware of any disputes or legal actions that could reasonably have significant repercussions on the Group's operating results, financial position or cash flows.

10.2 Significant events

Flat tax related dispute (ex-GoldBet S.p.A.)

The following developments during the period ended September 30, 2022 are noted in relation to the matters reported in the consolidated financial statements as of and for the year ended December 31, 2021:

- i. with regard to fiscal year 2013, on 6 June 2022 a payment notice was served for a total amount of Euro 15.1 million, against which the company lodged an appeal with the competent Provincial Tax Commission for lack of

- notification (as the notice was not served to the main debtor Logispin Austria GmbH). The petition to suspend the payment notice, which was dealt with at the September 13, 2022 hearing by the Provincial Tax Commission of Rome, was not granted. A first instance hearing on the appeal will be held on December 6, 2022.
- ii. with regard to fiscal year 2014, the Provincial Tax Commission's decision was negative. Deadlines for filing an appeal are pending. On October 14, 2022, a payment notice was served for a total amount of Euro 16.5 million, in respect of which GBO Italy S.p.A., on November 11, 2022, lodged an appeal with the competent Provincial Tax Commission for lack of notification (as the notice was not served to the main debtor Logispin Austria GmbH).

With regard to the matters described in points (i) and (ii) above, it is recalled that Logispin Austria GmbH undertook specific indemnity obligations towards GoldBet S.p.A. now GBO Italy S.p.A and its shareholder, as provided for in the purchase agreement signed on July 24, 2018 relating to the shareholding in GoldBet S.p.A. now GBO Italy S.p.A., which cover any damages that may be borne by GoldBet S.p.A. (now GBO Italy S.p.A.) and that such obligations are backed by specific guarantees. In addition, it is noted that the total amount of payments that may eventually be made in relation to such claims are fully recognized as liabilities, within provisions for risks and charges, in the balance sheet as of September 30, 2022.

Tax audit report (ex GoldBet S.p.A.) – Withholding tax on royalties

The following developments during the period ended September 30, 2022 are noted in relation to the matters reported in the consolidated financial statements as of and for the year ended December 31, 2021:

- i. with regard to fiscal year 2016, on May 27, 2022, the Company signed a Tax Settlement Agreement with the Tax Authorities and on June 1, 2022, the matter was closed with the company paying the amount due. In accordance with existing commitments, Logispin Austria GmbH provided the funds to pay the tax due.
- ii. based on its audit regarding fiscal year 2016, on May 13, 2022 the Tax Authorities initiated an audit with regard to fiscal year 2017, which was completed on June 10, 2022 with the notification of a tax assessment amounting to Euro 1.1 million. On June 24, 2022, the company filed a tax settlement request (see Note 10.3 below for updated details). On July 8, 2022 the Company signed a Tax Settlement Agreement with the Tax Authorities and on July 13, 2022, the matter was closed with the company paying the amount due. As with the tax due in relation to 2016, in accordance with existing commitments, Logispin Austria GmbH provided the funds to pay the tax due.

Coronavirus "COVID-19" and the Russia-Ukraine conflict

Global economic activity has shown signs of slowing down since the beginning of the year, owing to the spread of the Omicron variant of the coronavirus and subsequently Russia's invasion of Ukraine. Inflation has risen almost everywhere, continuing to reflect the increases in energy prices. Following the invasion, much of the international community responded quickly with sanctions on Russia that are unprecedented in terms of severity and scope. The immediate effects of the conflict on global financial market listings have been significant. The prices of commodities, especially of energy products, for which Russia holds a considerable share of the global market, have risen further.

In any event, no significant impact on the Group's financial situation or cash flows has been identified as likely in the foreseeable future and, in particular, during the 12 months following the reporting date.

Italian GDP fell in the first nine months of 2022, owing to the resurgence in new COVID cases at the turn of the year and the dynamics of energy prices. Inflation in Italy rose to 9.4 percent in September, reaching its highest level since the end of the 1980s, mainly driven by the exceptional growth in energy prices and the impact of such price increases on the prices of other goods and services.

With the issue of Decree Law No. 24 of March 24, 2022, "Urgent provisions to overcome measures introduced to contain the spread of the COVID-19 epidemic", effective from March 25, 2022, the government started to eliminate certain of the anti-COVID-19 restrictions from as early as March 31, 2022 (the date on which the state of emergency ended), including from May 1, 2022 the Green Pass and Enhanced Green Pass related requirements and the requirement to wear protective masks indoors, albeit gradually and maintaining the requirement that masks be worn on public transport.

Even before the restrictive measures came into effect, the Group had adopted a series of further, voluntary and increasingly stringent precautionary measures in addition to those required by law, with a view to ensuring a greater degree of protection for all parties. Group management continues to closely monitor the evolution of the measures taken by the relevant authorities, activating internal arrangements as appropriate in response to related risks and potential impacts of such measures on the Group's future results.

With regard to the Group's economic performance and bet in the period ended September 30, 2022, as compared to that in the same period of the previous year, it is noted that in 2021 activities in the Gaming Franchise and Sports

Franchise segments remained suspended until June 1 in implementation of the measures introduced by the government to contain and manage the emergency situation linked to the spread of the Covid-19 virus, while the Online segment, on the other hand, remained operational throughout the period, generating bet of Euro 4,604.2 million in the nine-month period ended September 30, 2021. Bet in the nine-month period ended September 30, 2022 in the Online, Sports Franchise, and Gaming Franchise segments amounted to Euro 6,303.4 million, Euro 1,768.8 million, and Euro 8,117.6 million, respectively. Specifically, the increase in the Online bet was mainly attributable to the casino games bet, which increased from Euro 3.089,6 million in the nine months ended September 30, 2021 to Euro 4.767,3 million in the nine months ended September 30, 2022.

Legislative and regulatory provisions introduced in 2022

Provisions introduced during 2022 up till the time of preparing this document are described below.

- Extension of concessions

As things stand, the current Sports Franchise concessions are valid until June 30, 2024 and remote gaming concessions are valid until December 31, 2022.

On June 29, 2022, Law No. 79/2022 was published in the Official Gazette, converting and amending Law Decree No. 36 of April 30, 2022, which introduced Article 18-ter, providing for the extension until 30 June 2024 of concession rights for the collection of bets on the retail network.

Specifically, Article 18-ter provides as follows "1. Pending the approval and implementation of the bill to reorganize the gaming sector, envisaged by the 2021 Budget Document relating to the period 2022-2024, in compliance with the need for continuity of tax revenue, the expiry date envisaged for concession rights for the collection of bets on sporting events, including horse races, and non-sporting events, including simulated events, is extended on a fee basis until June 30, 2024. The concession related charges due with effect from June 30, 2022, to be paid in two annual instalments on April 30 and October 31, are as set out in Article 1, Paragraph 1048, of Law No 205 of December 27, 2017. A provision of the Director General of the Customs and Monopolies Agency sets out the obligations, for concession-holders, to submit adequate economic guarantees, proportionate to the new time limits."

With regard to the ADI segment, it is noted that the ADM in Note No. 142086/RU and Note No. 142141/RU of March 31, 2022, pursuant to Article 4, Paragraph 2 of the Concession Agreement, communicated the extension of the duration of the ADI concessions by an additional twelve months, until June 29, 2023.

- New Fixed-odds Betting Regulation

Ministerial Decree No. 145 of August 1, 2022, published in the Official Gazette General Series No. 227 of 09/28/2022, introduced the new Regulation concerning the regulation of fixed-odds betting on sporting events other than horse racing and non-sporting events. The New Regulation, which expressly repeals the previous regulation set forth in Ministerial Decree No. 111 of March 1, 2006, came into effect on 10/28/2022. The main changes are:

- Combination fixed-odds betting (See Article 4, Para. 2).
Combination fixed-odds bets are permitted; these represent a set of several fixed-odds bets types for which the stake is divided among the composing fixed-odds bets.
- Validity of bets, types and results (See Article 6, Para. 3)
A fixed-odds bet on a sporting event other than horse racing and non-sporting events is considered invalid:
 - a) when the event has not taken place within three days of the final date communicated to the national totalizator;
 - b) if the fixed-odds bet is accepted after the occurrence of its outcome;
 - c) if home advantage is reversed in team competitions, with respect to that communicated by the body responsible for the conduct of events. Playing the event at a neutral location is not considered a reversal of home advantage;
 - d) if the fixed-odds bet is accepted during the interval between the time the event actually starts and the time indicated in the official program.
- Odds Error (1) (See Article 8, Paragraphs 1, and 2 and 3)
A concession holder who detects an odds error for one or more outcomes of one or more types of fixed-odds bets contained in a receipt accepted by the national totalizator may request that the ADM recognize such odds error.
- Unit Game Stakes and Minimum Amount (See Article 12)

The unit stake for fixed-odds betting is set at five cents, and the minimum amount waged may not be less than Euro 1. All changes to the unit stake shall be made by order of the Director of the ADM.

- Book percentage and maximum winnings (See Article 14, Para. 2)
Fixed-odds bets with potential winnings exceeding Euro 50 thousand may not be accepted; such amount is changed periodically by order of the Director of the ADM.

- *Anti-money laundering*

Following publication in the Official Gazette No. 49/2022 of Law Decree No. 228/2021 (the so-called "Milleproroghe"), converted into Law No. 15/2022, the maximum cash transfer limit of Euro 2.000 has been extended to the end of 2022. With effect from January 1, 2023, the aforementioned limit will be reduced to Euro 1.000.

- *Other regulatory provisions*

In Note No. 190027 of May 3, 2022, the ADM confirmed that, given the end of the state of emergency, with effect from April, 2022, all previously suspended procedures and deferred deadlines, including the temporary suspension of accrual of the PREU flat-tax base, would resume or be reintroduced as appropriate.

- *Bingo*

With effect from July 4, 2022, the Bingo concessionaire, Battistini Andrea S.r.l., became part of the Lottomatica Group.

On July 26, 2017, Battistini Andrea S.r.l. signed the supplementary deed to Bingo Concession Agreement No. 003/TL/17/R (currently under extension arrangements), effective until the signing of the new concessions, which are planned to be re-allocated through the tender referred to in Article 1, Paragraph 636, of Law No. 147 of December 27, 2013, as amended.

The aforementioned article, as amended by Article 1, Paragraph 1130 of Law No. 178 of December 30, 2020, stipulates that the ADM must, by March 31, 2023, issue a tender for the award of new bingo concessions.

In addition, pursuant to the aforementioned Article 1, Paragraph 636, letter c) of Law No. 147 of December 27, 2013, as amended and supplemented, holders of expiring concessions who intend to participate in the tender for the reattribution of concessions are required to pay a fee of Euro 7.500 to extend the expired concession for each month or fraction of a month of more than fifteen days, or Euro 3.500 for each fraction of a month of less than fifteen days, until the date they sign the new reattributed concession.

Subsequently, Article 1 of Law No. 178 of December 30, 2020, expressly provided that:

1131. "The monthly fee referred to in Article 1, Paragraph 636, letter c), of Law No. 147 of December 27, 2013, relating to the months from January 2021 to June 2021 inclusive, may be paid, by the 10th day of the following month, in the amount of Euro 2.800 for each month or fraction of a month of more than fifteen days and Euro 1.400 for each fraction of a month of fifteen days or less.

1132. Holders of Bingo concessions who choose to pay the concession extension fee in accordance with the terms set out in Paragraph 1131 are required to pay the balance in equal monthly installments, with late payment interest calculated day by day, until the full amount of the fee provided for by current regulations has been paid.

1133. The first of the installments referred to in paragraph 1132 shall be paid by July 10, 2021, and the subsequent installments by the 10th day of each month; the final installment shall be paid by December 10, 2022."

In the case of Battistini Andrea S.r.l., all extension fee payments have been made.

The ADM, in Memorandum No. 434505/RU dated September 26, 2022, requested payment of extension fees that were not paid during the second period that halls were closed as a result of the pandemic (from November 2020 to May 2021) and for which the concession holder did not take advantage of the instalment plan or pay them in full.

While contesting the obligation to pay fees in relation to the period in question, Battistini Andrea S.r.l., paid the related amounts on October 11, 2022, solely in order to avoid incurring the prospected enforcement of a surety bond and imposition of penalties as provided for by the supplementary act to the concession and, therefore, without recognition of the amount requested by the ADM in any way limiting Battistini Andrea S.r.l.'s right of appeal, despite the fact that payment has already been made.

Approval of the merger by incorporation of Lottomatica Scommesse S.p.A. into Goldbet S.p.A.

On March 15, 2022, the shareholders' meetings of Lottomatica Scommesse S.p.A. ("Lottomatica Scommesse" or the "Incorporated Company") and Goldbet S.p.A. ("Goldbet" or the "Incorporating Company") approved the plan prepared pursuant to Article 2501-ter of the Italian Civil Code regarding the merger by incorporation of the Incorporated Company into the Incorporating Company. Such merger is part of a reorganization plan, launched during the second half of 2021, with the objective of aligning the corporate structure of the group headed by Lottomatica S.p.A. (sole shareholder of GBO S.p.A.) to the group's operational business structure. Specifically, the merger is aimed at creating two distinct silos within the group controlled by Lottomatica S.p.A. dedicated respectively to the Gaming Franchise segment (including both ADI concession related activities and retail and street operations) and the betting & online segment, thereby enabling the achievement of greater efficiency in group operations. The merger became legally effective on June 1, 2022. During the same shareholders' meeting on March 15, 2022, the shareholders of Goldbet S.p.A. changed the company's name to GBO Italy S.p.A., with effect from June 1, 2022.

Management System for the Prevention of Corruption

On April 8, 2022, the shareholders' meeting of Lottomatica approved the document "Anti-bribery & corruption policy and guidelines" with a view to implementing an Anti-Bribery & Corruption Management System compliant with UNI ISO 37001:2016. To provide greater oversight, an Anti-Bribery & Corruption Management System Function has been established within the Internal Audit & GRC Department.

Approval of the merger by incorporation of Enjoy the Game S.r.l into Big Easy S.r.l.

On April 28, 2022 the extraordinary shareholders' meeting of Enjoy the Game S.r.l (the "Incorporated Company") and Big Easy S.r.l. (the "Incorporating Company") approved the plan prepared pursuant to Articles 2501-bis and 2501-ter of the Italian Civil Code regarding the merger by incorporation of the Incorporated Company into the Incorporating Company. The merger is part of a reorganization plan, launched during the second half of 2021, aimed *inter alia* at revising the organizational structure to align it with the business and simplifying the ownership structure and related management effort, with a view to optimizing administrative processes and eliminating duplications and overlaps. The merger became legally effective on July 1, 2022.

Incorporation of Lottomatica Digital Solutions S.r.l.

On May 2, 2022 GBO Italy S.p.A. (formerly Goldbet S.p.A.) completed the incorporation of Lottomatica Digital Solutions S.r.l, with share capital of Euro 10 thousand; the company is specialized in the creation of technological platforms structured to be adapted to international markets.

UNI ISO 37001:2016 "Anti bribery management system" certification

On July 25, 2022 Lottomatica S.p.A. and the Group's concession holders, Gamenet S.p.A., Lottomatica Videolot Rete S.p.A. and GBO Italy S.p.A., obtained UNI ISO 37001:2016 "Anti bribery management system" certification, recognized by Accredia (the National Accreditation Body for Certification and Inspection Bodies). Certification of Lottomatica's anti bribery management system to ISO 37001:2016 was issued by the accredited certification body Rina Services and was based on verification of the control systems and measures implemented by the Group for the prevention and mitigation of the risk of corruption. Such certification provides the Group with further evidence of the safeguards it has in place against the risk of corruption, in addition to the Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001, which has long been adopted within the Group.

ESG Rating

It is noted that in July 2022, the Group obtained an ESG rating assessed by Sustainalytics of 10.2, evaluating the company at low risk of experiencing material financial impacts from ESG factors. The rating confirms Lottomatica's increasing commitment and ongoing improvement with regard to environmental sustainability, social and governance related matters.

Bond (Senior Secured Notes) issue on September 27, 2022

As described above in Note 8.15, in order to finance potential strategic investments or acquisitions, on September 27, 2022 Lottomatica S.p.A. issued senior secured notes for a total principal of Euro 350 million bearing interest, to be paid semi-annually, at a fixed annual rate of 9.750 %. The notes in question, which mature in 2027, were admitted to listing on the Euro MTF market organized and managed by the Luxembourg Stock Exchange and the ExtraMOT segment of Borsa Italia. In conjunction with the bond issue, the Revolving Credit Facility was increased by a further Euro 75 million.

Pending satisfaction of the contractually defined Escrow Release Conditions, the proceeds of the issue of the notes were transferred to an escrow account in the name of Lottomatica S.p.A. The Group plans to use the proceeds of the issue, once released following satisfaction of the "Escrow Release Conditions," for (i) potential strategic investments or acquisitions, (ii) the payment of fees and expenses related to the issue, and (iii) general corporate purposes.

10.3 Significant events occurring after the reporting period

On November 17, 2022 GBO S.p.A. entered into an agreement to acquire 100% of the share capital of Betflag S.p.A. ("Betflag").

Betflag, a company licensed to carry out remote gaming and betting activities, is an Italian operator active in all segments of the online gaming market, which generated EBITDA of Euro 36 million in the 12 months ended September 30, 2022.

The consideration is equal to Euro 310 million, adjusted based on Betflag's net financial position as of that date. In addition, an additional price component of a variable amount, up to a maximum of Euro 50 million, may be payable in 2024, depending on Betflag's financial performance during fiscal year 2023.

Betflag has a comprehensive range of licensed online games and an established and recognized brand in the market, as well as specific product, marketing and customer service competencies.

The transaction enables the Lottomatica Group to consolidate its presence in the Italian market and, in particular, strengthen its market position in the online casino games sector; it is a key element of the Group's multibrand strategy, aimed at ensuring full coverage of the various product verticals and market segments.

The transaction has been financed through the proceeds of the senior secured notes issued by Lottomatica on September 27, 2022.

Rome, November 23, 2022

Chief Executive Officer

Guglielmo Angelozzi