



LOTTOMATICA GROUP S.p.A.

Interim Management Report as of and for
the six months ended June 30, 2023

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1. Corporate bodies and external auditor

BOARD OF DIRECTORS

Name and surname	Position
Andrea Moneta	Chairman
Guglielmo Angelozzi	Chief Executive Officer
John Paul Maurice Bowtell	Director
Michele Rabà	Director
Michael Ian Saffer	Director
Yulia Shakhova	Director
Catherine Renee Anne Guillouard	Director
Augusta Iannini	Independent director (*)
Gaia Mazzalverì	Independent director (*)
Marzia Mastrogiacono	Independent director (*)
Nadine Farida Faruque	Independent director (*)

(*) Independent director pursuant to Article 147-ter, paragraph 4, and Article 148, paragraph 3, of the TUF and Article 2 of the Corporate Governance Code.
(Appointed by the Shareholders' Meeting on February 27, 2023 until the approval of the financial statements as of December 31, 2025)

BOARD OF STATUTORY AUDITORS

Name and surname	Position
Andrea Lionzo	Chairman
Giancarlo Russo Corvace	Auditor
Veronica Tibiletti	Auditor
Angela Frisullo	Alternative Auditor
Alberto Incollingo	Alternative Auditor

(Appointed by the Shareholders' Meeting on February 27, 2023 until the approval of the financial statements as of December 31, 2025)

INDEPENDENT EXTERNAL AUDITORS

PricewaterhouseCoopers S.p.A.

2. Corporate information

Lottomatica Group S.p.A. (hereinafter “**Lottomatica Group**” or the “**Company**” and together with its subsidiaries the “**Group**”), was incorporated on October 15, 2019 on behalf of funds managed by Apollo Management IX, L.P. The Company is 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 information in this report on operations refers to the six months ended June 30, 2023 and 2022.

On November 22, 2022, GBO S.p.A. completed the acquisition of 100% of the share capital of Betflag S.p.A. (“**Betflag**”) and obtained competition clearance on December 6, 2022 (the “**Betflag Acquisition**”). Betflag, a company licensed to carry out remote gaming and betting activities, is an Italian operator active in the online gaming market. Betflag was consolidated from December 1, 2022.

On April 28, 2023, the initial public offering of the Company's ordinary shares was concluded (hereinafter the “**Offer**”), aimed at the admission to trading of its ordinary shares on Euronext Milan, a regulated market organized and managed by Borsa Italiana S.p.A. (hereinafter “**Listing**”). The first day of trading for the Company's ordinary shares was May 3, 2023. The net proceeds from the shares issued by the Company pursuant to the Offer were used, among other things, to reduce its leverage, as further described below.

On June 1, 2023, Lottomatica S.p.A. issued senior secured notes with a principal amount of Euro 1,115 million (maturity in 2028). Subsequently, the net proceeds from the issue were used, together with available cash, to finance the final early repayment of the senior secured bonds (maturity in 2025) issued by Lottomatica S.p.A. on July 23, 2020 and April 1, 2021, respectively, (hereinafter the “**Refinancing**”).

For further details, please refer to Note 6 “Key events occurring during the period” of this document and Note 11.2 to the Company's condensed consolidated interim financial statements as of and for the six months ended June 30, 2023 (the “**Condensed Consolidated Interim Financial Statements**”).

Interim report on operations

3. Overview

The Group is one of the largest players in the Italian gaming market¹, with Euro 14.6 billion in bet collected and Euro 820.1 million in revenues recorded during the six months ended June 30, 2023, through a network of 3,016 betting rights, 25 horse-race betting rights, 19,831 VLT rights, 67,152 AWP operating permits and 32,678 owned AWP² and a network of around 17,438 points of sale of which 125 managed directly as of June 30, 2023.

The Group has the following operating segments:

- **Online:** including iSports (sports, virtual and horse race betting in the online channel), iGaming (online casino) and other online products (e.g., bingo, poker, skill games, betting exchange, etc.).
- **Sports Franchise:** includes a wide range of retail offerings including, but not limited to, sports betting, virtual betting and horserace betting.
- **Gaming Franchise:** includes the direct management of gaming halls and concessionary activities for VLTs and AWP, managed according to various types of business models depending on the level of integration in the value chain (i.e., ranging from the sole interconnection of machines prescribed by the concession to the ownership and management of the machines and the gaming halls).

¹ On revenues basis.

² The figure as of June 30, 2023 does not consider AWP machines that the company holds in inventory.

The three operating segments are described below.

(1) Online

The Group offers a wide range of online games such as sport betting, virtual betting, casino games, bingo, poker, betting exchange and skill games through the GoldBet.it, Better.it, Lottomatica.it and Betflag.it websites. Online segment bet for the six months ended June 30, 2023 amounted to Euro 7,583.0 million, a significant increase with respect to bet in the same period of the previous year which amounted to Euro 4,257.1 million.

(2) Sports Franchise

The Group is active in the sports retail segment through a franchise network of 2,751 operating POS as of June 30, 2023. Through the GoldBet, Intralot and Better brands, the Group offers a wide range of retail offerings, including sports betting, virtual betting and horserace betting. Total bet in the Sports Franchise segment amounted to Euro 1,449.3 million for the six months ended June 30, 2023, as compared to Euro 1,216.4 million for the six months ended June 30, 2022.

(3) Gaming Franchise

The Group's Gaming Franchise business comprises the management and the provision of concessionary services (e.g., telematic interconnection of the machines). As of June 30, 2023, the Group's Gaming Franchise business included 18,331 operative VLTs and 63,054 operative AWP. The gaming machines are managed under various types of business models depending on the level of integration in the value chain. These business models range from the sole interconnection of machines prescribed by the concession to the ownership and management of the machines and the gaming halls. For the six months ended June 30, 2023, there were 125 gaming halls under direct management of the Group, which leveraged the Group's proprietary distribution formats and brands.

Overall, Gaming Franchise segment bet for the six months ended June 30, 2023 amounted to Euro 5,540.7 million, as compared to Euro 5,397.7 million for the six months ended June 30, 2022. The following paragraphs provide more specific details regarding the i) AWP, ii) VLT and iii) Retail and Street Operations product divisions.

i) Amusement With Prize machines (AWP)

AWPs 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 four and thirteen seconds. Any winnings must be distributed immediately after the game (only) in coins and jackpots are not permitted³. The machine must calculate winnings in an unpredictable way over a cycle of a maximum of 140,000 games.

ii) Video Lottery Terminals ("VLT")

VLTs 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 5,000.00 as well as the chance to win jackpots of up to Euro 500,000.00⁴. The Group currently offers four VLT platforms (Spielo, Novomatic, Inspired and WMG).

³ 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 January 1, 2020). 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, 2022.

⁴ 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 January 1, 2020). 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, 2022.

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

Since 2012, the Group has pursued a strategy of vertical integration involving the direct management of owned gaming halls ("Retail"), with such business being subsequently supplemented by direct management of owned AWP's ("Street Operations"). As of June 30, 2023, the Group directly manages 125 halls and 32,678 owned AWP's.

4. Alternative Performance Measures

In this document, in addition to the financial measures provided by International Financial Reporting Standards (IFRS), several measures derived from the latter are presented even if not provided by IFRS (hereinafter the "Non-GAAP Measures") in line with ESMA's guidelines on "Alternative Performance Measures" (ESMA Guidelines/2015/1415, adopted by Consob with Notice No. 92543 of December 3, 2015) published on October 5, 2015. These measures are presented in order to allow a better assessment of the Group's operating performance and should not be considered alternatives to those provided by IFRS. Specifically, the Non-GAAP Measures used are as follows:

- **Adjusted EBITDA:** calculated as net result for the period 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) costs related to M&A and international activities; (vii) integration costs (comprising expenses on corporate restructuring and redundancy); and (viii) other income and expenses that, in view of their nature, are not reasonably expected to recur in future periods.
- **Adjusted EBITDA Margin:** calculated as the ratio of Adjusted EBITDA divided by Revenues for the period.
- **Adjusted Net Profit:** calculated as net result for the period adjusted for: (i) amortization of higher value of assets resulting from business combinations following the purchase price allocation process; (ii) other non-recurring costs and income excluded from Adjusted EBITDA, (iii) financial income and expenses that, due to their nature, are not reasonably expected to recur in future periods and (iv) tax effects on such adjustments.
- **Cash Capital Expenditures:** calculated as cash outflows for (i) recurring capital expenditure (comprising maintenance and expansionary capital expenditure), (ii) concession capital expenditure and (iii) extraordinary capital expenditure related to investments for extraordinary projects.
- **Operating Cash Flow:** defined as the sum of Adjusted EBITDA less (i) recurring capex and (ii) concession capex.
- **Cash Conversion Rate:** calculated as the ratio of Operating Cash Flow divided by Adjusted EBITDA.
- **Net Financial Debt:** calculated as the sum of (i) the principal amount of the Notes and the principal amount of the Bondco Loan⁵, (ii) payables related to IFRS 16, net of (iii) cash and cash equivalent.
- **Net Financial Indebtedness - ESMA:** determined as required by Consob Communication DEM/6064293 of July 28, 2006 and amended by Consob Communication No. 5/21 of April 29, 2021 and in accordance with ESMA Recommendations contained in Guidelines 32-382-1138 of March 4, 2021 on disclosure requirements under the Prospectus Regulation.

⁵ Fully repaid in advance on May 3, 2023

The following table provides details of the main financial and economic indicators for the periods indicated:

<i>(in thousands of euro)</i>	As of and for six months ended June 30, 2023	As of and for six months ended June 30, 2022	As of and for the year ended December 31, 2022
Revenues	820,073	681,856	1,394,862
Adjusted EBITDA	298,785	233,448	460,350
Adjusted Net Profit	118,447	80,758	152,114
Profit for the period	45,308	52,222	79,349
Total shareholders' equity	533,481	88,702	107,476
Net financial indebtedness - ESMA	1,279,425	n.a.	1,781,713
Net financial debt	1,159,460	n.a.	1,663,977
Cash Capital Expenditures	(56,477)	(57,553)	(114,448)
Operating cash flow	256,868	205,625	391,237
Cash conversion rate	86.0%	88.1%	85.0%

5. Macroeconomic context

In the first six months of the year, the global economy activity has been held back by high inflation and tight financing conditions. High uncertainty continues to be a key feature of the macroeconomic outlook. The risks to growth are tilted to the downside and are especially linked to the course of the conflict in Ukraine and to the possibility of a greater than expected tightening in financing conditions. The risks to inflation are balanced and include, on the upside, an incomplete pass-through of the recent decrease in energy prices and, on the downside, a more marked and longer-lasting deterioration in aggregate demand. The risk of a wage-price spiral remains low.

Despite the brisk growth in services in the main economies, activity is affected by the weakening of the manufacturing cycle, which is contributing to reducing the growth prospects for global trade and commodity and energy prices.

Between May and June, the Governing Council of the European Central Bank raised its key interest rates by 50 basis points overall. The Federal Reserve, after a rise in May, left its benchmark interest rates unchanged in June, although it indicated that it might raise them over the next few months. The Council confirmed the end of the reinvestments under the asset purchase program, starting from July, as well as full, flexible reinvestments under the pandemic emergency purchase program, at least until the end of 2024. The yields on ten-year government bonds rose slightly in the euro area, while the spreads with the corresponding German bond moved heterogeneously across countries, narrowing in Italy⁶.

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

Gross domestic product ⁷	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	IV Q 2022	I Q 2023	II Q 2023
	-5.9%	-12.7%	+16.1%	-1.6%	+0.2%	+2.6%	+2.7%	+0.7%	+0.1%	+1.0%	+0.5%	-0.1%	+0.5%	+0.6%

According to estimates, GDP remained broadly unchanged between the first and second quarter of the year, above all because of the contraction in manufacturing activity, which was affected by the weakening of the industrial cycle at global level. The expansion in household consumption continued at a slower pace. Investment was held back by tighter financing conditions and by a less favorable outlook for demand.

Annual inflation in Italy as of June 30, 2023 increased, reaching +6.4%⁸ on annual basis showing a sharp deceleration, due to the dynamics of energy goods and food prices, down compared to May.

	As of June 30,	
	2022	2023
Inflation rate	+8.0%	+6.4%

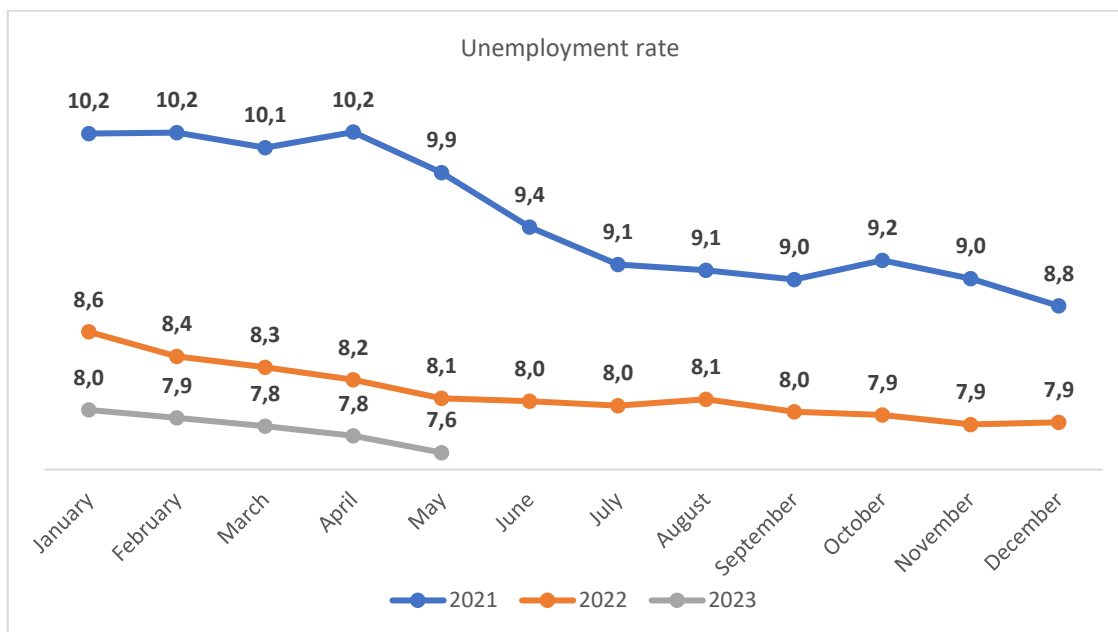
⁶ Source: Bank of Italy - Economic Bulletin No. 3 - 2023

⁷ Source: Istat – MONTHLY REPORT ON ITALIAN ECONOMY - MAY/JUNE 2023

⁸ Source: Istat – Press release – Consumer price – June 2023

The positive gap in the harmonized index of consumer prices (HICP) between Italy and the euro area narrowed further in June, partly as a result of the sharp slowdown in the energy price component in our country.

As shown in the following graph⁹ the unemployment rate as of May 31, 2023 was lower than that at the same date in 2022, as the expansion in the number of persons employed has continued. The participation rate continues to rise and the unemployment rate has decreased. Wage growth is expected to strengthen over the remainder of the year, though remaining lower than the rise in prices. Profit margins are rising slightly: they have returned to pre-pandemic levels in manufacturing, while they are still lower in construction and in services.



6. Key events occurring during the period

IPO and Admission to Listing of Lottomatica Group

On May 3, 2023, Lottomatica Group successfully completed its initial public offering with total gross proceeds from the IPO amounting to Euro 600 million, of which:

- Euro 425 million of new shares issued by the Company through a capital increase excluding the option right (the “**Capital Increase**”); and
- Euro 175 million of existing shares offered by Gamma Topco S.a.r.l.

The Euro 425 million of proceeds from the Capital Increase, together with available cash, were used (also subsequent June 30, 2023) as follow:

- full repayment of the principal amount of the Euro 250 million loan granted by Gamma Bondco S.à.r.l., (the “**Bondco Loan**”) plus accrued and unpaid interest of Euro 30.3 million and prepayment penalty due to the early extinguishment for an amount equal to Euro 16.5 million;
- early repayment of a portion of the floating-rate part of July 2020 Notes (as defined below) amounting to Euro 100 million, plus accrued and unpaid interest for an amount of Euro 1.7 million;
- payment of the transaction costs in relation to the Capital Increase including underwriting fees of Euro 10.9 million and other advisor costs of Euro 16.1 million;

⁹Source: Istat. Employment and Unemployment – May 2023.

- payment of the commitment fees in relation to the Bridge Facility signed on April 12, 2023 (hereinafter “**Bridge Facility**”) of Euro 13.8 million and the arrangement fees related to New Revolving Credit Facility (hereinafter “**New RCF**”) of Euro 4.0 million;
- payment of the cash consideration of Euro 4.3 million in relation to the Faro Games S.r.l. transaction (see Note 11.2.10 to the Condensed Consolidated Interim Financial Statements for further information).

It should be noted that the residual amount equal to Euro 4.5 million of arrangement fees related to the previous revolving credit facility (hereinafter “**Former RCF**”) was recognized in the income statement, following the subscription of the New RCF on May 3, 2023;

Finally, it’s recalled that the transaction costs related to the Capital Increase, totaling Euro 27.0 million, were charged on shareholders' equity, net of the related tax effect amounting to Euro 6.5 million, in compliance with IAS 32. For more details, please refer to Note 9.9 of the Condensed Consolidated Interim Financial Statements.

The Refinancing

On June 1, 2023, Lottomatica S.p.A. issued senior secured notes for a total principal amount of Euro 1,115 million of which (i) Euro 565 million bearing interest at a fixed annual rate of 7.125%, to be paid semiannually, starting on December 1, 2023, and (ii) Euro 550 million issued below par (at 99%), bearing interest equal to the sum of three-month EURIBOR (with a 0% floor) plus 4.125% per annum to be paid quarterly, starting on September 1, 2023 (hereinafter “**June 2023 Notes**”). A portion of the net proceeds has been used to fund the repayment of the remaining Euro 200 million of the floating-rate part of July 2020 Notes (as defined below), while the residual part of the proceeds was transferred to an escrow account in the name of Lottomatica S.p.A., pending satisfaction of the contractually defined “*Escrow Release Conditions*”.

On July 17, 2023 following the satisfaction of “*Escrow Release Conditions*”, these proceeds were used, together with available cash, to finance (i) the final early repayment of the senior secured bonds issued by Lottomatica S.p.A. on July 23, 2020 and April 1, 2021, respectively, for a total remaining amount of Euro 915 million, plus accrued and unpaid interest; and (ii) the payment of the make-whole due to the early repayment for an amount of Euro 12.7 million.

With reference to the Refinancing, the debt issuance monetary costs are equal to Euro 31.7 million, mainly referred to:

- professional fees amounting to Euro 23.8 million;
- the issue discount of Euro 5.5 million (related to the notes issued with a variable coupon);
- the make-whole of the Notes Repaid (as defined below) for an amount of Euro 12.7 million;
- the income due to the closing of the hedging derivative following the early repayment of the floating-rate portion of the July 2020 Notes (as defined below), amounting to Euro 6.7 million with reference to the early redemption of the portion of Euro 100 million on the Listing date and amounting to Euro 13.1 million with reference to the early redemption of the remaining portion of Euro 200 million as a result of the Refinancing;
- negative carry arising from the negative difference between the interest income accrued on the escrow account and the interest expense accrued on the Notes Repaid (as defined below) for the period from June 1, 2023 to the repaid date (July 17, 2023) amounting to Euro 2.8 million.

It should be noted that the Refinancing also resulted in debt issuance non-monetary costs of which:

- the acceleration of the amortized cost on the ancillary charges related to the bonds issued on July 23, 2020 and on April 1, 2021 in the amount of Euro 10.8 million, which were fully expensed in the quarter ended June 30, 2023 following the related early repayment;
- the recognition in the income statement of arrangement fees related to the Former RCF amounting to Euro 4.5 million.

The following table is a summary of the non-recurring costs recorded for the six months ended June 30, 2023 as a result of the above transactions and the relevant accounting treatment applied:

(in thousands of euro)	Amount ^(*)	Of which incurred as of June 30, 2023	Finance expenses	Shareholder's Equity	Financial liabilities at amortized cost	Monetary elements (Financial impact period)		Non-monetary elements
						Q2 23	Q3 23	
Listing costs								
Underwriting fees and consultants / advisors	(27.0)	(27.0)		✓		(19.4)	(7.6)	-
Prepayment penalty on Bondco Loan	(16.5)	(16.5)	✓			(16.5)	-	-
Bridge Facility	(13.8)	(13.8)	✓			-	(13.8)	-
New RCF (over five years)	(4.0)	(0.1)	✓			(4.0)	-	-
Total (A)	(61.3)		(34.3)	(27.0)	-	(39.9)	(21.4)	-
Refinancing costs								
Underwriting fees and consultants / advisors	(23.8)	(23.8)			✓	(7.0)	(16.8)	
Issue discount	(5.5)	(5.5)			✓	(5.5)		
Make-whole on Notes Repaid net of IRS income	7.2	7.2	✓			19.8 ^(**)	(12.7)	
Acceleration of the amortized cost on Notes Repaid	(10.8)	(10.8)	✓			-	-	(10.8)
Negative carry as of July 17, 2023	(2.8)	(1.9)	✓			2.4	(5.2)	
Total (B)	(35.7)		(6.4)	-	(29.3)	9.8	(34.7)	(10.8)
Former RCF (C)	(4.5)	(4.5)	✓			-	-	(4.5)
Total (A+B+C)	(101.5)		(45.2)	(27.0)	(29.3)	(30.1)	(56.1)	(15.3)

(*) Gross of related tax effect

(**) The income due to the closing of the hedging derivative following the early repayment of the floating-rate portion of the July 2020 Notes (as defined below), amounting to Euro 6.7 million with reference to the early redemption of the portion of Euro 100 million on the Listing Date and amounting to Euro 13.1 million with reference to the early redemption of the remaining portion of Euro 200 million as a result of the Refinancing

7. Evolution of gaming tax

For information regarding the evolution of gaming tax, see the relevant comments in the consolidated financial statements in Note 11.3.8 as of and for the year ended December 31, 2022 and in the Condensed Consolidated Interim Financial Statements as of and for the year ended June 30, 2023 in Note 11.2.5.

8. Review of Group results

The following table shows the Group's consolidated income statements for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2022	% of revenues	(Euro)	%
Revenues	820,073	100.0%	681,856	100.0%	138,217	20.3%
Other income	5,942	n.a.	5,257	n.a.	685	13.0%
Total revenues and income	826,015	n.a.	687,113	n.a.	138,902	20.2%
Cost of services	(483,166)	(58.9%)	(416,415)	(61.1%)	(66,751)	16.0%
Personnel expenses	(48,964)	(6.0%)	(37,188)	(5.5%)	(11,776)	31.7%
Other operating costs	(20,003)	(2.4%)	(9,024)	(1.3%)	(10,979)	>100%
Depreciation, amortization and impairments	(77,007)	(9.4%)	(75,206)	(11.0%)	(1,801)	2.4%
Accruals and impairments	(4,403)	(0.5%)	(3,622)	(0.5%)	(781)	21.6%
Net finance expenses	(110,743)	(13.5%)	(57,286)	(8.4%)	(53,457)	93.3%
Share of profit/(loss) of equity accounted investments	(251)	(0.0%)	(496)	(0.1%)	245	(49.4%)
Profit before taxes	81,478	9.9%	87,876	12.9%	(6,398)	n.a.
Income tax expense	(36,170)	(4.4%)	(35,654)	(5.2%)	(516)	n.a.
Net profit for the period	45,308	5.5%	52,222	7.7%	(6,914)	n.a.
Net profit for the period attributable to minority interests	2,590	0.3%	3,092	0.5%	(502)	n.a.
Net profit for the period attributable to the group	42,718	5.2%	49,130	7.2%	(6,412)	n.a.

Revenues

The following table shows revenues by operating segment for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2022	% of revenues	(Euro)	%
Online	246,943	30.1%	163,524	24.0%	83,419	51.0%
Sports Franchise	204,890	25.0%	174,105	25.5%	30,785	17.7%
Gaming Franchise	368,240	44.9%	344,227	50.5%	24,013	7.0%
Total	820,073	100.0%	681,856	100.0%	138,217	20.3%

Online

The following table provides certain key performance indicators for the **Online** segment for the periods indicated:

	As of and for the period ended June 30,	
	2023	2022
Unique active users ⁽¹⁾	906,307	820,068
Total online bet (in millions of Euro)	7,583.0	4,257.1

⁽¹⁾ Unique Active Users refers to the number of customers who have carried out, with one or more game accounts in their name, at least one bet on one or more Online products (not only sports betting) during that period

The Online operating segment generated bet of Euro 7,583.0 million for the six months ended June 30, 2023, an increase of approximately 78.1% compared to the corresponding period of the previous year (Euro 4,257.1 million for the six months ended June 30, 2022). The Online operating segment benefitted from the Betflag Acquisition, which contributed to a significant increase in the online games offer and generated bet of Euro 2,078.2 million for the six months ended June 30, 2023. The Online operating segment also benefitted from the overall growth of the market as well as the growth of the Group's market share.

The overall increase in bet for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was driven by an increase in:

- (i) iGaming from Euro 3,224.6 million for the six months ended June 30, 2022 to Euro 5,890.5 million for the six months ended June 30, 2023;
- (ii) iSports from Euro 720.7 million for the six months ended June 30, 2022 to Euro 967.7 million for the six months ended June 30, 2023;
- (iii) other online gaming from Euro 311.9 million for the six months ended June 30, 2022 to Euro 724.7 million for the six months ended June 30, 2023.

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

- the increase in the online games offer;
- 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;
- the optimization of acquisitions from the retail channel through the introduction of focused marketing policies and the improvement of network;
- the development of policies to acquire new customers through web portals and social network pages etc. owned by "affiliated" external companies;
- the unification of the gaming platform for both Group brands; and
- joining new gaming networks for poker and skill games.

Online segment revenues for the six months ended June 30, 2023 amounted to Euro 246.9 million, an increase of Euro 83.4 million compared to Euro 163.5 million for the six months ended June 30, 2022. The main drivers for the increase were the same as the drivers described above for the increase in bet.

Sports Franchise

The following table provides certain key performance indicators for the **Sports Franchise** segment for the periods indicated:

	As of and for the period ended June 30,	
	2023	2022
Number of licenses/concessions ⁽¹⁾	3,016	3,097
Number of active points of sale (shops and corner)	2,751	2,765
Average number of points of sale in operations (shops and corner)	2,741	2,815
Sports Franchise bet (in millions of Euro)	1,449.3	1,216.4

⁽¹⁾ Excluding the 25 licenses related to horse racing in 2023 and 31 in 2022.

Sports Franchise bets increased from Euro 1,216.4 million for the six months ended June 30, 2022 to Euro 1,449.3 million for the six months ended June 30, 2023. Sports Franchise revenues amounted to Euro 204.9 million for the six months ended June 30, 2023, an increase of Euro 30.8 million with respect to Euro 174.1 million for the six months ended June 30, 2022.

The increase in bet and revenues was mainly due to the market growth despite the strong growth in the online segment.

Gaming Franchise

Bet in the Gaming Franchise operating segment for the six months ended June 30, 2023 amounted to Euro 5,540.7 million, an increase of Euro 143.0 million with respect to the equivalent amount of Euro 5,397.7 million in the previous year. Gaming Franchise revenues amounted to Euro 368.2 million for the six months ended June 30, 2023, an increase of Euro 24.0 million with respect to Euro 344.2 million for the six months ended June 30, 2022.

Gaming Franchise revenues increased mainly due to the higher bets collected in the second quarter of 2023 compared to the same period of the previous year and the overall growth of the market as well as for the contribution of the businesses acquired during the second half of 2022.

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

AWP

The following table provides certain key performance indicators for the **AWP** product line for the periods indicated:

	As of and for the period ended June 30,	
	2023	2022
Number of AWP in operation as of the period end	63,054	62,702
Average number of AWP in operation for the period	62,961	62,230
AWP bet (in millions of Euro) ⁽¹⁾	2,268.0	2,284.3
Average AWP PREU (as percentage of bet)	24.0%	24.0%

⁽¹⁾ 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 business line. The bet in question amounted to Euro 94.8 million, and Euro 98.6 million for the six months ended June 30, 2023 and 2022 respectively.

AWP bet amounted to Euro 2,268.0 million for the six months ended June 30, 2023, substantially in line with the corresponding period of the previous year (Euro 2,284.3 million for the six months ended June 30, 2022).

AWP revenues for the six months ended June 30, 2023 amounted to Euro 138.8 million with an increase of Euro 10.4 million compared to Euro 128.4 million for the six months ended June 30, 2022, mainly due to implementation of the distribution insourcing strategy.

VLT

The following table provides certain key performance indicators for the **VLT** product line for the periods indicated:

	As of and for the period ended June 30,	
	2023	2022
Number of VLTs licenses	19,831	19,831
Average number of VLTs in operation for the period	18,287	18,947
Number of VLTs in operation as of the period end	18,331	18,981
VLT in operation as percentage of VLT rights	92.4%	95.7%
VLT Bet (in millions of Euro) ⁽¹⁾	3,120.5	2,960.1
Average VLT PREU (as percentage of bet)	8.6%	8.6%

(1) 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 business line. The bet in question amounted to Euro 57.4 million, and Euro 54.7 million for the six months ended June 30, 2023 and 2022 respectively.

VLT bet increased by 5.4% from Euro 2,960.1 million for the six months ended June 30, 2022 to Euro 3,120.5 million for the six months ended June 30, 2023 while VLT revenues increased by 5.2% from Euro 207.5 million for the six months ended June 30, 2022 to Euro 218.4 million for the six months ended June 30, 2023. The increase in revenues was directly related to the growth in bet due to the increase in the average bet by VLT for the period compared to the same period of the previous year.

Retail and Street Operations

Bet in the Retail & Street Operations product line (from other dealers) amounted to Euro 152.2 million for the six months ended June 30, 2023 (Euro 153.3 million for the six months ended June 30, 2022) while the related revenues (from other dealers) amounted to Euro 11.1 million for the six months ended June 30, 2023, an increase of Euro 2.7 million compared to Euro 8.3 million for the six months ended June 30, 2022.

After reclassifying bet generated in owned gaming halls connected to the Gamenet and Lottomatica Videolot Rete concessionaires, total Retail & Street Operations bet for the six months ended June 30, 2023 amounted to Euro 1,523.0 million (Euro 1,287.2 million for the six months ended June 30, 2022). For details regarding year-on-year movements, see the comments above in relation to the AWP and VLT.

Other income

Other income for the six months ended June 30, 2023 amounted to Euro 5.9 million, an increase of Euro 0.6 million compared to Euro 5.3 million for the six months ended June 30, 2022.

Cost of services

The following table provides a breakdown of cost of services for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2022	% of revenues	(Euro)	%
Distribution network compensation	(343,968)	(41.9%)	(297,893)	(43.7%)	(46,075)	15.5%
Fee on licensing gaming platforms	(42,436)	(5.2%)	(34,527)	(5.1%)	(7,909)	22.9%
Concession fee	(25,652)	(3.1%)	(23,241)	(3.4%)	(2,411)	10.4%
Rentals, leases and other rentals	(4,403)	(0.5%)	(2,080)	(0.3%)	(2,323)	>100%
Other	(66,707)	(8.1%)	(58,674)	(8.6%)	(8,033)	13.7%
Total	(483,166)	(58.9%)	(416,415)	(61.1%)	(66,751)	16.0%

Cost of services for the six months ended June 30, 2023 amounted to Euro 483.2 million an increase of Euro 66.8 million with respect to Euro 416.4 million for the six months ended June 30, 2022.

Cost of services mainly related to compensation paid to the distribution network, which amounted to Euro 344.0 million for the six months ended June 30, 2023, an increase of Euro 46.1 million with respect to Euro 297.9

million for the six months ended June 30, 2022. This trend was mainly attributable to the supply chain remuneration model (linked to a percentage of bets and/or revenue sharing mechanisms), resulting in the cost item substantially varying in line with revenues.

The fee on gaming platform licenses was Euro 42.4 million for the six months ended June 30, 2023, an increase of Euro 7.9 million compared to Euro 34.5 million for the six months ended June 30, 2022. The item includes amounts payable to the VLT platform providers to use their systems calculated based on a percentage of VLT bet after certain deductions, including payout and PREU.

The concession fee due to the ADM for the VLT and AWP concessions was Euro 25.6 million for the six months ended June 30, 2023, an increase of Euro 2.4 million compared to Euro 23.2 million for the six months ended June 30, 2022. The increase was substantially related to the increase in bets since the fixed relevant concession fee is equal to 0.3% of VLT and AWP bets.

The item "Other" amounted to Euro 66.7 million for the six months ended June 30, 2023, an increase of Euro 8.0 million compared to Euro 58.7 million for the six months ended June 30, 2022. Such change was mainly linked to the higher commissions on collections by credit cards following the increase in the volumes of transactions recorded, as well as the contribution of Betflag.

Personnel expenses

The following table provides a breakdown of personnel expenses for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2023	% of revenues	2023	% of revenues
Remuneration	(35,114)	(4.3%)	(25,562)	(3.7%)	(9,552)	37.4%
Social security contributions	(11,188)	(1.4%)	(8,559)	(1.3%)	(2,629)	30.7%
Other personnel costs	(2,662)	(0.3%)	(3,067)	(0.4%)	405	(13.2%)
Total	(48,964)	(6.0%)	(37,188)	(5.5%)	(11,776)	31.7%

Personnel expenses for the six months ended June 30, 2023 amounted to Euro 49.0 million, an increase of Euro 11.8 million with respect to Euro 37.2 million for the six months ended June 30, 2022. The increase was mainly attributable to the increase in the average number of employees.

Other operating costs

Other operating costs for the six months ended June 30, 2023 amounted to Euro 20.0 million, an increase of Euro 11.0 million (more than 100%) with respect to Euro 9.0 million for the six months ended June 30, 2022. The increase was mainly due to the purchase of components for AWP machines in connection with the acquisition of Marim S.r.l. and Tecno-Mar S.r.l. and costs related to software licenses write-off amounting to Euro 6.4 million.

Depreciation, amortization and impairments

The following table provides a breakdown of depreciation, amortization and impairments for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2022	% of revenues	(Euro)	%
Amortization of intangible assets	(50,316)	(6.1%)	(46,530)	(6.8%)	(3,786)	8.1%
of which PPA	(27,838)	(3.4%)	(27,676)	(4.1%)	(162)	0.6%
Depreciation of property, plant and equipment	(18,914)	(2.3%)	(21,480)	(3.2%)	2,566	(11.9%)
Depreciation of investment property.	(13)	(0.0%)	(13)	(0.0%)	(0)	2.8%
Depreciation of right of use	(7,763)	(0.9%)	(7,183)	(1.1%)	(580)	8.1%
Total	(77,007)	(9.4%)	(75,206)	(11.0%)	(1,801)	2.4%

Depreciation, amortization and impairments for the six months ended June 30, 2023 amounted to Euro 77.0 million, as compared to Euro 75.2 million for the corresponding period in the previous year. Amortization of intangible assets for the six months ended June 30, 2023 includes Euro 27.8 million related to amortization of intangible assets recognized during the purchase price allocation (Euro 27.7 million for the six months ended June 30, 2022). It should be noted that as of the date of preparation of this document, the purchase price allocation process related to the Betflag Acquisition is still in progress and, therefore, in accordance with IFRS 3, the company will have to complete this assessment by the consolidated financial statements ending December 31, 2023.

Net finance expenses

The following table provides a breakdown of Net finance expenses for the six months ended June 30, 2023 and 2022:

(in thousands of euro)	For the six months ended June 30,				Change	
	2023	% of revenues	2022	% of revenues	(Euro)	%
Non-recurring financial income	22,204	2.7%	-	0.0%	22,204	100.0%
Other interest income	1,094	0.1%	17	0.0%	1,077	>100.0%
Total financial income	23,298	2.8%	17	0.0%	23,281	>100.0%
Non-recurring financial expenses	(62,394)	(7.6%)	-	0.0%	(62,394)	100.0%
Interest expense on Notes	(52,033)	(6.3%)	(34,409)	(4.2%)	(17,624)	51.2%
Amortized cost on Notes	(2,801)	(0.3%)	(2,009)	(0.2%)	(792)	39.4%
Commission on sureties	(2,650)	(0.3%)	(2,791)	(0.3%)	141	(5.1%)
Interest expense on Revolving Loan	(3,100)	(0.4%)	(2,415)	(0.3%)	(685)	28.4%
Interest expense on Bondco loan	(6,947)	(0.8%)	(10,300)	(1.3%)	3,353	(32.6%)
Leasing interest expense	(1,574)	(0.2%)	(1,264)	(0.2%)	(310)	24.5%
IRS interest expense	(150)	(0.0%)	(175)	(0.0%)	25	(14.3%)
Amortized costs on deferred purchase consideration for acquisition	(1,897)	(0.2%)	(3,808)	(0.6%)	1,911	(50.2%)
Other interest expense	(495)	(0.1%)	(132)	(0.0%)	(363)	>100.0%
Total financial expenses	(134,041)	(16.3%)	(57,303)	(8.4%)	(76,738)	>100.0%
Financial income and expenses, net	(110,743)	(13.5%)	(57,286)	(8.4%)	(53,457)	93.3%

Net finance expenses for the six months ended June 30, 2023 amounted to Euro 110.7 million, an increase of Euro 53.4 million with respect to net finance expenses of Euro 57.3 million for the same period of the previous year. The increase is mainly attributable to the effect of the Listing and Refinancing which resulted in the incurrence of non-recurring net financial expenses as follows:

- Financial income amounting to Euro 22.2 million:
 - Euro 19.8 million related to the proceeds of resulting from the termination of the hedging derivative following the early repayment of the floating-rate of the July 2020 Notes (maturity in 2025) and;
 - Euro 2.4 million related to the accrued interest income on the escrow account.
- Financial expenses amounting to Euro 62.4 million:
 - Euro 16.5 million related to the prepayment penalty on the Bondco Loan;
 - Euro 13.8 million related to the commitment fees related to the Bridge Facility;
 - Euro 12.7 million related to the make-whole of the Notes Repaid;
 - Euro 10.8 million due to the acceleration of the calculation of amortized cost on the ancillary charges related to the Notes Repaid;
 - Euro 4.2 million related to negative carry due to the interest expense accrued on the Notes Repaid for the period from June 1, 2023 to June 30, 2023;
 - Euro 4.5 million following the signing of the New RCF and the recognition in the income statement of arrangement fees related to Former RCF.

The increase in "Interest Expense on Notes" is mainly referred to the accrued interest expenses on September 2022 Notes amounting to Euro 17.1 million.

It should be noted that items "Amortized cost on Notes" and "Amortized cost on deferred purchase consideration for acquisition" do not represent monetary costs for the period.

For a more detailed breakdown of the item, see Note 8.8 in the Notes to the Condensed Consolidated Interim Financial Statements.

Income tax expense

Income tax for the six months ended June 30, 2023 amounted to a charge of Euro 36.2 million, as compared to a charge of Euro 35.7 million for the six months ended June 30, 2022 an increase of Euro 0.5 million. For further details, see Note 8.9 in the Notes to the Condensed Consolidated Interim Financial Statements.

9. Group economic performance – Adjusted EBITDA and Adjusted Net Profit

The following table shows the reconciliation of Adjusted EBITDA for the periods indicates:

	For the six months ended June 30,	
	2023	2022
	(in thousands of euro)	
Net profit for the period	45,308	52,222
Income tax expense	36,170	35,654
Finance income	(23,298)	(17)
Finance expenses	134,041	57,303
Share of (profit)/loss of equity accounted investments	251	496
Depreciation, amortization and impairment	77,007	75,206
Cost related to M&A and international activities (*) (a)	3,813	6,957
Integration costs(**)(b)	9,992	2,179
Other non-recurring (income)/expense(***)(c)	15,501	3,448
Total non-recurring costs not included in the Adjusted EBITDA (a+b+c)	29,306	12,584
	<i>Of which:</i>	
Monetary costs not included in Adjusted EBITDA	16,971	9,136
Non-monetary costs not included in the Adjusted EBITDA	12,335	3,448
Adjusted EBITDA	298,785	233,448

(*) For the six months ended June 30, 2023, the item relates to strategic consultancy costs amounting to Euro 3.2 million, in relation to the potential business acquisition. For the six months ended June 30, 2022, this item mainly refers to strategic consultancy costs amounting to Euro 3.8 million, in relation to the acquisition occurred after the first semester of 2022.

(**) Primarily represents costs incurred for the integration of acquired companies and expenses on corporate restructuring and redundancy.

(***) For the six months ended June 30, 2023, the item monetary costs mainly refer to the IPO costs amounting to Euro 2.1 million and Euro 1.0 million related to non-recurring employees benefits, while the item non-monetary costs refer to the impairment of the "Ancona Time" partnership, held by Lottomatica Videolot Rete S.p.A. amounting to Euro 3.3 million, Euro 6.4 million related to the write-off of software license and other non-monetary costs for Euro 2.6 million

The following table shows the reconciliation of Adjusted Net Profit for the periods indicates:

	For the six months ended June 30,	
	2023	2022
	(in thousands of euro)	
Net profit for the period	45,308	52,222
Amortization of assets resulting from PPA process	27,838	27,676
Other non-recurring costs and income excluded from EBITDA	29,306	12,584
Adjustments related to IPO and Refinancing	40,189	-
<i>of which:</i>		
- Income from Interest rate swap	(19,845)	-
- Prepayment penalty on Bondco Loan	16,473	-
- Bridge Facility	13,750	-
- Make-whole on Notes Repaid	12,680	-
- Effect of acceleration of the unamortized costs on Notes Repaid and RCF	15,264	-
- Negative carry (net of accrued interest received from Escrow Account)	1,867	-
Discount effect on deferred portion of purchase prices of Betflag	1,481	-
Tax effect (IRES + IRAP)(*)	(25,675)	(11,724)
Adjusted net profit	118,447	80,758
Adjusted Net Profit per share(**)	0,47	0,40

(*) Tax effect calculation is based on the applicable tax regulations as of the periods illustrated

(**) Calculated bases on outstanding shares as of June 30, 2023.

10. Group economic performance – by operating segment

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

<i>(in thousands of euro, except percentages)</i>										
	Online		Sports Franchise		Gaming Franchise		Unallocated/Eliminations		Total	
	HY'23	HY'22	HY'23	HY'22	HY'23	HY'22	HY'23	HY'22	HY'23	HY'22
BET (including other dealers)	7,582,952	4,257,142	1,449,342	1,216,420	5,540,748	5,397,652			14,573,042	10,871,214
BET (Lottomatica Group)	7,582,952	4,257,142	1,449,342	1,216,420	5,388,552	5,244,387			14,420,845	10,717,949
GGR	418,727	257,270	258,829	219,722	1,275,679	1,256,679	-	-	1,953,235	1,733,671
Revenues toward third parties	246,943	163,524	204,890	174,105	368,240	344,227	-	-	820,073	681,856
Other income toward third parties	936	175	1,806	2,068	3,200	3,014	-	-	5,942	5,257
Intragroup Revenues and Other income	11,751	4,793	3,825	4,890	5,792	3,505	(21,368)	(13,188)	-	-
Total Revenues and Income	259,630	168,492	210,521	181,063	377,232	350,746	(21,368)	(13,188)	826,015	687,113
Adjusted EBITDA	149,022	91,690	61,978	57,774	87,785	83,984	-	-	298,785	233,448
Adjusted EBITDA Margin (*)	60.3%	56.1%	30.2%	33.2%	23.8%	24.4%			36.4%	34.2%
Costs not included in Adjusted EBITDA									(29,306)	(12,584)
Depreciation, amortization and impairment									(77,007)	(75,206)
Finance income									23,298	17
Finance expenses									(134,041)	(57,303)
Share or profit/(loss) of equity accounted investments									(251)	(496)
Profit before tax									81,478	87,876
Income tax expense									(36,170)	(35,654)
Profit for the period (**)									45,308	52,222

(*) Adjusted EBITDA Margin is calculated as Adjusted EBITDA / Revenues toward third parties

(**) The figure includes the effect of the Purchase Price Allocation (PPA), mainly in relation to Lottomatica S.p.A. and the acquired IGT business, which had a negative impact of Euro 35.9 million on the net result for the six months ended June 30, 2023 (Euro 35.7 million for the six months ended June 30, 2022), of which Euro 27.8 million relating to higher depreciation and amortization and Euro 8.1 million to the lower tax charge (Euro 27.7 million relating to higher depreciation and amortization and Euro 8.0 million to the lower tax charge for the six months ended June 30, 2022). For further details see Notes 8.6 and 8.9 in the Notes to the Condensed Consolidated Interim Financial Statements.

Adjusted EBITDA

Online

Changes in bet and revenues are discussed above. Adjusted EBITDA of the Online segment was Euro 149.0 million for the six months ended June 30, 2023 compared to Euro 91.7 million for the six months ended June 30, 2022, representing approximately 18.2% of total revenues and 49.9% of total Adjusted EBITDA. Adjusted EBITDA margin increased to 60.3% for the six months ended June 30, 2023 from 56.1% for the six months ended June 30, 2022. The increase was mainly linked to the increases in bet and revenues and including the benefit from the acquisition of Betflag.

Sports Franchise

Changes in bet and revenues are discussed above. Sports Franchise Adjusted EBITDA for the six months ended June 30, 2023 was Euro 61.9 million, compared to Euro 57.8 million for the six months ended June 30, 2022, representing approximately 7.6% of total revenues and 20.7% of total Adjusted EBITDA. Adjusted EBITDA margin decreased from 33.2% for the six months ended June 30, 2022, to 30.2% for the six months ended June 30, 2023.

Gaming Franchise

Changes in bet and revenues are discussed above. Gaming Franchise segment Adjusted EBITDA increased by 4.5%, from Euro 83.9 million for the six months ended June 30, 2022, to Euro 87.8 million for the six months ended June 30, 2023 while, as a percentage of revenues, Adjusted EBITDA margin decreased, from 24.4% for the six months ended June 30, 2022 to 23.8% for the six months ended June 30, 2023.

11. Cash flows

The following table shows summary details of the Group's cash flows for the six months ended June 30, 2023 and 2022:

	For the six months ended June 30,	
	2023	2022
	<i>(in thousands of euro)</i>	
Cash flow from operating activities (a)	273,617	269,903
Cash flow used in investing activities (b)	(56,477)	(57,553)
Cash flow from/(used in) financing activities(c)	861,178	(47,021)
Net cash flow (a+b+c)	1,078,318	165,328
Cash and cash equivalents at the beginning of the period	234,838	125,009
Cash and cash equivalents at the end of the period	1,313,156	290,337

Cash flow from operating activities

Cash flow generated by operating activities was Euro 273.6 million for the six months ended June 30, 2023, an increase of Euro 3.7 million compared to Euro 269.9 million for the six months ended June 30, 2022 and mainly related to:

- Change in cash flow from operating activities, before the changes in net working capital, was Euro 284.7 million for the six months ended June 30, 2023, an increase of Euro 57.8 million compared to Euro 226.8 million for the six months ended June 30, 2022. Such increase was substantially in line with the increase in Adjusted EBITDA (which increased by Euro 65.3 million from Euro 233.4 million for the six months ended June 30, 2022 to Euro 298.8 million for the six months ended June 30, 2023) which was partially offset by the increase in monetary cash costs related to M&A and international activities, integration costs and other non-recurring income and expenses excluded from Adjusted EBITDA from Euro 9.1 million for the six months ended June 30, 2022 to Euro 17.0 million for the six months ended June 30, 2023;
- cash outflow from net working capital was Euro 65.9 million for the six months ended June 30, 2023, attributable, among other things:
 - the positive change of Euro 27.2 million related to a decrease in ADM guarantee deposits (it should be noted that the receivable outstanding as of December 31, 2022 was collected during the first half of 2023, partially offset by the new receivable accrued in the same period);
 - the positive change of Euro 81.6 million derived from the payment methods of the betting duties ("Imposta Unica") related to sports betting. During the first half of the year the liability accumulated in the month of December of the previous year is scheduled to be paid (in January), while during the third quarter the debt related to the period from January to April is paid (in August); finally, during the fourth quarter is scheduled to be paid (in November) the debt related to the period from May to August, and in December for the period September-November;
 - to the negative change of Euro 48.4 million resulting from the evolution of PREU, mainly attributable to the evolution of collection trends.
- taxes paid for the period, amounting to Euro 76.4 million.

Cash flow used in investing activities

Cash flow used in investing activities was Euro 56.5 million for the six months ended June 30, 2023, substantially in line compared to Euro 57.6 million for the six months ended June 30, 2022.

For the six months ended June 30, 2023, cash flows used in investing activities were mainly related to:

- recurring capital expenditure of Euro 32.4 million mainly relating to refurbishment of the gaming halls, betting POS, AWP cabinets and motherboards, software development and software license costs;
- extraordinary capital expenditure amounting to Euro 14.6 million mainly related to the development of software, PoS network optimization project capital expenditure, the VLTs refurbishment for the development of the gaming platform related to the ARES project and acquisition costs of other strategic investments and bolt on acquisitions.
- concession capital expenditure amounting to Euro 9.5 million related to the second installment of the concession in Sports Franchise.

The following table presents a breakdown of the Group's Cash Capital Expenditures for the periods indicated and a reconciliation between cash flows from investing activities as reported in the Group's consolidated cash flow statement and Cash Capital Expenditures:

(in thousands of Euro)	For the six months ended June 30,	
	2023	2022
Recurring capex	(32,396)	(27,823)
Of which:		
Maintenance	(20,583)	(20,757)
Expansionary	(11,813)	(7,066)
Concession capex	(9,521)	-
Extraordinary capex	(14,560)	(29,730)
Of which:		
Integration	-	(2,761)
Bolt-ons (including deferred)	(8,621)	(19,783)
Other	(5,939)	(7,186)
Cash Capital Expenditures	(56,477)	(57,553)

The following table shows a calculation of Operating Cash Flow for the periods indicated:

(in thousands of euro)	For the six months ended June 30,	
	2023	2022
Adjusted EBITDA	298,785	233,448
Capital expenditures in recurring capex	(32,396)	(27,823)
Capital expenditures in concessions capex	(9,521)	-
Operating cash flow	256,868	205,625

Cash flow from/used in financing activities

Cash flow generated from financing activities amounted to Euro 861.2 million for the six months ended June 30, 2023, compared to cash outflow for the six months ended June 30, 2022, which was equal to Euro 47.0 million.

For the six months ended June 30, 2023, cash flow generated from financing activities mainly related to:

- the Capital Increase for an amount of Euro 425.0 million, partially offset by the payment of underwriting fees for an amount of Euro 19.4 million;
- the payment of the consideration of Euro 4.3 million related to the transaction with Faro Games S.r.l.;
- the issuance of the June 2023 Notes for an amount of Euro 1.115 million, net of the issue discount of Euro 5.5 million (related to the floating rate portion of the notes) and the payment of transaction costs for an amount of Euro 7.0 million;
- to the early repayment of the floating-rate portion of the July 2020 Notes (as defined below) for an amount of Euro 300 million partially offset by income of Euro 19.8 million due to the closing of the outstanding hedging derivative;
- the early repayment of the Bondco Loan, including interest accrued as of the payment date, totaling Euro 280.3 million, as well as the prepayment penalty due to the early repayment equal to Euro 16.5 million;
- payment of the arrangement fees related to New RCF for an amount of Euro 4.0 million;
- net finance expenses paid of Euro 48.8 million, mainly related to interest on the notes;
- lease payments of Euro 9.5 million.

12. Group financial position

Net financial indebtedness – ESMA

The following table presents a breakdown of Net financial indebtedness – ESMA, calculated in accordance with the recommendations contained in ESMA 32-382-1138 released on March 4, 2021, for the periods indicated:

(in thousands of euro)	As of June 30,	As of December 31,
	2023	2022
A. Cash ^(*)	384,893	219,238
B. Cash equivalent	909,463	-
C. Other current financial assets	25,248	26,399
D. Liquidity (A+B+C)	1,319,604	245,637
E. Current financial debt	938,649	686
F. Current portion of non-current financial debt	138,032	86,628
G. Current Financial Indebtedness (E+F)	1,076,681	87,314
H. Net Current Financial Indebtedness (G-D)	(242,923)	(158,323)
I. Non-current financial debt	94,689	387,167
J. Debt instruments	1,427,659	1,543,390
K. Non-current trade and other payables ^(**)	-	9,479
L. Non-Current Financial Indebtedness (I+J+K)	1,522,348	1,940,036
M. Net Financial Indebtedness - ESMA (H+L)	1,279,425	1,781,713

(*) As of June 30, 2023, cash and cash equivalents did not include Euro 18.8 million related to the funding provided by Logispin Austria GmbH for tax payment notice (Euro 15.6 million as of December 31, 2022).

(**) "Non-current trade and other payables" includes payables for the two-year extension of GBO Italy S.p.A.'s Sports Franchise concessions.

"Cash equivalents" as of June 30, 2023 includes "Escrow Accounts" of Euro 909.5 million related to the proceeds from the issue of the June 2023 Notes, deposited in an escrow account in the name of Lottomatica S.p.A.

"Other current financial assets" mainly relates 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. but managed by external operators, amounting to Euro 24.2 million and "Merchant accounts and restricted cash" for the remaining amount.

As of June 30, 2023 "Current financial debt", relates to the bonds issued respectively on (i) April 1, 2021 for a nominal amount of Euro 575 million (the "**April 2021 Notes**"); and (ii) July 23, 2020 for a total nominal amount of Euro 640 million (the "**July 2020 Notes**" and together with the April 2021 Notes, hereinafter jointly the "**Notes Repaid**") and accrued interest of Euro 23.2 million. It should be noted that, as a result of previously described the transactions, the floating-rate portion of the July 2020 Notes (Euro 300 million) was subject to early repaid during the three months period ended June 30, 2023, while the remaining portion of the Notes Repaid (Euro 915 million) was subject to unconditional early repayment on July 17, 2023 and, therefore, the debt has been classified as short-term as of June 30, 2023;

The items "Non-current financial debt" and "Current portion of non-current financial debt", mainly related to:

- the payable relating to the deferred price component in relation to the acquisition of GoldBet, amounting to Euro 29.5 million;
- the payable relating to the deferred price component in relation to the Betflag Acquisition amounting to Euro 48.0 million;
- payables relating to other acquisitions totaling Euro 14.1 million;
- the payable relating to the eventual exercise of put options, amounting to Euro 1.8 million;
- the liability for accrued and unpaid interest on the June 2023 Notes and the September 2022 Notes (as defined below) for an amount of Euro 22.4 million;
- the financial liability recognized following the adoption of IFRS 16 for an amount of Euro 73.8 million;
- the liability for ancillary charges incurred for the issuance of the June 2023 Notes for an amount of Euro 16.8 million;
- the liability for commitment fees related to the Bridge Facility amounting to Euro 13.8 million;
- the liability for the make-whole due to the early repayment of the Notes Repaid equal to Euro 12.7 million.

As of December 31, 2022, the item also included the Bondco Loan for an amount of Euro 250 million, which was repaid in advance during the six months ended June 30, 2023;

"Debt Instruments" refers to:

- the June 2023 Notes issued for a total nominal amount of Euro 1,115 million (recorded at amortized cost of Euro 1,086 million as of June 30, 2023);
- the bond issued on September 27, 2022 for a nominal amount of Euro 350 million (recorded at amortized cost of Euro 341.6 million) with a fixed semi-annual coupon at an annual rate of 9.750% (the "September 2022 Notes").

As of December 31, 2022, the item included the Notes Repaid and the September 2022 Notes, for a total nominal amount of Euro 1,565 million (recorded at amortized cost for Euro 1,543 million).

For further details regarding the item, see Note 9.10 in the Notes to the Condensed Consolidated Interim Financial Statements.

Net financial debt

The following table presents a breakdown of the Net financial debt, as monitored by the Group, for the periods indicated:

<i>(in thousands of euro)</i>	As of June 30,	As of December 31,
	2023	2022
July 2020 Notes ^(*) (***)	340,000	640,000
April 2021 Notes ^(*) (***)	575,000	575,000
September 2022 Notes ^(*)	350,000	350,000
June 2023 Notes ^(*)	1,115,000	-
Bondco Loan ^(*)	-	250,000
IFRS 16	73,816	68,215
Cash and cash equivalents ^(**) (***)	(1,294,356)	(219,238)
Net Financial Debt	1,159,460	1,663,977

(*) Represents the nominal value of the debt.

(**) As of June 30, 2023, cash and cash equivalents did not include Euro 18.8 million related to the funding provided by Logispin Austria GmbH for tax payment notice (Euro 15.6 million as of December 31, 2022) and included the amount of "Escrow Accounts" for Euro 909.5 million related to the proceeds from the issuance of the June 2023 Notes, deposited in an Escrow Account in the name of Lottomatica S.p.A..

(***) The July 2020 Notes and April 2021 Notes were early repaid on July 17, 2023 using the net proceeds from the issuance of the June 2023 Notes.

13. Other information

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 8.4 and 9.1 to the Condensed Consolidated Interim Financial Statements.

Inter-group and related party transactions

The transactions that the Group has entered into with related parties, identified in accordance with the criteria defined by IAS 24 - "Related Party Disclosures", are mainly of a commercial and financial nature and are carried out at normal market conditions.

For a detailed disclosure of the transactions during the six months ended June 30, 2023, please refer to the information in Note 10 to the Condensed Consolidated Interim Financial Statements.

Parent company's own shares held by it or its subsidiaries

As of June 30, 2023, the Parent Company does not hold directly or through trustees or nominees, any treasury shares or shares of other parent companies, nor has it acquired or sold such shares or quotas during the period.

Main risks and uncertainties

The Group's business is exposed to a number of risks and uncertainties that may affect its financial position, results of operations and cash flows. With reference to the Group's financial risk management and related exposure, please refer to Note 3 of the Condensed Consolidated Interim Financial Statements.

Please note that the Company has not carried out any atypical or unusual transactions at the reporting date.

Foreseeable operating performance

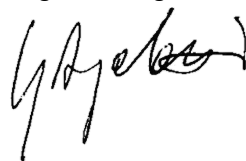
Following the results for the first six months of 2023 and the forecast for the year ended December 31, 2023, the Board of Directors has revised the forecast for the current fiscal year upward as follows:

- Revenues of approximately Euro 1,630- 1,690 million (previously approximately Euro 1,570 -Euro 1,670 million);
- Adjusted EBITDA of approximately Euro 570 - 590 million (previously approximately Euro 550-570 million), of which c. 50% of Adjusted EBITDA from the Online segment (previously Euro 275 million);
- Confirmed capex investments:
 - recurring capex of approximately Euro 65 million,
 - concessions capex of approximately Euro 45 million and
 - one-time to support growth, for approximately Euro 30 million,
 - potential deferred consideration of approximately Euro 35 million.

14. Significant events occurring after the reporting period

For details of significant events occurring after the reporting period, see Note 11.3 in the Notes to the Condensed Consolidated Interim Financial Statements.

On behalf of the Board of Directors
Chief Executive Officer
Guglielmo Angelozzi



CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED
JUNE 30, 2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)	Note	For the six months ended June 30,			
		2023	of which Related Parties (Note 10)	2022	of which Related Parties (Note 10)
Revenues	8.1	820,073		681,856	
Other income	8.2	5,942	6	5,257	1
Total revenues and income		826,015		687,113	
Cost of services	8.3	(483,166)		(416,415)	
Personnel expenses	8.4	(48,964)	(2,352)	(37,188)	(4,061)
Other operating costs	8.5	(20,003)	(324)	(9,024)	(289)
Depreciation, amortization and impairments	8.6	(77,007)		(75,206)	
Impairment of receivables and financial assets	8.7	(4,605)		(1,476)	
Other (accruals)/releases	8.7	202		(2,146)	
Finance income	8.8	23,298		17	
Finance expenses	8.8	(134,041)	(23,420)	(57,303)	(10,300)
Share of loss of equity accounted investments		(251)		(496)	
Profit before tax		81,478		87,876	
Income tax expense	8.9	(36,170)		(35,654)	
Net profit for the period		45,308		52,222	
Net profit for the period attributable to non-controlling interests		2,590		3,092	
Net profit for the period attributable to the owners of the parent		42,718		49,130	
Earnings per share - Base (in Euro)		0.20		0.25	
Earnings per share - Diluted (in Euro)		0.20		0.25	

(In thousands of Euro)	Note	For the six months ended June 30,			
		2023	of which Related Parties (Note 10)	2022	of which Related Parties (Note 10)
Net profit for the period		45,308		52,222	
Actuarial gains and losses on employee benefit liabilities		(3)		2,391	
Fiscal effect		1		(574)	
Other items that will not be classified to profit or loss		(2)		1,817	
Gains and (losses) on hedging derivatives		(23,554)		11,605	
Fiscal effect on Gains and (losses) on hedging derivatives		5,653		(2,785)	
Gains and (losses) on conversion of financial statements of the foreign companies		(725)		561	
Other items that will be classified to profit or loss		(18,626)		9,381	
Total comprehensive profit		26,680		63,420	
Total comprehensive profit attributable to non-controlling interests		2,590		3,092	
Total comprehensive profit attributable to the owners of the parent		24,090		60,328	

(The attached notes form an integral part of this condensed consolidated interim financial statements)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In thousands of Euro)</i>	For the three months ended June 30,	
	2023 ^(*)	2022 ^(*)
Revenues	397,811	329,524
Other income	3,344	1,859
Total revenues and income	401,155	331,383
Cost of services	(236,074)	(205,089)
Personnel expenses	(24,476)	(18,992)
Other operating costs	(13,007)	(4,986)
Depreciation, amortization and impairments	(38,956)	(35,004)
Impairment of receivables and financial assets	(3,968)	(870)
Other (accruals)/releases	202	(2,732)
Finance income	23,286	15
Finance expenses	(96,563)	(28,693)
Share of profit/(loss) of equity accounted investments	(355)	(419)
Profit before tax	11,244	34,613
Income tax expense	(12,339)	(17,063)
Net profit (loss) for the period	(1,095)	17,550
Net profit for the period attributable to non-controlling interests	654	1,772
Net profit (loss) for the period attributable to the owners of the parent	(1,749)	15,778

<i>(In thousands of Euro)</i>	For the three months ended June 30,	
	2023 ^(*)	2022 ^(*)
Net profit (loss) for the period	(1,095)	17,550
Actuarial gains and losses on employee benefit liabilities	53	1,277
Fiscal effect	(12)	(307)
Other items that will not be classified to profit or loss	41	970
Gains and (losses) on hedging derivatives	(22,291)	4,648
Fiscal effect on Gains and (losses) on hedging derivatives	5,350	(1,115)
Gains and (losses) on conversion of financial statements of the foreign companies	(112)	561
Other items that will be classified to profit or loss	(17,053)	4,094
Total comprehensive profit (loss)	(18,107)	22,614
Total comprehensive profit attributable to non-controlling interests	654	1,772
Total comprehensive profit (loss) attributable to the owners of the parent	(18,761)	20,842

(*) Data for the second quarter of 2023 and 2022 are not subject to any audit review.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of June 30,		As of December 31,	
	Note	2023	of which Related Parties (Note 10)	2022	of which Related Parties (Note 10)
(In thousands of Euro)					
Intangible assets	9.1	476,483		452,190	
Goodwill	9.2	1,541,891		1,538,936	
Property, plant and equipment	9.3	101,979		102,689	
Right of use	9.4	67,787		62,053	
Investment property		476		489	
Non-current financial assets	9.5	6,950		34,389	
Equity accounted investments		8,753		9,711	
Non-current trade receivables	9.6	689		1,032	
Other non-current assets	9.7	15,288		14,733	
Total non-current assets		2,220,296		2,216,222	
Inventories		2,029		3,214	
Current trade receivables	9.6	65,111	2	88,496	3
Current financial assets	9.5	25,248	250	26,399	
Tax receivables		307		877	
Other current assets	9.7	80,455		144,178	
Cash and cash equivalents	9.8	1,313,156		234,838	
Total current assets		1,486,306		498,002	
Total assets		3,706,602		2,714,224	
Share capital		10,000		50	
Other reserves		515,983		78,959	
Retained earnings		(2,529)		(26,701)	
Total shareholders' equity attributable to the owners of the parent		523,454		52,308	
Equity attributable to non-controlling interests		10,027		55,168	
Total shareholders' equity	9.9	533,481		107,476	
Employee benefit liabilities		19,067		17,979	
Non-current financial liabilities	9.10	1,522,348		1,930,557	250,000
Provisions for risks and charges	9.11	6,591		27,845	
Deferred tax liabilities		70,252		80,677	
Other non-current liabilities	9.12	16,385		25,893	
Total non-current liabilities		1,634,643		2,082,951	
Current financial liabilities	9.10	1,076,681		87,314	23,375
Current trade payables		78,322	1,400	98,996	5,185
Tax payables		4,363		47,018	
Other current liabilities	9.12	379,112	1,503	290,469	
Total current liabilities		1,538,478		523,797	
Total equity and liabilities		3,706,602		2,714,224	

(The attached notes form an integral part of this condensed consolidated interim financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended June 30,			
(In thousands of Euro)	Note	2023	of which Related Parties (Note10)	2022	of which Related Parties (Note 10)
INDIRECT METHOD					
Profit before tax		81,478		87,876	
<i>Reconciliation of profit before tax with cash flow from operating activities:</i>					
Depreciation, Amortization and Impairment	8.6	77,007		75,206	
Accruals and write-downs for impairment losses	8.7	4,403		3,622	
Other accruals	8.7	2,428		2,028	
Share of (profit)/loss of equity accounted investments		251		496	
Net financial expenses	8.8	109,169	23,420	56,022	10,300
Leasing financial expenses	8.8	1,574		1,264	
Other adjustments for non-monetary items		8,374		323	
Cash flow from operating activities before changes in net working capital		284,684		226,837	
<i>Changes in net working capital</i>					
Decrease in inventories		1,185		236	
Decrease in trade receivables	9.6	20,972	1	38,548	
Decrease in trade payables		(20,324)	(3,785)	(1,014)	
Other changes in net working capital	9.7-9.11-9.12	64,063	(1,088)	26,902	(4,061)
Cash flow from changes in net working capital		65,896		64,672	
Income taxes paid		(76,364)		(16,865)	
Accruals to employee benefits and provisions for risks and charges	9.11	(599)		(4,741)	
Cash flow from operating activities (a)		273,617		269,903	
<i>Cash flow from investing activities</i>					
Investments:		(49,456)		(37,770)	
- intangible assets	9.1	(28,592)		(15,475)	
- property, plant and equipment	9.3	(20,864)		(22,295)	
Disposal in financial assets	9.5	1,600	(250)	-	
Deferred purchase consideration and acquisitions net of cash and cash equivalents		(8,621)		(19,783)	
Cash flow from investing activities (b)		(56,477)		(57,553)	
<i>Cash flow from financing activities</i>					
Lease payment	9.10	(9,470)		(8,403)	
Increase in credit facility	9.10	-		557	
Repayment of credit facility	9.10	(438)		(1,050)	
Net financial expenses on New RCF	9.10	(5,972)		-	
Proceeds from closing IRS	9.5	19,845		-	
Repayment of bond	9.10	(300,000)		-	
Proceeds from bond issuance	9.10	1,109,500		-	
Bond issuance costs	9.10	(7,027)	(1,248)	-	
Repayment of Bondco loan	9.10	(296,795)	(296,795)	-	
Changes in current and non-current financial assets	9.5	-		(29)	
Net financial expenses	9.10	(48,820)		(36,631)	
Faro Transaction	9.9	(4,272)		-	
Dividends paid	9.9	(971)		(1,465)	
Capital Increase transaction costs	9.9	(19,402)	(774)	-	
Capital Increase	9.9	425,000		-	
Cash flow from financing activities (c)		861,178		(47,021)	
Net Cash flow (a+b+c)		1,078,318		165,328	
Cash and cash equivalents at the beginning of the period	9.8	234,838		125,009	
Cash and cash equivalents at the end of the period	9.8	1,313,156		290,337	

(The attached notes form an integral part of this condensed consolidated interim financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in thousands of Euro)</i>	<i>Note</i>	<i>Share capital</i>	<i>Legal Reserve</i>	<i>Share premium reserve</i>	<i>Other Reserves</i>	<i>Total Other Reserves</i>	<i>Retained Earnings/ (Losses)</i>	<i>Total Shareholders' Equity Attributable to Owners of the Parent</i>	<i>Equity Attributable to non-controlling interests</i>	<i>Total Shareholders' Equity</i>
As of December 31, 2021	9.9	50	10	-	95,199	95,209	(119,679)	(24,420)	35,699	11,279
Net profit for the period		-	-	-	-	-	49,130	49,130	3,092	52,222
Other items of comprehensive income		-	-	-	-	-	11,198	11,198	-	11,198
Total comprehensive income		-	-	-	-	-	60,328	60,328	3,092	63,420
Dividends paid		-	-	-	-	-	-	-	(2,616)	(2,616)
Valtellina Business combination		-	-	-	-	-	-	-	888	888
Giocaonline Business combination		-	-	-	-	-	-	-	2,470	2,470
Marim Business combination		-	-	-	-	-	-	-	18	18
Ares Business combination		-	-	-	-	-	-	-	189	189
Transactions with minorities		-	-	-	-	-	-	-	13,054	13,054
As of June 30, 2022	9.9	50	10	-	95,199	95,209	(59,351)	35,908	52,794	88,702
As of December 31, 2022	9.9	50	10	-	78,949	78,959	(26,701)	52,308	55,168	107,476
Net profit for the period		-	-	-	-	-	42,718	42,718	2,590	45,308
Other items of comprehensive income		-	-	-	-	-	(18,628)	(18,628)	-	(18,628)
Total comprehensive income		-	-	-	-	-	24,090	24,090	2,590	26,680
Dividends paid		-	-	-	-	-	-	-	(971)	(971)
Capital Increase		9,900	-	415,100	-	415,100	-	425,000	-	425,000
Capital Increase transaction costs ^(*)		-	-	(20,514)	-	(20,514)	-	(20,514)	-	(20,514)
Faro Transaction		50	-	39,624	2,814	42,438	-	42,488	(46,760)	(4,272)
Stock option		-	-	-	-	-	82	82	-	82
As of June 30, 2023	9.9	10,000	10	434,210	81,763	515,983	(2,529)	523,454	10,027	533,481

^(*) "Capital Increase transaction costs" amount to Euro 27.0 million and are indicated net of the related tax benefit of Euro 6.5 million.

(The attached notes form an integral part of this condensed consolidated interim financial statements)

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2023

1 GENERAL INFORMATION

1.1 INTRODUCTION

Lottomatica Group S.p.A. (hereinafter “the **Company**”, “**Lottomatica Group**” or the “**Parent**” and together with its subsidiaries the “**Group**”) is a company incorporated on October 15, 2019 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 Company has been listed on Euronext Milan since May 3, 2023 (for further details, see Note 11.2.9).

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).

* * *

These condensed consolidated interim financial statements as of and for the six months ended June 30, 2023 (hereinafter the “**Condensed Consolidated Interim Financial Statements**”) were approved by the Company’s Board of Directors on July 27, 2023 and is subject to limited review by PricewaterhouseCoopers S.p.A..

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These Condensed Consolidated Interim Financial Statements, prepared pursuant to Article 154 ter of Legislative Decree 58/98, as amended, have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (hereafter, “**EU IFRS**”) in force as of June 30, 2023.

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 as of the reporting date, by the European Union 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 *Interim Financial Reporting* (hereinafter “**IAS 34**”). IAS 34 allows entities to prepare condensed financial statements that include less information at interim dates than that foreseen by EU IFRS. The Condensed Consolidated Interim Financial Statements should therefore be read together with the annual consolidated financial statements as of and for the year ended December 31, 2022 approved by the Board of Directors on February 27, 2023 (“**Annual Consolidated Financial Statements**”).

The 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 the notes to the consolidated financial statements.

The recognition, classification and measurement criteria and accounting policies adopted in preparing the Condensed Consolidated Interim Financial Statements are the same as those adopted in preparing the Annual Consolidated Financial Statements to which reference is made, except as reported in Note 2.3.

It should be noted that this document represents the first half-year condensed consolidated financial statements of the Group; therefore, the comparative data as of and for the six months ended June 30, 2022 have been prepared specifically for the purposes of the same.

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

2.2 SCOPE AND PRINCIPLES OF CONSOLIDATION

There have been no changes in the Group's scope of consolidation, the consolidation criteria and methods adopted compared to what was reported in the Annual Consolidated Financial Statements, except as stated in Note 11.2.10 concerning the acquisition of the remaining share capital of GGM S.p.A. by the Company. Annex A to these Condensed Consolidated Interim Financial Statements lists the companies within the scope of consolidation as of June 30, 2023.

2.3 USE OF ACCOUNTING ESTIMATES

The accounting principles, policies and valuation estimates adopted are consistent with those used in the preparation of the Annual Consolidated Financial Statements.

A full description of the accounting estimates is disclosed in the Annual Consolidated Financial Statements. In addition to the information disclosed in the Annual Consolidated Financial Statements, in 2023 the Company has implemented a stock option plan as further described below.

Stock Option

On June 15, 2023, the Board of Directors approved the implementation of the medium-long term management incentive plan regulation ("LTIP Regulation", as regards only the medium-long term management incentive plan "LTIP") already approved by the Shareholders' Meeting of March 15, 2023 and subject to examination by the Appointments and Remuneration Committee. In line with the Stock Option Plan Regulation, the plan has been accounted for at fair value as required by IFRS 2 – Share based payment.

The valuation of the assigned rights was carried out by reflecting the financial market conditions valid on the valuation date of June 15, 2023. The methodology adopted to estimate the fair value follows the risk neutral approach; the risk-free rate curve is deducted from the interest rate swap rates present on the market at the valuation date. For each option, the expected dividend rate of the underlying was considered which, based on the Company's dividend policy, was set at 3.83% per annum. With regard to stock volatility, it is a reasonable estimate based on the historical volatility at 40.08%, calculated with reference to a panel of comparable companies. With regard to the hypotheses of the beneficiaries leaving, it was considered an annual probability of leaving equal to 0.00%.

The following table provides details of the market related data used to determine the fair pricing of the stock options.

Number of options	Vesting date	Expiration date	Strike price (Euro)	Price at valuation date (Euro)	Annual volatility	Expected dividend rate	Exit annual rate
2,000,000	June 15, 2026	June 15, 2028	9.00	8.214	40.08%	3.83%	0.00%

The valuation was carried out on no-arbitrage and risk-neutral framework assumptions common to fundamental stock option pricing models (such as the binomial model, the Black-Scholes model and so on).

The following table shows the fair value of the individual option rights assigned. The valuation was based on the assumption that objectives assigned to employees are fully achieved.

Number of options	Unit fair value (Euro)
2,000,000	2,281

At the reporting date, the accrual, for an amount of less than Euro 0.1 million, was recognized taking into account the expected targets to be achieved.

2.4 RECENTLY ISSUED ACCOUNTING STANDARDS

2.4.1 ACCOUNTING STANDARDS, AMENDMENTS EFFECTIVE FROM JANUARY 1, 2023

The following list illustrates the new standards and interpretations approved by the IASB, endorsed by EU and applied since January 1, 2023:

	Endorsed by the EU	Effective date
<i>Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on December 9, 2021)</i>	YES	Effective for accounting periods beginning on or after January 1, 2023
<i>Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 2021)</i>	YES	Effective for accounting periods beginning on or after January 1, 2023
<i>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021)</i>	YES	Effective for accounting periods beginning on or after January 1, 2023
<i>Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on February 12, 2021)</i>	YES	Effective for accounting periods beginning on or after January 1, 2023
<i>IFRS 17 Insurance Contracts (issued on May 18, 2017); including Amendments to IFRS 17 (issued on June 25, 2020)</i>	YES	Effective for accounting periods beginning on or after January 1, 2023

The adoption of these amendments did not have impacts on the Condensed Consolidated Interim Financial Statements.

2.4.2 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

As of the date of approval of the Condensed Consolidated Interim Financial Statements, the following standards and amendments had not yet been endorsed by the EU:

	Endorsed by the EU	Effective date
<i>Amendments to IAS 1 Presentation of Financial Statements:</i> • <i>Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);</i> • <i>Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and</i> • <i>Non-current Liabilities with Covenants (issued on 31 October 2022)</i>	NO	Effective for accounting periods beginning on or after January 1, 2024
<i>Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)</i>	NO	Effective for accounting periods beginning on or after January 1, 2024
<i>Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)</i>	NO	Effective for accounting periods beginning on or after January 1, 2023

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023)

NO

Effective for accounting periods beginning on or after January 1, 2024

It should be noted that the effects that the application of the aforementioned accounting standards could potentially have on the Group's financial statements are currently being assessed by the management.

3 MANAGEMENT OF FINANCIAL RISKS

The Group's activities are exposed to different types of risk: market risk (particularly interest rate risk), credit risk and liquidity risk. These Condensed Consolidated Interim Financial Statements does not include all the information on financial risks described in the Annual Consolidated Financial Statements, to which we refer for a more detailed analysis.

Compared with what is described in the Annual Consolidated Financial Statements, there are no significant changes in the types of risks to which the Group is exposed or in the policies for managing them, except as indicated below.

Market Risk

Interest rate risk

Changes in interest rates on the variable component of debt and cash may result in higher or lower financial expenses/income. Following the issuance of the notes described in Note 9.10.1, the Group is exposed to interest rate risk in relation to the share of the notes amounting to Euro 550 million that bear interest equal to the three-month EURIBOR rate (with a 0% floor). Previously, the Group was exposed to this risk as a result of the floating interest rate notes issued in July 2020 for Euro 300 million, fully repaid in the first half of 2023.

In order to partially hedge the risk relating to possible changes in the interest rates of the aforementioned bond, Lottomatica S.p.A. entered into two derivative contracts with UniCredit S.p.A. and Deutsche Bank AG, respectively, each for a notional amount of Euro 137.5 million (the “**Unicredit Derivative**” and the “**Deutsche Bank Derivative**” respectively). These derivative contracts partially hedge against the risk associated with a potential increase in interest rates by exchanging the bond's three-month EURIBOR rate with a contractually determined fixed interest rate. Such hedging transactions are accounted for as cash flow hedges in accordance with IFRS 9 – Financial Instruments.

Liquidity Risk

The exposure to such risk mainly relates to the commitments associated with the bonds issued respectively on June 1, 2023 for a total amount of Euro 1,115 million maturing in 2028 and on September 27, 2022 for Euro 350 million maturing in 2027, as well as with the revolving credit facility for a total of Euro 350 million (signed on May 3, 2023) in addition to Euro 50 million available for bank guarantees (undrawn at the reporting date). Please refer to Notes 9.10.1 and 9.10.2 for details on the notes and on the revolving credit facility. It should be noted that on July 17, 2023, Lottomatica S.p.A., following the exercise of the "early redemption" option on June 15, 2023, repaid in advance the fixed rate senior secured notes issued on July 23, 2020 and April 1, 2021 respectively for a total amount of Euro 915 million.

4 SEASONALITY OR CYCLICAL ASPECT OF INTERIM TRANSACTIONS

The Group's activities show no significant seasonal or cyclical variations.

5 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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, the fair values of such instruments do not differ materially from their book values as they were short-term or valued at market rates and, consequently, their fair value is deemed to be substantially in line with their book value.

As of the reporting date, the fair values of the notes issued on July 23, 2020, on April 1, 2021, on September 27, 2022 and on June 1 2023 amounted to Euro 345,583 thousand, Euro 583,412 thousand, Euro 379,750 thousand and Euro 1,131,765 thousand, respectively.

The following table shows the financial instruments measured at fair value according to the valuation technique used:

<i>(in thousands of Euro)</i>	Level 1	Level 2	Level 3	As of June 30, 2023
Derivative financial instruments assets	-	40	-	40
Derivative financial instruments liabilities	-	-	-	-
Total	-	40	-	40
<i>(in thousands of Euro)</i>	Level 1	Level 2	Level 3	As of December 31, 2022
Derivative financial instruments assets	-	23,595	-	23,595
Derivative financial instruments liabilities	-	-	-	-
Total	-	23,595	-	23,595

During the periods under review, the Group did not make any changes regarding the valuation techniques of financial instruments accounted for at fair value.

6 OPERATING SEGMENTS

As of June 30, 2023 there were no changes on the approach adopted by the management for the representation of the operating segments compared to the Annual Consolidated Financial Statements, to which we refer for further details. The following table provides details of Group operating segments for the six months ended June 30, 2023 and 2022 analyzed by the Group's management.

<i>(in thousands of Euro)</i>	Online		Sports Franchise		Gaming Franchise		Elimination		Total	
	Jun '23	Jun '22	Jun '23	Jun '22	Jun '23	Jun '22	Jun '23	Jun '22	Jun '23	Jun '22
Revenues toward third parties	246,943	163,524	204,890	174,105	368,240	344,227	-	-	820,073	681,856
Other income toward third parties	936	175	1,806	2,068	3,200	3,014	-	-	5,942	5,257
Intragroup Revenues and Other income	11,751	4,793	3,825	4,890	5,792	3,505	(21,368)	(13,188)	-	-
Total Revenues and Income	259,630	168,492	210,521	181,063	377,232	350,746	(21,368)	(13,188)	826,015	687,113
Adjusted EBITDA	149,022	91,690	61,978	57,774	87,785	83,984			298,785	233,448
<i>Adjusted EBITDA Margin (*)</i>	<i>60.3%</i>	<i>56.1%</i>	<i>30.2%</i>	<i>33.2%</i>	<i>23.8%</i>	<i>24.4%</i>			<i>36.4%</i>	<i>34.2%</i>
Costs not included in Adjusted EBITDA									(29,306)	(12,584)
<i>of which:</i>										
- <i>monetary</i>									(16,971)	(9,136)
- <i>non-monetary</i>									(12,335)	(3,448)
Depreciation, amortization and impairments									(77,007)	(75,206)
Finance income									23,298	17
Finance expenses									(134,041)	(57,303)
Share of profit/(loss) of equity accounted investments									(251)	(496)
Profit before tax									81,478	87,876
Income tax expense									(36,170)	(35,654)
Net profit for the period									45,308	52,222

(*) Adjusted EBITDA Margin defined as Adjusted EBITDA / Revenues toward third parties

7 BUSINESS COMBINATIONS AND ACQUISITION OF BUSINESSES

The acquisitions made during the six months ended June 30, 2023 are briefly described below.

7.1 ACQUISITION OF BUSINESS

On February 1, 2023, GBO Italy S.p.A. acquired the “Domus Bet” business, consisting of the aggregate of assets organized to the collection of bets through retail concessions. The fair value of such concession is recognized in Intangible assets as shown below:

<i>(in thousands of Euro)</i>	Acquisition price	Net assets acquired Intangible Assets Concessions
Domus Bet Business	2,060	2,060

As part of the distribution insourcing strategy relating to the Gaming Franchise segment, business acquired in the period ending June 30, 2023 are detailed below:

<i>(in thousands of Euro)</i>						
Company	Target	Asset quantity	Acquisition price	Net assets acquired Property, plant and equipment		Goodwill
				Gaming Hardware	Other assets	
Lottomatica Videolot Rete S.p.A.	Triskel S.r.l. Business	133	490	191	-	299
Big Easy S.r.l.	REBET S.r.l. Business	-	2,300	-	48	2,252
Total		133	2,790	191	48	2,551

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. As of June 30, 2023 the cash flow relating to the total consideration paid for the acquisition of the businesses amounted to Euro 1.2 million.

8 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

8.1 REVENUES

The following table provides a breakdown of “Revenues”:

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Online	246,943	163,524
Sports Franchise	204,890	174,105
Gaming Franchise	368,240	344,227
<i>of which:</i>		
AWP	138,791	128,394
VLT	218,375	207,513
Retail and Street Operations	11,074	8,320
Total	820,073	681,856

The Online segment benefitted from the acquisition of Betflag on November 22, 2022. Betflag contributed revenues of Euro 47.1 million for the six months ended June 30, 2023.

8.2 OTHER INCOME

“Other income” amounted to Euro 5.9 million for the six months ended June 30, 2023 (Euro 5.3 million for the six months ended June 30, 2022) and mainly included (i) income from the services provided to GBO Italy S.p.A. sales point operators (ii) income from the transfer to the supply-chain of costs incurred in relation to the acquisition of AWP NOE and NOD concession agreements (iii) income from the re-sale of consumables in halls; and (iv) income from other operations.

8.3 COST OF SERVICES

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

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Distribution network compensation	(343,968)	(297,893)
Fee on gaming platform licenses	(42,436)	(34,527)
Concession Fee	(25,652)	(23,241)
Bank and insurance expenses	(16,435)	(7,640)
Technical assistance and network management	(10,691)	(10,395)
Utility costs, postal and logistics costs, security services	(9,763)	(10,058)
Tax, administrative and legal consultancy costs	(8,114)	(9,840)
Marketing and advertising	(6,263)	(3,699)
Leases and rentals	(4,403)	(2,080)
Data transmission	(3,931)	(8,199)
Pay-TV	(2,756)	(2,263)
Board of Directors remunerations and costs	(1,421)	(1,197)
Other	(7,333)	(5,383)
Total	(483,166)	(416,415)

For the analysis of these cost items, it should be considered the supply chain remuneration model (as they may be linked to bet trends or revenue sharing mechanisms – such as, for example, in the case of “Distribution network compensation”, “Fee on gaming platform licenses” or “Concession Fee”), which means that this cost item varies in line with revenues.

“Bank and insurance expenses” mainly refers to the costs incurred for electronic money instruments provided to players to top up their gaming accounts. The increase is attributable to higher commissions on credit cards following the increase in the volumes recorded, as well as the Betflag contribution for Euro 5.2 million.

8.4 PERSONNEL EXPENSES

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

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Remuneration	(35,114)	(25,562)
Social security contributions	(11,188)	(8,559)
Other personnel costs	(2,662)	(3,067)
Total	(48,964)	(37,188)

The increase was due to the higher average number of employees.

Personnel expenses are stated net of capitalized personnel expenses related to internal software development, totaling Euro 6.0 million for the six months ended June 30, 2023 (Euro 4.9 million for the six months ended June 30, 2022).

The following table shows Group employee numbers by category:

	Number as of June 30, 2023	Average number June 30, 2023	Number as of June 30, 2022	Average number June 30, 2023
Executives	47	46	38	39
Middle managers	168	168	155	156
White collar	1,264	1,242	1,027	1,030
Blue collar	174	178	167	173
Total	1,653	1,634	1,387	1,398

LONG-TERM INCENTIVE PLAN – STOCK OPTION PLAN

On March 15, 2023, the shareholders meeting of the Company approved the “Stock Option Plan 2023-2026” (the “**Plan**”), effective subject to the first trading date, which provides for the assignment, on an annual basis, over a three-year period of option rights granting the right to certain members of management, identified by the board of directors of Lottomatica Group from time to time, to subscribe the ordinary shares of Lottomatica Group.

The Plan has the following objectives: (i) align the interests of the beneficiary of the Plan with those of the shareholders and investors of the Group and with the strategic plan of the Group as a whole; and (ii) incentivize the long-term retention of those members of management benefitting from the Plan.

On June 15, 2023, the Board of Directors approved the implementation of plan regulation.

The Plan provides for the assignment to the beneficiaries of a maximum total number of 2,000,000 free option rights, that entitle the right to subscribe to the Company’s shares according to a 1:1 ratio (i.e., each option grants the right to subscribe one share) at a determined price (the “**Options**”), provided that the beneficiaries are still employees or directors of the Company or its subsidiaries at the time of the exercise of the Options. The Options may be assigned from June 15, 2023 until December 31, 2025. The Plan has a multi-year duration with a three-year vesting period (the “**Vesting Period**”).

The Options granted to each beneficiary may be exercised within five years from the grant date. Of the shares resulting from the exercise of the Options, 20% of these will be subject to a one year lock-up period from the end of the Vesting Period and another 20% to a two year lock-up period from the end of the Vesting Period.

Upon advice from the Appointments and Remuneration Committee, the Board of Directors may impose performance conditions to be met by the beneficiary in order for the Options to vest. The performance measurement period will ordinarily be three years.

8.5 OTHER OPERATING COSTS

The following table provides a breakdown of "Other operating costs":

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Purchase of goods and other purchases	(6,510)	(3,114)
Entertainment expenses	(2,098)	(476)
Taxes and sundry duties	(1,961)	(1,987)
Fines, penalties and losses on receivables	(349)	(373)
Other expenses	(9,085)	(3,074)
Total	(20,003)	(9,024)

The increase of "Purchases of goods and other purchases" was mainly due to the purchase of components for AWP machines in connection with the acquisition of Marim S.r.l. and Tecno-Mar S.r.l. in May 2022.

"Entertainment expenses" mainly relates to the free gifts offered to gaming arcade customers.

The increase of "Other expenses" was mainly due to software licenses write-off for Euro 6.4 million following the Group's decision to no longer continue the related project.

8.6 DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

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

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Amortization of intangible assets	(50,316)	(46,530)
<i>of which purchase price allocation</i>	<i>(27,838)</i>	<i>(27,676)</i>
Depreciation of property, plant and equipment	(18,914)	(21,480)
Depreciation of investment property	(13)	(13)
Depreciation of right of use	(7,764)	(7,183)
Total	(77,007)	(75,206)

For further details regarding movements in Amortization of intangible assets, Depreciation of property, plant and equipment and Depreciation of right of use, please refer to Note 9.1, 9.3 and 9.4, respectively.

8.7 IMPAIRMENT OF RECEIVABLES AND FINANCIAL ASSETS AND OTHER (ACCRUALS) / RELEASES

The following table provides a breakdown of "Impairment of receivables and financial assets" and "Other (accruals)/releases":

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Impairment of financial asset	(3,319)	-
(Provision) / release for impairment of receivables	(1,286)	(1,476)
(Provision) / release for risks and charges	202	(2,146)
Total	(4,403)	(3,622)

Provisions are stated net of releases.

"Impairment of financial assets" refers to the impairment of the "Ancona Time" partnership, held by Lottomatica Videolot Rete S.p.A.

For further details regarding movements in the Allowance for doubtful receivables and the Provision for risks and charges see Notes 9.6 and 9.11, respectively.

8.8 FINANCE INCOME AND EXPENSES (NET)

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

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Other interest income	23,298	17
Total financial income	23,298	17
Interest expense on June 2023 Notes	(6,721)	-
Interest expense on September 2022 Notes	(17,063)	-
Interest expense on April 2021 Notes	(14,734)	(14,734)
Interest expense on July 2020 Notes	(17,742)	(19,675)
Amortized cost on June 2023 Notes	(410)	-
Amortized cost on September 2022 Notes	(624)	-
Amortized cost on April 2021 Notes	(8,327)	(1,353)
Amortized cost on July 2020 Notes	(4,240)	(656)
Interest expense on Revolving Credit Facility	(7,564)	(2,415)
Interest expense on Bondco loan	(6,947)	(10,300)
Commission on sureties	(2,650)	(2,791)
Leasing interest expense	(1,574)	(1,264)
IRS interest expense	(150)	(175)
Other interest expense	(45,295)	(3,940)
Total financial expenses	(134,041)	(57,303)
Net Financial expenses	(110,743)	(57,286)

"Net financial expenses" amounting to Euro 110.7 million include non-recurring financial income of Euro 22.2 million and non-recurring financial expenses of Euro 62.4 million, detailed below on the items concerned.

The item "Other interest income" mainly includes (i) the income of Euro 19.8 million for the closing of the hedging derivative after the reimbursement in advance of the floating rate senior secured notes maturing in 2025 and (ii) interest income on the Barclays's escrow account of Euro 2.4 million.

"Amortized cost on April 2021 Notes" and "Amortized cost on July 2020 Notes" includes Euro 10.8 million relating to the acceleration of the residual unamortized costs on the Notes Repaid (as defined below), which were fully expensed as a result of their early repayment.

"Interest expense on Revolving Credit Facility" includes Euro 4.5 million relating to the recognition of not-yet expensed *arrangement fees* relating to on the previous revolving credit facility agreement, following the signature on May 3, 2023 of the New Revolving Credit Facility agreement (for further details, please refer to Note 9.10.2).

"Interest expense on July 2020 Notes" and "Interest expense on April 2021 Notes" are impacted by the interest expenses accrued on the Bonds Repaid (as defined below) for the period from June 1, 2023 to the reporting date amounting to Euro 4.2 million.

"Other interest expense" mainly includes (i) the commitment fees relating to the bridge loan for Euro 13.8 million, (ii) the prepayment penalty related to the early extinguishment of the Bondco Loan (as defined below) for Euro 16.5 million, (iii) the make-whole for the early repayment of Bonds Repaid (as defined below) for Euro

12.7 million and (iv) the effect of the amortized cost relating to the deferred portion of the purchase prices of Betflag for Euro 1.5 million.

8.9 INCOME TAX EXPENSE

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

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2023	2022
Current taxes	(40,941)	(39,568)
Deferred taxes Purchase price allocation	8,098	8,054
Deferred taxes	(3,327)	(4,140)
Total	(36,170)	(35,654)

From 2022, the Company became the Group’s tax consolidating company for the three-year period 2022-2024.

Deferred taxes mainly include:

- the release of deferred tax expenses by purchase price allocation for Euro 8.1 million;
- the release of deferred tax income on temporary differences for Euro 3.3 million.

It should be noted that “Current taxes” does not include the tax benefit of Euro 6.5 million linked to commissions and other costs related to the IPO incurred by the Company, as they are accounted for as a direct reduction of the costs deducted from the capital increase.

9 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9.1 INTANGIBLE ASSETS

The following table provides a breakdown of "Intangible assets" and movements during the periods under review:

	Software	Concessions	Trademarks	Assets under development and other intangible	Agency Network Relationship	Total
<i>(in thousands of Euro)</i>						
Cost as of December 31, 2022	140,842	100,832	199,862	51,169	221,286	713,991
Accumulated amortization as of December 31, 2022	(80,568)	(69,155)	(28,983)	(24,671)	(58,424)	(261,801)
Net book amount as of December 31, 2022	60,274	31,677	170,879	26,498	162,862	452,190
Additions	2,981	64,417	1	12,680	-	80,079
<i>Business combination</i>						
<i>Business</i>	-	1,055	-	-	-	1,055
Amortization for the period	(15,471)	(10,235)	(5,700)	(4,197)	(14,713)	(50,316)
<i>of which purchase price allocation</i>						
<i>Gamenet acquisition</i>	(7,462)	-	(2,406)	-	(5,144)	(15,012)
<i>IGT business</i>	-	-	(3,195)	-	(8,886)	(12,081)
<i>Goldbet.News</i>	-	-	-	(61)	-	(61)
<i>Giocaonline</i>	-	-	-	-	(490)	(490)
<i>Marim</i>	-	-	-	-	(194)	(194)
Disposal	(3)	-	-	(6,798)	-	(6,801)
Reclassifications	2,645	(2,293)	3,357	(158)	(3,275)	276
Cost as of June 30, 2023	141,598	163,947	199,945	56,100	200,095	761,685
Accumulated amortization as of June 30, 2023	(91,172)	(79,326)	(31,408)	(28,075)	(55,221)	(285,202)
Net book amount as of June 30, 2023	50,426	84,621	168,537	28,025	144,874	476,483

Additions on "Software" mainly related to the purchase of software licenses required for collection and bet management activities and for the upgrade of the SAP ERP system for Euro 1.3 million and the purchase of software licenses in relation to cybersecurity, Digital Transformation project and the development of a new customer service (Digital Customer Care) for Euro 1.4 million.

Additions on "Concessions" mainly related to the extension of the VLT concessions for Euro 57.0 million and the extension of the AWP concessions for Euro 6.7 million. The increase is also linked to the purchase of the Domus Bet business to obtain 11 point of sale rights and 7 corner rights. It is recalled that item as of December 31, 2022 includes the rights relating to the onerous extension until June 30, 2024 for the concessions of the physical betting. Pursuant to Law no. 127 of December 29, 2022, all concessions for online gaming, Gaming Franchise, Sports Franchise and bingo operate under an extension regime, valid from January 1, 2023 to December 31, 2024.

Additions on "Assets under development and other intangible" mainly related to software development during the period as well as capitalization of NOE and Entry Fees, partially offset by projects completed and reclassified (i.e., Workflow engine projects, Anti-money laundering, Evolution). The disposals, on the other hand, are mainly linked for Euro 6.4 million to the software write-off related to a project that the Group has decided not to continue.

9.2 GOODWILL

The following table provides a breakdown of “Goodwill” for the periods under review:

<i>(in thousands of Euro)</i>	Total
Balance as of December 31, 2022	1,538,936
Increase	2,955
Balance as of June 30, 2023	1,541,891

The increase mainly relates to the goodwill recorded for Triskel business and Rebet business acquisition. For the remaining part, the increase is attributable to price adjustments relating to previous acquisitions.

It should be noted that at the reporting date, the purchase price allocation process relating to the acquisition of Betflag is still ongoing and, therefore, in accordance with IFRS 3, the Group should complete this assessment within the consolidated financial statements closing on December 31, 2023.

As of June 30, 2023, no indicators of impairment had been identified such as to require the performance of a specific test in relation to the item in question.

9.3 PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of “Property, plant and equipment” and movements during the periods under review:

<i>(in thousands of Euro)</i>	Gaming Hardware	Other assets	Furniture	Leasehold improvements	Assets under development and payments on account	Total
Cost as of December 31, 2022	93,490	30,594	21,800	38,372	14,744	199,000
Accumulated depreciation as of December 31, 2022	(55,376)	(13,823)	(7,915)	(19,197)	-	(96,311)
Net book amount as of December 31, 2022	38,114	16,771	13,885	19,175	14,744	102,689
Additions	5,197	5,608	2,172	3,617	2,145	18,739
Business combination						
Business acquisition	191	-	-	-	-	191
Disposals	(148)	(11)	(267)	-	(24)	(450)
Depreciation for the period	(9,218)	(3,327)	(1,823)	(4,546)	-	(18,914)
Reclassifications	46	2,265	197	598	(3,382)	(276)
Cost as of June 30, 2023	91,054	37,613	23,276	42,142	13,483	207,568
Accumulated depreciation as of June 30, 2023	(56,872)	(16,307)	(9,112)	(23,298)	-	(105,589)
Net book amount as of June 30, 2023	34,182	21,306	14,164	18,844	13,483	101,979

Additions on “Gaming hardware” mainly relate to the purchase of AWP game cards, VLT hardware and IT equipment for the set-up of new betting points of sale, replacement of the technology in the gaming halls as part of the redevelopment project as well as replacement of the technology in the Better points of sale and in the VLT halls with those currently being used by the Group. Decrease refers to the disposal of the old “Better” technology as part of the process of hall renewal.

Additions on “Other assets” mainly related to the new storage systems, the network hardware of the CED halls and other computer equipment for the VLT halls.

Additions on “Furniture” mainly relates to the redevelopment and optimization project of the gaming halls.

Additions on "Leasehold Improvements" are mainly linked to the completion of the works on the halls that have become operational and the investment of new corners in the halls.

Additions on "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 not yet in operation.

9.4 RIGHT OF USE

The following table provides a breakdown "Right of use":

<i>(in thousands of Euro)</i>	Land, Buildings and Offices	Gaming halls	Vehicles	Other	Right of Use
Balance as of December 31, 2022	15,098	44,441	2,174	340	62,053
Depreciation	(1,563)	(5,495)	(562)	(144)	(7,764)
Additions	280	13,907	595	-	14,782
Disposal	-	(1,282)	(2)	-	(1,284)
Other movements	(1,672)	1,672	-	-	-
Balance As of June 30, 2023	12,143	53,243	2,205	196	67,787

The increase for the period relates to: (i) the renewal of some lease agreements; (ii) the increase in rents due to ISTAT increases which led to the recalculation of the value of the assets; (iii) new lease contracts signed by GBO Italy S.p.A..

9.5 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 June 30, 2023	As of December 31, 2022
Cash held by operators	24,202	24,238
Escrow account	5,000	5,000
Merchant accounts and restricted cash	826	2,676
Partnership	-	3,319
Interest rate swap assets	40	23,595
Convertible bonds investment	1,803	1,803
Other investments	327	157
Total	32,198	60,788

"Cash held by operators" relates to cash in machines (i.e., in the hoppers and change machines) owned by Group but managed by external operators, amounting to Euro 7.2 million, Euro 13.5 million and Euro 3.0 million, respectively for Gamenet S.p.A., Lottomatica Videolot Rete S.p.A. and Big Easy S.r.l., as of June 30, 2023.

The decrease of "Merchant accounts and restricted cash" is due to the disposal of the deposits as collateral by Nuvei ex SafeCharge, pursuant to new contractual agreements between the service provider and GBO Italy S.p.A.

The decrease of "Partnership" is due to the impairment of "Ancona Time" partnership, held by Lottomatica Videolot Rete S.p.A., as a result of missing the expected results.

"Interest rate swap assets" as of June 30, 2023 relates to the fair value of the derivative contracts of a total nominal amount of Euro 275 million entered into by Lottomatica S.p.A to partially hedge the risk linked to a potential change in the interest rate of the floating rate share of the notes issued on June 1, 2023 with a nominal value of Euro 550 million that bear variable interest equal to the three-month EURIBOR rate. The fair value is a positive amount of Euro 40 thousand as of June 30, 2023. The cash flow hedge reserve has a positive balance of Euro 31 thousand, net of the related tax effect, as of June 30, 2023.

The decrease is due to the closing of the derivative contract entered into by Gamma Bidco (merged into Lottomatica S.p.A. in 2022) to hedge the risk linked to a potential change in interest rates on the floating rate share of the notes issued on July 23, 2020 with a nominal value of Euro 300 million that bear variable interest equal to the three-month EURIBOR rate.

9.5.1 DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING

In order to partially hedge the risk relating to possible changes in the interest rate of the floating rate of June 2023 Notes (as defined below), which bear variable rate interest linked to the three-month EURIBOR rate, Lottomatica S.p.A. entered into the Unicredit Derivative and Deutsche Bank Derivative for a total notional value of Euro 275 million. The derivative contracts (which are not listed on any official market) partially hedge from the risk linked to a potential increase in interest rates by exchanging the bond's three-month EURIBOR rate with a contractually determined fixed interest rate of (i) 3.4075% with quarterly settlement, first calculation period starting December 1, 2023 and termination date June 1, 2026 for the Unicredit Derivative and (ii) 3.416% with quarterly settlement, first calculation period starting December 1, 2023 and termination date June 1, 2026 for the Deutsche Bank Derivative. The fair value of this instrument was determined by the abovementioned financial institutions at the reporting date. The transaction qualifies as a cash flow hedge as it meets the hedge effectiveness requirements set out by IFRS 9.

9.6 CURRENT AND NON-CURRENT TRADE RECEIVABLES

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

<i>(in thousands of Euro)</i>	As of June 30,	As of December 31,
	2023	2022
Concessionaire's receivables from operators/TIR	69,838	94,454
Receivables from betting operators	14,875	11,977
Receivables from customers	7,600	8,401
Other receivables from distribution network	7,080	7,938
Receivables guaranteed by formal commitments	1,785	916
Receivables for penalties and interest on delayed payments	460	466
Allowance for doubtful receivables	(35,838)	(34,624)
Total	65,800	89,528

"Concessionaire's receivables from operators/TIR" mainly comprises receivables relating to bet activities (mainly PREU, concession fees and other amounts owing to the concessionaires). As of June 30, 2023, Euro 29 million refers to Gamenet S.p.A and Euro 40.8 million to Lottomatica Videolot Rete.

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

<i>(in thousands of Euro)</i>	Total
Balance as of December 31, 2022	34,624
Provisions net of releases	1,331
Utilization	(117)
Balance As of June 30, 2023	35,838

9.7 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 June 30,	As of December 31,
	2023	2022
ADM guarantee deposits	26,950	54,144
Gaming online accounts	29,640	31,716
Accrued income and prepayments	21,252	17,387
Gaming halls receivables	9,463	13,528
Tax receivables	2,845	3,358
Guarantee deposits	3,413	2,792
Other receivables	2,180	35,986
Total	95,743	158,911

"ADM guarantee deposits" represents 0.5% of amounts waged using devices connected to the online network. Such deposits are reimbursed to the concessionaire when certain service levels are achieved in the first half of the following year.

"Accruals and deferred income" mainly include the recognition of prepaid expenses on arrangement fees and underwriting fees for the New Revolving Credit Facility (as defined below) and prepaid expenses for the costs related to the sureties paid against the concessions renewals.

"Other receivables" mainly includes the receivable from Logispin Austria GmbH of Euro 32.5 million as of December 31, 2022, which as seller of the equity investment in Goldbet S.p.A. (deed of July 24, 2018) assumed against GoldBet S.p.A. (now GBO Italy S.p.A.) and its shareholder, GBO S.p.A., specific indemnity obligations in relation to tax disputes relating to the years prior to the sale.

In this regard, the Group has applied for facilitated adhesion to the pending disputes. The application in question, finalized on July 7, 2023 with the payment of the only established tax for the years 2013 and 2014, amounting to Euro 18.8 million, extinguishes the additional tax disputes referred to above and further recovery against the seller.

9.8 CASH AND CASH EQUIVALENTS

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

<i>(in thousands of Euro)</i>	As of June 30,	As of December 31,
	2023	2022
Bank deposits	388,289	216,241
Escrow account	909,463	-
Cash on hand	15,404	18,597
Total	1,313,156	234,838

It should be noted that "Bank deposits" as of June 30, 2023 includes Euro 18.8 million related to the payment received from Logispin Austria GmbH linked to tax dispute, as indicated in the Note 9.12, and Euro 100 million transferred on deposit account.

"Escrow account" refers to the cash flows arising from the issuance of the June 2023 Notes, deposited in an escrow account in the name of Lottomatica S.p.A. pending the satisfaction of the "Escrow Release Conditions" (as contractually defined). These proceeds were used on July 17, 2023. For further details, see Note 11.3.1 below.

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

9.9 SHAREHOLDERS' EQUITY

A description of changes in Shareholders' equity as of June 30, 2023 can be found in the Consolidated Statement of Changes in Equity.

9.9.1 SHARE CAPITAL

The Company's share capital amounted to Euro 10,000 thousand as of June 30, 2023 and was divided into 251,630,412 ordinary shares without nominal value.

As of December 31, 2022, the share capital amounted to Euro 50 thousand, divided into 50,000 shares without nominal value. It should be noted that the shareholders' meeting held on February 27, 2023, resolved to split the share capital into 200,000,000 shares with no par value.

As a result of the Capital Increase (as defined below), the Company issued 47,222,222 new shares at a price of Euro 9.00 per share, for a total amount of Euro 425,000 thousand, of which Euro 9,900 thousand as a share capital increase and Euro 415,100 thousand as a share premium.

It should be noted that the "Share premium reserve" is stated net of the transaction costs of Capital Increase.

Furthermore, in connection with Faro Transaction (as defined below), a further capital increase was carried out for a nominal amount of Euro 50 thousand (plus share premium) by issuing 4,408,190 new ordinary shares without nominal value, resolved by the Board of Directors of the Company on April 28, 2023 pursuant to Article 2443 of the Italian Civil Code and reserved to Faro Games S.r.l., which was fully subscribed and paid in by contribution in kind of GGM Shares (as defined below) on April 28, 2023 and became effective as of May 3, 2023.

For further details in this regard, please refer to Note 11.2.9.

9.9.2 EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

It should be noted that, following the Faro Games Transaction (as defined below), equity attributable to non-controlling interests decreased by Euro 46.8 million.

9.10 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 June 30,	As of December 31,
	2023	2022
June 2023 Notes	1,086,078	-
September 2022 Notes	341,581	340,957
April 2021 Notes	575,000	566,673
July 2020 Notes	340,000	635,760
Accrued interest – June 2023 Notes	6,721	-
Accrued interest – September 2022 Notes	15,641	8,816
Accrued interest – April 2021 Notes	13,507	13,507
Accrued interest – July 2020 Notes	9,740	13,590
Bondco Loan	-	250,000
Accrued interest – Bondco Loan	-	23,375
Bank borrowings	402	840
Interest Rate Swap	-	81
Put option liability	1,804	1,773
Payables for acquisitions	91,667	94,284
Payables for leasing	73,816	68,215
Other financial payables	43,072	-
Total	2,599,029	2,017,871

The main changes are due to:

- repayment in advance of the Bondco Loan (as defined below) and interest accrued;
- repayment in advance of the floating rate senior secured notes issued on July 23, 2020 for Euro 300 million, plus accrued interest;
- recognition at the amortized cost of the June 2023 Notes (as defined below) for Euro 1,086.1 million;
- increase in "Payables for leasing", for which reference is made to Note 9.4;
- increase in "Other financial payables" due to (i) payables for the commitment fees relating to the bridge facility signed on April 12, 2023 for Euro 13.8 million, (ii) payables for the make-whole relating to the repayment in advance of the Notes Repaid (as defined below) for Euro 12.7 million and for the remaining part (iii) the payables for ancillary costs incurred for the issuance of the June 2023 Notes.

For further details on the repayments please see Notes 11.2.9 and 11.2.12. This item is to be read net of the escrow account classified under "Cash and cash equivalents", which was used, together with available liquidity, on July 17 2023 for redemptions described in Note 11.3.1. For further information on the Group's net financial indebtedness, please refer to the relevant paragraph of this document.

For further details on current and non-current financial liabilities as of December 31, 2022, please refer to the Annual Consolidated Financial Statements.

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

<i>(in thousands of Euro)</i>	As of June 30, 2023	<i>of which current</i>
Notes	2,342,659	915,000
Accrued interest on Notes	45,609	45,609
Bank borrowings	402	402
Put option liability	1,804	-
Payables for acquisitions	91,667	56,926
Payables for leasing	73,816	15,672
Other financial payables	43,072	43,072
Total	2,599,029	1,076,681

The following table provides changes in liabilities arising from financing activities as required by IAS7:

<i>(in thousands of Euro)</i>	As of December 31, 2022	<i>Cash flow from financing activities</i>	<i>Non-cash changes</i>	As of June 30, 2023
Notes	1,543,390	802,473	(3,204)	2,342,659
Accrued interest on Notes	35,913	(46,564)	56,260	45,609
Bondco Loan	250,000	(250,000)	-	-
Accrued interest on Bondco Loan	23,375	(30,322)	6,947	-
Bank borrowings	840	(438)	-	402
Interest Rate Swap	81	(231)	150	-
Put option liability	1,773	-	31	1,804
Payables for acquisitions	94,284	(8,621)	6,004	91,667
Payables for leasing	68,215	(9,470)	15,071	73,816
Other financial payables	-	-	43,072	43,072
Total	2,017,871	456,827	124,331	2,599,029

9.10.1 JUNE 2023 NOTES

On June 1, 2023, Lottomatica S.p.A. (the "Issuer") issued senior secured notes for a total principal of Euro 1,115 million (the "June 2023 Notes"), of which (i) Euro 565 million bearing interest at a fixed annual rate of 7.125%, to be paid semiannually, commencing on December 1, 2023, and (ii) Euro 550 million issued below par (at 99%), bearing interest equal to the sum of three-month EURIBOR (with a 0% floor) plus 4.125% per annum to be paid quarterly, commencing on September 1, 2023. The June 2023 Notes 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 2028.

Collateral posted as security in relation to the June 2023 Notes included liens on the following: (i) all of the issued share capital of the Issuer held by Lottomatica Group S.p.A., (ii) receivables in respect of certain material intercompany loans, including any proceeds loans, owed to Lottomatica Group and/or the Issuer (if any), (iii) material bank accounts of the Issuer, (iv) all of the issued share capital of GGM S.p.A. held by the Issuer, and (v) all of the issued share capital of GBO S.p.A. held by the Issuer. Ratings as of the issue date were as follows: BB- (S&P) and Ba3 (Moody's).

A portion of the proceeds from the bond issue was used to finance the repayment of the remaining Euro 200 million of the guaranteed floating-rate senior bond maturing in 2025, while the remainder of the resulting proceeds were transferred to an escrow account in the name of Lottomatica S.p.A., pending the satisfaction of the contractually defined "Escrow Release Conditions."

On July 17, 2023, after the satisfaction of the "Escrow Release Conditions", such proceeds was used, together with cash on hand, to fund the redemption of the Euro 340 million principal amount of 6.25% senior secured fixed rate notes due 2025 issued on July 23, 2020 (the "**July 2020 Notes**") and the Euro 575 million principal amount of 5.125% senior secured fixed rate notes due 2025 issued on April 1, 2021 (the "**April 2021 Notes**" and together with the July 2020 Notes, the "**Notes Repaid**") plus any accrued and unpaid interest, any repayment premiums, as applicable, and any related fees and expenses.

The June 2023 Notes (or a portion thereof) can be reimbursed in advance, under the conditions described below:

- **with regard to the floating rate share:** i) if reimbursed prior to June 1, 2024, the Issuer is required to repay a total of 100% of the principal amount reimbursed plus the Floating Rate Applicable Premium, plus unpaid interest due; ii) if reimbursed in advance but from June 1, 2024 onwards, the Issuer is required to repay the principal amount reimbursed at par plus the Additional Amount and unpaid interest due;
- **with regard to the fixed rate share:** i) if reimbursed prior to June 1, 2025, the Issuer is required to repay a total of 100% of the principal amount reimbursed plus the Fixed Rate Applicable Premium, plus unpaid interest due; ii) if reimbursed between June 1, 2025 and May 31, 2026, the Issuer is required to repay a total of 103.5625% of the principal amount reimbursed plus the Additional Amounts, plus unpaid interest due; iii) if reimbursed between June 1, 2026 and May 31, 2027, the Issuer is required to repay a total of 101.7813% of the principal amount reimbursed plus the Additional Amount, plus unpaid interest due; and iv) if reimbursed in advance but from June 1, 2027 onwards, the Issuer is required to repay the principal amount reimbursed plus the Additional Amount and unpaid interest due.

9.10.2 NEW REVOLVING CREDIT FACILITY

On May 3, 2023, Lottomatica S.p.A., the lenders party thereto, UniCredit S.p.A., as security agent, inter alia, entered into the new revolving credit facility agreement of Euro 350,000,000 ("**New Revolving Credit Facility**") that replace the existing revolving credit facility.

The New Revolving Credit Facility agreement provide for revolving borrowings up to an aggregate principal amount of Euro 350,000,000 on a committed basis in addition to an incremental facility provided by Deutsche Bank S.p.A. in an amount of Euro 50,000,000 as a guarantee facility thereunder available for bank guarantees, which incremental facility was already in place under the existing revolving credit facility.

The New Revolving Credit Facility matures on the earliest of the date falling six months prior to maturity of the notes issued or May 3, 2028, 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 senior secured indebtedness net of cash and cash equivalents and EBITDA (i.e., the Consolidated Senior Secured Debt Ratio defined in the New Revolving Credit Facility agreement) on a consolidated basis, as shown in the following table:

Consolidated Senior Secured Debt Ratio^(*)

	Annual spread
> 2,3:1	3,5
≤ 2,3:1 e > 1,8:1	3,25
≤ 1,8:1 e > 1,3:1	3,0
≤ 1,3:1 e > 0,8:1	2,75
≤ 0,8:1	2,5

(*) 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 May 3, 2023 and subsequently each quarter with regard to the preceding twelve months. The Consolidated Senior Secured Debt Ratio must not exceed 5.22:1 and is not valid if the utilizations do not exceed 40% of the revolving credit facility (the "Test Condition", as defined contractually). The spread to be applied to amounts drawn down under the New 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 New Revolving Credit Facility is 3.50%. As of June 30, 2023, Test Condition is not met.

Collateral for the New Revolving Credit Facility included securities on the following: (i) the shares in Lottomatica S.p.A. held by its shareholder Lottomatica Group; (ii) receivables in respect of certain material intercompany loans in respect of which Lottomatica S.p.A. or Lottomatica Group is a creditor (if any); (iii) material bank accounts of Lottomatica; (iv) the shares in GGM S.p.A. held by its shareholder Lottomatica S.p.A.; (v) the shares in GBO S.p.A. held by its shareholder Lottomatica S.p.A.; (vi) the shares in Gamenet S.p.A. held by its shareholder GGM S.p.A.; (vii) the shares in GBO Italy S.p.A. held by its shareholder GBO S.p.A. and (viii) the shares in Lottomatica Videolot Rete S.p.A. held by its shareholder GGM S.p.A.

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) non-secured debt:

Covenants	Description^(*)	Contractual value
<i>Fixed Charge Coverage Ratio</i>	EBITDA ^(**) / Fixed Charges ^(**)	>= to 2.0
<i>Or</i>		
<i>Consolidated Total Debt Ratio</i>	Total Indebtedness net of Cash and Cash Equivalents ^(**) / EBITDA ^(**)	<= to 3.15

(*) On a consolidated basis

(**) As defined contractually

b) secured debt:

Covenants	Description^(*)	Contractual value
<i>Consolidated Senior Secured Debt Ratio</i>	Senior Secured Total Indebtedness net of Cash and Cash Equivalents ^(**) / EBITDA ^(**)	<= to 2.90

(*) On a consolidated basis

(**) 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 New Revolving Credit Facility and the notes issued by Lottomatica S.p.A..

RIGHT TO DISTRIBUTE DIVIDENDS

The terms and conditions of the New Revolving Credit Facility and the notes issued by Lottomatica S.p.A. 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".

GUARANTEES AND RATINGS

As of the reporting date, Standard & Poor's had assigned Lottomatica S.p.A. a BB- rating and Moody's a Ba3 rating.

The contracts relating to the notes outstanding as of June 30, 2023 provided that certain of the aforementioned restrictions and covenants no longer apply if the bond achieves *investment grade status*, defined as a credit rating of BBB- or higher (S&P) and Baa3 or higher (Moody's).

Total Net Financial Indebtedness

The following is a breakdown of the composition of the Group's Net Financial Indebtedness as of June 30, 2023 compared with the situation as of December 31, 2022 determined in accordance with CONSOB Communication DEM/6064293 of July 28, 2006, as amended by CONSOB Communication No. 5/21 of April 29, 2021 and in accordance with ESMA Recommendations contained in "Guidelines 32-382-1138 of March 4, 2021 on disclosure requirements under the prospectus regulation".

(in thousands of Euro)	As of June 30,	As of December 31,
	2023	2022
A. Cash ^(*)	384,893	219,238
B. Cash equivalent	909,463	-
C. Other current financial assets	25,248	26,399
D. Liquidity (A+B+C)	1,319,604	245,637
E. Current financial debt	938,649	686
F. Current portion of non-current financial debt	138,032	86,628
G. Current Financial Indebtedness (E+F)	1,076,681	87,314
H. Net Current Financial Indebtedness (G-D)	(242,923)	(158,323)
I. Non-current financial debt	94,689	387,167
J. Debt instruments	1,427,659	1,543,390
K. Non-current trade and other payables ^(**)	-	9,479
L. Non-Current Financial Indebtedness (I+J+K)	1,522,348	1,940,036
M. Net Financial Indebtedness - ESMA (H+L)	1,279,425	1,781,713

(*) As of June 30, 2023, cash and cash equivalents does not include Euro 18.8 million related to the funding provided by Logispin Austria GmbH for tax payment notice (Euro 15.6 million as of December 31, 2022).

(**) "Non-current trade and other payables" as of December 31, 2022 includes payables for the two-year extension of GBO Italy S.p.A.'s Sports Franchise concessions.

9.11 PROVISIONS FOR RISKS AND CHARGES

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

<i>(in thousands of Euro)</i>	Total
Balance as of December 31, 2022	27,845
Provisions/ (Releases)	(202)
Reclassifications	(5,009)
Other movements	(16,043)
Balance as of June 30, 2022	6,591

Provision for risks and charges mainly includes (i) 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 for 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 (based on these non-compliance, the aforementioned companies made provisions also for the years after 2014) (Euro 1.8 million as of June 30, 2023); (ii) the “Provision for technological renewals”, 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 (Euro 1.2 million as of June 30, 2023); and for the residual part (iii) the provision for legal disputes, to cover estimated costs relating to disputes, including labor-related disputes, with third parties (Euro 3.6 million as of June 30, 2023).

Reclassifications of the period relate mainly to the ADM penalties for non-compliance with the concession-holder network management service level obligations for the year 2014, which are expected to be paid in August 2023.

Other movements refer to the closure of the fund relating to the tax dispute on the betting duties - “Imposta Unica” of GBO Italy S.p.A. following the submission of the application for facilitated adhesion in pending disputes and the subsequent payment made on July 7, 2023 for the completion of the application itself.

9.12 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 June 30, 2023	As of December 31, 2022
Payables to tax authorities for PREU	49,231	97,603
Public gaming taxes	102,516	20,906
Other payables to tax authorities	37,272	49,627
Players’ online accounts	29,640	31,716
Payables to distribution network for guarantees	16,336	16,275
Payables to employees	15,617	15,749
Provision for Jackpot and VLT tickets to be validated	12,606	12,670
Payables to INPS	8,741	7,539
Concession fee payables	13,724	15,924
Payables to other concessionaires for bets/wagers collection	2,247	2,991
Other payables	107,567	45,362
Total	395,497	316,362

“Payables to tax authorities for PREU” included the current balance relating to the third period (May - June) of 2023, due to be paid in July 2023. It should be noted that the amount as of December 31, 2022, on the other hand, included the balance relating to sixth period of 2022, which was paid in January 2023.

“Public gaming taxes” as of June 30, 2023 included the gaming tax balance owing as of June 30, 2023 in respect of the first six months of 2023; the amount due in relation to the period January - April will be paid on August

31 and the amount due in relation to the period May – August will be paid on November 30. The amount due as of December 31, 2022, on the other hand, related to the gaming tax balance owing in respect of the single month of December, which was paid on January 31, 2023.

“Other payables to tax authorities” included withholding tax due in relation to remuneration paid to agents and other professional service providers and VAT. It also included the payables for the tax disputes relating to the 2013 and 2014 betting duties (“Imposta Unica”) notified to GBO Italy S.p.A. amounting in total to Euro 18.8 million. The Group applied for facilitated adhesion to the pending disputes and on July 7, 2023 it paid this amount for the completion of the application.

“Concession fee payables” mainly related to the concession-fee owing in respect of the third period of 2023 (May - June) , due to be paid in July 2023. It should be noted that the amount as of December 31, 2022, on the other hand, included the balance relating to the concession-fee owing in respect of the sixth period of 2022, which was paid in January 2023.

“Other payables” mainly included Euro 83.2 million as of June 30, 2023 related to the payables for the extension of concessions, respectively Euro 19.1 million in relation to the Sports Franchise concessions of GBO Italy S.p.A., Euro 0.2 million relating to the GAD concessions of GBO Italy S.p.A. and Betflag S.p.A., Euro 63.7 million for the ADI concessions of Gamenet S.p.A. and Lottomatica Videolot Rete S.p.A. and Euro 0.2 million for the Bingo concession.

It also includes payables relating to sports bets, amounting to Euro 3.5 million as of June 30, 2023. At the same date, the item also included GBO Italy S.p.A.’s casino games, poker and bingo related jackpots totaling Euro 5.1 million. At the same date the item also includes the payables of Gamenet S.p.A. and Lottomatica Videolot Rete S.p.A. for Euro 4.1 million on ADM penalties for non-compliance with the concession-holder network management service level obligations for the year 2014 whose payment is expected in August 2023.

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

<i>(in thousands of Euro)</i>	As of June 30, 2023	<i>of which current</i>
Payables to tax authorities for PREU	49,231	49,231
Public gaming taxes	102,516	102,516
Other payables to tax authorities	37,272	37,233
Players’ online accounts	29,640	29,640
Payables to distribution network for guarantees	16,336	414
Payables to employees	15,617	15,441
Provision for Jackpot and VLT tickets to be validated	12,606	12,606
Payables to INPS	8,741	8,741
Concession fee payables	13,724	13,724
Payables to other concessionaires for bets/wagers collection	2,247	2,247
Other payables	107,567	107,319
Total	395,497	379,112

10 RELATED PARTY TRANSACTIONS

Related parties transactions are mainly attributable to commercial, administrative and financial relationships. These operations are part of normal business management, within the typical activity of each interested party, and are regulated at market conditions. The Group has relationships with the following related parties:

- Gamma Bondco S.à.r.l., a wholly-owned subsidiary of the Gamma Topco S.a.r.l. ("Subsidiaries of shareholders");
- iPro Inc. and IMA S.r.l. ("Associates");
- Key Management Personnel (for further details, please refer to the paragraph below);
- Apollo Capital Solutions Europe B.V. ("Other related parties").

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

As of June 30, 2023						
(in thousands of Euro)	Associates	Key management personnel	Other related parties	Total related parties	Total reported amount	% of total
Current financial assets	250			250	25,248	1.0%
Current trade payables	1,400			1,400	78,322	1.8%
Current trade receivables	2			2	65,111	0.0%
Other current liabilities		1,264	239	1,503	379,112	0.4%

As of December 31, 2022						
(in thousands of Euro)	Subsidiaries of shareholders	Associates	Key management personnel	Total related parties	Total reported amount	% of total
Non-current financial liabilities	250,000	-	-	250,000	1,930,557	12.9%
Current financial liabilities	23,375	-	-	23,375	87,314	26.8%
Current trade payables	-	5,185	-	5,185	98,996	5.2%
Current trade receivables	-	3	-	3	88,496	0.0%

The following table shows Group revenues and expenses due from/to related parties:

For the six months ended June 30, 2023						
(in thousands of Euro)	Subsidiaries of shareholders	Associates	Key management personnel	Total related parties	Total reported amount	% of total
Finance expenses	(23,420)	-	-	(23,420)	(134,041)	17.5%
Personnel expenses	-	-	(2,352)	(2,352)	(48,964)	4.8%
Other income	-	6	-	6	5,942	0.1%
Other operating costs	-	(324)	-	(324)	(20,003)	1.6%

For the six months ended June 30, 2022						
(in thousands of Euro)	Subsidiaries of shareholders	Associates	Key management personnel	Total related parties	Total reported amount	% of total
Finance expenses	(10,300)	-	-	(10,300)	(57,303)	18.0%
Personnel expenses	-	-	(4,061)	(4,061)	(37,188)	10.9%
Other income	-	1	-	1	5,257	0.0%
Other operating costs	-	(289)	-	(289)	(9,024)	3.2%

The transaction involving Gamma Bondco S.à.r.l., controlled by the shareholder Gamma Topco S.à.r.l., is related to the loan granted to the Company on November 10, 2021 ("**Bondco Loan**"), repaid on May 3, 2023.

With regard to the transactions with Apollo Capital Solutions Europe B.V., it should also be noted costs for underwriting fees of Euro 1,013 thousand included in the transaction costs of Capital Increase as a direct reduction of equity and costs for underwriting fees of Euro 1,248 thousand included in the ancillary costs incurred for the issue of the June 2023 Notes.

KEY MANAGEMENT PERSONNEL

The following table provides a breakdown of the remuneration attributable to Group executives with strategic responsibilities for the six months ended June 30, 2023 and 2022.

<i>(in thousands of Euro)</i>	For the six months ended June, 30	
	2023	2022
Remuneration	1,923	1,907
Bonus una tantum	2	1,716
Social security contributions	287	309
Severance indemnity	140	129
Total	2,352	4,061

11 OTHER INFORMATION

11.1 COMMITMENTS AND RISKS

11.1.1 GUARANTEES GRANTED IN FAVOR OF THIRD PARTIES

It is noted that as of June 30, 2023, the Group had granted concession related guarantees in favor of the ADM amounting to Euro 299,052 million. For details regarding guarantees relating to the bond issued, please refer to Annual Consolidated Financial Statements, in addition to Note 9.10.

11.1.2 COMMITMENTS

For details of commitments relating to the agreements regarding the acquisition of Ricreativo B S.p.A., see Note 11.2.8.

11.1.3 CONTINGENT LIABILITIES

Management is not aware of any disputes or legal actions that could reasonably have significant repercussions on the Group's economic and financial situation.

11.1.4 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006 and in accordance with the ESMA Guidelines/2015/1415, the effects of non-recurring events and transactions on profit or loss are detailed below:

<i>In millions of Euro</i>	For the six months ended June 30, 2023	Profit before tax	Financial Position
<i>IPO costs</i>			
Underwriting fees and advisors	(27.0)		✓
Prepayment penalty on Bondco Loan	(16.5)	✓	
Bridge Facility	(13.8)	✓	
Arrangement fees on New Revolving Credit Facility (over 5 years)	(0.1)	✓	
Total	(57.4)	(30.4)	(27.0)
<i>Refinancing costs</i>			

Underwriting fees and advisors	(23.8)		✓
Bond issue discount	(5.5)		✓
Make-whole on Bond Repaid net of income from IRS closing	7.2	✓	
Acceleration of the amortized cost on Bond Repaid	(10.8)	✓	
Negative carry as of June 30, 2023	(1.9)	✓	
Total	(34.8)	(5.5)	(29.3)
Other non-recurring financial expenses			
Fees on existing revolving credit facility	(4.5)	✓	
Amortized cost relating to the deferred portion of the purchase prices of Betflag	(1.5)	✓	
Total	(6.0)	(6.0)	-
Costs not included in Adjusted EBITDA			
Cost related to M&A and international activities	(3.8)	✓	
Integration costs	(10.0)	✓	
Other non-recurring expense	(15.5)	✓	
Total	(29.3)	(29.3)	-
Total	(127.5)	(71.2)	(56.3)

In millions of Euro

	For the six months ended June 30, 2022	Profit before tax	Financial Position
Costs not included in Adjusted EBITDA			
Cost related to M&A and international activities	(7.0)	✓	
Integration costs	(2.2)	✓	
Other non-recurring expense	(3.4)	✓	
Total	(12.6)	(12.6)	

11.1.5 ATYPICAL/UNUSUAL TRANSACTION

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it should be noted that during the first six months of 2023, the Company did not carry out any atypical and/or unusual transactions.

11.1.6 COMPENSATION TO THE BOARD OF DIRECTORS AND THE BOARD OF AUDITORS

Compensation due to the members of the Company's Board of Directors as of June 30, 2023 amounted to Euro 1.1 million.

Compensation due to the members of the Company's Board of Directors as of June 30, 2022 amounted to Euro 0.2 million.

11.2 SIGNIFICANT EVENTS

11.2.1 ADM ASSESSMENT NOTICES RELATED TO BETTING DUTIES ("IMPOSTA UNICA") FOR FISCAL YEARS 2013 AND 2014

For details over the tax dispute, see the Annual Consolidated Financial Statements. Subsequent developments are as described below.

On February 2, 2023, in relation to the tax notification for the disputes referred to in paragraph 11.3.2, the Italian tax authority ("Agenzia delle Entrate") carried out a third-party garnishment against three different banks, at which the Company has its current accounts, for an amount of Euro 32,176,978.36 against each of them.

On February 3, 2023, the Group filed an application for the definition of the tax debts entrusted to the collection agents, pursuant to paragraphs 231 - 252 of Law 197/2022; this procedure allows the settlement of the charge through the payment of only the amount relating to taxes without the part relating to penalties and interest.

On February 21, 2023, the Italian tax authority ("Agenzia delle Entrate") notified the banks that the garnishment had been suspended; that because pursuant to paragraph 240 of the aforesaid Law No. 197/2022: "Following the submission of the declaration of adhesion to definition of the tax debts, with respect to the definable loads that are the subject of it: (...) e) the enforcement procedures previously started cannot be continued, unless the first auction has been held with a positive outcome".

On March 24, 2023, the Group presented the application for facilitated adhesion to the pending disputes. The application in question, once completed, with the payment of only the tax assessed for the years 2013 and 2014, extinguishes all tax claims mentioned above.

On July 7, 2023, the Group paid Euro 18.8 million to complete the application.

11.2.2 FIGC COURT ORDER

There are no developments subsequent to the disclosures in the Annual Consolidated Financial Statements.

11.2.3 VAT REIMBURSEMENT

For details over the tax dispute, see the Annual Consolidated Financial Statements. Subsequent developments are as described below.

The case was discussed at the Supreme Court of Cassation on May 11, 2023 and is currently awaiting judgment.

11.2.4 OTHER CLAIMS

On February 21, 2023, a service company notified to GBO Italy (formerly Lottomatica Scommesse) the summons to appear before the Court of Rome whereby, following the termination of an inter partes consultancy agreement by GBO Italy, complains about the alleged illegitimate imposition - by the latter - of amending and pejorative agreements of the previously agreed economic conditions and requests the annulment of these agreements and of the unfair terms contained therein and, as a result, the recovery of the allegedly loss of revenues, estimated at a total amount of Euro 1,139,843, in addition to the allegedly suffered non-pecuniary damages, for a further Euro 1,200,000.00.

The first hearing for the judgment in question is set for September 14, 2023.

Therefore, it will be set up the appearance in court to counter the opponent's claim for damages.

11.2.5 LEGISLATIVE AND REGULATORY PROVISIONS INTRODUCED IN 2023

Reference is made to the Annual Consolidated Financial Statements for details regarding regulatory provisions introduced by the government and the ADM in 2022. Provisions introduced during 2023 are as follows.

11.2.5.1 INTRODUCTION OF PAYMENT OF ADDITIONAL 0.5% OF BET - RELAUNCH DECREE

Article 217 of Law Decree No. 34 of May 19, 2020 (the Relaunch Decree), which was approved on May 19, 2020 and converted into Law No.77 of July 17, 2020, provides for a "Fund for the relaunch of the national sports system".

The financing for such Fund shall come from the sports betting segment (in a broad sense), through the imposition of a tax "equal to 0.5% (net of the share relating to the flat-tax pursuant to Legislative Decree No. 54/1998) of the total bet collected in relation to all sports events, including simulated events, however placed and by whichever means, whether online or through traditional channels."

This is an extraordinary measure, limited both in terms of its duration and its maximum effect, given that by express provision, "The financing of such fund shall be limited to a maximum of Euro 40 million in 2020 and Euro 50 million in 2021."

The ADM, therefore, provided guidance regarding the calculation and application of such amounts in Directive No. 307276/RU of August 9, 2020, and GoldBet and Lottomatica Scommesse (at the time separate legal entities), in common with other concessionaires, lodged an appeal with the Lazio Region Civil Court which, however, on 16/12/2020, issued a dismissal order with respect to the request to suspend the measures.

In line with such measures and the guidance subsequently provided by the ADM in Notes No. 77845/RU of March 12, 2021 and 151351/RU of May 18, 2021, Note No. 400355/RU of October 26, 2021 and, most recently, Note No. 5721 of January 8, 2022, both Lottomatica and Goldbet (therefore, the current GBO Italy) paid in-full all amounts demanded by the ADM for the entire period covered by the Fund, based on both the original calculations as well as the recalculations made by the Agency in line with the criteria set forth in the aforementioned Directive No. 5721/RU of 8.01.2022, totaling Euro 14,891,571.63 (of which Euro 4,405,358.95 relating to Lottomatica and Euro 10,486,212.68 to Goldbet).

Subsequently, pursuant to Article 21-nonies of Law no. 241 of August 7, 1990, by Decree No. 10337/RU dated January 5, 2023, the ADM ordered the annulment, in self-defense, of Directive No. 5721/RU of January 8, 2022 and the related notes already sent to the concessionaires to pay amounts calculated in accordance with the previously defined criteria to be allocated to replenishing the Fund, claiming, for the first time, that the maximum amounts of Euro 40 million for 2020 and Euro 50 million for 2021 did not refer "to the maximum amounts to be paid but, rather, to the share of the tax to be allocated to the "Fund for the relaunch of the national sports system" and that Concessionaires were, therefore, required to pay in full the 0.5% of bet relating to 2020 and 2021 (calculated in accordance with the method set out in Article 3 of the measure adopted in self-defense), without any annual limit.

The additional amounts due by GBO Italy with respect to those already paid were, therefore, recalculated by the ADM and totaled Euro 9,509,509.15 (of which Euro 1,679,040.82 relating to online network concession No. 15017; Euro 3,408,642.60 to remote gaming concession No. 15226; and Euro 4,421,825.73 to retail network concession Nos. 4032, 4098, 4313, 4341, 4502, 4504, 4805 and 72000); the amounts due were communicated in Notes No. 72148/RU and No. 71976/RU dated February 6, 2023 and No. 76535/RU dated February 7, 2023.

On March 6, 2023, GBO Italy lodged an appeal with the Regional Civil Court challenging Directive No. 10337/RU of January 5, 2023 and the aforementioned measures regarding the payment of additional amounts, having in the meantime withdrawn, due to supervening lack of interest, from Lazio Regional Civil Court proceeding R.G. 5612/2020 (terminated on March 16, 2023).

The new proceeding was identified as No. R.G. 4074/2023 and the Lazio Region Civil Court initially set a hearing for discussion of the related precautionary measure for March 29, 2023 and then, without reaching any decision in this regard, postponed the hearing to June 28, 2023. At the hearing of June 28, 2023, the Region Civil Court withheld the appeal pending decision and is therefore awaiting the filing of the sentence.

With reference to the above, the risk of disbursement of the amount claimed by ADM is not considered probable.

11.2.6 ESG RATING

On April 13, 2023, Lottomatica has received an ESG rating of 9.9 out of 100 from Morningstar Sustainalytics. Such rating measures a company's exposure to industry-specific material ESG risks and how the company is

managing those risks. Further, it was assessed that the Group has a negligible risk of suffering significant financial impacts from ESG factors, placing it in first place worldwide among 83 companies evaluated in the “Casinos and Gaming” sub-industry and first among 488 companies in the “Consumer Services” industry, making it the only company within the “negligible risk” bracket in both industries. In January 2023, the Group has been awarded the ESG Regional Top Rated Badge for Europe and ESG Industry Top Rated Badge for Consumer Services by Sustainalytics. In 2022, the Group also obtained ISO 37001 and ISO 14001 certifications respectively on Anti-bribery and Environmental management systems, and, in January 2023, the ISO 27701 Certification for Data privacy and Security management system.

With reference to the ESG targets and objectives, the Group identified 128 initiatives of which (i) 30% have been completed as of the reporting date, (ii) 50% are ongoing and (iii) 20% are still to be launched during the course of 2023.

11.2.7 RATING BOND

On May 12, 2023 Standard & Poor's upgraded the Company's corporate rating from B to BB-, and on May 15, 2023 Moody's upgraded the Company's corporate rating from B1 to Ba3.

11.2.8 ACQUISITION OF RICREATIVO B

On March 11, 2023, GGM signed a share purchase agreement for the acquisition of Ricreativo B S.p.A. (“**Ricreativo**”). The closing of the acquisition, which is expected to take place by the end of the third quarter of 2023, is conditional upon the satisfaction of certain conditions, including, but not limited to, obtaining the approval from the competent authorities. Ricreativo is a company involved in the management of amusement machines (AWP and VLT), gaming halls. It also operates betting collection activities.

11.2.9 IPO AND ADMISSION TO LISTING OF LOTTOMATICA GROUP

On May 3, 2023, Lottomatica Group successfully completed its initial public offering (the “**IPO**”) and the listing of its ordinary shares on Euronext Milan, a regulated market organized and managed by Borsa Italiana S.p.A.. The total gross proceeds from the IPO were Euro 600 million, of which (i) Euro 425 million of newly issued shares of the Company through a capital increase with the exclusion of the option right (the “**Capital Increase**”); and (ii) Euro 175 million of existing shares held and offered by Gamma Topco S.a.r.l. (“**Gamma Topco**”). Gamma Topco also granted to the stabilization manager an option, exercisable, in whole or in part, to purchase up to 10,000,000 additional Lottomatica Group's ordinary shares held by itself. This option was not exercised, as communicated by the Company on May 25, 2023. Following the completion of the offer, the total number of shares held by the market and making up the free float is equal to 28.25% of the Company's share capital.

The gross proceeds from the Capital Increase of Euro 425 million were used, together with cash on hand, also after June 30, 2023, for:

- repayment in full of the principal amount of the Euro 250 million loan granted by Gamma Bondco S.à.r.l., plus accrued and unpaid interest of Euro 30.3 million and the payment of the prepayment penalty due to the early extinguishment for an amount of Euro 16.5 million;
- repayment in advance of a portion of the Euro 300 million senior secured floating rate notes due 2025 amounting to Euro 100 million, plus accrued and unpaid interest for an amount of Euro 1.7 million;
- payment of the transaction costs in relation to the Capital Increase, including underwriting commissions of Euro 10.9 million, advisor and other costs of Euro 16.1 million;
- payment of the commitment fees in relation to the Bridge Facility signed on April 12, 2023 of Euro 13.8 million and the New Revolving Credit Facility of Euro 4.0 million;
- payment of the cash consideration of Euro 4.3 million in relation to the Faro Games transaction (as defined and described below).

It should be noted that the remaining amount of the arrangement fees of Euro 4.5 million recognized with reference to the previous revolving credit facility agreement was reversed to income statement, following the signing on May 3, 2023 of the New Revolving Credit Facility.

11.2.10 FARO GAMES TRANSACTION

In order to acquire the remaining portion of the share capital of GGM S.p.A., on April 3, 2023, Lottomatica Group, Lottomatica S.p.A. and Faro Games S.r.l. ("**Faro Games**") entered into a framework agreement (the "**Framework Agreement**"), as subsequently amended, governing the terms and conditions under which Faro Games, as previous owner of 1,464,054 shares of GGM S.p.A. (the "**GGM Shares**"), disposed of its investment in GGM S.p.A. (the "**Faro Transaction**").

Pursuant to the Framework Agreement, effective as of May 3, 2023, Faro Games sold to Lottomatica Group 142,339 GGM Shares for Euro 4.3 million and contributed in-kind the remaining 1,321,715 GGM Shares to Lottomatica Group, in exchange for 4,408,190 new ordinary shares issued by the Company on May 3, 2023 (1.75% of total shares issued). These new shares are subject to certain lock-up restrictions for a period of 180 days from May 3, 2023. Then, Lottomatica Group contributed in-kind the GGM Shares to Lottomatica S.p.A., which, as a result, own the entire share capital (100%) of GGM S.p.A.

11.2.11 DIVIDEND POLICY

The Company's objective is to pursue a long-term sustainable strategy that allows an adequate return for its shareholders, while maintaining adequate funds to finance business growth and maintain a solid capital base that allows it to deal with any changes in the reference legislation and potential economic downturns. On March 15, 2023, the Company's Board of Directors approved a shareholder remuneration policy in the medium/long term, drawn up on the basis of the economic-financial perspective and the capital structure of the Company, envisaging target dividend distribution for an amount up to 30% of the consolidated net profit attributable to the group (subject to the required approval by the shareholders' meeting), adjusted for: (i) depreciation on the higher values of the assets of the companies or business acquired recognized in the consolidated financial statements of the Group compared to the book values at the date of acquisition; (ii) non-recurring costs and income excluded from the calculation of Adjusted EBITDA, (iii) financial income and expenses which, by their nature, should not reasonably recur in the future and (iv) tax effects on the aforementioned adjustments. This policy is subject to the achievement of the Group's strategic investment plans, the financial and investment needs and, among other things, the compliance with any limitations from time to time set forth in the contractual documentation relating to the Group's financial indebtedness, as well as the availability of distributable profits and/or reserves resulting from the separate financial statements of the Company.

11.2.12 JUNE 2023 NOTES

As describe in Note 9.10.1, on June 1, 2023, Lottomatica S.p.A. issued the June 2023 Notes for a total principal amount of Euro 1,115 million.

A portion of the net proceeds has been used to fund the repayment of the remaining Euro 200 million of the senior guaranteed floating-rate bond maturing in 2025, while the residual part of the proceeds was transferred to an escrow account in the name of Lottomatica S.p.A., pending satisfaction of the contractually defined Escrow Release Conditions.

It should be noted that, with reference to the June 2023 Notes, the ancillary costs incurred for the related issue amounted to Euro 29.3 million, mainly attributable to professional fees connected with the completion of the aforementioned transaction for Euro 23.8 million and the issue discount amounting to Euro 5.5 million (the latter only in reference to the floating rate share of the bond issued). For further details, please refer to Note 9.10.1.

Finally, it should be noted that the refinancing operation also involved:

- the acceleration of the calculation of the amortized cost on ancillary costs relating to the Notes Repaid for Euro 10.8 million, which were fully expensed in the three months ended June 30, 2023 following the related repayment in advance;
- the financial income of Euro 19.8 million due to the closing of the hedging derivative following the repayment in advance of the floating rate share of the notes issued on July 23, 2020;
- negative carry deriving from the negative difference between the interest income accrued on the escrow account and the interest expense accrued on the Notes Repaid for the period from 1 June 2023 to the repayment date amounting to Euro 1.9 million.

11.3 SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

11.3.1 REPAYMENT OF NOTES

On July 17, 2023, after the satisfaction of the "Escrow Release Conditions", proceeds transferred to the escrow account, together with cash on hand, have been used to (i) fund the repayment in advance of the senior secured fixed rate notes issued on July 23, 2020 and on April 1, 2021 by Lottomatica S.p.A. for a total amount of Euro 915 million, plus accrued and unpaid interest and (ii) pay the make-whole for repayment in advance of Euro 12.7 million.

Rome, July 27, 2023
Chief Executive Officer
Guglielmo Angelozzi

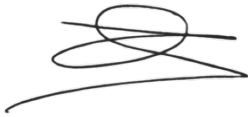


Certification pursuant to Article 154-bis Paragraph 2, of Legislative Decree 58/98

The undersigned Laurence Van Lancker, executive officer responsible for the preparation of Lottomatica Group's Financial Statements, hereby certify that, pursuant to Article 154-bis Paragraph 2 of the Italian Legislative Decree 58 of February 24, 1998, the Condensed Consolidated Interim Financial Statements as of June 30, 2023 is consistent with the entries in the accounting books and records.

Rome, July 27, 2023

Executive Officer responsible for
the preparation of Corporate
Accounting information
Laurence Van Lancker

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

Annex A

The following table provides details of the companies included in the scope of consolidation for the relevant periods.

	Registered office	Share capital	Percentage share of capital held	Consolidation method	As of June 30, 2023	As of December 31, 2022
PARENT COMPANY:						
Lottomatica Group S.p.A.	Rome	€10,000,000	-	-	X	X
SUBSIDIARIES:						
Lottomatica S.p.A.	Rome	€32,350,625	100.0%	Line-by-line	X	X
Gamenet S.p.A.	Rome	€8,500,000	100.0%	Line-by-line	X	X
Billions Italia S.r.l.	Rome	€200,000	70.0%	Line-by-line	X	X
Gnetwork S.r.l.	Rome	€50,000	100.0%	Line-by-line	X	X
GBO Italy S.p.A.	Rome	€860,000	100.0%	Line-by-line	X	X
Jolly Videogiochi S.r.l.	Rome	€15,000	84.9%	Line-by-line	X	X
New Matic S.r.l.	Rome	€100,000	51.0%	Line-by-line	X	X
Agesoft S.r.l.	Rome	€100,000	60.0%	Line-by-line	X	X
RosilSport S.r.l.	Rome	€91,000	63.7%	Line-by-line	X	X
GoldBet.News S.r.l.	Rome	€10,000	100.0%	Line-by-line	X	X
Lottomatica Videolot Rete S.p.A.	Rome	€3,413,984	100.0%	Line-by-line	X	X
Big Easy S.r.l.	Rome	€2,474,219	100.0%	Line-by-line	X	X
GGM S.p.A.	Rome	€26,284,590	100.0%	Line-by-line	X	X
GBO S.p.A.	Rome	€300,000	100.0%	Line-by-line	X	X
Gamenet PRO S.r.l.	Rome	€10,000	100.0%	Line-by-line	X	X
GNet Inc.	Delaware (USA)	USD 264,854	100.0%	Line-by-line	X	X
The Box S.r.l.	Rome	€5,277,680	100.0%	Line-by-line	X	X
Slottery S.r.l.	Rome	€90,000	100.0%	Line-by-line	X	X
Lottomatica UK Ltd.	London (UK)	£ 1,000	100.0%	Line-by-line	X	X
Valtellina Giochi S.p.A.	Rome	€60,000	67.9%	Line-by-line	X	X
Giocaonline S.r.l.	Milan	€10,000	60.0%	Line-by-line	X	X
Ares S.r.l.	Rome	€10,000	80.0%	Line-by-line	X	X
Marim S.r.l.	Rome	€500,000	100.0%	Line-by-line	X	X
Tecno-Mar S.r.l.	Moncalieri (TO)	€1,000	70.0%	Line-by-line	X	X
Lottomatica Digital Solutions S.r.l.	Rome	€10,000	100.0%	Line-by-line	X	X
AB Games S.r.l.	Rome	€10,000	100.0%	Line-by-line	X	X
Battistini Andrea S.r.l.	Rome	€10,400	100.0%	Line-by-line	X	X
Optima Gaming Service S.r.l.	Rome	€10,000	50.9%	Line-by-line	X	X
Betflag S.p.A	Rome	€1,500,000	100.0%	Line-by-line	X	X
ASSOCIATES:						
Thinkabout S.r.l. (*)	Milan	€85,783	24.9%	Equity	X	X
iPRO Inc.	Nevada (USA)	USD 8,000,000	19.7%	Equity	X	X
IMA S.r.l.	Rome	€101,000	49.0%	Equity	X	X

(*) The company was put in liquidation in February 2023.



**REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

LOTTOMATICA GROUP SPA

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AS OF 30 JUNE 2023**



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Lottomatica Group SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Lottomatica Group SpA and its subsidiaries (the Lottomatica Group) as of 30 June 2023, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. The directors of the Lottomatica Group are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Lottomatica Group as of 30 June 2023 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

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Other Matters

The condensed consolidated interim financial statements include, among other things, the information of the consolidated statement of comprehensive income relating to the six months ended 30 June 2022 and the three-month periods ended 30 June 2023 and 2022. This information has not been subjected to any audit or review.

Rome, 31 July 2023

PricewaterhouseCoopers SpA

Signed by

Pierpaolo Mosca
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers