

The Board of Directors
IZI Finance p.l.c.
Portomaso Business Tower
Level 11
Portomaso, St. Julian's, STJ 4011

28 December 2022

Dear Sirs,

IZI Finance p.l.c. – Update to the Financial Analysis Summary (the “Update FAS”)

In accordance with your instructions and in line with the requirements of the Listing Policies, we have compiled the updated Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Update FAS is that of summarising key financial data appertaining to IZI Finance p.l.c. (a public limited liability company registered under the laws of Malta bearing company registration number C 101228) (the “**Company**” or “**Issuer**” or “**Group**”). The data is derived from various sources or is based on our own computations and analysis of the following:

- (a) historic financial data for the year ended 30 June 2021, extracted from the Issuer’s pro-forma consolidated financial statements for the period in question;
- (b) financial information from the audited consolidated financial statements for the year ending 30 June 2022, supported by management financial information to cover the first six months of the said financial year, where and as applicable;
- (c) revised forecast financial information for the year ending 30 June 2023 as provided by management of the Issuer;
- (d) our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer;
- (e) the ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis; and
- (f) relevant financial data in respect of competitors as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Registrar of Companies and the publications of the regulator of the gaming industry in Malta, namely the Malta Gaming Authority (MGA).

The Update FAS is provided to assist potential investors by summarising the more important financial data of the Issuer. The Update FAS does not contain all data that is relevant to potential investors and is intended to complement, and not replace, financial and, or investment advice. The Update FAS does not constitute an endorsement by our firm of the bonds of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in this report. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rizzo', written over a horizontal line.

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

2022



*Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance
with the Listing Policies issued by the Malta Financial Services Authority,
dated 5 March 2013, as revised on 13 August 2021.*

28 DECEMBER 2022



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IMPORTANT INFORMATION

PURPOSE OF THE DOCUMENT

IZI Finance p.l.c. (the “**Company**”, “**Issuer**” or “**Group**”) has issued €30 million 4.25% unsecured bonds maturing in 2029 (the “**Bond Issue**”), pursuant to a prospectus dated 22nd March 2022 (the “**Prospectus**”). In terms of the MFSA Listing Policies dated 5 March 2013 (as revised on 13 August 2021), bond issues targeting the retail market with a minimum subscription level of less than €50,000 must include a Financial Analysis Summary (the “**FAS**”) which is to be appended to the prospectus and which needs to be updated on an annual basis. This is the first update to the Financial Analysis Summary (FAS) since the launch of the Bond Issue in March 2022.

SOURCES OF INFORMATION

The information that is presented has been collated from several sources, including the Company’s pro-forma financial statements for the year ended 30 June 2021, the historic financial statements of the Group’s two largest operating subsidiaries, namely Dragonara Gaming Limited and Gaming Operations Limited, for the financial years ended 30 June 2020, 2021 and 2022, audited consolidated financial statements for the year ended 30 June 2022, management financial information in relation to the first six months of the financial year ended 30 June 2022, revised forecasts for financial year ending 30 June 2023, as well as information from management.

Forecasts included in this document have been prepared and approved for publication by the directors of the Company, as applicable, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1st July to 30th June. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

ABBREVIATIONS

B2C	Business to consumer
DGL	Dragonara Gaming Limited
DIL	Dragonara Interactive Limited
EGMs	Electronic Gaming Machines
FY	Financial year
GGR	Gross Gaming Revenue
GOL	Gaming Operations Limited
IIL	IZI Interactive Limited
MGA	Malta Gaming Authority
NL	National Lottery p.l.c.
PGG	Pinnacle Gaming Group
RNG	Random Number Generator
SSBTs	Self-Service Betting Terminal

PART A BUSINESS AND MARKET OVERVIEW UPDATE

1. INTRODUCTION

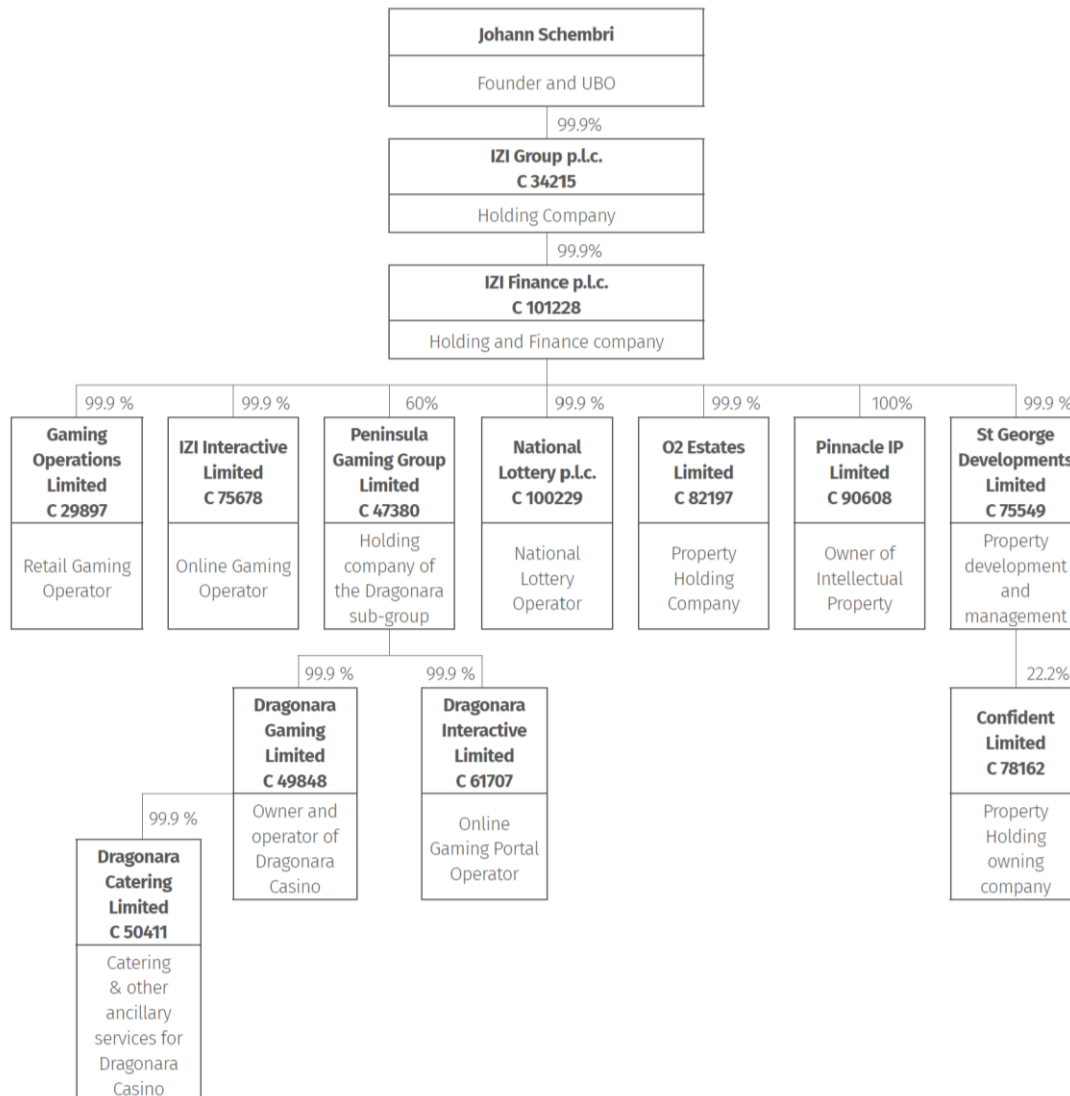
IZI Finance p.l.c. (the “**Issuer**”, the “**Company**” or the “**Group**”) is a holding company and a finance vehicle. The Company is the holder of various subsidiaries which operate in the gaming sector in Malta. Although the Issuer was set up on 30 December 2021, the Group has extensive experience in the sector, with the subsidiaries having been in business for a long number of years (the first company within the Group set up in 2002) while the founding shareholder of the Group, Mr Johann Schembri, having been involved in the industry since 1993. The Issuer is the finance vehicle of the Group and is responsible to raise any required financing.

The Group is a key player in the land-based gaming operator in Malta within a wide range of gaming business verticals, including casinos, electronic gaming machines (EGMs), fixed odds betting, pari-mutuel betting, virtual games, e-sports betting, and bingo. Following the signing of the National Lottery concession on 10th March 2022 and the issuance of the National Lottery licence by the MGA on 5th July 2022, the Group commenced operating the National Lottery of Malta from 5th July 2022.

The IZI Finance Group operates principally in the land-based gaming market but is also actively engaged in the digital gaming sector.

2. GROUP STRUCTURE

The below organisation chart shows the main companies that form part of the Group and that are engaged in providing gaming services.



Pursuant to a consolidation exercise, from an operational perspective, the Group has merged Gaming Operations Limited and National Lottery p.l.c., such that both operations are now being managed by National Lottery p.l.c. as duly licenced by the MGA. The operations within Gaming Operations Limited have ceased and the duties and obligations of Gaming Operations Limited have been duly transferred in full by National Lottery p.l.c, and GOL will eventually be merged within National Lottery p.l.c.

3. BUSINESS OVERVIEW

NATIONAL LOTTERY

In September 2021, the Group established a fully owned subsidiary namely National Lottery p.l.c. to serve as the proponent in an international request for proposals (RFP) issued by the Privatisation Unit on behalf of the Malta Government for the concession to manage and operate the National Lottery of Malta - the same concession operated by Maltco Lotteries Limited (C 32326) since 2004. Following the successful outcome of the tendering process in November 2021, National Lottery p.l.c. signed a concession agreement with the Ministry for the Economy and Industry on behalf of the Government of Malta on 10 March 2022. The operation of the National Lottery duly commenced on 5 July 2022.

The National Lottery concession represented the next natural step in the lifecycle of the Group, providing the opportunity to operate the only gaming vertical absent in its portfolio – the National Lottery Games. To realise this opportunity, the Group partnered with several services providers including the world’s leading lottery technology and services provider, namely, International Game Technology (IGT).

National Lottery p.l.c. was granted the National Lottery Licence by the MGA on 5 July 2022. The National Lottery licence is valid for ten years expiring on 4 July 2032, in line with the concession term. The National Lottery licence covers Type 1 (lotteries), Type 2 (fixed odds betting) and Type 3 (pari-mutuel betting) gaming services and comprises a revised and renewed portfolio of games.

The National Lottery concession provides National Lottery p.l.c. with the right to distribute, on an exclusive basis, the National Lottery Games, and other games on a non-exclusive basis. The product portfolio of the National Lottery can be split into five categories and include: (i) draw-based games such as ‘The Grand Lottery’, ‘Lotto’ and ‘Super 5’; (ii) monitor games such as ‘Keno’, ‘Virtual Games’ and ‘Digit Games’; (iii) instant scratch cards; (iv) sports betting; and (v) electronic gaming machines.

LAND BASED CASINO

Since 2010, Dragonara Gaming Limited (“DGL”) has been the concessionaire of the Dragonara Casino located within the Dragonara Palace, a 19th century palace which is one of the most iconic properties in Malta. The casino was first established by the Government of Malta in 1964 in a bid to attract high-value tourism to Malta. In 2010, DGL (a subsidiary owned by Peninsula Gaming Group Limited in which the Issuer has a 60% shareholding) successfully tendered for the concession of the Dragonara Casino which it also successfully retained in 2021 for a further 10-years after again winning an international tender launched by the Malta Government in this respect.

In connection with the casino concession, DGL currently holds a B2C licence (covering Type 1, 2 & 3 gaming services) issued by the MGA which is valid until 31 July 2031. The Dragonara Casino offers a strong product portfolio featuring 265 slots and 15 live tables supported by the services of several reputable technology partners. Moreover, the service offering at Dragonara Casino is complimented by several in-house facilities including 140 parking bays (offering free parking to casino patrons), several dining facilities and a VIP lounge.

Moreover, DGL holds a temporary sub-emphyteusis over the title of the property constituting the Dragonara Casino. This sub-emphyteusis was granted by Casma Limited and expires in March 2083. DGL is permitted to use the property exclusively for land-based casino and/or gaming activities, retail, catering, entertainment, hospitality, and tourism. The long-term lease enables the Group to consider further development of the property.

RETAIL GAMING – SPORTS BETTING, EGMS & BINGO HALLS

Gaming Operations Limited (“**GOL**”), a fully owned subsidiary incorporated in 2002, is the Group’s retail gaming arm and over the years expanded its product offering which today includes sports betting, EGMS, and bingo halls. In 2015, GOL consolidated its sports betting and EGM operations under the IZIBET brand which today is the market leader in sports betting and retail gaming in Malta supported by the technology know-how it has built over the years.

GOL holds a B2C licence (covering Type 1, 2 & 3 gaming services) issued by the MGA which is valid until 4 October 2028 and renewable upon request. Through this licence, GOL operates 36 IZIBET retail stores across Malta and Gozo all of which are strategically placed in various localities according to the zoning regulations adopted by the MGA. Before the pandemic these stores, which offer sports betting, EGMS, and bingo, attracted over 553,000 visitors per year.

In line with its mission to pursue growth opportunities through innovation, IZIBET has also launched the first retail mobile app betting application in the market called IZIAPP. This app allows players to prepare bet slips on their mobile phones and transfer their betting preferences to a self-service betting terminal in any one of the IZIBET stores, enabling customers to avoid queues and access certain game features outside the retail environment.

Malta’s largest bingo hall located in St. Paul’s Bay is also operated by Gaming Operations Limited under the ‘Fairplay’ brand. The Group intends to undergo a re-branding exercise creating the brand “IZIBINGO” with the objective of capturing this retail operation under the IZI brand.

GOL is also the authorised partner of the French state-owned company Pari-Mutuel-Urbain (PMU), Europe's largest pari-mutuel betting operator and the third largest pool betting company in the world, through which GOL provides exclusive off-track pari-mutuel and fixed-odds betting on French and other international horse racing events. GOL is also the first company to launch a sports betting brand (the IZIBET Brand) under which virtual sports and e-sports betting is provided from a retail network in Malta.

Since commencement of the operation of the National Lottery, the operations within Gaming Operations Limited, including sports betting, EGMs, and bingo have been duly transferred to National Lottery p.l.c. and are being operated under the licence of the National Lottery in accordance with the concession terms of the National Lottery. The merger of the operation of Gaming Operations Limited to National Lottery p.l.c. effectively ends the operations of Gaming Operations Limited. The duties, obligations, and benefits arising from the Retail Gaming Operations of the IZI Finance Group have been duly transferred in whole to National Lottery p.l.c., which now effectively operates the Group's National Lottery, Sports Betting, EGMs, and Bingo operations.

DIGITAL GAMING

The digital gaming segment is operated by IZI Interactive Limited ("IIL") which was incorporated in May 2016 to extend the reach of the Group to the ever-growing digital gaming market with the support of various providers. Through the provision of digital services, the Group can target a diverse audience through different delivery channels.

IIL operates and manages the domains: www.izibet.com and www.dragonara.com. The National Lottery Games will be available through the online portal www.lottery.mt

IIL holds a B2C licence (covering Type 1 & 2 gaming services) issued by the MGA which expires on 11 May 2027 and renewable upon request. IIL utilizes its MGA licence to also provide white label services to Dragonara Interactive Limited ("DIL") - a subsidiary owned by Peninsula Gaming Group Limited in which the Issuer has a 60% shareholding. This arrangement allows DIL to provide Type 1 and Type 2 gaming products via the Dragonara Casino brand.

As a result, the Group can leverage synergies by extending both the resources and the know-how of the Group to effectively distribute, predominantly in the local market, casino, and sports betting products under two very strong brand names, namely IZIBET and Dragonara.

REAL ESTATE

This business sector is a non-core activity of the Group and to date is only involved in one real-estate development project and holds another land asset.

On 20 July 2019, St. George Developments Limited, a subsidiary of the Issuer, entered a temporary emphyteusis, for a period of 30 years, for a property in St. Julian's. St. George Developments Limited bound itself to demolish the existing property and to construct a mixed-use development comprising residential units for rental purposes and a commercial outlet, to be used as a retail gaming store, at ground floor level.

The Group also owns 4,140 square metres of land located in Wardija.

4. CORPORATE GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

The Company's board of directors as at the date of this document comprises the following:

Christian Gernert	Executive Chairman
Johann Schembri	Chief Executive Officer
Joseph Mallia	Executive Director and Chief Financial Officer
Franco Degabriele	Executive Director and Chief Commercial Officer
Jaqueline Camilleri	Non-Executive, Independent Director
Stephanie Fabri	Non-Executive, Independent Director
Otto Karasek	Non-Executive, Independent Director

The Company Secretary is Dr Louis de Gabriele.

SENIOR MANAGEMENT

The following is the senior management team within the Group:

Johann Schembri	Chief Executive Officer
Franco Degabriele	Chief Commercial Officer
Albert Muscat	Chief Technology Officer
Joseph Bonanno	Chief Operating Officer
Svetlana Birca	Chief International Business Officer
Joseph Mallia	Chief Financial Officer
Dr Maria Barbara	Group Head - Risk, Compliance & Legal <i>(Appointed in Q1 of FY2023)</i>

5. MAJOR ASSETS

The Issuer is a special purpose vehicle set up to act as a holding and financing company of the operating entities within the Group. Therefore, the assets described below are held indirectly through the Group's subsidiaries.

The Group's major assets include:

- (i) **Goodwill** – primarily consisting of goodwill recognised upon business combination following the corporate restructuring undertaken in December 2021;
- (ii) **Intangible assets** - comprising of: (1) Government concessions to manage and operate the National Lottery of Malta and the Dragonara casino; (2) the fair value of trademarks and domains; and (3) software,
- (iii) **Property, plant, and equipment** – comprising improvements to leased properties, gaming equipment, office and computer equipment, furniture, electrical and sanitary fittings, works in progress and motor vehicles,
- (iv) **Right of use assets** - comprising the leases related to the rented properties as well as the sub-emphyteusis held over the property comprising the Dragonara Casino; and
- (v) **Cash and cash equivalents** – reflecting the Group's cash reserves as of 30 June 2022 after the successful finalisation of the public bond issue.

The Group major assets, based on the financial statements for the year ended 30 June 2022, were:

	<u>Actual</u>
	€'000
Goodwill	62,351
Intangible assets	142,049
Property plant and equipment	11,927
Right-of-use asset	42,276
Cash and cash equivalents	18,869
	<u>277,472</u>

An analysis of the Group's assets is included in the Statement of Financial Position of the Group which can be found in section 9 of this Update FAS.

6. MARKET OVERVIEW¹

ECONOMIC CONTRIBUTION

The gaming sector in Malta is one of the most important economic pillars given its significant contribution to the country as it generated a total gross value added (GVA) of €1,019² million in 2021, up from €924 million in 2020 representing around 7.7% of the economy's total in 2021. Moreover, also accounting for the sector's indirect contribution to the local economy through links with other major sectors, the gaming sector's contribution to Malta's economy would increase to 9.9%.

The sector also ranks as an important pillar of employment in Malta. In fact, the 2021³ Annual Report of the MGA indicates that the gaming sector in Malta contributed (directly and indirectly) to 10,685 jobs representing almost 5% of Malta's total workforce.

THE REGULATOR – MALTA GAMING AUTHORITY

The Gaming Act (Chapter 583 of the Laws of Malta) established the Malta Gaming Authority ('MGA') as the competent authority responsible for the oversight of the gaming sector in Malta.

MGA licences govern four types of gaming services as detailed hereunder:

- **Type 1:** including games of chance played against the house, where the outcome is determined by a random generator. This usually includes casino type games, such as blackjack, baccarat and roulette, lotteries and poker played against the house (casino).
- **Type 2:** including games of chance played against the house. However, the outcome of the game is not determined by a random generator but is instead determined by the result of a game or competition which is external to the game being played. The operator of the game will manage their risk by managing the odds offered to the player. This encapsulates sports betting and fixed odds betting.
- **Type 3:** including games of chance played not against the house but against other players. The operator is not exposed to gaming risk as it generates revenue by taking a commission or other charges based on the stakes or prize. This includes games such as peer to peer

¹ Malta Gaming Authority, Annual Report 2020 available from <https://www.mga.org.mt/wp-content/uploads/MGA-AR-2020-WEB.pdf>

² Malta Gaming Authority, Annual Report 2021 available from <https://www.mga.org.mt/wp-content/uploads/MGA-ANNUAL-REPORT-2021-FINAL.pdf>

³ Malta Gaming Authority, Annual Report 2021 available from <https://www.mga.org.mt/wp-content/uploads/MGA-ANNUAL-REPORT-2021-FINAL.pdf>

poker and peer to peer bingo. Betting exchanges and other commission-based games are also included; and

- **Type 4:** including controlled skill games which includes fantasy sports. Gaming revenue can be levied by software vendors taking commission on wagers placed.

GAMING IN MALTA

The gaming sector in Malta is split into five different categories as described below.

A Gaming Premises - Casinos: any premises accessible to the public, which is used or intended to be used for players to participate in a gaming service.

The land-based casino market in Malta is highly competitive. There are three casino concessions and four operative land-based casinos namely:

- o the Dragonara Casino (operated by Dragonara Gaming Limited);
- o the Oracle Casino located at the Dolmen Resort in Qawra;
- o the Portomaso Casino, St. Julians; and
- o Casino Malta located at the Intercontinental Hotel in St. Julians.

Management estimates that by the end of FY2022 Dragonara Casino had a market share (in terms of GGR) of 39% an increase of two percentage points over the same period a year earlier.

B Controlled Gaming Premises: any premises intended to make available for use, to host or operate one or more gaming devices, but shall not include premises in which gaming is carried out in virtue of a concession by Government, or premises in which the only gaming which is carried out consists in tombola games.

The retail gaming market in Malta is a very competitive market. By the end of 2020, the number of approved Controlled Gaming Premises in Malta was 60, spread over 32 localities and operated by seven licensees. By the end of 2021 the total number of premises increased to 64. Most of the licensees have licences covering Type 1 and Type 2 games. However, only two licensees (one of which is GOL) have a licence covering Type 3 gaming services. The number of licenced gaming devices amounted to 521 in 2020 of which approximately 60% are held within Gaming Operations Limited's retail stores. By the end of 2021 the total number of gaming devices increased to 540. From 1st July 2022, the operations of GOL have been merged into National Lottery p.l.c.

C Gaming Premises – Commercial Bingo: any premises licenced as a commercial bingo hall.

There are four commercial bingo halls located in Birkirkara, Qawra, Valletta and Paola. The demographics of this segment of the local gaming market is heavily skewed towards the '65+' age group. The operation of the commercial bingo hall operated by GOL in Qawra is now being operated by National Lottery p.l.c.

D National Lottery: the National Lottery games (including Super 5 and Lotto) as defined by the Gaming Act and such other games as authorised by the MGA.

The National Lottery was established by the Government of Malta in 1923 and was first privatised in 2004. The National Lottery is operated under a concession granted by the Government of Malta for a term of 10 years and provides the concessionaire with the exclusive right to sell the National Lottery Games as well as Other Games on a non-exclusive basis. The National Lottery avails itself of the exclusive network of National Lottery agents in the market, through which it distributes the National Lottery Games Suite.

Since the first privatisation in 2004, the National Lottery has gradually developed, and the operation has witnessed growth in many aspects of the business with sales reaching €79.2 million by 2011 which further grew to €96 million by the end of 2019 (the last year before the impact of COVID-19). In 2020 the total turnover of the then National Lottery operator stood at €77.6 million but fully recovered in 2021 registering a total turnover of €95.5 million, of which draw-based and monitor games generated 73.1%, sports betting generated 25.6% and the remainder of 1.2% was generated through instant games.

E Digital gaming: comprising gaming services which are offered online.

The online gaming market in Malta, including casino, sports betting, poker, and bingo, has experienced exponential growth, registering an increase from €17.7 million in 2015 to €54.2 million in 2019. By the end of 2019 the online gaming market represented 50.65% of the total gaming industry in Malta.

As at the end of 2021, the number of gaming companies offering online services through a licence issued by the MGA stood at 332 an increase of 18 licences from a year earlier, with B2C Licences accounting for 60% of the total licence base.

IMPACT OF THE PANDEMIC

The outbreak of the COVID-19 pandemic had an adverse impact on the gaming sector in Malta particularly the land-based activities given the lockdown measures imposed by the authorities for prolonged periods in 2020 and 2021. Nonetheless, the gaming sector in Malta has proved to be resilient in such an unprecedented challenging environment as the sector continued to register overall growth.

In its 2020 Annual Report, the MGA attributes this resilience to the “take-up of sophisticated digital systems as well as to the sector’s ability to adapt to changing circumstances by innovating and placing more focus on certain products, such as virtual sports which replaced bets on live sport events.”

As anticipated, the recovery of the industry from the pandemic was steadfast in 2021, with sectors such as Sports Betting operating at around 92% of pre-pandemic levels and National Lottery at 99.9%. Land-based Casinos operated at 59% of pre-pandemic levels in 2021 recovering fully in 2022.⁴

The operators within the sector are anticipated to recover from the adverse impacts of COVID-19 in 2022 supported by the accelerated growth in technological innovations which have led to new ways of distributing and delivering content to clients.

OUTLOOK

Looking ahead, the MGA stated that the gaming sector is “expected to continue to play a fundamental role in Malta, by directly generating employment and value added, attracting foreign investment and human capital, diversifying the economic base, and contributing to the growth of related activities.” Moreover, the MGA notes that whilst the pandemic and the evolving international regulatory requirements will continue to present fresh challenges, the sector is bound to continue growing.

⁴Malta Gaming Authority, Casino Statistics Report: <https://www.mga.org.mt/wp-content/uploads/Casinos-GR-2.pdf>

PART B FINANCIAL ANALYSIS

7. FINANCIAL INFORMATION - INTRODUCTION

INTRODUCTION

The Issuer was incorporated in December 2021 and is today the holding company of the Group. Prior to incorporation, the Group companies (excluding the Issuer) were already in operation. In terms of the international financial reporting standards (IFRS), the audited consolidated financial statements for the financial year ended 30 June 2022 show the performance of the Group since the date of incorporation of the Issuer, i.e. for the six months ended 30 June 2022.

In order to be in a position to provide a comparison to the pro-forma financial information presented in the prospectus of the Issuer dated 22 March 2022 and provide context for the forecast financial information of FY2023, the income statement for FY2022 has been extended to include management information of the consolidated income statement of the Group companies from before the incorporation of the Issuer. The six-month performance as presented in the published financial statements of the Issuer is included hereunder for completeness' sake.

	<i>6-months Actual</i>
	FY2022
	€'000
Revenue	15,909
Other income	1,254
Staff costs	(4,979)
Gaming tax	(4,062)
Other operating expenses	(5,375)
EBITDA	2,747
Depreciation and amortisation	(1,310)
Operating Profit	1,437
Share of profit from associate	-
Net Finance costs	(1,081)
Profit / (Loss) before tax	355
Tax expense	(382)
Profit / (Loss) after tax	(26)

As such, the following sections provide an overview of the financial information of the Issuer for the financial year ended 30 June 2022 (FY2022) as well as an update to the outlook for financial year ending 30 June 2023 (FY2023).

All amounts in the tables presented below are in thousands (€'000), unless otherwise specified, and have been subject to rounding.

COVID-19 UPDATE

As indicated in section 6, the gaming sector in Malta, especially the land-based casino and retail gaming, was adversely impacted by the outbreak of the COVID-19 pandemic. As a result, the Group's performance was adversely impacted during the financial years ending 30 June 2020 and 2021 as the Group's two largest subsidiaries, namely DGL and GOL had to abide by the restrictive measures imposed by the local health authorities including closing the casino and the retail gaming outlets, respectively, between March and June 2020 as well as other periods during FY2021. The Group's online operations were insufficient to offset the lost business from the land-based operations. Following the relaxation of certain measures by the health authorities, the Group reopened the casino and its retail gaming outlets leading to a recovery in the number of patrons and hence a rebound in revenue and profitability. The Group's operations recovered throughout FY2022, exceeding the budgetary estimates on all levels of performance. Revenue and Other Income for the Group was registered at €32.1 million against a budget of €28.4 million, resulting in an EBITDA of €5.9 million against a budgeted EBITDA of €5.1 million.

THE GROUP'S OUTLOOK FOR FY2023

The Group's performance, most especially that of FY2023 and beyond, pivots on the Group's four core strategic key areas: a) the ability of the Group to accelerate the growth and implementation plan of the National Lottery; b) the sustained growth at the Dragonara Casino; c) positioning IZIBET as the sports betting brand of the National Lottery; and d) further deployment of EGMs across the retail network.

On July 5, 2022, the Group successfully launched the National Lottery operation having taken over the operations from Maltco Lotteries who had operated the lottery for the past eighteen (18) years. The impact of the National Lottery on the Group's financial performance, as anticipated, has been considerable and has delivered unprecedented growth. The Group's attainment of this milestone was recognised by International Game Technology (IGT) as one of their most successful national lottery transitions ever taken place globally, achieved pursuant to the successful execution of a complex plan and an intense pre-launch campaign, which ushered in a seamless take-over.

Despite the successful transition, the National Lottery operation poses several challenges, principally those related to the implementation of the distribution plan. Over the past five (5) months of operation,

National Lottery p.l.c. has encountered longer than expected lead times in the implementation of the distribution plan, translating into delays in: (1) bringing on stream the projected number of Primary Distribution Network Outlets; (2) activating the National Lottery Secondary Distribution Network; (3) the projected launch date of the National Lottery e-commerce site; (4) the projected launch date of ScratchIZ (the brand name of the Scratch Card product); and (5) the expected deployment of Electronic Gaming Machines (EGMs) across the distribution network. These delays which are the result of logistical and operational limitations have not enabled the Group to operate at the projected level of capacity. Nevertheless, it is anticipated that this shortfall will be entirely recovered within the subsequent financial years due to the accelerated implementation that should take place in the second half of FY2023.

The weaker than expected performance brought about by the aforementioned delays in the National Lottery has been mitigated by the superior performance of the Dragonara Casino and Sports Betting verticals respectively. The accelerated overall recovery of the land-based casino in 2022 and the ability of Dragonara Casino to retain strong market share in the sector, have allowed the Casino to attain considerable growth. The performance of the Dragonara Casino is expected to continue to improve throughout FY2023, outperforming the established projections.

With regards to Sports Betting, the deployment of new technology in National Lottery shops has impacted positively the revenues generated by these shops, outperforming the initial projections. As more Self-Service Betting Terminals (SSBTs) are deployed in the market the expectations are that Sports Betting revenues will continue to grow and outperform projections.

8. INCOME STATEMENT

	Pro-Forma FY2021	Management & Actual* FY2022	Forecast FY2023
	€'000	€'000	€'000
Revenue	20,164	30,489	77,605
Other income	370	1,578	458
Staff costs	(5,565)	(8,378)	(13,174)
Gaming tax	(5,019)	(7,917)	(23,642)
Other operating expenses	(7,710)	(9,895)	(23,436)
EBITDA	2,240	5,877	17,811
Depreciation and amortisation	(2,368)	(2,585)	(15,494)
Operating Profit	(128)	3,292	2,317
Net Finance costs	(1,237)	(1,863)	(4,649)
Profit / (Loss) before tax	(1,365)	1,429	(2,333)
Tax expense	419	(853)	2,018
Profit / (Loss) after tax	(946)	576	(315)

*see explanation in section 7 above.

FY2022 OVERVIEW

The Group generated aggregate income of €32.1 million in revenues in FY2022, which is 57% higher than the €20.5 million pro-forma figure of the previous financial year. The overall improvement is due to the recovery of the market post COVID-19 pandemic and the ability to grow and retain market share in all core businesses operated by the Group. The steadfast recovery of the core business of the Group has ensured that the Group registers a sizeable growth in EBITDA in FY2022 of €5.9 million, an increase of 2.62 times that of a year earlier. The improved performance of the Group was reflected in its profitability, converting a loss of €1 million in FY2021 to a profit of €0.6 million in FY2022.

OUTLOOK FY2023

In FY2023, revenue is expected to increase to €77.6 million. The increase is mostly attributed to the commencement of the operation of the National Lottery of Malta, in addition to the contribution of the other core activities of the Group, as explained in more detail in section 7 of this report.

EBITDA is projected to be €17.8 million, which is more than double the EBITDA of FY2022. The Group is forecasting a higher depreciation and amortisation for FY2023 due to the recent heavy investment required for the National Lottery. The Group is expected to register an operating profit of €2.2 million and is projecting a net loss for FY2023 of €0.3 million.

9. STATEMENT OF FINANCIAL POSITION

	Pro-Forma FY2021	Actual FY2022	Forecast FY2023
	€'000	€'000	€'000
Assets			
Non-Current Assets			
Goodwill		62,351	62,351
Intangible assets	91,770	142,049	130,573
Property, plant and equipment	3,171	11,927	13,394
Right of use asset	42,426	42,276	46,577
Investment properties	1,088	1,182	1,182
Other non-current assets	928	2,380	2,397
Deferred tax asset	769	420	3,793
Total non-current assets	140,151	262,585	260,268
Current Assets			
Inventories	246	272	1,050
Trade and other receivables	1,028	2,034	627
Cash and cash equivalents	1,356	18,869	22,801
Total current assets	2,630	21,175	24,478
Total Assets	142,782	283,760	284,746
Liabilities			
Non-Current Liabilities			
Bank Borrowings	8,176	7,720	41,580
Debt securities in issue	-	29,332	29,505
Trade and other payables	9,943	65,985	59,923
Deferred tax liability	8,703	9,209	10,564
Other non-current liabilities	500	-	-
Leases Liabilities	23,713	23,770	28,579
Total non-current liabilities	51,035	136,016	170,151
Current Liabilities			
Bank Borrowings	609	1,605	6,880
Trade and other payables	5,428	59,445	21,142
Lease liabilities	-	775	967
Current tax liability	23	-	-
Total current liabilities	6,060	61,825	28,990
Total Liabilities	57,096	197,841	199,141
Equity			
Share capital	80,000	80,000	80,000
Retained earnings	-	(290)	(1,125)
Equity attributable to the owners of the parent	80,000	79,710	78,875
Non-controlling interest	5,685	6,209	6,730
Total Equity	85,685	85,919	85,605
Total Equity & Total Liabilities	142,782	283,760	284,746

FY2022 OVERVIEW & OUTLOOK FY2023

ASSETS

As highlighted in section 5 of this report, the major assets of the Group comprise: (1) goodwill generated by the Group over the years; (2) intangible assets consisting of tradenames and domains development through its integrated verticals and highly successful brands as well as control over the two government concessions to manage and operate the National Lottery of Malta (from July 2022) and the Dragonara Casino; (3) control rights over immovable properties (mainly comprising the retail gaming outlets and the Dragonara Casino) used in the operations of the Group (right of use of assets); (4) property, plant equipment (PPE) used throughout the Group's day to day operations; and (5) cash reserves. In aggregate, these assets represented 97.8% of the Group's total assets as of 30 June 2022.

Going forward, these assets are expected to remain the major assets of the Group.

LIABILITIES

As of 30 June 2022, the Group's main liabilities include borrowings, debt securities (which is the bond issued earlier this calendar year), trade and other payables, deferred tax liability and leases liabilities in accordance with IFRS16.

The trade and other payables of the Group as of 30 June 2022 stood at €125.4 million of which €66 million are non-current liabilities. The main element of this class of liability refers to the obligations arising from the National Lottery concession which is payable over 10 years the term of the concession. As of 30 June 2022, the Group's total net borrowings stood at €19.8 million, including €18.9 million of cash and equivalents, the bond of €30 million and other borrowings drawn down to finance working capital requirements following the closure of premises due to the outbreak of the pandemic as well as to settle other payables. Going forward, the Group's borrowings (as detailed in the table hereunder) will materially increase following the drawdown of a €41 million loan facility to finance the payment of the National Lottery concession.

	Pro-Forma FY2021	Actual FY2022	Forecast FY2023
	€'000	€'000	€'000
Current Borrowings	609	1,605	6,880
Non-Current Borrowings	8,176	37,052	71,085
Total Borrowings	8,785	38,658	77,965
Cash	1,356	18,869	22,801
Net Borrowings	7,429	19,788	55,164

The Group had €24.5 million in lease liabilities as of 30 June 2022 relating to the properties over which it holds a right of use, namely the retail gaming outlets and the Dragonara Casino accounted for in accordance with IFRS 16 Leases. If one had to adjust net borrowings to include also the effect of the obligations arising from the lease liabilities, net obligations increase to €44.3 million as at the end of FY2022.

	Pro-Forma FY2021 €'000	Actual FY2022 €'000	Forecast FY2023 €'000
<i>Including leases</i>			
Current Borrowings / Obligations	609	2,380	7,847
Non-Current Borrowings / Obligations	31,889	60,822	99,664
Total Borrowings / Obligations	32,498	63,202	107,511
Cash	1,356	18,869	22,801
Net Borrowings / Obligations	31,142	44,333	84,710

As of 30 June 2022, the Group's deferred tax liability stood at €9.2 million which mainly reflects the uplift in value recognised on the Dragonara immovable property in accordance with IAS 16 - Income Tax.

Going forward, the composition of the Group's main liabilities is expected to remain largely unchanged.

EQUITY BASE

The Group's equity stood at €85.9 million at the end of FY2022, consisting primarily of €80 million in share capital. The equity base of the Group is expected to remain stable as any increase in assets is expected to be financed through debt.

10. STATEMENT OF CASH FLOWS

	<i>6-months Actual</i>	Forecast
	FY2022	FY2023
	€'000	€'000
Net cash flows generated from operating activities	2,806	13,963
Net cash used in investing activities	(12,730)	(43,684)
Free Cash Flow	(9,924)	(29,721)
Net cash generated from financing activities	27,250	33,653
Net movement in cash and cash equivalents	17,326	3,932
Cash and cash equivalents at the beginning of the year	1,543	18,869
Cash and cash equivalents at the end of the year	18,869	22,801

OUTLOOK FY2023

The cash generation capabilities of the Group are expected to considerably improve with the start of the National Lottery operations – refer to section 7 for further context on the performance of the Group's four core activities. To this effect, cash flows from operating activities are expected to increase to almost €14 million in FY2023.

During FY2023, as is reflected in the anticipated net cash outflows to be used in investing activities, the Group is anticipated to ramp up its investment in line with the National Lottery concession and related capital expenditure as well as other capital expenditure related to the Group's existing operations, namely the Dragonara Casino and the retail gaming. The cash flows related to financing activities for FY2023 include the effect of the drawdown of the bank loan referred to in section 9.

11. VARIANCE ANALYSIS

	Prospectus FAS FY2022 €'000	Mgmt + Actual FY2022* €'000	Variance	Prospectus FAS FY2023 €'000	Updated Forecast FY2023 €'000	Variance
Revenue	28,054	30,489	9%	81,862	77,605	-5%
Other income	311	1,578	407%	478	458	-4%
Staff costs	(7,435)	(8,378)	13%	(9,954)	(13,174)	32%
Gaming tax	(7,238)	(7,917)	9%	(25,221)	(23,642)	-6%
Other operating expenses	(8,553)	(9,895)	16%	(25,498)	(23,436)	-8%
EBITDA	5,139	5,877	14%	21,667	17,811	-18%
Depreciation and amortisation	(4,823)	(2,585)	-46%	(18,038)	(15,494)	-14%
Operating Profit	316	3,292	942%	3,629	2,317	-36%
Net Finance costs	(1,824)	(1,863)	2%	(4,775)	(4,649)	-3%
Profit / (Loss) before tax	(1,508)	1,429	-195%	(1,147)	(2,333)	103%
Tax expense	541	(853)	-258%	2,800	2,018	-28%
Profit / (Loss) after tax	(967)	576	-160%	1,653	(315)	-119%

**for the purposes of this variance analysis, the extended income statement covering the full financial year has been used – more information is found in section 7 of this report.*

The FAS that was appended to the Prospectus of the Issuer in relation to the Bond Issue included forecast financial information for the two financial years ending 30 June 2022 and 2023. This section will seek to identify the key drivers to the respective variances.

FY2022

The overall market recovery from COVID-19 and the ability of the Group to sustain strong market share in the land-based casino sector through the operation of the Dragonara Casino, as well as the ability to increase revenues from sports betting through the retail operation of IZIBET, were the main reasons for the Group to exceed the FY2022 revenue projections. The Group incurred an increase in operating expenditure which was largely due and in line with the increased level of business activity, which can be evidenced from the overall operating profit margin. The variation in staff costs is wholly due to a reclassification of the COVID-19 wage supplement from 'Staff Expenses' to 'Other Income'.

FY2023

The slower-than-expected implementation of the distribution plan and technology supply chain challenges within the National Lottery is the main reason for the lower-than-expected revenue projections in FY2023. The shortfall in revenues will be partially offset by better-than-expected revenue performance at the Dragonara Casino, as well as improved revenue performance in sports betting.

The Group will sustain the challenge of rising operating costs, most notably increase in staff costs primarily because the Group will operate and manage more own shops within the Primary Distribution Network of the National Lottery. The short-term pressure on operating expenses will be offset over time by a systematic decrease in third party commissions, but the latter effect will not be felt in FY2023.

The revised level of staff expenses includes the pre-operating National Lottery payroll expenses to the tune of €1 million, and as such, payroll must be revised upwards by approximately €1 million, from €9.9 million to €11 million.

The Group is also expected to incur lower depreciation costs as the investment programme for the Dragonara Casino and, to a smaller extent, the National Lottery, will be staggered over a longer period. The timing difference of this investment is the key reason for a lower-than-expected depreciation cost.

12. RATIO ANALYSIS

The following set of ratios have been computed from the Company's figures, both historical and projections.

Note: where the ratios were non-comparable because of a negative return or a negative result, the ratio has been recorded as 'n/a'.

	FY2021	FY2022*	FY2023
EBITDA margin <i>(EBITDA / Revenue)</i>	11.1%	19.3%	23.0%
Operating Profit (EBIT) margin <i>(Operating Profit (EBIT) / Revenue)</i>	n/a	10.8%	3.0%
Net Profit margin <i>(Profit for the period / Revenue)</i>	n/a	1.9%	n/a
Return on Equity <i>(Net Profit / Average Equity)</i>	n/a	0.7%	n/a
Return on Capital Employed <i>(Net Profit / Average Capital Employed)</i>	n/a	0.3%	n/a
Return on Assets <i>(Profit for the period / Average Assets)</i>	n/a	0.3%	n/a
Current Ratio <i>(Current Assets / Current Liabilities)</i>	0.4	0.3	0.8
Cash Ratio <i>(Cash & cash equivalents / Current Liabilities)</i>	0.2	0.3	0.8
Interest Coverage ratio <i>(EBITDA / Net finance costs)</i>	1.8	3.2	3.8
Gearing Ratio <i>(Net debt / [Net Debt + Total Equity])</i>	8.0%	18.7%	39.2%
Gearing Ratio (2) <i>[Total debt / (Total Debt plus Total Equity)]</i>	9.3%	31.0%	47.7%
Net Debt to EBIDTA <i>(Net Debt / EBIDTA)</i>	3.3	3.4	3.1
<i>Including leases</i>			
Gearing Ratio <i>(Net debt / [Net Debt + Total Equity])</i>	26.7%	34.0%	49.7%
Gearing Ratio (2) <i>[Total debt / (Total Debt plus Total Equity)]</i>	27.5%	42.4%	55.7%

Source: Management information

**For FY2022, the performance figures used for the computation of the said ratios, where and as applicable, are those including the performance of the Group for a full financial year as presented in section 8 above. This was done for comparative purposes.*

The Group registered robust financial performance in FY2022. The recovery from COVID-19 was better than expected and this has ensured an overall improvement in all the key financial ratios. In anticipation of the planned capital investment for its existing businesses as well as the National Lottery concession, the Group raised fresh debt capital which in turn has led to a more leveraged position albeit to still acceptable levels.

The National Lottery operations are expected to generate further improvements in the Group's financial ratios – refer to section 7 above for further information of how the Group's core activities are expected to contribute to the financial standing of FY2023, and thus the ratios related thereto. The Group is expected to be in a comfortable position to meet its debt service obligations (interest coverage expected to rise to 3.8 times in FY2023) whilst leverage would still be maintained at sustainable levels as evidenced by the net debt to EBITDA of 3.1 times.

PART C COMPARATIVES

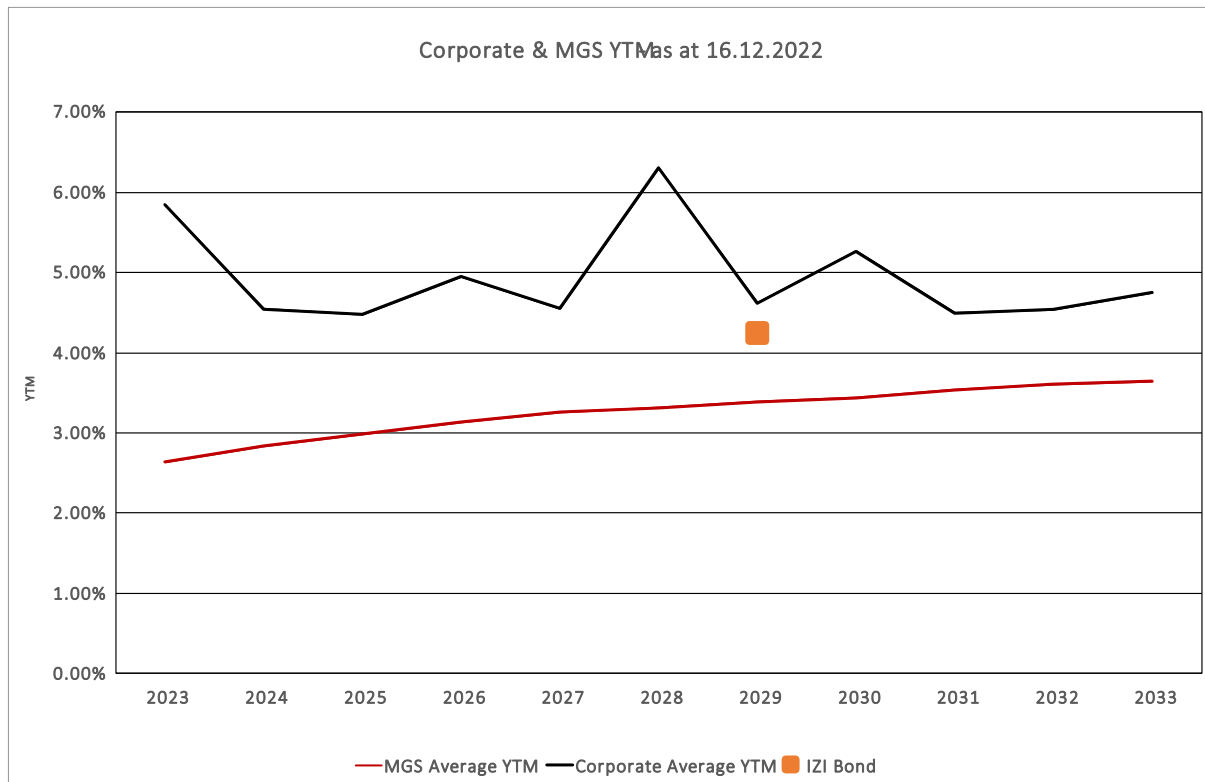
The table below compares the Company's bonds with other local corporate bonds having maturities closest to the Company's bonds. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond	Amount Outstanding (€)	Gearing*	Net Debt to EBITDA	Interest Cover	YTM
3.65% Stivala Group Finance plc 2029 (Secured)	15,000,000	26.5%	33.59	0.79	4.00%
3.80% HILI Finance Company plc 2029	80,000,000	65.0%	3.40	4.71	5.01%
3.75% AX Group plc 2029	10,000,000	25.6%	7.02	2.97	4.35%
3.75% TUM Finance plc 2029 (Secured) (Puttable)	20,000,000	36.6%	7.99	3.91	5.52%
4.00% Cablenet Communication Systems plc 2030	40,000,000	81.1%	2.35	5.99	4.39%
4.25% IZI Finance plc 2029	30,000,000	18.7%	3.38	3.25	4.25%

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 16 December 2022. Ratio workings and financial information quoted have been based on the respective issuers' unadjusted published financial data (or their guarantors, where and as applicable).

**Gearing – Net Debt / (Net Debt + Total Equity) where net debt comprises bank borrowings and debt securities in issue but exclude lease liabilities.*

The following shows the average yield to maturity of listed corporate bonds and MGS covering an ten-year period, and how the Company's bond priced at 4.25% compares to such average yields. All the yields presented hereunder are as of 16 December 2022.



At 4.25%, the Company's bonds are priced 37 basis points below the equivalent average corporate bonds YTM for 2029 maturities and at an 86 basis point premium over the average MGS YTM for 2029 maturities.

PART D

GLOSSARY

INCOME STATEMENT EXPLANATORY DEFINITIONS

Revenue	Revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation, and amortization, reflecting the company's earnings purely from operations.
EBIT	Earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.

STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.

Equity Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

PROFITABILITY RATIOS

EBITDA Margin EBITDA as a percentage of total revenue.

Operating Profit Margin Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.

Net Profit Margin Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Return on Equity Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.

Return on Capital Employed Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.

Return on Assets This is computed by dividing profit after tax by total assets.

LIQUIDITY RATIOS

Current Ratio The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.

Cash Ratio Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

SOLVENCY RATIOS

Interest Coverage Ratio This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.

Gearing Ratio, The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

Net Debt to EBITDA This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.