Sisal Group S.p.A. (with a sole shareholder)

Registered in the List of Payment Institutions ex art. 114-septies Legislative Decree 385/93 – Code 33500.1
Registered office: Milan – Via A. di Tocqueville 13
Share capital: subscribed and paid-in for Euros 102,500,000
Milan Registry of Companies - Ordinary section no. 05425630968
R.E.A. of Milan No. 1820505
Tax Code and VAT no.: 05425630968

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

Directors’ Report on Operations

Annual Consolidated Financial Statements

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SISAL GROUP

Board of Director's Report
on Group Operations

Consolidated Financial Statements at December 31, 2015

Dear Shareholders,

We hereby submit for your attention the consolidated financial statements for the year ended December 31, 2015 of Sisal Group S.p.A. which present a loss attributable to owners of the Parent of Euros 39,820 thousand. In the same year depreciation, amortization and impairment losses of fixed assets were recorded for Euros 118,249 thousand.

Key data

The key data for the years 2015 and 2014 are presented in the following table (figures in thousands of Euros). The table also includes "Adjusted" profitability indicators, which for both years exclude the effects of non-recurring expenses of Euros 19.5 million and Euros 5.1 million, respectively. Furthermore, with regard to EBITDA, which is not specifically presented in the Group's financial statements, this is defined as profit (or loss) for the year/period adjusted for: (i) amortization, depreciation, impairment losses and reversals; (ii) Finance income and similar; (iii) Finance expenses and similar; (iv) Share of profit/(loss) of companies accounted for using the equity method; and (v) income taxes.

	2015	2014	Change	
Total revenues and income	787,077	820,978	(33,901)	-4.1%
EBITDA	182,301	183,699	(1,398)	-0.8%
Adjusted EBITDA	182,332	188,843	(6,511)	-3.4%
Operating profit (loss) - EBIT	52,102	70,324	(18,222)	-25.9%
Adjusted operating profit (loss) EBIT	71,609	75,468	(3,859)	-5.1%
Loss before income taxes	(32,299)	(19,715)	(12,584)	-63.8%
Loss for the year	(39,711)	(999)	(38,712)	n.s.

Before analyzing the main factors in arriving at the loss for the year, the principal business developments in the Group's market are described in the following comments.

The Group's Business

Sisal Group is one of the most important gaming operators in the Italian market and has been operating for over 65 years.

During 2015, social management continued and developed what had been implemented in prior years, firstly by devoting attention to the important subject of the social sustainability of all its business activities. In particular, Sisal has continued to stand forward as a leader in the promotion of initiatives aimed at ensuring a safe, aware approach to gaming, using a structured model of responsible gaming based on international best practices. The companies in the Group confirm this that in the preceding year were awarded the prestigious Certification of Responsible Gaming from the European Lotteries, whilst in 2015 these important issues continued to be monitored and a self-assessment process confirmed that the standards envisaged in the three-year certification had been maintained.

The activities conducted by the Group over the years are described in depth in the 2014 Sisal Social Report, issued in September 2015, and in similar documents referring to the previous years. The activities specifically referring to 2015 will be published in a similar report.

The Group operates in Italy in the Gaming and Betting market with a full spectrum of products in the Retail channel and the Online channel. Furthermore, since 2002, taking advantage of its extensive territorial presence, direct access to consumers and distribution and technological synergies with the gaming and betting business, a diversification system was begun by the Group which has allowed it to strengthen its position as one of the leaders in the Payments and Services market.

In the gaming and betting markets, the Group offers a wide product range which include: (i) gaming machines ("Slot Machines") and video lottery terminals ("VLTs"); (ii) betting; (iii) lotteries; and (iv) online games (such as poker and casino games) and (v) bingo. The products are routed through both the retail channel and the online channel, through the Group's web portal "sisal.it" and mobile applications. Specifically, in the retail distribution network, at December 31, 2015 the Group operates with 4,669 points of sale featuring a series of formats identifiable with the Group's own brands ("Branded Channel") and through a network of 40,068 points of sale linked by computer with the Group's information systems and distributed throughout Italy ("Affiliated Channel"). The Affiliated Channel includes both points of sale offering mainly products not associated with the Gaming and Betting or Payments and Services markets, such as bars and tobacconists, and points of sale whose activities are primarily associated with Gaming Machines.

As for the Payments and Services market, the Group manages the following: (i) payment of bills, utilities, fines, taxes, subscriptions etc.; (ii) reloads of prepaid debit cards; (iii) mobile phone top-ups and pay-for-view TV cards and (iv) marketing of some products, such as gadgets and mini-toys. The Group products and services are distributed through both the Branded and Affiliated Channels and the web portal "sisalpay.it".

The Group has adopted and implemented an organization model based on four business units, which are described below.

- "**Retail Gaming**": The Retail Gaming activities refer to slot machines, VLTs, fixed-odds sports betting, traditional sports pools and bingo. The Retail Gaming business unit also manages the Branded Channel and a part of the points of sale of the Affiliated Channel.

- "**Lottery**": Lottery is responsible for operating the exclusive concession for national tote number games ("NTNG"), of which the most popular products are SuperEnalotto, WinForLife!, SiVinceTutto and EuroJackpot. The lottery games are distributed through the Branded and Affiliated Channels as well as the Group's web portal and 23 online gaming portals operated by third parties and connected to the Group's NTNG online platform. The Lottery segment also manages the points of sale of the Affiliated Channel that are not managed by the Retail Gaming segment.

- "**Online Gaming**": Online Gaming presents players with the opportunity to play online games and place online bets through the sisal.it web portal and through the mobile phone channel. The online product mix offered by the Group is one of most extensive and includes the entire portfolio of products available in accordance with the laws in force, such as online betting and online poker and casino games as well as lotteries and bingo.

- “**Payments and Services**”: Payments and Services operates payment and financial services such as: (i) payment of bills, utilities, fines, taxes, subscriptions etc.; (ii) reloads of prepaid debit cards; (iii) mobile phone top-ups and pay-for-view TV cards and also (iv) marketing of some products such as gadgets and mini-toys. The products and services are distributed through both the Branded and Affiliated Channels - the latter also including the 6,605 Service Only points of sale at December 31, 2015 – and through the web portal “sisalpay.it”.

The tables below respectively illustrate the revenues and adjusted EBITDA for each business unit for the years ending December 31, 2015 and 2014. Note that in reference to the review of certain allocation criteria among the various business units, particularly revenues from the points of sale, 2014 figures were restated in order to guarantee comparability of data from the previous year.

Segments *(in Euros millions)*	**12.31.2015**	**12.31.2014**
Retail Gaming	487.9	530.2
Lottery	74.5	84.6
Online Gaming	47.8	44.8
Payments and Services	174.7	158.2
Other revenues	2.1	3.1
Total Revenues	**787.1**	**821.0**

Segments *(in Euros millions)*	**12.31.2015**	**12.31.2014**
Retail Gaming	75.4	90.5
Lottery	27.8	27.8
Online Gaming	21.8	18.9
Payments and Services	59.0	53.4
Total segment EBITDA	184.0	190.6
Items with different classification	(1.7)	(1.7)
Total EBITDA	**182.3**	**188.8**

Retail Gaming: The results of Retail Gaming in 2015 reflect the impact of the 2015 Stability Law on the gaming machines network (to be discussed in greater detail in a later section of the report) and by a lower sports betting margin compared to that of 2014. As a percentage of total revenues, Retail Gaming Adjusted EBITDA in 2015 is 15.5% compared to 17% in 2014.

Lottery: the results of the Lottery business unit in 2015 are mainly due to lower average jackpots during the year for SuperEnalotto, which reduced the game's appeal to customers, and delays in authorizing the game's relaunch. However, the downturn in revenues was offset by significant cost savings, especially as regards advertising costs and overheads. As a percentage of total revenues, Adjusted EBITDA of the Lottery business unit in 2015 is 37.2%, an increase compared to 32.8% from 2014 as a result of the factors mentioned above.

Online Gaming: Online Gaming's positive results in 2015 were driven by the solid performance of the slot games, which more than offset the online poker market weakness and the soft sports betting performance, due to a lower percentage margin compared to the prior year, despite the consistent turnover managed. As a percentage of total revenues, Adjusted EBITDA of Online Gaming in 2015 is 45.6% compared to 42% in 2014, thanks to revenues growth and operating costs in line with the prior year.

Payments and Services: the excellent results for the Payments and Services Business Unit in 2015 mainly stem from the significant growth of revenues achieved in particular in the financial services segment and in payments managed directly by the parent. As a percentage of total revenues, the Adjusted EBITDA of Payments and Services in 2015 is 33.8%, essentially in line with the final figure achieved in 2014.

The Group operates through a distribution network of 44,737 points of sale at December 31, 2015 across two different retail channels: the Branded Channel and the Affiliated Channel, as well as through the Online Channel.
A breakdown of the distribution network of the Group at December 31, 2015 by type of product normally offered under the various distribution formats is presented in the following chart.

Channel	Format	Number	Betting market	VLT	Slot machines	Lottery	Payments and Services
Branded Channel	WinCity	21	√	√	√	√	√
	Matchpoint Betting Agencies	361	√	√	√	√	√
	Matchpoint Corners	3,835	√		√	√	√
	SmartPoint	452			√	√	√
	Total Branded Channel	**4,669**					
Affiliated Channel	POS with gaming machines, Lotteries, Payments and Services	3,562			√	√	√
	POS with gaming machines only	3,766		√	√		
	POS with Lotteries, Payments and Services	26,135				√	√
	POS “Service Only (stand-alone terminals)”	6,605					√
	Total Affiliated Channel	**40,068**					
Total Group Network		**44,737**					

Branded Channel

The Branded Channel at December 31, 2015 includes 4,669 points of sale directly identifiable with the Group’s own brands. This channel encompasses two types of points of sale:

- Points of sale dedicated to gaming activities managed directly by the Group. This category includes the 21 WinCity gaming halls directly managed by the Group and the 361 Matchpoint betting agencies, some of which operate on the basis of partnership contracts. These gaming points of sale cover an area of about 250 to over 1,000 square meters, in locations and places such as to attract a large number of users;
- Points of sale where the business is not predominantly gaming, promoted by the Group according to a shop-in-shop model. This category comprises (i) the 3,835 Matchpoint betting corners and (ii) the 452 SmartPoints, new type of points of sale. Both the corners and the SmartPoints are third-party points of sale operated according to the *shop-in-shop* model, in which the Group manages the product mix, the displays and furnishings, the brand name and the information material and marketing of these gaming areas with its own sales force. In

addition, the Group has organized sales and training initiatives especially developed for these points of sale.

The Branded Channel points of sale both record the best performance in the entire distribution network, in terms of gaming volumes, and represent the format through which the Group is able to capture a larger share of the gaming value chain, resulting in higher margins. Specifically, besides the fees of the concessionaire, the Group, through the model developed in the Branded Channel, is also remunerated for the value chain component relating to the retailer, as in the case of WinCity and Matchpoint betting agencies, and for the component relating to the Slot Machine "operator", as in the case of Matchpoint corners and SmartPoints.

Affiliated Channel

The Affiliated Channel at December 31, 2015 includes a network of 40,068 third-party points of sale in which the Group distributes its own products for lotteries and gaming machines as well as Payments and Services; such points of sales include the following:

- Points of sale with gaming machines, lotteries, Payments and Services;
- Points of sale with lotteries, Payments and Services;
- Points of sale with gaming machines only;
- Points of sale with Payments and Services only, also referred to as "Stand Alone".

The Affiliated Channel includes both points of sale such as bars, tobacconists and newsstands, which are not predominantly associated with the Gaming and Betting or Payments and Services markets, and points of sale dedicated exclusively to gaming machines. The Affiliated Channel allows the Group to reach a broad community of consumers thanks to its widespread presence throughout Italy, which complements and supplements the Group's distribution network through the Branded Channel.

The Affiliated Channel also includes 6,605 "Service Only" points of sale which the Group set up in the last two years in shops such as bars, tobacconists, newsstands, supermarkets, etc. where only Payments and Services are offered by the Group on an exclusive basis.

A summary of the revenues and EBITDA of the two above channels, related to Retail Gaming business unit, for the years ended December 31, 2015 and 2014 is presented in the following chart.

Retail Gaming *(in Euros millions)*	12.31.2015	12.31.2014
Revenues		
Branded Channel	272.6	273.2
Affiliated Channel	215.3	257.1
Total Revenues	**487.9**	**530.2**
EBITDA		
Branded Channel	48.5	55.8
Affiliated Channel	26.9	34.6
Total EBITDA	**75.4**	**90.5**

Industry Overview

Gaming and Services market in Italy: the scenario

2012–2015 trend

The Group operates in the following two markets:

the gaming market with payouts in cash, that is, gaming regulated by the Ministry of the Economy and Finance (MEF) and the Amministrazione Autonoma dei Monopoli di Stato or the State Monopolies Board (AAMS), now the Agenzia delle Dogane e dei Monopoli or Customs and Monopolies Agency (ADM) and **the addressable payment services market**, calculated net of payments made by direct debit, which includes the payment of utilities, taxes, fines, telephone top-ups and reloads of prepaid debit cards. The trend is analyzed for the period from 2012 to 2015.

The aggregate of the two markets in 2015 reached a value of more than Euros 172 billion, with the addressable Services market representing over 50% of the total. Compared to 2014, both markets recorded a growth trend: the Gaming market rose by 3.3% in 2015, the Services market by 0.2%.

Both markets show a trend reversal compared to the average period performances (2012-2015). In fact, the addressable payment services market shows an average compound annual growth rate ("CAGR") of -1.1% while the gaming market recorded -0.5% growth.

The data in the following charts are expressed in millions of Euros, unless otherwise indicated.

The data relating to 2015 are based on the best estimates available to the Group and, from further study and analysis of the market data, the numbers relating to the addressable payment services market size was restated for previous years.

	2012	2013	2014	2015	CAGR 2012/2015
Total Gaming Market Turnover*	**88,270**	**84,425**	**84,255**	**87,040**	**-0.5%**
Total Addressable Payment Services Market	**88,237**	**87,794**	**85,244**	**85,447**	**-1.1%**
Potential Market	**176,507**	**172,219**	**169,499**	**172,487**	**-0.8%**

* "Comma 7" products figures excluded

Gaming Market in Italy: the scenario

2012–2015 trend

The total turnover of the gaming market declined with a CAGR of -0.5%, even though in 2015 it recorded a trend reversal. The reasons behind this trend rest on two factors:

1) a material increase in the payout - the amount returned to players in the form of winnings - which in 2015 amounted to Euros 70.6 billion (81.1% of total turnover) up 3.9% compared to 2014. This indicator was also positive for the average period, recording a CAGR of +0.2%;
2) the first year of turnover for a number of foreign operators who previously operated under concessions from other European countries and in 2015 became Italian concessionaires, particularly in the online sports betting segment.

Other important gaming market indicators are the actual expenditure by the public, calculated as turnover less payout and taxes.

The first shows a downward trend, recording a CAGR of -3%, whilst taxes increased considerably, also as a result of the additional taxes of Euros 500 million on gaming machines included in the 2015 Stability Law.

	2012	2013	2014	2015	CAGR 2012/2015
Total Turnover*	**88,270**	**84,425**	**84,255**	**87,040**	**-0.5%**
Payout*	**70,269**	**68,200**	**67,934**	**70,590**	**0.2%**
Actual expenditure by public*	**18,001**	**16,225**	**16,321**	**16,449**	**-3.0%**
Taxes	*8,565*	*8,033*	*7,928*	*8,668*	**0.4%**

	2012	2013	2014	2015	CAGR 2012/2015
Total Turnover*	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**
Payout*	**79.6%**	**80.8%**	**80.6%**	**81.1%**	**0.6%**
Actual expenditure by public*	**20.4%**	**19.2%**	**19.4%**	**23.3%**	**4.5%**
Taxes	**47.6%**	**49.5%**	**48.6%**	**52.7%**	**3.5%**

* "Comma 7" products figures excluded

An analysis of the gaming market segments shows that turnover growth is driven by the positive trend in sports betting. In fact, the CAGR for this segment recorded a 16.1% growth, and in 2015 alone the increase was 24.7%, compared to 2014.

The gaming machines performances should be also underlined: in 2015 the segment achieved an increase in turnover (+2.5%), against the CAGR trend. All other segments recorded a negative CAGR.

	2012	2013	2014	2015	CAGR 2012/2015
Lotteries	**17,765**	**17,321**	**17,258**	**17,042**	**-1.4%**
Betting and Sports Pools	**5,007**	**4,653**	**6,285**	**7,835**	**16.1%**
Gaming machines	**49,764**	**47,507**	**46,770**	**47,916**	**-1.3%**
Bingo	**1,763**	**1,664**	**1,624**	**1,017**	**-16.7%**
Skill, Card & Casino Games	**13,972**	**13,281**	**12,318**	**13,229**	**-1.8%**
Total Gaming Market	**88,270**	**84,425**	**84,255**	**87,040**	**-0.5%**

The following chart shows the trend of the actual expenditure of the public in the different product segments.

In 2015 this indicator showed Euros 16.4 billion with a CAGR, again for the period under review, that was negative by 3.0%.

The market turnover was driven by a steady increase in the amount of the payout, or winnings. As a consequence, the percentage rate of actual expenditure by the public to turnover shows a steady decrease from approximately 20.4% in 2012 to 18.9% in 2015.

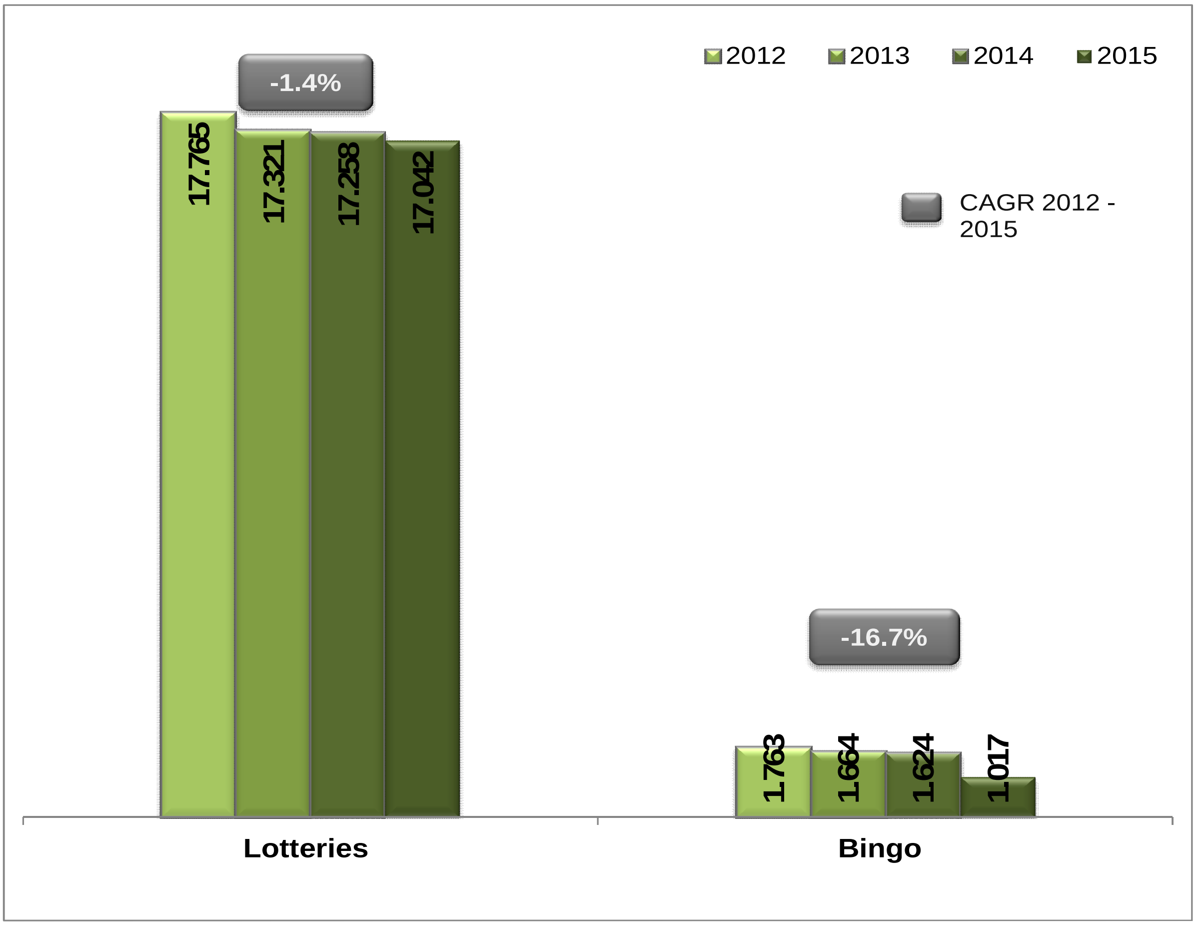
	2012	2013	2014	2015	CAGR 2012/2015
Lotteries	**5,936**	**5,609**	**5,451**	**5,396**	**-3.1%**
Betting and Sports Pools	**999**	**1,048**	**1,205**	**1,149**	**4.8%**
Gaming machines	**9,985**	**8,595**	**8,741**	**9,117**	**-3.0%**
Bingo	**578**	**499**	**487**	**305**	**-19.2%**
Skill, Card & Casino Games	**503**	**474**	**437**	**483**	**-1.4%**
Total Gaming Market	**18,001**	**16,225**	**16,321**	**16,449**	**-3.0%**

Business and Product Analysis - Turnover

Lottery & Bingo

Lottery records a negative CAGR during the period (-1.4%). In 2015, the overall trend in the segment turnover reflects the stagnation in consumption by Italians for these products, which attracts the largest number of consumers in the industry.

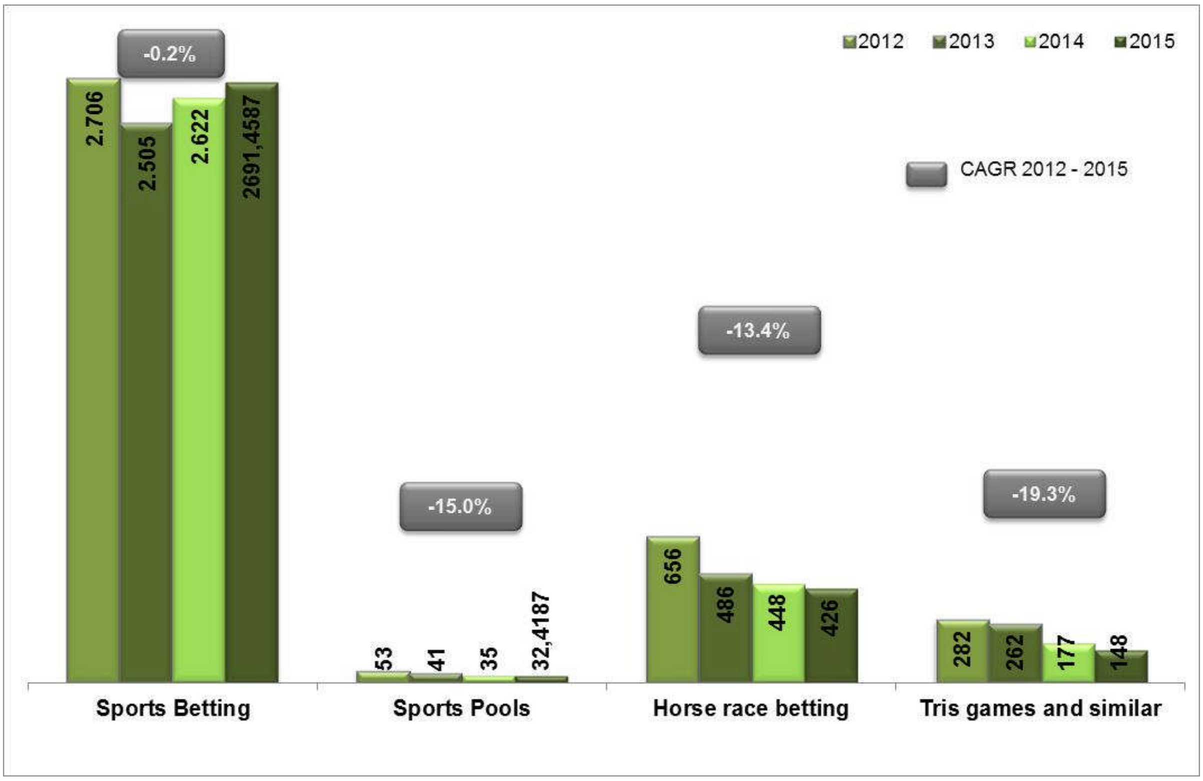
Bingo recorded an even greater decline, due to the product being of increasingly less appeal to players.



Betting market

The Sports Betting market, retail channel, displays a average decline during the period 2012-2015 of 0.2%, with a turnover for the past year of almost Euros 2.7 billion, up on the 2.6% of 2014, supported by a particularly favorable payout to players in general. This figure is even more significant if we consider that 2015 was a year with no international summer events (European or World soccer championships, Olympics, etc.) which normally have a positive effect on turnover.

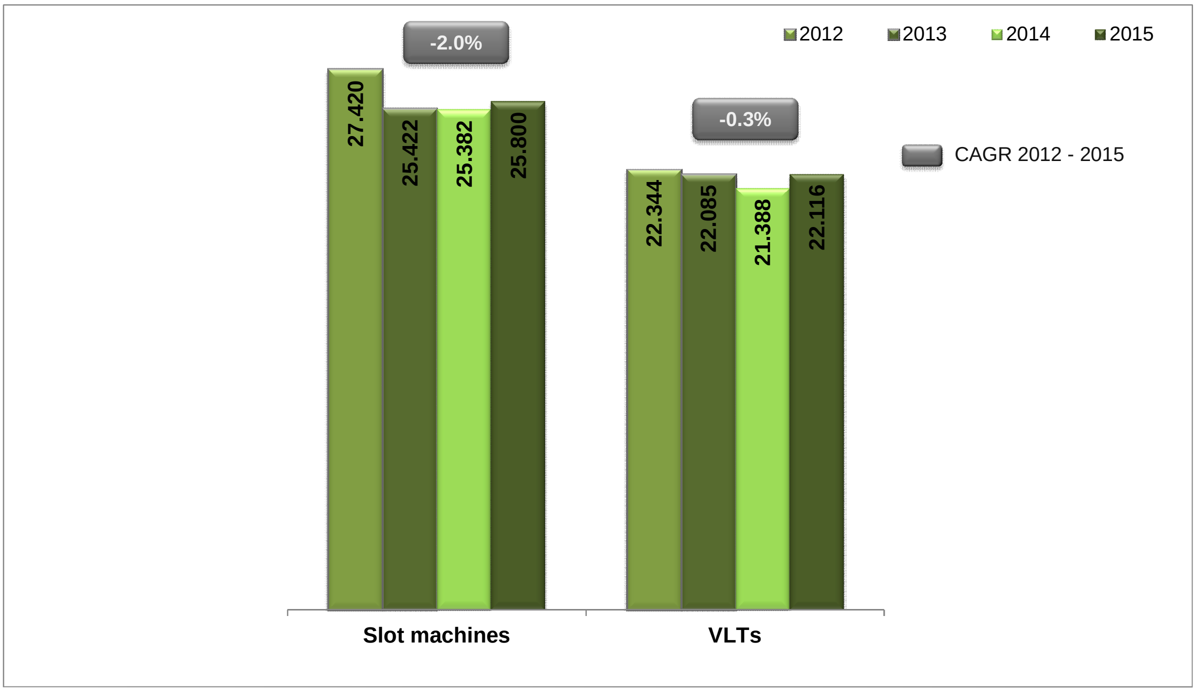
The horse betting and traditional sector of Totocalcio (sports pool games) was affected, instead, by the intense market crisis that has continued for some years, recording a sharp reduction during the review period.



Gaming machines market (Slot machines and VLTs)

At the end of 2015, the Gaming Machines market accounts for 55.1% of the entire gaming market in Italy.

The gaming machines turnover was Euros 47.9 billion, with a CAGR down by 1.3% in the 2012-2015 period. Slot machines turnover saw a decline, with a CAGR down by 2.0%. VLTs recorded more than Euros 22.0 billion to give an essentially stable figure over the average period analyzed (CAGR -0.3%).

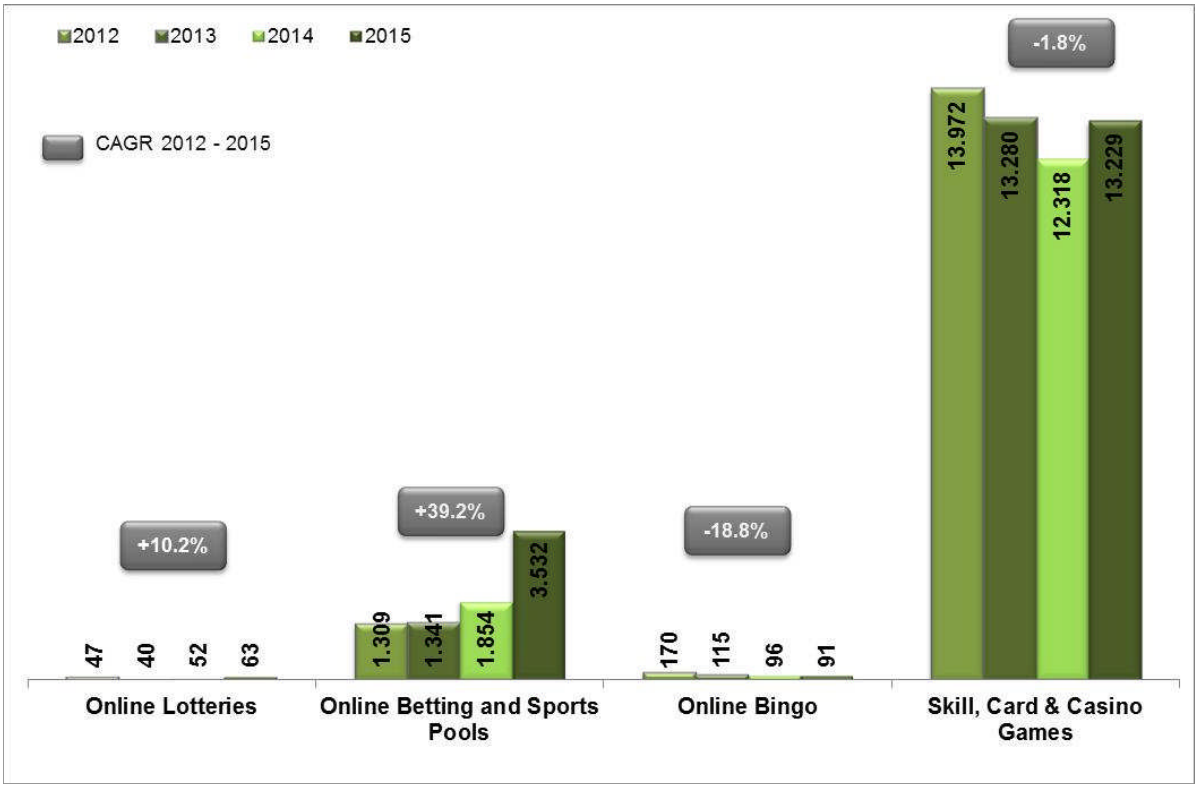


Online market

Online Gaming shows a positive trend, with a +3.0% CAGR.

The growth is driven by sports betting, for the reasons already stated, whilst in 2015 skill, card and casino games shows a positive trend reversal. The other segments recorded a decline.

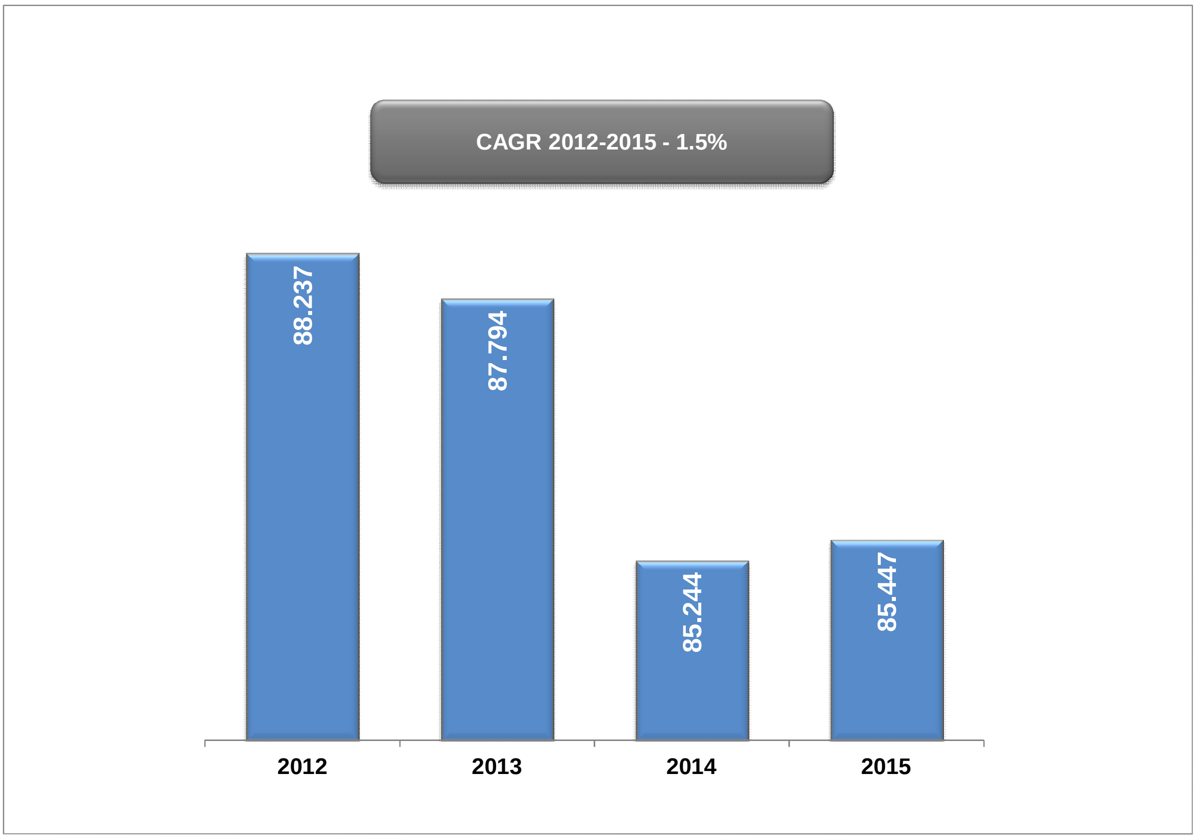
Growth is also driven by the product mix expansion, thanks to the launch of the add-on schedule, the increasingly important live product mix and the consolidation of smartphone and tablet apps that increase their usability.



In an extremely dynamic market scenario, with growth in excess of 3% compared to the previous year, also partly due to the decision of certain foreign companies to fully comply with the Italian regulations, the total turnover managed by the Group's concessionaires (around Euros 7.0 billion) was essentially in line with that of 2014, with a market share of around 8%. On the one hand, this trend reflects the further downtrend for Lottery and a soft performance of the gaming machines market, particularly the AWP segment and the previously mentioned expansion in the scope of the legalized betting market (in which the Group's turnover managed, in any event, recorded a growth of over 5%), and on the other hand the consolidation of its market share in the online games segment, up by around half a percentage point.

Payment Services Market

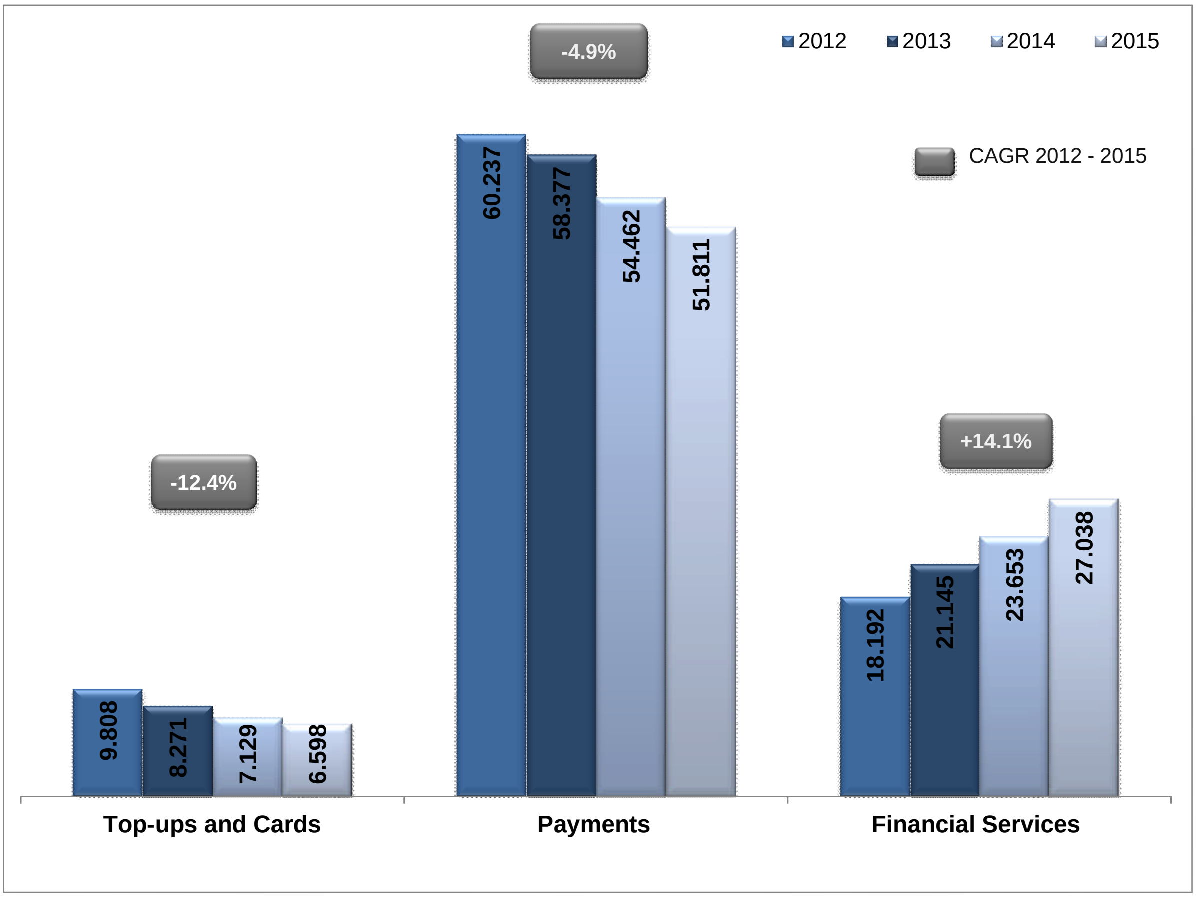
The addressable payment services market - the total paid by Italians net of direct debits - in 2015 reached turnover of Euros 85.4 billion, up slightly by 0.2% compared to the 2014 figure.



An analysis of the various markets of the Services segment shows the increasing importance of the financial services, which grow faster than the other segments. In 2015, in fact, turnover exceeds Euros 27.0 billion, with 14.1% CAGR in the period 2012-2015.

The top-ups segment, however, continues its downtrend due to extensive changes to the product mix for the public by the major telephone operators. The segment's turnover in 2015 was close to Euros 6.6 billion with a CAGR of -12.4%.

Payment Services also decreased (CAGR -4.9%) due to higher direct debit, the migration for certain tax payments to collection methods typical of banks (F23/F24 forms) and a slight drop in the average bill, as a result of strong competitiveness with landline telephony and energy bill efficiency improvements.



The Payments and Financial Services within the Group are managed directly by the Company, whereas mobile phone top-ups and media are distributed through Sisal S.p.A.

Overall in 2015 the Group reported turnover across its own network throughout the territory and the "Sisal Pay" online platform of approximately Euros 8.1 billion, recording an increase of approximately 17.3% compared to 2014 and growing its market share which, calculated in relation to the addressable services market, is around 9.5% at year-end 2015 compared to about 8.1% in the prior year.

Overview

Total revenues and income of the Group recorded a decrease of 4.1% in 2015 compared to 2014. This reflects the trends in the various product and business segments of the Group as detailed in the following table (in thousands of euros):

	2015	2014	Variazione	
NTNG	39,083	44,025	-4,942	-11.2%
Slot Machines and VLTs	367,714	396,060	-28,346	-7.2%
Betting and Sports Pools	108,357	118,069	-9,712	-8.2%
Online Games	47,369	44,375	2,994	6.7%
Bingo	731	1,445	-714	-49.4%
Services and Products Revenues	137,448	124,132	13,316	10.7%
Point of Sales Revenues	78,372	80,791	-2,419	-3.0%
Other revenues and income	8,003	12,081	-4,078	-33.8%
Total Revenues and Income	**787,077**	**820,978**	**-33,901**	**-4.1%**

Additional details on the main segment performances are as follows:

- In the gaming segment, NTNGs recorded a reduction of approximately 11% in turnover and revenues, with a Euros 5 million revenues shortfall compared to 2014. Among the factors behind this decrease are certainly the weak general economic trend, and particularly consumption, the absence of high jackpots during the year and the maturity of the best known and most important product in the NTNG family, SuperEnalotto, which until 2015 continued to show the lowest payout in the reference market.

  In 2015 the gaming machines segment the Group, alongside the other concessionaires and network operators, had to absorb the impact of gaming regulatory developments - national and local - and particularly in the provisions of the 2015 Stability Law, including a Euros 500 million decrease in amounts allocated to the gaming machines segment (concessionaires, managers and operators). The impact of these measures is therefore the main driver in the drop in 2015 revenues and income. Considering the margin figure, calculated by subtracting remuneration to the network from gaming revenues and deducting the effect of the previously mentioned regulatory changes introduced by the 2015 Stability Law, 2015 in any event saw an overall increase of around 6% compared to the end of 2014.

  With reference to the betting and sports pool games segment, which includes a considerable variety of gaming products, from the historic Totocalcio, national horse race betting (TRIS and similar games), to fixed-odds tote racing and sports bets, up to the more recent “Virtual Races”, in 2015 (the second full year of operations) consolidating its position in terms of both turnover and revenues, as a whole the Group turnover in this segment (retail channel only) was around Euros 765 million. This was essentially in line with the 2014 figure, but the turnover trend was not reflected in a similar trend for total revenues, mainly due to the higher payouts during the year.

As for online games, (including online betting and bingo), while turnover grew by almost 17%, revenues increased nearly Euros 3 million or approximately +7% over 2014. Unlike the retail channel, the fixed odds online sports betting channel recorded a significant turnover increase of more than 36%. This development was associated in particular to the trend for live games, which encourage replays and the dissemination of the game on mobile devices. This trend offset the higher payout level and therefore total revenues were in line with the 2014 figure. Incremental revenues of another Euros 4.5 million came from the performance of products in the Casino Games family, particularly Slot Games, that is, online Slot Machines launched at the end of 2012 which quickly became the segment’s top product in terms of Group revenues after sports betting. The overall growth of this segment was also sustained by the continuous renewal of the product portfolio, investments in new client acquisitions and the continuing development of ways to use the online games on mobile devices;

- In the segment of convenience payment services offered by retailers, gross revenues, relating mainly to existing contracts for the sale and/or distribution through the Sisal retailers network of mobile telephone top-ups and TV content cards, decreased in total by approximately 7% compared to a slight increase of approximately 1.5% in turnover, mostly on account of the aggressive sales policies introduced from last year by all the major operators in the telephony and media sector. As for the collection and payment services managed by the Parent, since it is a qualified Payment Institution, during the year turnover recorded a further significant increase (+21%) in both Payments and Financial Services, corresponding to revenues of approximately Euros 95 million (+20%). Overall this segment generated gross revenues for the Group of about Euros 137 million, up approximately 11% compared to the previous year, whereas the margin (revenues net of the fees paid to the retail network) contributed by this segment in 2015, thanks in particular to the performance of payment services, further increased from the prior year to approximately Euros 62 million compared to approximately Euros 54 million in 2014, growing around 14%;
- other income relating to various contractual relationships with the retail network shows a decrease of about Euros 2.4 million (-3% compared to 2014). The reduction is principally in connection with the partial consolidation of the NTNG distribution network (about 35,500 units at year end compared to about 36,500 units at year-end 2014), only partially offset by higher fees

due to the increase in the number of “Service Only” points of sale which rose from 4,600 units at the end of 2014 to over 6,600 units at year-end 2015;

- finally, other revenues and income which include, among others, net prior period income, revenues relating to the new food & beverage initiative at directly operated points of sale and other charges to third parties, there was a decrease of approximately Euros 4 million (-34% compared to 2014), mainly due to the one-off indemnity of Euros 3 million recorded in the previous year by Sisal Entertainment S.p.A. following the settlement agreement reached with the technology suppliers Bally and Wind.

The change in operating costs, including depreciation, amortization and provisions, led to a reduction of approximately 2% compared to the prior year. If non-recurring expenses are excluded from both years, the decrease in operating costs is approximately 3.9%, basically reflecting the decrease recorded for total revenues and income.

The key factors behind this decrease were costs for services, which fell by around Euros 21.5 million (-4.6%) of which Euros 7 million relating to sales and advertising costs alone (approximately -26% compared to the previous year), another Euros 9 million due to lower costs for remuneration of the distribution networks (particularly those operating in the gaming machines segment) and roughly a further Euros 6.5 million also deriving from company cost structure optimization initiatives already commenced in previous years and intensified in 2015. Decreases were also recorded in amortization costs, in total dropping by around Euros 2.6 million, costs for the purchase of materials and merchandise and lease and rent expenses, which fell by a total of around Euros 2.2 million, and lastly in personnel costs which also decreased by around Euros 3 million, mainly as a result of a decline in the average headcounts during the year (approx. -3%), particularly at the Group’s directly managed points of sale and also due to the outsourcing of call center functions completed during the year.

However, as regards non-recurring expenses and income, compared to the Euros 5.1 million which affected in the prior year the operating results, largely as a result of the parent’s share listing procedure, 2015 saw around Euro 19.5 million in non-recurring expenses, mainly relating to impairment losses on goodwill recognized after year-end impairment tests.

The changes described above generated a decrease in the gross profit margin of approximately 1% whereas the operating profit posted an increase of approximately Euros 18 million. Excluding the non-recurring income and expenses mentioned earlier, the gross profit fell by 3.4%, while operating profit records a decrease of around Euros 4 million (about -5% compared to operating profit in the previous year).

As regards the trend for taxes for the year, on the other hand, and as a result of the net income, it has to be remembered that 2014 benefited from one-off income of around Euros 23 million on the posting of a tax credit from recognition of the full deductibility - based on the recent success of specific action to finalize the Slots litigation, full details of which were provided in previous financial statements.

As for the net financial position, 2015 continued along the lines of previous years (specifically 2013) in which the Group finalized a complex financial restructuring operation.

During the year, the Group also paid the lending banks (particularly under the “Senior Credit Agreement”) and the noteholders an amount of interest and commissions of approximately Euros 38.5 million. This is approximately 14% less than in 2014, principally due to a different timing on the payment of interest to the pool of lending banks and a further cut in interest rates. The sole shareholder of the Parent was paid interest of approximately Euros 18 million on outstanding loans. Another approximate Euros 24 million was instead capitalized on the basis of the arrangement that had been entered into with the lending shareholder. Additional interest of a total of Euros 5.1 million accrued during the year but was not paid on the issued bonds that pay interest semiannually in March and September of each year.

Also with a view to the events mentioned above, the key performance indicators relating to Net Invested Capital as well as some financial indicators, are summarized in the following table (in thousands of euros):

	2015	**2014**	**Change**
Net invested capital (NIC)	1,031,805	1,093,462	(61,657)
Funding by Third Parties	1,040,342	1,062,616	(22,274)
Total Equity	(8,537)	30,846	(39,383)
Debt/Equity Ratio	-121.86	34.45	
Normalized ROI (EBIT/NIC)	5%	6%	

Net invested capital is the sum of the statement of financial position items related to trade receivables and payables, inventories, fixed assets, employee severance indemnities, provisions for risks and charges, current and non-current other assets and liabilities and restricted bank deposits, not taking into account the effect of the differences in timing in the settlement of the items relating to working capital for gaming and services for an amount equal to about Euros 74 million in 2015 (about Euros 84 million at year-end 2014). As a consequence the Funding by third parties represents the sum of

the financial liabilities of the Group (for a total of approximately Euros 1,105 million) net of cash and cash equivalents adjusted of the amount related to the differences in timing.
The trend in Funding by third parties, that is, the Net Financial Position of the Group during 2015, reflects the largely positive results achieved by operating activities - despite the worsening of the reference regulatory framework, which allowed the Group to promptly fulfill its obligations, including payments for investments and acquisitions for a total of approximately Euros 33 million.
As in prior years, the Group also complied with the financial covenants established by the previously mentioned pool loan contract in each of the four quarterly monitoring periods.

Gaming concessions

As regards the management of gaming concessions, the main developments are summarized here, and further details, particularly relating to litigation, are given in the Notes to the consolidated financial statements.

Concession for the operation and development of national tote number games (NTNG)

- On April 2, 2008, Sisal S.p.A. was declared outright winner of the tender procedure held in July 2007 for the award of the concession for the operation and development of national tote number games, including Enalotto, being chosen in preference to the bids submitted by Lottomatica S.p.A. and SNAI S.p.A.;

- On the legal front, Sisal S.p.A. had to contend with some appeals to the administrative tribunal filed by the other two companies participating in the selection procedure (namely SNAI S.p.A. and Lottomatica S.p.A.) and by other companies (including Stanley International Betting Limited), mainly with a view to gaining access to all the documentation and having the provisional and final concession awards overturned. The proceedings are still pending at the time of writing, since a date for the public hearing of the above-mentioned appeals has yet to be set. In company's opinion, the appeals are unfounded with reference to the claims regarding the alleged anomaly of the bid and, with specific reference to the appeals filed by SNAI S.p.A. and Stanley International Betting Limited, are inadmissible, since they were filed by parties which had no interest in appealing: in the case of SNAI S.p.A., because of its position in the final award classification, and in the case of Stanley International Betting Limited, because it did not participate in the tender procedure.

- Again with reference to the concession for the operation and development of national tote number games (NTNG), by writ served on July 10, 2014, Giovanni Baglivo, holder of a contract for the collection of NTNG bets in the retail channel, and then chairman of STS, the retailers' association, claimed that the rentals specified in that contract were not payable, because they related to the supply of services by Sisal, some of which were already due pursuant to the concession, while some were useless to the owner of the point of sale. Sisal S.p.A. considers that these claims are groundless, and instructed its lawyers to prepare related defense statements. At the first hearing held on March 25, 2015, the judge accepted the exception - proposed by Sisal - of the lack of jurisdiction of the Ordinary Chambers, remanding the case to the Presiding Judge for its assignment to the Specialist Corporate Chambers. The proceedings were reassigned to these Chambers and a conclusions finalization hearing was set for February 1, 2017;

- The Stability Law 2015 delegated power to the Economy and Finance Ministry to take measures in support of the gaming industry in cases where specific products have produced a loss of turnover and tax revenue of not less than 15% per annum in the last three years; as the NTNG concession was in that situation, with the aim of relaunching the most popular and best-known product of those managed by the Group, activities began and were completed to finalize the new SuperEnalotto game formula and the corresponding procedures for approval by the competent authorities. The new game formula went into effect from the pool opened on January 31, 2016.

Concession for the activation and operation of the network for online management of legal gaming through gaming machines, and of the associated activities and functions

- As regards the penalties that the gaming concessionaires have been ruled liable to pay on various grounds, after the conclusion at the end of 2013 of proceedings pending in the Court of Auditors with the reduced payment settlement, the corresponding payment and the Court's order to extinguish the proceedings, 2015 saw the conclusion also of the parallel administrative proceedings. The final decisions issued previously had already led to cancellation of three of the penalties imposed by the granting authority and the termination of the related litigation. For a fourth penalty, the Regional Administrative Tribunal had cancelled the penalty but AAMS had appealed. As regards this last dispute, on January 27, 2012 AAMS issued notification of the penalty for failure to comply with the service level agreement relating to the response of the gateway system to computerized queries sent by Sogei, quantified at Euros 8,995,332.98; at the main hearing held on February 20, 2013 the Regional Administrative Tribunal also cancelled this penalty, and AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014. In this appeal also, in its decision filed on December 3, 2015, the Council of State confirmed cancellation of the penalty;

- Again in relation to the concession in question, the Stability Law 2015 provides a reduction of the fees paid for concession activities, amounting to a total of Euros 500 million, to be divided between the various concessionaires according to the number of authorizations for gaming machines held in their names on December 31, 2014; the sum payable by each concessionaire was specified in a Director’s Decree issued by AAMS on January 15, 2015. After renegotiating the agreements with gaming network operators, concessionaires will be able to pass on a proportion of the fees reduction mentioned previously.

  In view of the unfairness of the terms of the Stability Law 2015 and the alleged lack of constitutional legitimacy of the Law, Sisal Entertainment S.p.A. - in a manner similar to that applied also by the other concessionaires - appealed to the Lazio Regional Administrative Tribunal, which considered the exceptions to constitutional legitimacy raised by Sisal Entertainment to be acceptable and remanded proceedings to the Constitutional Court;

- The 2016 Stability Law again acted upon this matter through an overall review of the above-mentioned fee decrease. In particular, on the one hand it repealed the previous regulations from January 1, 2016 (replaced by increasing the taxes applied on the total amounts played through gaming machines), and on the other hand for the previous period of application of the measure adopted a rule that, though stated to be an interpretation, seems instead to have a strong novation effect. Specifically, it introduces the criterion of distribution within the network of the reduction applied under the 2015 Stability Law, anchoring it to the participation of each to the distribution of the fee, based on related contractual arrangements and taking into account their duration in 2015. After further legal and regulatory study, the Group’s concessionaire therefore reached the conclusion that the new legislation mentioned above, remedying the problem of non-quantification of the reduced fee for internal distribution among individual network operations related to each concessionaire, decreed autonomy and independence not only in terms of fee-related items but also of the related payables due from individual operators. Given the above, Sisal Entertainment S.p.A. consequently excluded from its statement of financial position (in terms of receivables from the network and payables due to tax authorities) any fees not yet collected from the network, amounts relating to the 2015 Stability Law to be paid to the AAMS when and to the extent they are collected from the operators.

Principal risks and uncertainties to which the Group is exposed

The Group operates in a complex regulatory environment which is subject to continuous evolution.

The strong presence of the Italian state regulatory activity and of the bodies responsible for the control and management of this market often subordinates the development of the entrepreneurial activities of the Group to acquisition of authorizations or to participation in public tenders which are made particularly competitive not merely by the presence of other historic operators in the Italian market but also by increasingly fierce pressure, not always conducted within the limits set by national laws, from foreign operators to expand and consolidate their presence in our national market.

The result is frequently a high level of litigation surrounding the outcome of tenders which is expressed in the numerous appeals and litigation claims submitted, in some cases opportunistically in order to create disturbance.

The impact of these factors on companies' financial statements is amply commented both in the description of the litigation in progress and in the analysis of the effects which regulatory developments have on revenue recognition and how the modifications to the contractual terms of the concessions rights awarded or to be awarded will affect the accounting treatment of the related financial statement items.

Group management monitors constantly the evolution of these factors in the light of the companies' many years of experience in the industry, undertaking legal action where necessary to protect the interests of the companies.

The exposure of the Group in particular to pricing, credit and liquidity risks and to the risk of fluctuations in cash flows and the policies developed to deal with these risks are amply described in the section of the notes dedicated to financial instruments, to which reference is made for further details.

Furthermore, as from 2006, the main subsidiaries have progressively adopted an organizational model that conforms to Legislative Decree 231/2001 on matters regarding their corporate administrative liability, models which in 2015 were updated to comply with new legislative measures on self-money laundering and environmental offences. In 2015, as in the previous years, the Supervisory Body has not reported any significant inconsistencies or deviations from the models referred to above.

Other information

A number of disputes and/or fiscal inspections and investigations of some subsidiaries were pending at the year end.

In particular, during the course of the years 2008 and 2009, two tax investigations of Sisal S.p.A. were conducted by the Lombardy Regional Office of the Revenues Agency, namely a general type of inquiry on the year 2005 and a partial type of inquiry on the year 2006. The latter, in particular, was aimed at checking income taxes, VAT and IRAP taxes on certain transactions carried out in that period specifically in reference to the merger between the company and the merged company Sisal S.p.A. (the company resulting from the merger took the name of Sisal S.p.A.) and the tax treatment of certain tax expenses related thereto. This investigation ended on October 22, 2009, with the preparation of a Note of Findings ("NoF") mainly containing objections to the pertinence of some expenses connected with the loan secured for the foregoing merger transaction which, in turn, can be traced to the extraordinary transaction for the acquisition of control of the Sisal Group during 2005. In particular, in that NoF, the investigators disputed the deductibility for IRES and IRAP tax purposes of costs amounting to about Euros 8.2 million incurred in 2006, and denied the deductibility of VAT amounting to about Euros 0.5 million in 2005 and about Euros 0.1 million in 2006.

Following this NoF, on December 17, 2009, the Milan 2 Local Office notified the company of an assessment for the unlawful deduction of VAT amounting to Euros 530,000 in 2005, plus interest, and imposed fines of the same amount. During 2010, Sisal S.p.A. promptly appealed the assessment before the Milan Provincial Tax Commission, and the first hearing, also dealing with the matters illustrated below, was adjourned to the end of October 2012. After the hearing, the Tax Commission upheld the company's appeal on the merits; the company appealed against the decision to the appropriate Regional Tax Commission (hearing in January 2014), which reversed the decision at first instance, ruling that said deduction related to costs not associated with activities designed to earn income for the company. In December 2014, the company, represented by Prof. Maisto, decided to appeal to the Court of Cassation on the grounds that said ruling is unfounded. In the meantime, following the decision of the Regional Tax Commission, the company was served with a provisional payment notice for the assessed tax, plus a 100% surcharge by way of penalty together with interest and enforcement fees, making a total of about Euros 1.3 million, which was duly paid in January 2015.

On May 10, 2010, the Milan Tax Police Nucleus, Second Complex Inspection Section, entered Sisal S.p.A. with a warrant to perform a tax inspection for the purpose of direct income taxes for the tax years 2008 and 2009. Later, on June 7, 2010, the officers charged with the inspection presented the company with a supplementary order extending the inspection to cover the tax years 2005 to 2007, only with regard to the effects of the same above-mentioned extraordinary operation regarding the

acquisition of control of the Sisal Group which took place during 2005. The inspection activities were concluded on September 23, 2010 with the issue of a NoF in which the inspectors argued that the extraordinary operations put in place for the above acquisition fall under the scope of the anti-evasion provisions of art. 37-bis of DPR 600 of September 29, 1973. According to the inspectors, the legal acts performed in the course of these operations were not based on valid economic reasons, and generated an unlawful tax advantage represented by the company’s deduction of finance expenses for IRES tax purposes. In particular, the finance expenses alleged by the inspectors to have been unlawfully deducted amount to a total of approximately Euros 37 million between the years 2005 and 2008, plus (on the basis of the report to the competent office contained in the NoF) expenses relating to the year 2009, for which the deadline for filing the tax return, comprising income estimated in the NoF at about Euros 9.5 million, had not yet expired on the date of the NoF.
On the basis of that NoF, on November 19, 2010, the Milan Provincial Office II sent the company a request for clarifications pursuant to art. 37-bis, DPR 600 of September 29, 1973, for the tax period 2005. On January 17, 2011, Sisal S.p.A. replied to the above questionnaire providing ample arguments and documentation as confirmation of the inapplicability of art. 37-bis cited above.
In the first few months of 2012 the company, through its consultants, decided to file an application for a 2006 tax settlement proposal relating to said NoFs with a view to commencing a formal procedure during which a possible reduction in the claims resulting from the NoFs could be discussed, without a binding commitment to accept any proposals made by the Office. These contacts also continued in 2013 and 2014, until in December 2014, probably to prevent the assessment periods from becoming statute-barred as a result of possible legislative changes introduced by the Tax Delegation Bill, the company and its parent company (in the capacity of consolidating entity) were served with assessment notices for the years 2006 to 2009 for taxes, penalties (100% surcharge) and interest amounting to a total of about Euros 38 million. The two companies, which are confident of the legitimacy of the operations they have performed from both fiscal and civil law standpoints, and the actual costs incurred by way of interest and expenses, evaluated the opportunity of submitting a tax settlement proposal for the years 2007 to 2009 in January 2015, while for the year 2006, for which a tax settlement proposal has already been submitted, a formal appeal had to be submitted to the Provincial Tax Commission. In May 2015 the Revenues Agency informed Sisal S.p.A. that agreement to the settlement proposal was impossible (also based on instructions from the Central Office of the Revenues Agency) and related appeals therefore had to be filed immediately with the Tax Commission.

Again in 2015 a general tax audit was performed on Sisal S.p.A. by the Large Taxpayers Office, Lombardy Regional Office of the Revenues Agency with regard to the three-year period 2010-2012. The audit was completed in September 2015 with the signing of a NoF containing a number of proposed findings for all three years, mainly in reference to the deductibility of finance expenses on the aforementioned leveraged buy-out and the VAT deduction considered by the inspectors to be higher than that due on a pro rata basis. Against a theoretical tax charge in terms only of the higher taxes claimed of around Euros 11.5 million, the company first of all declared at the time of the NoF that it fully disagreed with the findings it contained. Later, also after receipt in December 2015 of an initial assessment notice for 2010 and relating to the alleged deductibility of VAT, the company in any event considered it appropriate in February 2016 to file a formal application for tax assessment settlement. These proceedings are still pending greater discussion of the claims with the tax authorities prior to launching a formal tax litigation process, if necessary. Lastly, again in relation to the aforementioned audit, in reference to the finding of alleged non-deductibility of finance expenses, in November last year the company received a questionnaire from the Revenues Agency requesting clarification for the tax years 2010 to 2012, pursuant to the new regulation approved during the year on abuse of rights. Responses were promptly provided and formalized, considered to have given further complete clarification of the inapplicability of the anti-evasion regulations to situations involving Sisal S.p.A. in previous years; nevertheless, during the month of March 2016 the same Revenues Agency notified the Company with an assessment notice for 2010 reporting taxes and penalties claims for about Euros 5.4 million related to the alleged non deductibility of finance expenses on the leveraged buy-out acquisition. Group tax service is currently reviewing and analyzing this last assessment notice, even remaining unchanged the above reported considerations on the overall event.

In relation to a similar matter, in September 2013, the Milan Public Prosecutor's Office informed the Parent's Managing Director that a preliminary investigation had begun into an alleged offense under art. 4 of Legislative Decree 74/2000 (untrue income tax return) because, acting in the capacity of authorized representative and signatory of the company's IRES tax returns for the tax periods 2007, 2008 and 2009, the Company was alleged to have wrongfully deducted from said returns interest payable exceeding, for one financial year, the punishability threshold laid down by art. 4.b of said Decree. The investigation is based on a tax inspection performed by the Financial Police. The Managing Director's lawyers immediately filed substantiated, documented defense pleadings for the attention of the Public Prosecutor, arguing that the factual and legal elements required to constitute the offense in question were not present, and applying for the criminal proceedings to be withdrawn, as all the disputed tax charges correspond to costs actually incurred and documented, so the element of representation of fictitious expenses or concealment of income required to constitute said offence is lacking. The same Public Prosecutor's Office and the Milan Court recently decided on the withdrawal of a separate, older investigation relating to a similar leveraged buy-out operation on the Group in 2005, having established that the costs then incurred were justified, and actually paid. Moreover, the facts forming the subject of the tax inspection conducted by the Financial Police have already been settled in tax terms by the Company, pursuant to applicable tax legislation. In its defense, the Company filed all useful documents and independent expert reports and, following extensive preliminary discussions, in a decision dated October 5, 2015 the Court acquitted the defendant for reasons, unless in any way confirmed on the merits, of criminal non-materiality of the conduct charged.

As regards further tax disputes triggered by the 2010 tax inspection of Sisal Entertainment S.p.A. by officials from the Lombardy Regional Office of the Revenues Agency - Large Taxpayers' Office, extensively illustrated in the financial statements for the preceding years, which relate to the allegedly unlawful deduction in the period in question and subsequent periods of allegedly excessive amounts of depreciation on "sub-section 6" gaming machines, due to the use of a fiscal depreciation rate (20%) considered inappropriate by the inspectors, the current situation is as follows:

- the tax years 2006 and 2007 are both awaiting a hearing in the Supreme Court of Cassation after the corresponding Regional Tax Commissions expressed conflicting opinions, one against and one in favor of the Company's defense arguments (thereby overturning diametrically opposite judgments issued by the Provincial Tax Commissions);
- the 2008 tax year formed the subject of a judgment at first instance favorable to the tax authority, against which the Company filed an appeal heard by the Regional Tax Commission in May 2015. The decision has not yet been filed;
- as regards the year 2009, the company received the corresponding assessment notice in November 2014 and subsequently submitted a suspension application and appeal to the Provincial Tax Commission; the suspension application was heard and granted on March 9, 2015, and the case was heard on the merits in June 2015. The decision was later filed by which the Tax Commission rejected the appeal on the merits, with poor and certainly questionable reasons, against which the company promptly appealed in January 2016;
- lastly, as regards 2010, in December 2015 the Revenues Agency notified Sisal Entertainment of an assessment notice, against which the related appeal is now being prepared.

Despite the above-mentioned contradictory rulings and unfavorable developments in the dispute in 2015, pending future developments/decisions (as to which further favorable precedents have been found in case law and additional facts to support the company's arguments), there currently seems to be no reason to believe that higher taxes, interest or statutory penalties will eventually be imposed. As a result of developments in the dispute mentioned above and on the basis of current regulations, it became necessary to pay taxes and penalties for a total of Euros 2.2 million up to December 31, 2015, as a temporary collection measure.

Moreover, in November 2014, assessments were begun at the Parent, Sisal S.p.A. and Sisal Entertainment S.p.A. by the Financial Intelligence Unit of Bank of Italy (UIF) pursuant to art. 47 and 53.4 of Legislative Decree 231/2007, to verify compliance with the provisions concerning anti-money laundering and anti-terrorism financing, in respect of reports of suspect transactions. The company functions involved offered the maximum collaboration to the UIF officers who concluded the inspection phase at the company in February 2015. After completion of the inspection activities, the UIF issued a final report indicating areas for improvement of operations, of which interested parties were promptly informed and reviews undertaken. At the same time, 6 positions were notified for which, according to the tax authority, suspicious transaction reports considered due in relation to the circumstances of the cases in question were either delayed or not issued. With respect to the penalty proceedings, the Group promptly arranged the filing of deductive pleadings by the legal deadlines, requesting a hearing in order to further discuss the reasons for failure to submit suspicious transaction reports. The date of the hearing is still pending.

Lastly, note that in 2011 the Milan Public Prosecutor's Office commenced an investigation into the Managing Director of Banca Popolare di Milano S.c.a.r.l. (BPM) and some of his staff for the offense of breach of trust resulting from the payment or promise of benefits, as defined by art. 2635 of the Civil Code. Starting from said investigation, the Prosecutor subsequently commenced further lines of enquiry relating to the dealings between BPM and other parties (as formalized in July 2012), including the Managing Director of Sisal S.p.A., relating to possible participation in committing acts that might constitute breach of trust. With regard to the Managing Director of Sisal, the proceedings are pending archive at the request of the Public Prosecutor due to the absence of any evidence of guilt.

Information regarding human resources and the environment

The Group has 1,806 employees at December 31, 2015. No cases of death and/or serious work accidents or occupational diseases were recorded among employees or former employees, or any cases of mobbing.

As regards the question of any impact on the environment caused by the Group' activities, during the year no cases of damage to the environment occurred for which Group companies could be held responsible nor were any fines or penalties imposed on them for environmental violations or damage. As regards policies for the disposal and recycling of refuse and/or waste from business activities, the only procedures in place were those for the disposal of packaging, electronic components and/or consumables from electronic equipment (such as photocopier toner) through specialized firms. Personnel training was also provided by specialist companies to provide the skills to better put waste disposal procedures into practice. Where necessary, special containers were installed that clearly indicate the CER (European Waste Certification) waste disposal codes so as to avoid errors during disposal. Arrangements were also made for a more thorough classification of material for disposal, including the certification of certain types of materials according to their correct CER codes. The CER certification places Group companies in a position of safety as regards the accuracy of obligations to be complied with at the time of disposal.

Development and investment activities

Again in 2015, the Group maintained high levels of investments in property, plant and equipment and intangible assets, for a total of around Euros 39 million, though recording a decrease of approximately Euros 8 million on the total for the previous year.

As for property, plant and equipment, approximately Euros 25 million was invested by the Group, of which approximately Euros 13 million relating to purchases or technological updates of gaming machines and terminals for gaming and services.
Another Euros 5.3 million was spent during the year for plant systems, restructuring and furniture in the main operating centers of the Group and especially in the points of sale network, made up of the horse and sports betting agencies and corners and WinCity. Investments of approximately Euros 5.5 million were also made for central and peripheral hardware, network systems and equipment and ADSL connectivity.

As for investments in intangible assets and concessions, as in the prior year, there were no significant investments in concessions (except for approximately Euros 1.2 million for new authorizations to operate gaming machines), whereas the investments in software and operating applications remained at high levels, for a total of approximately Euros 12 million.

As for acquisitions, in July 2015 the Group finalized the acquisition transaction, for approximately Euros 130 thousand, on a business unit that performs collection services for games for the public, relating to horse racing or sports, and is a gaming machine operator at a store in Rome.

Transactions with parent companies

With regard to transactions with the direct parent, Gaming Invest S.à r.l., as previously mentioned, at the end of the year Sisal Group has one loan outstanding from this company of approximately Euros 411 million for principal, including interest capitalized according to the existing agreements.

Transactions with related parties

The transactions with related parties are detailed in the Notes to the Consolidated Financial Statements and in particular in Note 43.

Number and nominal value of treasury shares

Neither the Parent nor the other companies of the Group hold treasury shares, nor do they hold shares or quotas in parent companies, either through trust companies or third parties. During the period, no acquisitions or sales of these types of shares or quotas took place.

Significant events occurring after the end of the year

In line with consolidated practice, in January 2016 the Group approved its budget for the current year, for the second year running significantly affected by the contents of the recently approved Stability Law which, despite being different to those of the previous year, again have a major impact on gaming business margins, particularly due to the single taxation method (PREU) on slot machines raised from 13% in 2015 to 17.5% from January 1, 2016. The same legislation also allowed reduction of the minimum payout from 74% in 2015 to 70% with effect from 2016, a change which will in any event require significant input for its application to the entire pool of gaming machines managed by the Group.

Again as part of the gaming machines segment, the aforementioned regulations also envisaged - as mentioned previously - elimination of the lump-sum reduction in fees for a total of Euros 500 million, a three-step disposal process for slot machines currently in use (to be completed by December 31, 2019) and the introduction of latest generation, remotely-controlled slot machines installable from January 1, 2017, onwards.

With reference to other gaming segments of direct interest to the Group, the 2016 Stability Law also confirmed the tender for the award of new nine-year concessions for the collection of bets on sporting events, including horse racing, and non-sporting events numbering 15,000 due to start from May 2016 with starting odds totaling Euros 32,000 for those made at the “agencies” (up to a maximum of 10,000 units) and Euros 18,000 for those made at “corners” (up to a maximum of 5,000 units), and envisaging a free extension of current concessions (due to expire June 30, 2016) until new licenses are signed. In addition, from January 1, 2016, a new tax has been introduced on the margin for fixed-odds bet collection set at 18%, if collected on a physical network, or 22% if remote collection is involved. The latter regulatory change had been long awaited and hoped for by industry operators.

Lastly, on conclusion of a long approval process, note that at the beginning of February Sisal S.p.A., the Group's NTNG concessionaire, was able to start up collections on the new SuperEnalotto game, which a number of structural changes - such as increased payout and average jackpot total - should make the game more appealing to consumers. The trend for the first few weeks of collections, with rates increasing by more than 30% compared to previous operations, are encouraging in this sense.

Outlook

The expectations for the current year, incorporated in the related Group budgeting process, are influenced to a significant degree by regulatory changes introduced by the latest Stability Law, particularly in the sector for gaming machines managed by Sisal Entertainment S.p.A..

To overcome such impact this company and the other Group companies have prepared an additional incisive operating cost reduction plan and have performed a full review of investment projects in order to limit any impact the new regulations might have on company liquidity.

The gaming market overall is predicted to arrive at approximately Euros 85.3 billion in 2016, down about 1.9% from the 2015 market forecast. Note that this is due to the expected decrease in the gaming machines segment (-5.3%) from cuts in the number of machines installed as a result of regulatory amendments approved at the end of 2015. Betting and pool games, instead, are expected to grow on the whole (+16.8%), also thanks to the contribution of major 2016 sporting events such as the European soccer championships in France and the Brazil Olympics, and after a number of consecutive years' decline it is estimated that NTNG revenues will also rise following the renewal and relaunch of the product mix described previously.

Lastly, in 2016, the turnover of the online channel is also forecast to contract overall. Specifically that of online poker is estimated to show a further drop (-34.9%), partially offset by the growth of casino games (+7.8%).

In the addressable payment services market, however, which in 2015 achieved turnover of Euros 85 billion, the forecast for 2016 is another slight increase of around 0.8%, but in the Group's operating segment, the "Convenience Channel", the trend is expected to be more positive with growth of +3.9%, rising from Euros 18 billion in 2015 to Euros 18.7 billion in 2016 and driven largely by financial and payment services.
The Group's business objective is to further consolidate its presence in this important economic area taking advantage, on the one hand, of its already significant client portfolio but also the consolidation

of important process innovations such as providing the network throughout the territory with terminals that allow electronic payments using debit cards (Bancomat) and credit cards (already in an extensive phase of implementation in 2014), development of a dedicated distribution network and consolidation of the online platform, all these being initiatives already commenced in previous years.

In view of the above anticipated trends and also taking into account the planned efforts to further optimize company costs, the operating results for the current year are expected to be essentially in line with the 2015 performance (excluding the effects of non-recurring expenses) and a similar trend is also expected in terms of financial management, so much so as to in any event allow further significant investments (including one-off charges for renewal of the concessions about to expire), in compliance with restrictions associated with existing loans.

Finally, as regards the corporate and financial structure, the Group will continue to pursue all the options possible so that it can conclude successful operations that reflect the real value and ensure the development and the prospects of growth of the Company's business. These also include the achievement of an overall corporate refinancing project for which the related feasibility studies have already commenced.

Milan, March 29, 2016

* * *

On behalf of the Board of Directors

The Chairman

Prof. Augusto Fantozzi

SISAL GROUP S.p.A. (with a sole shareholder)

Registered in the List of Payment Institutions ex art. 114-septies Legislative Decree 385/93 – Code 33500.1
Registered office: Milan – Via A. di Tocqueville 13
Share capital: subscribed and paid-in for Euros 102,500,000
Milan Registry of Companies - Ordinary section no. 05425630968
R.E.A. of Milan No. 1820505
Tax Code and VAT no.: 05425630968

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
(in € thousands)	**Notes**	**2015**	**2014**
Revenues	8	693,803	715,237
Fixed-odds betting income	9	89,563	99,696
Other revenues and income	10	3,711	6,045
of which non-recurring	*44*	*439*	*1,188*
Total revenues and income		**787,077**	**820,978**
Purchases of materials, consumables and merchandise	11	10,394	11,608
of which non-recurring	*44*	-	35
Costs for services	12	445,461	470,781
of which related parties	*43*	*3,193*	*2,768*
of which non-recurring	*44*	*1,362*	*5,180*
Lease and rent expenses	13	24,248	25,268
Personnel costs	14	90,463	92,506
of which related parties	*43*	*4,643*	*4,604*
of which non-recurring	*44*	*794*	-
Other operating costs	15	34,902	35,825
of which non-recurring	*44*	*714*	*1,117*
Depreciation, amortization, provisions and impairment losses and reversals	16	129,507	114,666
of which non-recurring	*44*	*17,076*	-
Net operating profit (loss) (EBIT)		**52,102**	**70,324**
Finance income and similar	17	503	1,203
Finance expenses and similar	18	84,846	91,031
of which related parties	*43*	*41,773*	*45,515*
Share of profit/(loss) of companies accounted for by the equity method		(58)	(211)
Loss before income taxes		**(32,299)**	**(19,715)**
Income taxes	19	7,412	(18,716)
of which non-recurring	*44*	-	*(22,853)*
Loss for the year		**(39,711)**	**(999)**
Attributable to non-controlling interests		109	340
Attributable to owners of the parent		**(39,820)**	**(1,339)**
Other comprehensive income:			
Other comprehensive income that will not be reclassified subsequently to the income statement:			
Remeasurement of defined benefit plans		514	(1,820)
Tax effect		(186)	502
Total comprehensive loss for the year		**(39,383)**	**(2,318)**
Attributable to non-controlling interests		109	338
Attributable to owners of the parent		(39,492)	(2,656)
Basic and diluted loss per share	20	(0.39)	(0.01)

Consolidated Statement of Financial Position

		At December 31,	
(in € thousands)	**Notes**	**2015**	**2014**
Non-current assets			
Property, plant and equipment	21	103,837	120,565
Goodwill	22	860,912	879,978
Intangible assets	23	141,359	185,561
Investments in associates		-	58
Deferred tax assets	24	25,173	31,938
Other non-current assets	25	23,155	24,825
Total non-current assets		**1,154,436**	**1,242,925**
Current assets			
Inventories	26	11,302	8,965
Trade receivables	27	144,398	135,276
Current financial assets	28	-	-
Taxes receivable	29	1,436	3,652
Restricted bank deposits	30	101,857	90,339
Cash and cash equivalents	31	139,743	113,692
Other current assets	32	41,076	48,418
Total current assets		**439,812**	**400,342**
Total assets		**1,594,248**	**1,643,267**
Equity			
Share capital		102,500	102,500
Legal reserve		200	200
Share premium reserve		94,484	94,484
Other reserves		88,488	87,928
Retained earnings (Accumulated deficit)		(294,549)	(255,777)
Total equity attributable to owners of the parent		**(8,877)**	**29,335**
Equity attributable to non-controlling interests		340	1,511
Total equity	**33**	**(8,537)**	**30,846**
Non-current liabilities			
Long-term debt	34	1,051,467	1,037,656
of which related parties	*43*	*410,885*	*387,015*
Provision for employee severance indemnities	36	10,035	11,318
Deferred tax liabilities	24	12,876	15,858
Provisions for risks and charges	37	12,459	14,101
Other non-current liabilities	38	3,360	7,158
Total non-current liabilities		**1,090,197**	**1,086,091**
Current liabilities			
Trade and other payables	39	254,668	267,798
Short-term debt	34	34,389	34,286
Current portion of long-term debt	34	19,857	20,165
Taxes payable	40	779	4,458
Other current liabilities	41	202,895	199,623
Total current liabilities		**512,588**	**526,330**
Total liabilities and equity		**1,594,248**	**1,643,267**

Consolidated Statement of cash flows

(in Euros thousands)	December 31, 2015	December 31, 2014
Profit (loss) before income taxes	**(32,299)**	**(19,715)**
Amortization/depreciation	98,262	100,825
Impairment losses on current receivables	11,950	12,362
Impairment losses on property, plant and equipment and intangible assets	19,987	189
Profit (loss) on assets measured at equity	58	211
Allocations to provisions related to personnel, other provisions and other non-cash items	(397)	951
Finance (income) expenses	84,343	89,828
Cash flows generated (used) in current operations	**181,904**	**184,651**
Change in trade receivables	(21,072)	(24,986)
Change in inventories	(2,337)	45
Change in trade payables	(13,130)	(623)
Change in other assets and liabilities	(384)	(7,453)
Taxes paid	(6,298)	(1,603)
Cash flows generated (used) in current operations	**138,683**	**150,031**
Investments in intangible assets	(13,285)	(13,357)
Investments in property, plant and equipment	(24,559)	(33,095)
Investments in non-current financial assets	0	(206)
Net acquisition of cash acquired or paid	(4,457)	(15,808)
Cash flows generated (used) in investing activities	**(42,301)**	**(62,466)**
New medium/long-term loans	1,900	800
Repayments of medium/long-term loans	(14,965)	(13,763)
Net change in lease-related loans	(1,266)	(1,537)
Net change in short-term loans	0	(300)
Net interest paid	(56,000)	(63,377)
Cash flows generated (used) in financing activities	**(70,331)**	**(78,177)**
Increase (decrease) in cash in hand and at banks	**26,051**	**9,388**
Cash at the beginning of the period	**113,692**	**104,304**
Cash at the end of the period	**139,743**	**113,692**

The effects of the flows relating to non-recurring transactions are indicated in Note 44.

Consolidated Statement of Changes in Equity

(in Euros thousands)	Notes	*Share capital*	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to owners of the parent*	*Non-controlling interests*	Total equity
Equity at December 31, 2013	**33**	**102,500**	**200**	**94,484**	**(1,638)**	**(253,120)**	**(57,574)**	**1,174**	**(56,400)**
Actuarial gains (losses) on employees' defined benefit plans		-	-	-	-	(1,318)	(1,318)	(2)	(1,320)
Profit (loss) for the year		-	-	-	-	(1,339)	(1,339)	340	(999)
Comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**(2,657)**	**(2,657)**	**338**	**(2,319)**
Dividend distribution		-	-	-	-	-	-	-	-
Waiver of shareholder loan					89,080		89,080		89,080
Other changes		-	-	-	486	-	486	(1)	485
Transactions with shareholders	**33**	**-**	**-**	**-**	**89,566**	**-**	**89,566**	**(1)**	**89,565**
Equity at December 31, 2014	**33**	**102,500**	**200**	**94,484**	**87,928**	**(255,777)**	**29,335**	**1,511**	**30,846**
Actuarial gains (losses) on employees' defined benefit plans		-	-	-	-	327	327	1	328
Profit (loss) for the year		-	-	-	-	(39,820)	(39,820)	109	(39,711)
Comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**(39,493)**	**(39,493)**	**110**	**(39,383)**
Dividend distribution		-	-	-	-	-	-	-	-
Other changes		-	-	-	560	721	1,281	(1,281)	-
Transactions with shareholders	**33**	**-**	**-**	**-**	**560**	**721**	**1,281**	**(1,281)**	**-**
Equity at December 31, 2015	**33**	**102,500**	**200**	**94,484**	**88,488**	**(294,549)**	**(8,877)**	**340**	**(8,537)**

SISAL GROUP

Notes to the Consolidated Financial Statements at December 31, 2015

1. General information

Sisal Group S.p.A. (hereafter also "**Sisal Group**", the "**Company**" or the "**Parent**") is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Tocqueville 13, organized under the laws of the Republic of Italy. The current name of the Company was adopted in December 2013. The Company was formerly denominated Sisal Holding Istituto di Pagamento S.p.A.

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

The sole shareholder of the Company is Gaming Invest S.àr.l. ("Gaming Invest"), a company indirectly owned, through vehicle companies, by funds promoted by the Apax, Permira and Clessidra groups, by Rodolfo Molo and Malvina Molo as well as certain former executives of the Company.

These consolidated financial statements were approved by the Board of Directors of Sisal Group S.p.A. on March 29, 2016.

2. Summary of accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the International Financial Reporting Interpretations Committee ("IFRIC") and before that the Standing Interpretations Committee ("SIC") which, at the balance sheet date, have been adopted by the European Union according to the procedure established by Regulation EC 1606/2002 of the European Parliament and European Council on July 19, 2002. The IFRS have been applied on a consistent basis with the periods presented.

These consolidated financial statements are presented in thousands of Euro, which represents the currency of the economic environment in which the Group operates. All amounts presented in the notes are expressed in thousands of Euro, unless otherwise stated.

The format of the financial statements and the relative classification criteria adopted by the Group, within the framework of the options provided by IAS 1 – *Presentation of financial statements* are presented below:

- the consolidated statement of financial position uses a format classifying the assets and liabilities according to current and non-current;
- the consolidated statement of comprehensive income, which classifies costs according to their nature, includes, besides the profit or loss for the year, other non-owner changes in equity;
- the consolidated statement of cash flows is prepared by recognizing cash flows from operating activities according to the indirect method. In the consolidated statement of cash flows, the cash flows provided by the Group's operating activities exclude the effects of fluctuations in the amounts payable for jackpots and winnings of the games which have a contra-entry in restricted bank deposits. This is because the cash flows generated by the sale of the various games and earmarked, by concession obligation, for the payment of the winnings are set aside in dedicated bank accounts. The change was made to provide a clearer representation of the cash flows relating to the cash actually available for the Group. Therefore, the cash movements correlated to the payment of winnings from the dedicated bank accounts are excluded. Consequently the cash at the beginning and at the end of the year shown in the consolidated statement of cash flows is reconciled only to the cash and cash equivalents shown in the statement of financial position, which excludes the restricted cash deposits for the payment of winnings, which are classified in a separate line of the consolidated statement of financial position.

2.2 Going concern

The year ended December 31, 2015 closed with a loss of Euros 39,711 thousand, consolidated equity at December 31, 2015 is therefore negative by Euros 8,537 thousand and net working capital at the same date is a negative Euros 158,273 thousand. The loss for the year is approximately Euros 39 million greater than for the previous year which had benefited from net non-recurring income totaling about Euros 17.7 million. On the other hand, 2015 results were affected by non-recurring expenses for about Euros 19.5 million, mainly relating to the partial write-down of goodwill following an impairment test.

With regard to working capital, it should be mentioned that the business of the Group is characterized by a financial cycle in which the cash flows payable to the partners and the State are taken up by the network in advance of the relative obligation of payment. Therefore, the presence of a negative working capital should be considered an ongoing phenomenon of the Group.

As for the debt structure, the Company still has a loan secured from Gaming Invest S.àr.l. for an amount, at December 31, 2015, of Euros 411.0 million subordinated to the obligations arising from the Senior Credit Agreement signed with the banks and the issuance of the Senior Secured Notes, both maturing in September 2017. In particular, for the foregoing loan called "Shareholder Loan C", the payment of a portion of the interest due can be deferred for the entire duration of the loan on request of the borrower, therefore the contractual characteristics for the repayment and interest settlement conditions on the loans granted by Gaming Invest facilitate the Group in meeting its financial requirements associated with business operations and contracted obligations.

The important presence of the sole shareholder as a lender of the Group allows for greater flexibility in defining the policies for capital management and the equilibrium between risk capital and debt as can be seen in the following table:

	At December 31,			
(in Euros thousands Percentages computed on total debt and equity)	**2015**		**2014**	
Long-term debt	640,582		650,641	
Short-term debt and current portion of long-term debt	54,246		54,451	
Funding from third parties	**694,828**	**63.3%**	**705,092**	**62.8%**
Shareholder Loan	410,885		387,015	
Funding from sole shareholder	**410,885**	**37.4%**	**387,015**	**34.5%**
Equity	**(8,537)**	**(0.8%)**	**30,846**	**2.7%**
Total debt and equity	**1,097,175**	**100.0%**	**1,122,953**	**100.0%**

Despite a context of partial deterioration of the reference regulatory conditions (particularly affecting the Gaming segment), 2015 recorded gross profit and operating profit levels (net of the impact of non-recurring expenses) that were essentially in line with those of 2014, and an overall growth compared to forecasts made at the beginning of the year.

These trends are also confirmed by recent projections drafted by management, particularly for the current year and the next, resulting in a gradual reduction in net debt and compliance with the financial covenants established in the outstanding loan contracts. Group management also began analysis to define an overall corporate refinancing project to meet corporate requirements.

On the basis of the assessments previously illustrated with particular reference to the current and expected profitability of the Group, to the amortization plans for the repayment of debt and to the potential sources of alternative available financing, the directors believe that there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments as described previously, and in any case for a period of time beyond twelve months, and has therefore prepared these financial statements on a going concern basis.

2.3 Scope of consolidation and consolidation principles

The consolidated financial statements include the financial statements of Sisal Group S.p.A. and the financial statements of its subsidiaries, approved by their relative boards. The companies included in the scope of consolidation at December 31, 2015 and 2014 are reported as follows:

Companies included in the scope of consolidation				
			% Direct and Indirect ownership at December 31,	
Name	Headquarters	Share capital	2015	2014
Sisal Group S.p.A (Parent)	Milan	€ 102,500,000	-	-
Sisal SpA	Milan	€ 125,822,467	99.81%	99.81%
Sisal Point SpA	Milan	€ 600,000	99.81%	99.81%
Sisal Entertainment SpA	Milan	€ 2,131,622	99.81%	99.81%
Acme S.r.l.	Santorso (VI)	€ 20,000	99.81%	99.81%
Friulgames S.r.l.	Tavagnacco (UD)	€ 100,000	99.81%	59.89%

For additional details on the changes in the scope of consolidation during the years under examination see Note 6. Below is a brief description of the criteria used for the consolidation of subsidiaries and associates.

Subsidiaries

The consolidated financial statements include the financial statements of all the subsidiaries. Control exists when the Parent holds, directly or indirectly, the majority of voting rights or has rights or liability with respect to variable returns deriving from its relations with the entity concerned and, at the same time, is able to affect such returns by exercising its power over that entity. The subsidiaries are consolidated using the line-by-line method starting from the date that control commences until the date that control is transferred to a third party. The closing date of such financial statements coincides with that of the Parent.The principles adopted for line-by-line consolidation are as follows:

- The assets, liabilities, revenues and expenses of the subsidiaries are consolidated on a line-by-line basis, attributing to the non-controlling interests, where applicable, their share of equity and profit or loss for the year which is shown separately in equity and in the income statement;

- The business combinations in which control is acquired are recorded as set out in IFRS 3 – *Business Combinations* by applying the acquisition method of accounting which requires assets acquired, liabilities assumed and equity instruments issued to be measured at their fair value at the acquisition date. The identifiable assets acquired, the liabilities and contingent liabilities assumed are recognized at their fair value at the acquisition date except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale which are recognized on the basis of the relative accounting principles. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognized in intangible assets as goodwill, or, if negative, after reviewing the fair value measurements of the assets and liabilities acquired, is recognized directly in the income statement, as income. Transaction costs are recorded in the income statement when incurred;

- The acquisition cost also includes contingent consideration measured at fair value at the control acquisition date. Subsequent changes in fair value are recognized in the income statement or the statement of comprehensive income if the contingent consideration is a financial asset or liability. If the contingent consideration is classified as equity, the original amount is not re-measured and when extinguished is recorded directly in equity;

- Non-controlling interests in equity and in the profit (loss) are shown as separate items in the financial statements. At the acquisition date, non-controlling interests can be measured at either the acquisition date fair value or according to the proportionate share of the net identifiable assets of the acquired entity. The choice in the measurement method for non-controlling interests is decided on a transaction by transaction basis. If the business combination is achieved in stages, the Group re-measures any previously held interest in the acquired entity at acquisition date fair value and any resultant gain or loss is recognized in the income statement as appropriate;

- Changes in non-controlling interests in a subsidiary which do not constitute an acquisition or a loss of control are accounted for as equity transactions. Therefore, for purchases subsequent to the acquisition of control and the partial disposal of a subsidiary without loss of control, any positive or negative difference between the purchase cost/sales price and the corresponding share of equity is recognized directly in the equity of the Group;

- In the case of the partial disposal of a subsidiary resulting in the loss of control, the investment retained is adjusted to fair value and the revaluation forms part of the gain or loss on the transaction;

- Significant gains and losses (including the related tax effects) resulting from transactions between fully consolidated Group companies which have not yet been realized with third parties at the end of the reporting period are eliminated. Receivables and payables, costs and revenues and finance income and expenses between companies included in the consolidation are also eliminated, if significant.

Associates

Associates are those companies over which the Group exercises significant influence, which is presumed to exist when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost and, following the acquisition, adjusted to reflect the changes in parent’s interest related to net assets of the subsidiary, as follows:

- The carrying amount of such investments is aligned to the adjusted equity, where necessary, to reflect the application of IFRSs and includes the recognition of the higher/lower value attributed to the assets and liabilities and goodwill, if any, identified at the date of acquisition;

- The Group’s share of the investee’s profit or loss is recorded starting from the date that significant control commences until the date that control ceases. In the event in which, as a result of losses, the investee shows a negative equity, the carrying amount of the investment is reduced to zero and any additional losses are provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations, or in any case is required to cover the losses. Changes in the equity of the investee, accounted for using the equity method, unrelated to profit or loss are recognized in the statement of comprehensive income.

- Unrealized gains and losses between the Company/subsidiaries and the investee, accounted for using the equity method including the distribution of dividends, are eliminated to the extent of the Group's investment in the investee.

2.4 Accounting policies

A brief description is provided of the most significant accounting policies and principles used in the preparation of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production costs including directly chargeable incidental expenses necessary to bring the asset to use. Cost comprises the finance expenses directly attributable to the acquisition, construction or production of the asset. Cost also includes the expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalization of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method.

For investments made by Group companies, specifically Sisal Entertainment S.p.A., which exercised the option for the exemption from the obligations for the transactions exempted under art. 36 bis of D.P.R. 633/72, non-recoverable VAT referring to a specific purchase transaction increases the original cost, with the result being that such expense constitutes a part of the value of the capitalized asset. On the other hand, non-deductible VAT, calculated on the basis of the pro-rata coefficient, since it cannot be calculated objectively at the date of acquisition, is similar to a general cost and entirely recognized in other operating costs. The above assets are depreciated systematically each year on a straight-line basis at economic and technical rates calculated according to the assets' estimated useful lives. When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the component approach principle.

The estimated useful life by class of property, plant and equipment is the following:

Class of property, plant and equipment	Useful life in years
Buildings	33
Plant	3-10
Equipment	3-8
Other assets:	
- vehicles	4-5
- furniture and fixtures	8
- electronic office equipment	5
Leasehold improvements	**shorter of the estimated useful life of the asset and the duration of the lease contract**

When capital expenditures made by the companies refer to assets for the management of gaming obtained by concession from the Customs and Monopolies Agency (AAMS) and are transferable free of charge at the end of the concession period, depreciation is taken over the shorter of the estimated useful life of the asset and the remaining period of the concession.

Depreciation starts when the asset is ready for use taking into account the time at which such condition actually arises.

Leased assets

Assets held under finance leases, in which substantially all the risks and rewards of ownership are transferred to the Group, are initially recognized as assets of the Group at fair value or, if lower, at the present value of the minimum lease payments, including bargain purchase options. The corresponding liability due to the lessor is included in the statement of financial position under financial liabilities. Such assets are depreciated according to the criterion and rates indicated previously, unless the lease term is shorter than the useful life represented by those rates and there is no reasonable certainty of transfer of ownership of the leased asset on expiry of the lease, in which case the depreciation period is represented by the lease term.

Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are accounted for as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are without physical substance, identifiable, controllable and have the capacity to produce future economic benefits. Such assets are initially recognized at purchase and/or construction cost, including directly attributable expenses to prepare the asset for use. Interest expenses, if any, during and for the development of intangible assets are considered part of the acquisition cost. In particular, the following intangible assets can be identified in the Group.

(a) Goodwill

Goodwill is recognized as an intangible asset with an indefinite useful life. It is recognized initially at cost, as described previously, and subsequently tested for impairment at least annually. The reversal of a previous goodwill impairment loss is not permitted.

(b) Other intangible assets with a finite useful life

Intangible assets with a finite useful life are recognized at cost, as described previously, net of accumulated amortization and impairment losses, if any. Amortization starts when the asset is available for use and is charged systematically over the residual period of benefit, that is, over the estimated useful life. The estimated useful life for the various classes of intangible assets is as follows:

Class of intangible asset	**Useful life in years**
Patent rights and intellectual property	3
Concessions	Period of concession
Software user licenses	Period of utilization on a straight-line basis
Retail network and technological network	11
Sisal brand	19
Match Point brand	6

Rights and licenses acquired under finance leases, or linked to an agreement which, although not explicitly a finance lease, transfers substantially all the risks and rewards incidental to ownership, are recorded in intangible assets at fair value, net of any amounts due to the lessee, or, if lower, at the present value of minimum lease payments, with a corresponding financial payable to the lessor being recorded in liabilities. The assets are amortized in the manner described below. When there is no reasonable certainty that the lessee will obtain ownership of the assets at the end of the lease term, amortization is made over the shorter of the lease term and the useful life of the assets.

The costs relating to the development of new products and sales channels, particularly with reference to software (for example, the website software used for online gaming and betting, as well as the management of online payment services), are also capitalized. In accordance with IFRS, such costs are capitalized since it is believed that the estimated future economic benefits linked to the receipts from games and services, also online, are able to sustain the amount capitalized.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

(a) Goodwill

As mentioned previously, goodwill is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired.

To test for impairment, goodwill is allocated to each Cash-Generating Unit (“CGU”) monitored by management. An impairment loss on goodwill is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU to which goodwill is allocated is the higher of fair value less costs to sell and its value in use, intended as the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount.

The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the asset less costs to sell;
- the value in use, as defined above;
- zero.

The reversal of a previous goodwill impairment loss is not permitted.

(b) Tangible and intangible assets with a finite useful life

At every closing date, the Group assesses whether there are any indications of impairment of intangible and tangible assets. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trend in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount and any impairment loss is recorded in the income statement. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use, the latter being the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. For assets that do not generate largely independent cash flows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in the income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit and then only applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset is re-recognized in the income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized and if normal amortization/depreciation been applied.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade receivables and other financial assets are included in current assets, except for those with a contractual due date beyond twelve months after the date of the financial statements, which are classified as non-current assets.

The factoring of trade receivables which does not provide for the transfer to the factoring company of substantially all the risks and rewards of ownership (the Group thus remains exposed to the risk of insolvency and late payment: with recourse factoring) is similar to obtaining a loan guaranteed by the receivables factored. In this circumstance, the receivables transferred remain in the statement of financial position of the Group until collection is received by the factoring companies and, as a contra-entry to any advance obtained from the factoring company, a financial payable is recorded. The finance expenses for the factoring transactions represented by the interest on the amounts advanced are charged to the income statement on an accrual basis and classified under finance expenses. The commissions accruing on with recourse factoring are included in finance expenses, whereas the commissions on without recourse factoring are classified in other operating costs.

Impairment losses on receivables are recognized when there is objective evidence that the Group will no longer be able to recover the receivables due from the counterparty on the basis of the contract terms.

Objective evidence includes events such as:

- significant financial difficulties of the counterparty;
- legal disputes with the counterparty over the receivables;
- probability that the counterparty will declare insolvency or other financial restructuring procedure.

The amount of an impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows and is recognized in the income statement. If in subsequent periods the reasons for the impairment cease to exist, the asset value is reinstated up to the amount that would have been recognized had amortized cost been applied.

Financial assets, relating to non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Company intends and has the ability to hold until maturity are classified as “held-to-maturity financial assets”. Such assets are measured at amortized cost using the effective interest method, adjusted by impairment losses, if any. Whenever there are impairment losses, the same principles as described above for loans and receivables are applied.

Available-for-sale financial assets, including investments in other companies representing available-for-sale assets, are measured at fair value, if determinable. Changes in fair value are recognized directly in an equity reserve in other components of comprehensive income until they are disposed or impaired, at which time they are reversed to income. Other unlisted investments classified as "available-for-sale financial assets" whose fair value cannot be measured reliably are measured at cost adjusted by any impairment losses which are recognized in the consolidated income statement, as required by IAS 39.

Dividends received from investments in other companies are included in finance income.

INVENTORIES

Inventories of playslips and rolls of paper for gaming terminals are stated at the lower of purchase cost, using the weighted average cost method, and realizable value by reference to the market price.

Inventories of spare parts for the gaming terminals are stated at the weighted average cost based on purchase prices.

Obsolete and slow-moving inventories are written down according to their possibility of utilization or realization by setting up a specific provision recorded directly as a decrease in the corresponding asset item.

The inventories of virtual and scratch top-up cards for telephone and television content are stated at the weighted average cost of the purchase prices.

CASH AND CASH EQUIVALENTS

Restricted bank deposits are separately reported from ordinary cash and cash equivalents since they are mainly related to the gaming cash flows which have to to be mandatory segregated for the payment of winnings. Cash and cash equivalents include cash and available bank deposits and other forms of short-term investments, with original due dates equal to or less than three months. Cash and cash equivalents are recorded, according to their nature, at their nominal amount or at amortized cost.

DEBT AND OTHER FINANCIAL LIABILITIES

Debt and other financial liabilities are initially recorded at fair value, net of directly attributable incidental expenses, and subsequently measured at amortized cost using the effective interest method. If there is a change in the estimate of expected cash flows, the value of the liabilities is re-measured to account for this change on the basis of the present value of the new cash flows expected and the effective interest rate determined initially. Financial liabilities are classified within current liabilities, except those with contractual maturities due beyond twelve months of the balance sheet date and those for which the Group has an unconditional right to defer payment for at least twelve months after that date.

Financial liabilities are recognized at the transaction date and are derecognized when paid and when the Group has transferred all the risks and expenses related to the instruments.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than the functional currency are translated at the foreign exchange rate prevailing at the transaction date. Foreign exchange gains and losses arising from the settlement of transactions or from year-end translation of assets and liabilities in currencies other than Euro are recognized in the income statement.

STOCK OPTIONS

Stock option plans and other initiatives remunerated by equity instruments, if any, are accounted for in accordance with IFRS 2, separating those which will be settled through the issue of equity instruments from those which will be settled by payments in cash based on the value of the options granted.

The fair value is determined at the grant date and causes the cost to be recognized (under personnel costs in the income statement) over the vesting period of the options. When the employee's service is remunerated with an equity instrument or when the options granted are on the shares of the Parent, the contra-entry is to an equity reserve. Instead, when the cost of the share-based payment transaction is settled in cash, the contra-entry is to a payable account.

EMPLOYEE BENEFITS

Short-term benefits are represented by salaries and wages, social security, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months subsequent to the date of the financial statements. Such benefits are recognized as components of personnel costs in the period in which their services are rendered.

Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contributory costs are charged to the income statement as they occur, based on the relative nominal value.

In defined benefit plans, which include severance indemnity due to employees regulated by art. 2120 of the Civil Code ("TFR"), the amount of the benefit to be paid is quantifiable only after termination of employment, and associated with one or more factors such as age, the years of service and compensation. Therefore, the relative cost is charged to the statement of comprehensive income based on actuarial computations. The liability recorded in the financial statements for defined benefit plans corresponds to the present value of the obligation at the date of the financial statements. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method.

The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which take into account the period of the relative pension plan.

Starting from January 1, 2007, Finance Law 2007 and the relative implementing decrees introduced amendments concerning TFR employee severance indemnity. The amendments include the decision of employees as to the destination of their accruing indemnity. In particular, new flows of TFR can be directed by the employee either to pre-chosen pension funds or retained in the company. In the case of external pension funds the payment of the defined contribution will be made to the fund and starting from such date the new amounts accrued have the nature of defined contribution funds not subject to actuarial measurement

Starting from January 1, 2013, following the adoption of IAS 19 – Employee Benefits, changes in actuarial gains and losses are recognized in other consolidated comprehensive income.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set up to cover losses or liabilities whose existence is certain or probable but which at the end of the reporting period are uncertain as to amount or as to the date on which they will arise. Provisions are recognized only when there is a current obligation (legal or constructive) for a future outflow of resources deriving from a past event and it is probable that the outflow will be necessary to fulfill the obligation. This amount represents the best estimate of the present value of expenditures required to settle the obligation. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, using a rate which reflects market conditions, the change in the time value of money and the risks specific to the obligation. The increase in the provision due to the cost of money over time is recognized as interest expense.

RECOGNITION OF REVENUES

Revenues are recognized initially at the fair value of the consideration received net of rebates and discounts. Revenues from services are recognized by reference to the value of the services rendered as at the end of the reporting period.

Revenues from sales of goods are recognized when the company has substantially transferred all the risks and rewards of ownership of the goods.

In accordance with IFRSs, sums collected on behalf of third parties, such as in an agency relationship, which do not cause an increase in the company's equity, are excluded from revenues which, instead, are represented solely by the fees and commissions accrued on the transaction. Specifically, the cost pertaining to the purchase of telephone top-up and television content cards are shown as a deduction from gross revenues to highlight that with these transactions the Group's revenue is only the difference between the sales price and the nominal cost of the card.

FIXED-ODDS BETTING INCOME

The bets connected with fixed odds betting are recognized initially as a financial liability in accordance with IAS 39 at the date the bet is accepted. Subsequent changes in the amount of the financial liability are recognized in the income statement under “Fixed-odds betting income” until the date of the event on which the bet was accepted.

COST OF GOODS PURCHASED AND SERVICES PERFORMED

Purchases of goods and the performance of services are recognized in the income statement on an accrual basis. The costs incurred by Sisal Entertainment S.p.A., which exercised the option to dispense with obligations for the transactions exempted under art. 36 bis of D.P.R. 633/72, are recognized in the income statement inclusive of non-recoverable VAT. On the other hand, non-deductible VAT, calculated on the basis of the pro-rata coefficient, since it cannot be calculated objectively at the date of acquisition, is similar to a general cost and entirely recognized in other operating costs.

INCOME TAXES

Income taxes are allocated on the basis of an estimate of the tax expense for the year according to current laws. The corresponding liability is shown under “Taxes payable”.

Deferred tax assets and liabilities are recognized on the temporary differences between the carrying amount of an asset or a liability in the financial statements and its tax base, except for first-time recognition of goodwill and for those differences related to investments in subsidiaries when the reversal of such differences is under the control of the Group and it is probable that they will not reverse in the reasonably foreseeable future.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority, there is a legally enforceable right of offset and settlement of the net balance is expected. If the net amount is an asset it is shown as “deferred tax assets” and if a liability as “deferred tax liabilities”. When the effects of a transaction are credited or charged directly to equity, the related current and deferred taxes are also recognized directly in equity.

Deferred tax assets and liabilities are computed based on tax rates that are expected to apply in the period in which the asset is recovered or settled to the extent that such rates have been approved at the date of the financial statements.

Expenses, if any, in connection with litigation with the tax authorities for the portion relating to the evasion of taxes and the corresponding penalties is recorded in “income taxes”.

EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings (loss) per share is calculated by dividing the result for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings (loss) per share is calculated by dividing the result for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For purposes of the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming that the rights having potential dilutive effects are exercised by all the grantees of the rights, whereas the result attributable to the owners of the parent is adjusted to take into account the effects, if any, net of tax, of the exercise of those rights.

2.5 Recently issued accounting standards

<u>Accounting standards, amendments and interpretations applicable and adopted for the first time</u>

In 2015, the Group adopted the following accounting standards and amendments:

- Amendments to IAS 19 (Employee Benefits): Defined Benefit Plans – Employee Contributions. On December 17, 2014, Regulation EC 29-2015 was issued, applying some amendments to IAS 19 at EU level. These amendments are aimed at clarifying the accounting for employee contributions under a defined benefit plan.

- Improvements to IFRS (2010–2012 cycle)
  On December 17, 2014, Regulation EC 28-2015 was issued for the application at EU level of several improvements to IFRS for the period 2010-2012. In particular, the amendments contained in the improvement cycle include:
  - Amendment to IFRS 2 (Share-based Payment): The amendment consists of clarifications of the characteristics of some of the vesting conditions by separately defining “service condition” and “performance condition”;
  - Amendment to IFRS 3 (Business Combinations): The amendments clarify the accounting for “contingent consideration” in a business combination;
  - Amendment to IFRS 8 (Operating Segments): The amendment introduces an additional disclosure to be presented in the financial statements regarding the methods of aggregating operating segments;
  - Amendment to IAS 16 (Property, Plant and Equipment): Revaluation method – proportionate restatement of accumulated depreciation;
  - Amendment to IAS 24 (Related Party Disclosures): Key management personnel;
  - Amendment to IAS 38 (Intangible Assets): Revaluation method - proportionate restatement of accumulated amortization.

- Improvements to IFRS (2011-2013 cycle)
  On December 18, 2014, Regulation EC 1361-2014 was issued for the application at EU level of several improvements to IFRS for the period 2011-2013. In particular, the amendments contained in the improvement cycle include:

- Amendment to IFRS 3 (Business Combinations): The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself (IFRS 11).
- Amendment to IFRS 13 (Fair Value Measurement): The amendment clarifies that the exception from the principle of measuring assets and liabilities based on net portfolio exposure also applies to all contracts that come under the scope of IAS 39/IFRS 9.
- Amendment to IAS 40 (Investment Property).

The adoption of these standards and amendments had no significant impact on the Company's financial statements.

At the date of the preparation of these consolidated financial statements, the following standards and interpretations issued by the IASB were not endorsed by the European Union or endorsed but no yet applicable to the 2015 financial statements:

- IFRS 14 (Regulatory Deferral Accounts): Accounting for regulatory deferral account balances.
- Amendments to IAS 1: Disclosure Initiative.
- Amendment to IAS 27 (Separate Financial Statements): Equity method in separate financial statements.
- Amendments to IFRS 11 (Joint Arrangements): Accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets): Clarification of acceptable methods of depreciation and amortization.
- Amendments to IFRS 10 (Consolidated Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture.
- Improvements to IFRS (2012–2014 cycle)
- IFRS 15 (Revenue from Contracts with Customers)
- IFRS 9 (Financial Instruments).

Any impacts on the consolidated financial statements from the application of these amendments are currently being assessed.

3. Management of financial risks

The Group is exposed to: market risk – defined as foreign exchange rate, interest rate and bookmaker risk – liquidity risk, credit risk and capital risk.

The risk management strategy of the Group focuses on minimizing the potential adverse effects on the Group's financial performance. As far as considered necessary, certain types of risk are mitigated by using derivative instruments. Risk management is centralized in the treasury function which identifies, assesses and hedges financial risks, in close cooperation with the operating units of the Group, particularly with the risk management function. The treasury function provides guidelines for monitoring risk management, just as it provides guidelines for specific areas such as interest rate risk, foreign exchange rate risk and the use of derivative and non-derivative instruments.

MARKET RISK

Foreign exchange rate risk

The Group is active on the Italian market and is therefore exposed to exchange rate risk to a limited extent, solely in reference to insignificant amounts for the supply of spare parts for gaming equipment purchased mainly in foreign currency (USD and GBP).

Interest rate risk

The Group is exposed to risks related to fluctuations in interest rates since it uses a mix of debt instruments according to the nature of its financial needs.

In particular, the Group normally looks for short-term debt to finance its working capital requirements and for medium-and long-term financing to support investments related to its operations and extraordinary transactions. The financial liabilities which expose the Group to interest rate risk are mainly medium-and long-term indexed loans at variable rates of interest. Specifically, on the basis of the analysis of the Group's indebtedness, 38% of the medium-and long-term debt and short-term debt at December 31, 2015 is at variable rates.

See Note 34 for additional details.

Concerning interest rate risk, a sensitivity analysis was performed to determine the effects on income statement and equity of hypothetical positive and negative 100 bps variations to current effective interest rates.

The analysis performed related mainly to the following:

- cash and cash equivalents, excluding restricted cash deposits used for the payment of winnings;
- short-term and medium-/and long-term debt, including the related derivative financial instruments, where existing.

Regarding cash and cash equivalents, reference was made to the average balance and the average interest rate thereon for the year, while for short-term and medium- and long-term debt the effect was calculated at the reporting date of the consolidated financial statements. This analysis did not include financial payables contracted at fixed rates, further reported amounts do not reflect any tax impact.

	2015				
		Income Statement		Equity	
(in Euros thousands)	**At December 31, 2015**	**+1% profit / (loss)**	**-1% profit / (loss)**	**+1% profit / (loss)**	**-1% profit / (loss)**
Net financial debt	(278,861)	(2,988)	2,988	(2,988)	2,988
Total	**(278,861)**	**(2,988)**	**2,988**	**(2,988)**	**2,988**

	2014				
		Income Statement		Equity	
(in Euros thousands)	**At December 31, 2014**	**+1% profit / (loss)**	**-1% profit / (loss)**	**+1% profit / (loss)**	**-1% profit / (loss)**
Net financial debt	(311,769)	(3,463)	3,463	(3,463)	3,463
Total	**(311,769)**	**(3,463)**	**3,463**	**(3,463)**	**3,463**

Bookmaker risk

Quoting odds, or the process of bookmaking, is the activity of setting odds for fixed odds betting, which, in effect, represents a contract between the bookmaker, who agrees to pay a pre-determined amount (the odds) and the player, who accepts the proposal made by the bookmaker and decides on the amount of his bet within the limits allowed by existing law.

The implicit risk of this activity is managed by the Group through the systematic and professional work of its odds staff in the “risk management function” who are also assisted by external consultants in order to correctly determine the odds and limit the possibility of speculative betting.

LIQUIDITY RISK

Liquidity risk is the risk of not being able to fulfill present or future obligations owing to insufficient available funds. The Group manages this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term debt and the gradual and homogeneous distribution of maturities of medium- and long-term debt over time. In particular, a prudent management of liquidity risk implies maintaining a sufficient level of cash and the availability of funds obtainable through an adequate amount of lines of credit.

At December 31, 2015 there were no agreed and unused lines of credit. Moreover, the Group has a *revolving* facility under the Senior Credit Agreement for a total of Euros 34,286 thousand, which must be extinguished by September 30, 2017. At December 31, 2015 this line has been completely drawn down.

Set out below are the cash flows expected in future years for the repayment of financial liabilities subdivided by repayment date at December 31, 2015 and 2014.

(in Euros thousands)	At December 31, 2015	Financial Liabilities Disbursements Analysis			
		To three months	More than three months to one year	More than one year to five years	More than five years
Bank debt and payables to other lenders	694,828	5,815	14,145	682,523	-
Trade payables	254,668	209,863	43,693	1,171	-
Other payables	203,370	155,058	44,951	3,360	-
Total	**1,152,866**	**370,737**	**102,788**	**687,054**	**-**

(in Euros thousands)	At December 31, 2014	Financial Liabilities Disbursements Analysis			
		To three months	More than three months to one year	More than one year to five years	More than five years
Bank debt and payables to other lenders	705,092	5,673	14,389	696,650	-
Trade payables	267,798	227,577	40,221	-	-
Other payables	201,949	160,445	30,899	10,605	-
Total	**1,174,839**	**393,695**	**85,509**	**707,255**	**-**

The flows indicated for the loans refer exclusively to the repayments of principal. Actual disbursements will be increased by the interest charges based on the rates applicable to the various loans as summarized in Note 34. *Bank debt and payables to other* lenders do not include the loan received from the direct parent, Gaming Invest S.àr.l., totaling Euros 411 million at December 31, 2015 (Euros 387 million at December 31, 2014) whose repayments are subordinated to those of the Senior Credit Agreement and the Senior Secured Notes.

Further, the table does not include the payments associated with taxes payable which will be paid to the tax authorities at due dates established by existing laws.

During the year, the Group complied with all the clauses stated in the existing loan agreements.

CREDIT RISK

Potential credit risk in commercial relations existing mainly with the points of sale, under partnership contracts, is mitigated by specific selection procedures for points of sale, by imposing operating limits on the wagers played on the gaming terminals and by daily controls over changes in credit which provide for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate as a SISAL outlet in the event of recurrent non-payment.

The potential risk in the commercial relations with the agencies managed by third parties, under partnership agreements, and with the parties operating gaming machines who are entrusted by the Group with the receipts from legal gaming is mitigated by the issue of notes and guarantees at the time of signing the contract: these relationships are also subject to monitoring and periodic audit by the Group.

The gaming credit granted to individual players, in accordance with the internal procedure, is subject to examination and authorization by management on the basis of technical and commercial assessments.

The amount of financial assets that the Group does not expect to collect is covered by the provisions for the impairment of receivables.

Current trade receivables at December 31, 2015 and 2014 are analyzed by macro class of homogeneous risk in the following table:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Receivables from Public Authorities	24,695	26,726
Receivables from points of sale (outlets) and shops	176,803	163,555
Receivables from Betting Agencies	11,684	12,377
Receivables from Network	18,310	16,008
Other receivables	10,795	11,736
Provision for impairment of receivables	(60,552)	(55,611)
Total	**181,737**	**174,792**

- *Receivables from Public Authorities* include receivables from AAMS for games managed according to the regulations of the specific concessions, receivables from advances made on behalf of the concession granting Authority in the course of management of the Totip game and receivables from the Public Administration for reimbursement requests already forwarded at year end, to be settled shortly thereafter; no credit risk is believed to exist on these positions;

- *Receivables from points of sale (outlets) and shops* represent essentially amounts due from gaming activities and payments and other services referring to the last few days of the year and the relative receivables arising from the automated weekly collections of the preceding periods that have gone unpaid. The large number of outlets exposes the Group to a partial uncollectibility risk which, following suitable evaluation by the directors, has duly been covered by a specific provision for impairment of trade receivables.

- *Receivables from Betting Agencies* represent mainly receivables from third parties which manage some of the horse and sports betting agencies on the basis of partnership agreements; the size of individual accounts, some inherited through acquisitions of business segments, requires constant monitoring and the formation of a provision for certain critical cases, often resolved with agreed repayment plans;

- *Receivables from Network* represent mainly receivables from gaming machines, including the single tax (PREU tax) which the concessionaire, Sisal Entertainment S.p.A., must pay regularly to the tax authorities; the large number of customers and the substantial amounts involved expose the Group to a partial collection risk which, following suitable evaluation by the directors, has been covered by a specific provision for impairment of trade receivables;

- *Other receivables* include insurance receivables, receivables from employees and sundry receivables not classifiable in the preceding categories. There are no specific forms of credit risk for the Group associated with this category.

Tax receivables have been excluded from this analysis as no significant risk profile is believed to exist.

Risk exposure

Exposure to credit risk, analyzed by reference to the ageing of receivables, is the following:

		Ageing of Receivables			
(in Euros thousands)	**At December 31, 2015**	**Current**	**Overdue 0-90 days**	**Overdue between 90-180 days**	**Overdue more than 180 days**
Trade receivables	204,854	106,525	22,013	9,632	66,682
Provision for impairment of receivables	(60,456)	-	(3,102)	(2,923)	(54,430)
Net book value	**144,398**	**106,525**	**18,911**	**6,709**	**12,252**
Other receivables	37,435	35,784	-	73	1,577
Provision for impairment of receivables	(96)	(67)	-	-	(29)
Net book value	**37,338**	**35,718**	**-**	**73**	**1,548**
Total	**181,736**	**142,243**	**18,911**	**6,783**	**13,800**

		Ageing of Receivables			
(in Euros thousands)	**At December 31, 2014**	**Current**	**Overdue 0-90 days**	**Overdue between 90-180 days**	**Overdue more than 180 days**
Trade receivables	190,754	108,580	14,273	5,905	61,996
Provision for impairment of receivables	(55,479)	-	(3,837)	(2,769)	(48,872)
Net book value	**135,276**	**108,580**	**10,436**	**3,136**	**13,124**
Other receivables	39,649	37,863	1,321	-	464
Provision for impairment of receivables	(132)	(103)	-	-	(29)
Net book value	**39,516**	**37,760**	**1,321**	**-**	**435**
Total	**174,792**	**146,340**	**11,757**	**3,136**	**13,559**

Overdue trade receivables not covered by provisions represent balances on which the Group believes an insignificant risk of uncollectibility to exist. As already mentioned, the Group monitors credit risk mainly existing with the outlets through specific procedures for selecting points of sale, by assigning operating limits for wagers on the gaming terminal and by daily control over changes in credit which provides for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate as a SISAL outlet in the event of recurrent non-payment.

CAPITAL RISK

The objective of the Group in the management of capital risk is principally that of guaranteeing returns to the shareholders and ensuring benefits to the other stakeholders while protecting going concern.

The size of the debt was decided at the time the private equity funds became shareholders on the basis of the assessment of the Group’s capacity to generate a steady profit and financial flows sufficient to repay the debt and settle the related expenses but also provide cash flows from operating and investing activities for the development of the business.

The Group has one loan obtained from the controlling entity Gaming Invest S.àr.l., subordinated to the obligations arising from the Senior Credit Agreement signed with the banks and the issuance of the Senior Secured Notes. The contractual characteristics of this loan obtained from Gaming Invest S.àr.l., in terms of the repayment and interest settlement conditions, facilitate the Group in meeting its financial requirements associated with its operations and contracted obligations.

Moreover, in the presence of investment opportunities aimed at increasing the value and the stability of the Group, the international scope of the shareholders which control the Group and the relative amount of the Group's assets enable the Group to take advantage of such opportunities through recourse to risk capital as an alternative to debt.

It should be remembered that during the previous year the sole shareholder of the Parent notified the irrevocable and unconditional waiver of repayment of the loan denominated "ZC Shareholder Loan" (for Euros 60 million), and the relative accrued expenses matured as of the waiver date. This amount increased Group equity by around Euros 89 million at the end of 2014.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category at December 31, 2015 and 2014 are presented in the following table:

	At December 31, 2015					
(in Euros thousands)	**Loans and receivables**	**Investments held to maturity**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets						-
Trade receivables	144,398			144,398		144,398
Other assets (current and non-current)	60,493			60,493	3,738	64,231
Restricted bank deposits	101,802			101,802		101,802
Cash and cash equivalents	139,798			139,798		139,798
Total assets	446,492			**446,492**	**3,738**	**450,230**
Debt (current and non-current)	1,105,712			1,105,712		1,105,712
Trade payables and other payables	254,668			254,668		254,668
Other liabilities (current and non-current)	203,370			203,370	2,885	206,255
Total liabilities	**1,563,750**			**1,563,750**	**2,885**	**1,566,635**

	At December 31, 2014					
(in Euros thousands)	**Loans and receivables**	**Investments held to maturity**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets				-		-
Trade receivables	135,276			135,276		135,276
Other assets (current and non-current)	64,342			64,342	8,902	73,244
Restricted bank deposits	90,339			90,339		90,339
Cash and cash equivalents	113,692			113,692		113,692
Total assets	**403,649**			**403,649**	**8,902**	**412,551**
Debt (current and non-current)	1,092,107			1,092,107		1,092,107
Trade payables and other payables	267,798			267,798		267,798
Other liabilities (current and non-current)	201,949			201,949	4,833	206,782
Total liabilities	**1,561,854**			**1,561,854**	**4,833**	**1,566,687**

During the years under review, the Group did not reclassify any financial assets among the different categories.

For short-term trade receivables and payables and other receivables and payables, the carrying amount is considered to be a reasonable approximation to fair value. At December 31, 2015, the market price of the senior secured notes was Euros 271.6 million compared to a face value of Euros 275 million.

FAIR VALUE MEASUREMENT

The fair value of financial instruments listed in an active market is based on the market prices at the balance sheet date. The fair value of instruments not listed in an active market is determined using valuation techniques based on a series of methods and assumptions connected with market conditions at the balance sheet date.

The classification of financial instruments based on a hierarchy that reflects the significance of the inputs in the determination of fair value is the following:

- Level 1: Fair value based on inputs that are quoted prices (unadjusted) on active markets for identical financial instruments;
- Level 2: Fair value based on measurement methods referring to variables observable on active markets;
- Level 3: Fair value based on measurement techniques referring to unobservable market variables.

There were not assets and liabilities measured at fair value at December 31, 2015 and 2014.

4. Use of estimates

The preparation of the consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based on difficult subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements (the statement of financial position, the statement of comprehensive income and the statement of cash flows) and also disclosure. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

Below are briefly described the areas that require greater subjectivity of management in making estimates and for which a change in the conditions of the underlying assumptions may have a significant impact on the financial statements.

Goodwill

The Group, in accordance with its adopted accounting policies and procedures for impairment, tests goodwill at least annually if there is any indication that the goodwill may be impaired. The recoverable amount is determined on the basis of the calculation of the value in use. This calculation requires the use of estimates that depend on factors which may vary over time and influence the assessments made by the directors. Further information on the impairment test is disclosed in Note 22.

Depreciation of property, plant and equipment and amortization of intangible assets

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. The effective economic useful life may, therefore, be different from its estimated useful life. Each year the Company assesses the technological and business segment developments, any contractual and legislative changes related to utilization of the assets and their recovery values are reviewed in order to update the residual useful life. Such updating may modify the depreciation/amortization period and consequently the annual rate and charge for current and future periods.

Impairment loss/reversal of fixed assets

Non-current assets are periodically tested for impairment and where indicators of difficulty in recovery are present an impairment loss is recorded as a deduction from the relative net carrying amount. The existence of such indicators can be verified through subjective valuations, based on information available within the Group or externally and on historical experience. Moreover, in the presence of a potential impairment, this is determined by suitable impairment tests. The correct identification of the factors, indicating a potential impairment and the estimates to determine the loss, may depend on conditions which vary over time, affecting the assessments and estimates. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations to be made in the event of the reversal of impairment losses charged in previous periods.

Deferred tax assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the measurement of this item.

Provisions for risks and charges

The Group accrues in these provisions the probable liabilities relating to litigations and controversies with staff, suppliers, and third parties and in general expenses arising from any commitments. The quantification of such accruals involves assumptions and estimates based on presently available knowledge of factors which may vary over time. Thus, the final outcomes may be significantly different from those considered during the preparation of the financial statements.

Provision for impairment of receivables

This provision reflects the estimated losses on receivables. The provision covers the estimate of the risk of losses which derives from past experience with similar receivables, from the analysis of overdue receivables (current and historical), of losses and recoveries and finally from monitoring economic trends and forecasts both currently and prospectively of the Company's business.

5. Concessions and litigation

The following principal developments have taken place in the main concession agreements and the related litigation.

Concession for the operation and development of national tote number games (NTNG)

- on April 2, 2008, Sisal S.p.A. was declared outright winner of the tender procedure held in July 2007 for the award of the concession for the operation and development of national tote number games, including Enalotto, being chosen in preference to the bids submitted by Lottomatica S.p.A. and SNAI S.p.A.. The concession is 9 years length and will expire on June 30, 2018;

- on June 26, 2009, after a process lasting approximately two years and the favorable outcome of the verification processes conducted by the State Monopolies Board (AAMS), now the Customs and Monopolies Agency (ADM), relating in particular to Sisal S.p.A.'s bid, an agreement governing the concession was entered into between the Board and Sisal;

- on the legal front, the company had to contend with some appeals to the administrative tribunal filed by the other two companies participating in the selection procedure (namely SNAI S.p.A. and Lottomatica S.p.A.) and by other companies (including Stanley International Betting Limited), mainly with a view to gaining access to all the documentation and having the provisional and final concession awards overturned. They include the appeals filed by SNAI S.p.A., which complained that the specific points contained in its proposals had not been sufficiently taken into consideration compared with the evaluation of the same points described in Sisal S.p.A.'s proposals, and by Lottomatica S.p.A., objecting to the failure of the Examining Commission to carry out the verification procedure on an 'anomalous' bid. With specific reference to this latter appeal, on March 25, 2009, AAMS announced its decision to instruct the Examining Commission to carry out a preliminary investigation to verify the suitability of the bid submitted by the Company. The verification by the Examining Commission was completed on May 18, 2009, and established that the technical and economic bid submitted by Sisal S.p.A. was suitable and reliable, thus effectively removing the substance of the appeal made to the Regional Administrative Tribunal (TAR) by Lottomatica S.p.A. against the outcome of the selection procedure. As a result, with reference to the legal proceedings filed by Lottomatica S.p.A. and SNAI S.p.A. against the final award of the tender to the Group company, at the hearing on May 27, 2009, the appellants asked for a period of time to examine the outcome of the verification procedure with the aim of filing additional objections if applicable, and such objections were subsequently filed. On June 25, 2009 and July 14, 2009, SNAI S.p.A. and Lottomatica S.p.A. filed an additional pleading setting out their objections to the Commission's ruling. The proceedings are still pending at the time of writing, since a date for the public hearing of the above-mentioned appeals has yet to be set. In company's opinion, the appeals are unfounded with reference to the claims regarding the alleged anomaly of the bid and, with specific reference to the appeals filed by SNAI S.p.A. and Stanley International Betting Limited, are inadmissible, since they were filed by parties which had no interest in appealing: in the case of SNAI S.p.A., because of its position in the final award classification, and in the case of Stanley International Betting Limited, because it did not participate in the tender procedure.

- by writ served on July 10, 2014, Giovanni Baglivo, holder of a contract for the collection of NTNG bets in the retail channel, and then chairman of STS, the retailers' association, claimed that the rentals specified in that contract were not payable, because they related to the supply of services by the Company, some of which were already due pursuant to the concession, while some were useless to the owner of the point of sale. Sisal S.p.A. considers that these claims are groundless, and instructed its lawyers to prepare related defense statements. At the first hearing held on March 25, 2015, the judge accepted the exception - proposed by Sisal - of the lack of jurisdiction of the Ordinary Chambers, remanding the case to the Presiding Judge for its assignment to the Specialist Corporate Chambers. The proceedings were reassigned to these Chambers and a conclusions finalization hearing was set for February 1, 2017;

- the Stability Law 2015 delegated power to the Economy and Finance Ministry to take measures in support of the gaming industry in cases where specific products have produced a loss of turnover and tax revenue of not less than 15% per annum in the last three years; as the NTNG concession was in that situation, with the aim of relaunching the most popular and best-known product of those managed by the Group, activities began and were completed to finalize the new SuperEnalotto game formula and the optional SuperStar game, and the corresponding procedures for approval by the competent authorities. The new game formula went into effect from the pool opened on January 31, 2016.

Concession for the activation and operation of the network for online management of legal gaming through gaming machines, and of the associated activities and functions

- The subsidiary Sisal Entertainment S.p.A., formerly Sisal Slot S.p.A., operates in the gaming machines segment, having replaced Sisal S.p.A. as concessionaire of AAMS pursuant to a rider to the concession agreement for the activation and operation of the network for online management of legal gaming through gaming machines, and of the associated activities and functions, signed on June 3, 2006.

- By Director's Decree of August 6, 2009, AAMS laid down the regulations for the activation of the new gaming systems (Video Lottery Terminals or "VLTs") described in art. 110.6.b of TULPS, stating that this activity is governed by the agreements already in force for the operation of the gaming machines network, and can therefore be entrusted to operators which, like the above Group company, are already concessionaires. In 2010, Sisal Entertainment S.p.A. and AAMS entered into an additional contract supplementing the Agreement, which was extended until conclusion of the procedures required for a new concession to be granted.

- By notice published in the Official Journal of the European Union on August 8, 2011, ID 2011 – 111208, AAMS initiated the procedure for the grant of the "Concession for the activation and operation of the network for online management of legal gaming through gaming machines, as specified in art. 110.6 of the Consolidated Law Enforcement Act (TULPS), and of the associated activities and functions". Sisal Entertainment S.p.A. took part in said selection procedure, together with 12 other candidates, and was awarded the new concession. 12 of the 13 candidates, excluding BPlus S.p.A., signed the new agreement on March 20, 2013. This concession is 9 years length and will expire on March 30, 2022. Again in the gaming machine sector, by Directors' Decrees of October 12, 2011 and December 16, 2011, AAMS identified public gaming measures useful to ensure the higher revenues specified by art. 2.3 of Decree Law 138 of August 13, 2011, converted with amendments to Law 148 of September 14, 2011, and introduced an additional fee for the gaming machine sector, amounting to 6% of the winnings exceeding the sum of Euros 500 on the machines referred to in art. 110.6.b of the Consolidated Law Enforcement Act (TULPS) (Video Lottery Terminals or VLTs). In particular, in order to apply said additional fee, concessionaires belonging to the online gaming network were required to ask AAMS, by January 20, 2012, to commence the compliance check necessary to upgrade the gaming systems, and should have delivered all the necessary documentation and hardware and software components.

As it is objectively impossible to implement the terms of the said Directors' Decrees without prior modification of the gaming systems software, all concessionaires have appealed to the Lazio Regional Administrative Tribunal against the said decrees, requesting their suspension. On January 25, 2012 the Lazio Regional Administrative Tribunal confirmed the suspension of said decrees, which had already been granted following an ex parte application.

Said Fiscal Decree Law stated that the taxation was postponed until September 1, 2012.
The Lazio Regional Administrative Tribunal, to which the concessionaires also appealed against the terms of the Fiscal Decree Law, ruled in its Order of July 26, 2012 that the issue of constitutional legitimacy raised by the concessionaires regarding said Fiscal Decree Law was relevant and not manifestly groundless, and ordered the corresponding proceedings to be suspended and the file sent to the Constitutional Court. At the hearing held on June 10, 2014, the Court ruled that the issue of constitutionality of the Law was groundless; consequently, and also on the basis of new instructions issued by AAMS by decree dated June 6, 2014, but taking effect on the 15th day after the date on which the Constitutional Court's judgment was filed, the concessionaires are now able to charge the additional fee in dispute.

- The sector has been fraught with disputes for several years (information about which has been given in the Annual Reports for the years concerned), which have created a general situation of serious difficulty and uncertainty. In particular, the dispute regarding loss of Treasury revenues, which AAMS and the Prosecutor at the Court of Auditors believed could be charged to concessionaires of gaming machines, has now concluded. As regards the allegations of breach of contractual obligations and the consequent penalties that AAMS has imposed on concessionaires in various circumstances on the basis of the terms of the concession agreements, against which the latter have appealed to the administrative courts, the final judgments have led to the annulment of three of the penalties imposed and the termination of the related litigation; the Regional Administrative Tribunal cancelled a fourth penalty, but the AAMS appealed against that decision. In relation to this last dispute, on January 27, 2012 AAMS issued notification of the penalty for failure to comply with the service level agreement relating to the response of the gateway system to computerized queries sent by Sogei, quantified at Euros 8,995,332.98; at the main hearing held on February 20, 2013 the Regional Administrative Tribunal also cancelled this penalty, and AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014. In this appeal also, in its decision filed on December 3, 2015, the Council of State confirmed cancellation of the penalty.

- Again in the gaming machines sector, in a report dated July 16, 2012, served on the concessionaires and, in particular, on Sisal S.p.A., on September 5, 2012, the Office of the Reporting Judge for Treasury Accounts asked the Judicial Section to rule on "the impossibility of making any judicial check on the said accounting statements, as supplied by the concessionaires, due to the absence of certainty in the accounting data they contain"; the report states that the concessionaire/accounting agent "is obliged to fulfill the obligation of accounting to its Authority", that the latter has not certified "the reality of the data, due to the absence of an Internet connection and the extremely generic nature of the criteria used to draw up said accounting statement", that "the accounting statements produced up to the 2009 financial year have not been checked by the

Authority's Internal Control Office, which should have approved the Account", and that "in absence of approval by the Internal Control Office, no judicial checking activity can be performed by this Judge".

At the hearing held on January 17, 2013, the concessionaires were informed that in mid-December 2012 the Combined Sections of the Court of Auditors had filed a template that concessionaires must follow when drawing up accounting statements. The proceedings were therefore adjourned to the hearing of May 16, 2013, at the end of which the court confirmed that a judicial verification of the accounts was impossible and ruled that the file should be sent to the Public Prosecutor. The concessionaire appealed against that decision, and the appeal judgment was published after the hearing held on January 15, 2015. The Court ruled that the report by the Examining Judge did not indicate that a debt was payable by the concessionaire, only that there were deficiencies and irregularities in the accounts submitted by it, and that a decision on those accounts therefore could not be made, "still less a judgment" ordering the concessionaire to make a payment; the court therefore referred the case back to the court of first instance to reconstruct and finalize the accounts and produce a final result, possibly quantifying any sums which were not eligible for deduction, and must therefore be repaid.

- Also in the slot machine sector, proceedings filed by Sisal Entertainment S.p.A. against the AAMS order of August 5, 2013, relating to the requirements laid down in art.1.81.f of Law 220/2010, are pending before the Lazio Regional Administrative Tribunal. Specifically, in the order appealed against, AAMS asked Sisal Entertainment S.p.A. to pay, by way of administrative penalty, the sum of Euros 300 for each slot machine exceeding the number established by the quota rules in force at the time. According to AAMS, the AAMS/SOGEI database indicated, for January to August 2011, surpluses which did not relate to a single network concessionaire, but were due to the coexistence, in the same location, of machines operated by a number of concessionaires, including Sisal Entertainment S.p.A. The latter therefore appealed against the order to the Lazio Regional Administrative Tribunal, requesting its revocation on the ground that AAMS had erred in considering that those surpluses were the responsibility of Sisal Entertainment S.p.A. and that the request for payment of sums amounting, according to AAMS, to a total of Euros 4,293,258.16, was therefore unlawful. AAMS does not seem to have entered an appearance in the proceedings to date, and the case does not appear to have been set down for hearing.

Again in relation to the concession in question, the Stability Law 2015 provides a reduction of the fees paid to gaming machines concessionaires for the concession activities, amounting to a total of Euros 500 million, to be divided between the various concessionaires according to the number of authorizations for gaming machines held in their names on December 31, 2014; the sum payable by each concessionaire was specified in a Director's Decree issued by AAMS on January 15, 2015. After renegotiating the agreements with gaming network operators, concessionaires will be able to pass on a proportion of the fees reduction mentioned previously.

In view of the unfairness of the terms of the Stability Law 2015 and the alleged lack of constitutional legitimacy of the Law, Sisal Entertainment S.p.A. - in a manner similar to that applied also by the other concessionaires - appealed to the Lazio Regional Administrative Tribunal, which considered the exceptions to constitutional legitimacy raised by Sisal Entertainment S.p.A. to be acceptable and remanded proceedings to the Constitutional Court.

- The 2016 Stability Law again acted upon this matter through an overall review of the above-mentioned fee decrease. In particular, on the one hand it repealed the previous regulations from January 1, 2016 (replaced by increasing the taxes applied on the total amounts played through gaming machines), and on the other hand for the previous period of application of the measure adopted a rule that, though stated to be an interpretation, seems instead to have a strong novation effect. Specifically, it introduces the criterion of distribution within the network of the reduction applied under the 2015 Stability Law, anchoring it to the participation of each to the distribution of the fee, based on related contractual arrangements and taking into account their duration in 2015. After further legal and regulatory study, the Group's concessionaire therefore reached the conclusion that the new legislation mentioned above, remedying the problem of non-quantification of the reduced fee for internal distribution among individual network operations related to each concessionaire, decreed autonomy and independence not only in terms of fee-related items but also of the related payables due from individual operators. Given the above, Sisal Entertainment S.p.A. is not bounded over what due by its network operators under the 2015 Stability law and is paying to AAMS the related amounts when and to the extent they are collected.

As a consequence the amounts due by the operators under the 2015 Stability Law but not yet collected by the Group concessionaire (both in terms of receivables from operators and of payables to Administration) are not reported in the financial statements. At the same time the revenues reflects only the fees reduction attributable to the Group, keeping unchanged the costs related to the remuneration of the supply chain.

Horse-racing and sports betting concession

- The horse-racing betting concessions, originally awarded in 2000, will expire on next June 30, 2016. On December 23, 2011 AAMS sent a request to the various concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), to upgrade to the minimum guaranteed annual figures.

Clause 4 of the said agreements states that concessionaires shall pay the additional sum up to the minimum guaranteed amount, determined pursuant to the InterDirectors' Decree of October 10, 2003, if the annual fee referred to in art. 12 of Presidential Decree 169 of 8 April 1998, destined for UNIRE, is less than said minimum annual amount.

The earlier requests by AAMS to concessionaires to increase the minimum guaranteed amounts for the years 2006, 2007, 2008 and 2009 were suspended as a result of some judgments by the Lazio Regional Administrative Tribunal pending the application of the "safeguard measures" specified by art. 38.4.l of Decree Law 223 of July 4, 2006.

The request to increase the minimum figures in question, as literally argued by AAMS in its application, appears to be based on the fact that it is impossible at present to identify safeguarding measures additional to those already identified according to the criteria of the selection procedures conducted in 2006, which introduced the alleged obligation for concessionaires to pay the additional minimum guaranteed amounts suspended by the earlier judgments of the Regional Administrative Tribunal.
All the concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), appealed to the Lazio Regional Administrative Tribunal against that application by AAMS, and the Tribunal granted a suspension.

The Fiscal Decree Law 16/2012, now converted to Law 44/2012, cancelled said provision relating to “safeguarding measures” for concessionaires, and provided that pending disputes could be settled by paying 95% of the amount requested by AAMS.

As a result of the appeals and additional documents filed by all the concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A), the Regional Administrative Tribunal referred the question to the Constitutional Court which, on November 20, 2013, declared that the part of the provision specifying a maximum reduction of 5% of the amount theoretically payable was unconstitutional. As a result of the Constitutional Court’s judgment, the provision appealed against has become ineffective, also as regards pending legal proceedings, so that AAMS will have to review the orders issued against Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.) in view of the principles laid down by the Constitutional Court. Consequently, at present there are currently no legislative provisions indicating the sums that concessionaires may be required to pay, and AAMS has not issued any order in this respect, which can in any event be appealed against if issued. The remaining amounts payable, amounting to about Euros 3.9 million, were therefore written off to Other Income in the 2013 consolidated financial statements.

Other claims and proceedings in progress

A number of disputes and/or fiscal inspections and investigations of some subsidiaries were pending at year end, broadly commented in the Report on Operations. Despite some contradictory rulings, and pending future developments/proceedings, there currently seems to be no reason to believe that higher taxes, interest or statutory penalties will be imposed on top of what already included in the Financial Statements.
Moreover, in November 2014, assessments were begun at the Parent, Sisal S.p.A. and Sisal Entertainment S.p.A. by the Financial Intelligence Unit of Bank of Italy (UIF) pursuant to art. 47 and 53.4 of Legislative Decree 231/2007, to verify compliance with the provisions concerning anti-money laundering and anti-terrorism financing, in respect of reports of suspect transactions. The company functions involved offered the maximum collaboration to the UIF officers who concluded the inspection phase at the company in February 2015. After completion of the inspection activities, the UIF issued a final report indicating areas for improvement of operations, of which interested parties were promptly informed and reviews undertaken. At the same time, 6 positions were notified for which, according to

the tax authority, suspicious transaction reports considered due in relation to the circumstances of the cases in question were either delayed or not issued. With respect to the penalty proceedings, the Group promptly arranged the filing of deductive pleadings by the legal deadlines, requesting a hearing in order to further discuss the reasons for failure to submit suspicious transaction reports. The date of the hearing is still pending.

6. Business combinations

In 2015 and 2014, a number of limited business combination transactions were entered into as described below.

Year 2014

There was only one acquisition during 2014, reported below.

Acme S.r.l.

At the beginning of August 2014, a transaction was completed for the acquisition of 100% of the share capital of the company Acme S.r.l. with headquarters in Santorso (Vicenza). The company assembles gaming machines and is already a supplier of the Group. The consideration agreed totals Euros 338 thousand (including an amount related to the contractually defined earn-out).

The assets acquired and the liabilities assumed of the company and the business were recognized at their fair value and, in addition to the recognition of the assets acquired and the liabilities assumed, goodwill of approximately Euros 146 thousand was recognized as described in the following table:

	Acme S.r.l.
(in Euros thousands)	
Intangible assets	12
Property, plant and equipment	3
Other assets – current and on-current	19
Inventories	259
Trade receivables	1,591
Cash and cash equivalents	34
Assets acquired	**1,918**
Provision for employee severance indemnities	67
Trade payables and other payables	1,641
Other liabilities	18
Liabilities acquired	**1,645**
Net Assets acquired	**192**

Details of the goodwill generated on the acquisition are presented as follows:

(in Euros thousands)	
Present value of consideration	338
Net assets acquired	192
Goodwill	**146**

Net cash flows used for the acquisition at the acquisition date are as follows:

(in Euros thousands)	
Consideration paid on acquisition	**(5)**
Cash at acquisition date	34
Net cash at acquisition	**34**
Net cash flows used for acquisition	**29**

A formal deed of acknowledgement was signed in 2015, based on which the agreed price was reduced by Euros 189 thousand and duly recorded in the income statement.

Year 2015

As in the previous year, in 2015 there was only one acquisition.

Mille horse race betting agency business

In July 2015 the Group finalized the acquisition transaction, for approximately Euros 130 thousand, on a business unit that performs collection services for games for the public, relating to horse racing or sports, and is a gaming machine operator at a store in Rome. The consideration agreed was Euros 131 thousand.

The assets acquired and the liabilities assumed of the company and the business were recognized at their fair value and, in addition to recognition of the assets acquired and the liabilities assumed, goodwill of Euros 410 thousand was recognized as described in the following table:

	Mille horse race betting agency business
(in Euros thousands)	
Provision for employee severance indemnities	207
Other payables to personnel	72
Liabilities acquired	**279**

Details of the goodwill generated on the acquisition are presented as follows:

(in Euros thousands)	
Present value of consideration	131
Net liabilities acquired	(279)
Goodwill	**410**

Net cash flows used for the acquisition at the acquisition date are as follows:

(in Euros thousands)	
Consideration paid on acquisition	**(20)**
Cash at acquisition date	0
Net cash at acquisition	**0**
Net cash flows used for acquisition	**(20)**

7. Operating segments

The management monitors and manages its business by identifying four operating segments.

The operating segments are monitored on the basis of: *i)* revenues and income, *ii)* revenues and income net of revenues paid back to the revenue chain and *iii)* EBITDA. EBITDA is defined as the profit for the year adjusted by the following items: *i)* depreciation, amortization, impairment losses and reversals of property, plant and equipment and intangible assets; *ii)* financial income and similar; *iii)* finance expenses and similar; *iv)* expenses from the equity method valuation of investments; and *v)* taxes.

Operating segment EBITDA does not include financing activities results (finance income and expense) since they are not under the direct control of each segment. Likewise, provisions, amortization, depreciation and other significant non-cash items other than provisions, amortization and depreciation, portions of profit or loss of associates, income taxes and taxes receivable are not included as these have to be indicated separately in accordance with IFRS 8.

For information purposes only and without this different criterion affecting the valuation of the financial statements item, the portion of revenues recognized back to the distribution network in the Retail Gaming and Payments and Services segments are illustrated in the report on operations, with netting of the related costs. Likewise, certain revenue-adjusting cost categories reported in the consolidated financial statements exist that in the report on operations are instead included under operating costs.

From a financial position perspective, segment activities and results are not currently reviewed by Group management.

The four operating segments are described as follows:

- **Retail Gaming**, manages activities involving slot machines and VLTs, fixed-odds sports betting and also traditional sports pools, as well as bingo. The Retail Gaming segment also manages the Branded Channel and a part of the points of sale of the Affiliated Channel.

- **Lottery** is responsible for operating the exclusive concession for national tote number games ("NTNG"), of which the most popular products are SuperEnalotto, WinForLife!, SiVinceTutto and EuroJackpot. The lottery games are managed through the Branded and Affiliated Channels as well as the Group's web portal and 23 online gaming portals operated by third parties and connected to the

Group's NTNG online platform. The Lottery segment also manages the points of sale of the Affiliated Channel that are not managed by the Retail Gaming segment.

- **Online Gaming** presents players with the opportunity to play online games and place online bets through the sisal.it web portal and through the mobile phone channel. The online product mix offered by the Group is one of most extensive and includes the entire portfolio of products available in accordance with the laws in force, such as online betting and online poker and casino games as well as lotteries and bingo.

- **Payments and Services**, operates activities for payment and financial services such as: *(i)* payment of bills, utilities, fines, taxes, subscriptions etc.; *(ii)* top-up of prepaid debit cards; *(iii)* mobile phone top-ups and pay-for-view TV cards and also *(iv)* marketing of some products such as gadgets and mini-toys. The operating segment distributes the products and services of the Group through both the Branded and Affiliated Channels - the latter also including the 6,605 Service Only points of sale as at December 31, 2015 - through the web portal sisalpay.it.

The following table presents: i) Revenues and income; ii) Revenues and income net of revenues paid back to the revenue chain; and iii) EBITDA of the operating segments identified according to the change in the management and monitoring of the Group's business for the years ended December 31, 2015 and 2014:

	Year ended December 31,			
	2015		2014	
(in Euros thousands)	Revenues and income	EBITDA	Revenues and income	EBITDA
Retail Gaming				
Revenues	280,131		305,296	
Supply chain/other revenues	207,792		224,934	
Total	**487,923**	**75,412**	**530,230**	**90,455**
Lottery				
Revenues	74,332		84,571	
Supply chain/other revenues	207		59	
Total	**74,539**	**27,752**	**84,630**	**27,823**
Online Gaming				
Revenues	55,503		51,658	
Supply chain/other revenues	(7,685)		(6,819)	
Total	**47,818**	**21,812**	**44,839**	**18,832**
Payments and Services				
Revenues	98,764		88,082	
Supply chain/other revenues	75,895		70,138	
Total	**174,659**	**59,021**	**158,220**	**53,446**
Other revenues	**2,138**		**3,059**	
Total Revenues/adj. EBITDA of the operating segments	**787,077**	**183,997**	**820,978**	**190,556**

The Group defined a more precise allocation criteria of Points of sale revenues amongst the operating segments. For better comparability of data, 2014 figures have restated accordingly.

Total Revenues by segment are entirely related to income from third parties since there are no intersegment revenues.

Other revenues include the result of business and activities which do not represent an operating segment under IFRS 8 and are mainly related to contingent assets, capital gains on fixed asset disposals and other residual items.

The reconciliation between the EBITDA of the operating segments and EBIT, or Operating profit (loss), is presented in the following table:

(in Euros thousands)	2015	2014
Total operating segments	**183,997**	**190,556**
Non recurring expenses and income	(31)	(5,144)
Non recurring Impairment losses	(19,476)	0
Items with different classification	(1,665)	(1,712)
Amortization of intangible assets	(57,486)	(56,874)
Depreciation of property, plant and equipment	(40,776)	(43,950)
Other impairment losses on fixed assets	(511)	(189)
Impairment losses on current receivables	(11,950)	(12,363)
EBIT, operating profit (loss)	**52,102**	**70,324**

Items with different classification are related to income and charges, different from depreciation, amortization and impairment losses, included in EBIT in the separate financial statements, but not included in the operating profit definition by operating segment.

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

The Group currently operates almost exclusively in Italy; therefore no information is reported by geographical area.

8. Revenues

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	2015	2014
Gaming and betting revenues	473,692	504,266
Payments and other services revenues	137,448	124,132
Points of sale revenues	78,372	78,458
Other revenues from third parties	4,292	8,380
Total	**693,803**	**715,237**

Gaming and betting revenues are analyzed as follows:

	Year ended December 31,	
(in Euros thousands)	2015	2014
NTNG revenues	39,939	44,854
Gaming machines revenues	367,714	396,060
Horse race betting revenues	9,430	9,987
Big bets revenues	33	33
Virtual races revenues	30,214	29,700
Sports pools revenues	636	705
Online game revenues	24,995	21,483
Bingo revenues	731	1,445
Total	**473,692**	**504,266**

Payments and Other Services revenues are those revenues recognized by the Group linked primarily to the sale/distribution of telephone top-ups, the sale/distribution of TV card top-ups and also revenues from collection and payment services.

Points of sale revenues include mainly the annual affiliation “Point-of-Sale” fee from Sisal retail outlets according to the contract terms in addition to fees invoiced to outlets qualified as horse and sports betting points of sale, pursuant to the “Bersani Decree” and fees charged to the outlets under the “Sisal Point” contracts.

9. Fixed-odds betting income

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Fixed-odds sports betting income	88,809	99,009
Fixed-odds horse race betting income	302	245
Reference horse race betting income	451	442
Total	**89,563**	**99,696**

10. Other income

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Income arising from changes in estimates	2,978	3,926
Other sundry income	733	2,119
Total	**3,711**	**6,045**

11. Purchases of materials, consumables and merchandise

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Gaming materials purchases	5,122	5,220
Sundry materials purchases	3,537	4,495
Spare parts purchases	2,268	2,836
Warehousing	156	156
Change in inventories	(689)	(1,099)
Total	**10,394**	**11,608**

12. Costs for services

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Marketing and commercial expenses	11,467	19,116
Other commercial initiatives	7,542	8,723
Other commercial services	1,045	1,138
Commercial services	**20,054**	**28,977**
Sales channel - Gaming	254,205	272,772
Sales channel – Payment services	76,413	66,566
Consulting	13,238	15,327
Other service costs	81,551	87,139
Other services	**425,407**	**441,804**
Total	**445,461**	**470,781**

The fees paid to the audit firm for audit of the annual financial statements of the Parent and the subsidiaries amount to (net of VAT) Euros 352 thousand (Euros 363 thousand in 2014). In addition, fees paid to the audit firm for auditing procedures of a recurring nature carried out principally in connection with the various obligations required for the NTNG concession amount to Euros 67 thousand (Euros 66 thousand in 2014).

The compensation due to the statutory auditors of the Parent for carrying out their functions, also in other consolidated companies, amounts to a total of Euros 420 thousand.

13. Lease and rent expenses

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Building leases	19,019	19,450
Other rentals and operating leases	5,229	5,818
Total	**24,248**	**25,268**

14. Personnel costs

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Salaries and wages	62,666	65,593
Social security contributions	20,085	20,800
Employee severance indemnities	5,126	5,132
Other personnel costs	2,586	980
Total	**90,463**	**92,506**

The total decrease in personnel costs for the years 2015 and 2014 is largely due to a reduced headcount in the Group as can be seen in the following table which presents the average number of employees by category for the years under review.

	Year ended December 31,	
Average number of employees	**2015**	**2014**
Executives	48	49
Management staff	125	125
White-collar	1,703	1,768
Blue-collar	70	58
Total	**1,946**	**2,000**

15. Other operating costs

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Other taxes and duties	2,775	3,215
Gifts and donations	1,510	1,435
Gaming concession fees	18,748	19,168
Sundry operating costs	11,869	12,007
Total	**34,902**	**35,825**

The gaming concession fees refer mainly to the concession fees due under existing regulations on the collection of gaming revenues with gaming machines, sports betting and horse and sports games and NTNG games.

16. Depreciation, amortization, provisions and impairment losses and reversals

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Amortization of intangible assets	57,486	56,874
Depreciation of property, plant and equipment	40,776	43,950
Other impairment losses on fixed assets	19,987	189
Impairment losses on current receivables	11,950	12,363
Allocations to provisions for risks and charges	(692)	1,290
Total	**129,507**	**114,666**

Other impairment losses on fixed assets are mainly related to the impairment of the goodwill allocated to the “cash generating unit Agencies” as better described in the following note 22.

17. Finance income and similar

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Finance income bank accounts	160	454
Finance income guarantee deposits	286	372
Other finance income	57	377
Total	**503**	**1,203**

18. Finance expenses and similar

This item is composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Interest and other finance expenses - related parties	41,773	45,515
Interest and other finance expenses - third parties	43,036	45,455
Exchange (gains) losses realized	40	54
Exchange (gains) losses unrealized	(3)	7
Total	**84,846**	**91,031**

Interest and other finance expenses – related parties refer to expenses on the loans outstanding with the company Gaming Invest, the sole shareholder of the Parent, as commented in Note 34.

Interest and other finance expenses – third parties refer to the Senior Credit Agreement and Senior Secured Notes commented in Note 34.

19. Income taxes

Income taxes comprise the following:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Current income taxes	3,586	22,896
Current income tax adjustments relating to prior years	229	(17,995)
Deferred tax assets and liabilities	925	(18,638)
Deferred tax assets adjustments related to prior years	2,672	(4,979)
Total	**7,412**	**(18,716)**

The reconciliation between the theoretical and effective tax is presented in the following table:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Loss before income taxes	**(32,299)**	**(19,715)**
Nominal tax rate	27.5%	27.5%
Theoretical tax using the nominal tax rate	(8,882)	(5,422)
Non-deductible interest expense	2,248	2,243
Benefits for partial IRAP deductibility	-	(73)
Impairment Losses on goodwill	5,356	-
Other movements	2,633	1,450
Effective IRES tax	**1,355**	**(1,802)**
Effective IRAP tax	**2,688**	**6,060**
Current and deferred income tax adjustments related to prior year	**3,369**	**(22,974)**
Total effective tax expense (benefit)	**7,412**	**(18,716)**

The tax adjustments related to prior year include, moreover, the impact of the IRES nominal tax rate from 27.5% to 24% as provide by the 2016 Stability Law with effect from January 1, 2017, which affected, in particular, deferred tax assets due to carryforward losses. The corresponding figure for 2014 was affected by the recognition of one-off income of around Euros 23 million relating to a tax credit from recognition of the full deductibility, based on the positive outcome of specific action to finalize the Slots litigation, full details of which were provided in previous financial statements.

20. Earnings per share

The calculation of earnings per share is presented in the table below. In particular, there were no changes in the number of shares forming the share capital of the Parent during the course of the two years 2014 and 2015.

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Number of shares outstanding (in thousands)	102,500	102,500
Loss attributable to owners of the parent	(39,820)	(1,339)
Basic loss per share (in Euro)	(0.39)	(0.01)
Diluted loss per share (in Euro)	(0.39)	(0.01)

The shares which form share capital are ordinary shares and there are no obligations for the payment of preferred dividends or other privileges to which the Group’s result must be allocated. There are no instruments with a potential dilutive effect on the loss per share of the Group.

21. Property, plant and equipment

The composition and changes in property, plant and equipment are as follows:

(in Euros thousands)	January 1, 2015	Investments	Depreciation and impairments	Disinvestments	Reclassifications	December 31, 2015
Land and buildings:						
Original cost	48,593	1,167		(1,149)	-	48,612
Accumulated depreciation	(17,486)	-	(4,221)	738		(20,969)
Impairments	-					-
Net book value	**31,107**	**1,167**	**(4,221)**	**(411)**	**0**	**27,642**
Plant and machinery:						
Original cost	28,539	2,373		(10)		30,903
Accumulated depreciation	(20,076)	-	(2,738)	7		(22,808)
Impairments	(1)					(1)
Net book value	**8,462**	**2,373**	**(2,738)**	**(3)**	**0**	**8,094**
Industrial and commercial equipment:						
Original cost	356,863	19,511		(5,914)	-	370,460
Accumulated depreciation	(285,808)	-	(30,963)	5,736	-	(311,035)
Impairments	(1,589)		(511)	2		(2,098)
Net book value	**69,466**	**19,511**	**(31,474)**	**(176)**	**(0)**	**57,328**
Other assets:						
Original cost	33,499	2,124		(209)	-	35,414
Accumulated depreciation	(21,784)	-	(2,854)	183	-	(24,455)
Impairments	(186)					(186)
Net book value	**11,529**	**2,124**	**(2,854)**	**(26)**	**0**	**10,773**
Construction in progress:						
Original cost	-		-	-		-
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net book value	**-**	**-**	**-**	**-**	**-**	**-**
Total:						
Original cost	467,494	25,176	-	(7,282)	-	485,389
Accumulated depreciation	(345,153)	-	(40,776)	6,663	-	(379,266)
Impairments	(1,776)	-	(511)	2	-	(2,285)
Net book value	**120,565**	**25,176**	**(41,287)**	**(616)**	**(0)**	**103,837**

(in Euros thousands)	January 1, 2014	Investments	Depreciation and impairments	Disinvestments	Reclassifications	December 31, 2014
Land and buildings:						
Original cost	45,024	2,627		(1)	943	48,593
Accumulated depreciation	(13,554)		(3,932)			(17,486)
Impairments						-
Net book value	**31,470**	**2,627**	**(3,932)**	**(1)**	**943**	**31,107**
Plant and machinery:						
Original cost	26,606	1,953		(20)		28,539
Accumulated depreciation	(17,389)	(7)	(2,690)	10		(20,076)
Impairments	(1)					(1)
Net book value	**9,216**	**1,946**	**(2,690)**	**(10)**	**-**	**8,462**
Industrial and commercial equipment:						
Original cost	342,214	25,373		(10,746)	22	356,863
Accumulated depreciation	(261,606)	(6)	(34,672)	10,481	(4)	(285,808)
Impairments	(1,402)		(189)	2		(1,589)
Net book value	**79,206**	**25,367**	**(34,861)**	**(263)**	**18**	**69,466**
Other assets:						
Original cost	30,201	3,534		(214)	(22)	33,499
Accumulated depreciation	(19,241)	(96)	(2,656)	205	4	(21,784)
Impairments	(186)					(186)
Net book value	**10,774**	**3,438**	**(2,656)**	**(9)**	**(18)**	**11,529**
Construction in progress:						
Original cost	943	-	-	-	(943)	-
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net book value	**943**	**-**	**-**	**-**	**(943)**	**-**
Total:						
Original cost	444,988	33,487	-	(10,981)	-	467,494
Accumulated depreciation	(311,790)	(109)	(43,950)	10,696	-	(345,153)
Impairments	(1,589)	-	(189)	2	-	(1,776)
Net book value	**131,607**	**33,378**	**(44,139)**	**(283)**	**-**	**120,565**

"*Industrial and commercial equipment*" includes assets under finance leases whose net value was Euros 4,722 thousand at December 31, 2015 (Euros 7,509 thousand at December 31, 2014).

Year 2015

Investments made in 2015 totaled approximately Euros 25 million and regard mainly:

- investments in new "Series 6A" slot machines, access points (PdAs) and change machines of Euros 10.7 million;
- investments in gaming and services equipment such as the Big Touch and Microlot terminals for approximately Euros 3.5 million;
- network hardware as well as display equipment for points of sale of approximately Euros 5.5 million;
- investments in plant, furniture and restructuring work of the points of sale of around Euros 5.3 million.

Year 2014

Investments made in 2014 totaled approximately Euros 33 million and regard mainly:

- investments in new "Series 6A" slot machines, access points (PdAs) and change machines of around Euros 9.4 million;
- investments in gaming and services equipment such as the Big Touch and Microlot terminals and more than 14,000 POS of approximately Euros 7.1 million;

- network hardware as well as display equipment for points of sale of approximately Euros 7.4 million;
- investments in plant, furniture and restructuring work of the points of sale of more than Euros 7.5 million.

Information on outstanding finance leases is reported in the following table:

(in Euros thousands)	**Net book value at December 31, 2015**	**Leasing installments 2015**	**Residual debt at December 31, 2015**	**Residual leasing installments at December 31, 2015**
Microlot gaming terminals	586	-	-	-
Big Touch G.T. (industrial & commercial equipment)	361	211	180	183
POS G.T. (industrial & commercial equipment)	3,335	1,010	1,412	1,447
HW (industrial & commercial equipment)	313	104	304	342
Slot machines Series 6A	127	43	-	-
Total	**4,722**	**1,367**	**1,895**	**1,972**

(in Euros thousands)	**Net book value at December 31, 2014**	**Leasing installments 2014**	**Residual debt at December 31, 2014**	**Residual leasing installments at December 31, 2014**
Microlot gaming terminals	2,256	1,454	-	-
Big Touch G.T. (industrial & commercial equipment)	506	211	380	394
POS G.T. (industrial & commercial equipment)	4,143	1,323	2,358	2,457
HW (industrial & commercial equipment)	402	78	383	446
Slot machines Series 6A	202	115	40	43
Total	**7,509**	**3,181**	**3,161**	**3,340**

There are no mortgages or liens on any of the property, plant and equipment owned by the Group.

22. Goodwill

The carrying amount of goodwill is Euros 860,912 thousand at December 31, 2015 and was originally generated by the acquisition of the Sisal Group at the end of 2006 for a total Euros 1,053.1 million.

In the following years goodwill increased due to other acquisitions made by the Group principally for companies and businesses regarding legal gaming with gaming machines and horse and sports betting, but also recognized significant impairment losses as a result of carrying out impairment tests.

The gross carrying amount of goodwill and the relative accumulated impairment losses at the various year-end dates are the following:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Gross carrying amount	1,103,444	1,103,034
Accumulated impairment losses	(242,532)	(223,056)
Total	**860,912**	**879,978**

The changes in goodwill in 2015 are as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Balance at January 1,	**879,978**	**880,024**
Acquisitions	410	146
Impairments	(19,476)	-
Other changes	-	(192)
Balance at December 31,	**860,912**	**879,978**

The change recorded in 2015 refers to the increase following the acquisition of a business unit for the management of horse-racing and sports betting, and the decrease following the impairment loss recognized after impairment tests, as discussed in greater detail below.

The change in goodwill in 2014 refers to business combinations relating to the acquisitions of Maxima, carried out in 2013 (decrease of Euros 192 thousand following the deed of acknowledgement) and Acme (increase of Euros 146 thousand).

Goodwill was tested for impairment at December 31, 2015 and 2014 in accordance with international accounting standards. Specifically, operating cash flows were measured to determine the recoverable amount, equal to the value in use of the identified CGUs by applying the discounted cash flow method.

For the purpose of impairment testing, the Group uses five-year cash flow projections approved by management on the basis of growth rates differentiated according to the historical trends of the various products and relative reference markets.

The growth rate used to estimate cash flows beyond the explicit projected period was determined on the basis of market data and information available to management according to reasonable projections of estimated sector growth in the long term and is equal to 1.55% at December 31, 2015 (2.3% at December 31, 2014). In the case of impairment of an individual asset relating to the concessions or rights to collect receipts for gaming products, where necessary, the projections are extended for the number of years’ duration of the concession being tested.

The rate used to discount cash flows to present value is equal to a WACC of 7.2% at December 31, 2015 (7.26% at December 31, 2014), derived from the weighted average cost of capital of 9.8% (9% at December 31, 2014) - inclusive of a Market Risk Premium of 8.8% (8.6% at December 31, 2014) and the after-tax cost of debt of 3.9% (3.98% at December 31, 2014).

The Group is currently organized into four operating segments: Retail Gaming, Lottery, Online Gaming and Payments and Services.

The operating segments are composed of the following cash-generating units (CGUs).

In particular:

- in the “Retail Gaming” operating segment, the following CGUs were identified:

"**Agencies**", which include the flows from activities of providing and managing gaming machines (New Slots and VLTs) through the Sisal Match Point agencies, as well as the flows deriving from gaming halls and betting through the "Bersani" concessions;

"**Retail – WinCity**", which comprises the cash flows from gaming machines (New Slots and VLTs) and betting from the new Sisal WinCity network of points of sale;

"**Network**", which comprises the flows from activities of providing and managing the New Slot machines owned by the Group and the VLTs placed at businesses owned by third parties;

"**Providing**" which includes all the flows from interconnected gaming machines only;

- the "**Lottery**" operating segment coincides with the CGU of the same name which primarily refers to cash flows from National Tote Number Games (NTNGs, including SuperEnalotto);

- the "Online Gaming" operating segment coincides with the CGU of the same name which comprises all the games distributed online;

- the "Payments and Services" operating segment coincides with the CGU of the same name which includes activities channeled through the Sisal network of services rendered to the public such as mobile phone top-ups and payments of bills, etc.

The future cash flows used for purposes of the impairments test at December 31, 2015 included estimates of the impacts related to increased taxation and other measures introduced to the games sector by the 2016 Stability Law and better described under note 45. "Significant events occurring after the end of the year".

The related earning reduction affected in particular the "Retail Gaming" segment and implied a partial goodwill impairment loss for Euros 19,476 thousand with an impact on the "Agencies" CGU.

Goodwill at December 31, 2015 and 2014 is allocated to the different operating segments as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Retail Gaming	426,676	445,742
o/w: Agencies	*213,139*	*232,205*
Retail - WinCity	*2,052*	*2,052*
Network	*173,833*	*173,833*
Providing	*37,652*	*37,652*
Lottery	156,622	156,622
Online Gaming	140,908	140,908
Payment and Services	136,706	136,706
Total	**860,912**	**879,978**

The excess of the recoverable amount of the operating segments at December 31, 2015, determined on the basis of the parameters described above, compared with the relative carrying amount already expressed net of the above-mentioned impairment loss, is as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Retail Gaming	61,128	285,179
o/w: Agencies	*-*	*83,083*
Retail - WinCity	*24,963*	*28,798*
Network	*35,124*	*135,202*
Providing	*1,041*	*38,096*
Lottery	114,834	146,661
Online Gaming	133,823	79,244
Payment and Services	523,633	515,994
Total	**833,419**	**1,027,078**

The values of Terminal Growth rate and WACC, considered individually and without changes in other assumptions, required to render the recoverable amount of the operating segments equal to their carrying amount are indicated in the following table:

	WACC	Growth rate
Base value		
Retail Gaming	7.80%	0.70%
o/w: Agencies	*7.20%*	*1.55%*
Retail - WinCity	*19.88%*	*(27.00%)*
Network	*8.07%*	*0.50%*
Providing	*7.32%*	*1.40%*
Lottery	9.80%	(1.71%)
Online Gaming	12.60%	(7.12%)
Payments and Services	27.40%	(152.30%)

23. Intangible assets

The composition and changes in intangible assets are as follows:

(in Euros thousands)	January 1, 2015	Investments	Amortization and impairments	Disinvestments	31 December, 2015
Patent rights and intellectual property					
Original cost	67,941	9,917		(75)	77,783
Accumulated amortization	(56,088)	-	(10,344)	74	(66,358)
Impairments	(6)				(6)
Net book value	**11,847**	**9,917**	**(10,344)**	**(1)**	**11,419**
Concessions, licenses, trademarks and similar rights					
Original cost	641,047	3,225		(1,661)	642,612
Accumulated amortization	(419,667)		(47,142)	1,623	(465,186)
Impairments	(47,667)				(47,667)
Net book value	**173,713**	**3,225**	**(47,142)**	**(38)**	**129,758**
Other intangible assets					
Original cost	-	181	-	-	181
Accumulated amortization	-	-	-	-	-
Impairments	-	-	-	-	-
Net book value	**-**	**181**	**0**	**0**	**181**
Total:					
Original cost	708,988	13,323	-	(1,735)	720,576
Accumulated amortization	(475,754)	-	(57,486)	1,696	(531,543)
Impairments	(47,673)	-	-	-	(47,674)
Net book value	**185,561**	**13,323**	**(57,486)**	**(39)**	**141,359**

(in Euros thousands)	January 1, 2014	Investments	Amortization and impairments	Disinvestments	31 December, 2014
Patent rights and intellectual property	-				
Original cost	58,060	9,893		(12)	67,941
Accumulated amortization	(45,995)	-	(10,101)	8	(56,088)
Impairments	(6)				(6)
Net book value	**12,059**	**9,893**	**(10,101)**	**(4)**	**11,847**
Concessions, licenses, trademarks and similar rights					
Original cost	637,378	3,669		-	641,047
Accumulated amortization	(372,896)		(46,773)	2	(419,667)
Impairments	(47,667)				(47,667)
Net book value	**216,815**	**3,669**	**(46,773)**	**2**	**173,713**
Other intangible assets					
Original cost	-	-	-	-	-
Accumulated amortization	-	-	-	-	-
Impairments	-	-	-	-	-
Net book value	**-**	**0**	**0**	**0**	**0**
Total:					
Original cost	695,438	13,562	-	(12)	708,988
Accumulated amortization	(418,890)	-	(56,874)	10	(475,754)
Impairments	(47,673)	-	-	-	(47,673)
Net book value	**228,874**	**13,562**	**(56,874)**	**(1)**	**185,561**

Year 2015

In 2015, investments in intangible assets amount to approximately Euros 13.3 million, composed mainly as follows:

- purchase and development of software for the management of business operations for approximately Euros 12 million;
- new concession rights for approximately Euros 1.2 million.

The total amortization charge includes approximately Euros 13 million (approximately Euros 13 million in 2014), for the higher value allocated to the concession rights and the trademarks owned by the Group as a result of accounting for the effects of the purchase of the Sisal Group concluded in prior years.

Year 2014

In 2014, additions to intangible assets amounted to approximately Euros 13.5 million and are composed as follows:

- purchase and development of software for the management of business operations for approximately Euros 12 million;
- new concessions for approximately Euros 1.0 million.

The total amortization charge includes approximately Euros 13 million, for the higher value allocated to the concession rights and the trademarks owned by the Group as a result of accounting for the effects of the purchase of the Sisal Group concluded in prior years.

24. Deferred tax assets and liabilities

Deferred tax assets and liabilities are composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Total deferred tax assets	**25,173**	**31,938**
Total deferred tax liabilities	**(12,876)**	**(15,858)**
Net amount	**12,297**	**16,080**

Net changes are as follows:

	Year	
(in Euros thousands)	**2015**	**2014**
At January 1,	**16,080**	**(8,038)**
Charge/release to income statement	(1,025)	23,617
Charge/release to statement of comprehensive income	(186)	501
Used for tax consolidation	(2,572)	0
At December 31,	**12,297**	**16,080**

Deferred tax assets are summarized in the following table:

	At December 31,			
(in Euros thousands)	**2015**		**2014**	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Allocation to provision for impairment of receivables	45,207	11,084	42,240	11,616
Allocation to provision for risks and charges	11,193	3,229	15,083	4,733
Severance indemnity discounted and deducted out of books	884	212	1,672	460
Maintenance expenses	-	-	4,512	1,241
Other temporary differences	19,623	5,601	24,224	6,951
Losses from tax consolidation	58,625	14,246	67,977	18,694
Total deferred tax assets	**135,532**	**34,372**	**155,708**	**43,694**
Amount offset against deferred tax liabilities	(32,042)	(9,199)	(37,306)	(11,756)
Total deferred tax assets	**103,491**	**25,173**	**118,402**	**31,938**
Temporary differences excluded from the deferred tax computation	2,014	554	2,014	554

The Group expects to have sufficient taxable income in the future to recover deferred tax assets.

The temporary differences excluded from the computation of deferred tax assets relate to losses, reported by the Parent in the first year of operations (which can be carried forward for an unlimited period of time) prior to opting for tax consolidation, on which deferred tax assets have not been recorded, based on the probability, supported by current information, of realizing future taxable income against which the losses can be applied.

Deferred tax liabilities are summarized in the following table:

	At December 31,			
(in Euros thousands)	2015		2014	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Amortization/depreciation deducted out of books	36,109	10,330	39,296	12,459
Business combinations	27,761	8,004	32,781	10,392
Other temporary differences	11,102	3,740	15,169	4,763
Total deferred tax liabilities	**74,972**	**22,074**	**87,246**	**27,614**
Reversal of quota of non-current deferred taxes	(32,042)	(9,199)	(37,306)	(11,756)
Total deferred tax liabilities	**42,930**	**12,876**	**49,940**	**15,858**

25. Other non-current assets

Other non-current assets amount to Euros 23,155 thousand at December 31, 2015 (Euros 24,825 thousand at December 31, 2014) and mainly comprise VAT receivables for refunds requested upon presentation of the VAT return for 2008 and 2007 (respectively for Euros 6,305 thousand and Euros 3,906 thousand) and the interest accrued on such amounts. They also include guarantee deposits (a capitalization type policy) activated by Sisal S.p.A. in 2013 with the Assicurazioni Generali group which became the guarantor in favor of AAMS for the 19 installment payments of the penalty for failure to reach the guaranteed minimum on NTNG games; this deposit amounts to Euros 4,195 thousand at December 31, 2015, including the return accrued to date.

26. Inventories

This item is composed as follows:

	At December 31,	
(in Euros thousands)	2015	2014
Playslips	431	223
Rolls of paper for gaming terminals	565	384
VLT tickets	27	36
Spare parts (repairs)	4,076	4,168
Spare parts (consumables)	1,439	1,403
Materials, auxiliaries and consumables	**6,537**	**6,215**
Top-up and scratch cards	243	398
Virtual top-ups	4,505	2,018
Mini-toys	4	65
Finished gaming machines inventory	-	237
Finished gaming machines and merchandise	**4,752**	**2,718**
Semi-finished products inventory	12	32
Semi-finished products	**12**	**32**
Total	**11,302**	**8,965**

Inventories are shown net of the provision for inventory obsolescence. Changes in the provision are as follows:

(in Euros thousands)	Provision for inventory obsolescence
At December 31, 2013	**2,012**
Net charge	573
Usage	(64)
At December 31, 2014	**2,521**
Net charge	432
Usage	(323)
At December 31, 2015	**2,630**

27. Trade receivables

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Receivables from points of sale	102,758	97,336
Trade receivables from gaming machines network	12,965	13,485
Trade receivables from betting agencies	11,450	12,144
Trade receivables from third parties	4,478	3,283
Other trade receivables from third parties	2,366	2,288
Doubtful receivables	70,837	62,219
Provision for impairment of receivables	(60,456)	(55,479)
Total	**144,398**	**135,276**

Receivables from points of sale represent amounts due to the Group for bets placed on the last games in December and for payment services performed in the same month.

Trade receivables from network represent the sums due from the customer network of gaming machines for which Sisal Entertainment S.p.A., as the concessionaire, offers the interconnecting service to the AAMS computer network. These receivables are composed of the fee of the concessionaire, the PREU tax and the AAMS concession fee.

Trade receivables from betting agencies represent wagers on horse and sports events, accepted by the agencies operating under partnership contracts, not yet paid into the Group's bank accounts.

Doubtful receivables represent unpaid outstanding amounts generated by receivables that were subject-to-collection, due mainly from retail outlets, on which recovery procedures and possibly legal actions were initiated, excluding amounts due on situations that can be resolved in the short term.

There are no foreign currency denominated trade receivables and the analysis by geographical area is not significant as all receivables are from domestic operators.

The changes in the provision for impairment of receivables are as follow:

(in Euros thousands)	Provision for impairment of network trade receivables	Provision for impairment of other trade receivables	Total
January 1, 2014	**(45,474)**	**(691)**	**(46,165)**
Net charge	(12,244)	(34)	(12,278)
Usage	2,965	-	2,965
December 31, 2014	**(54,754)**	**(725)**	**(55,479)**
Net charge	(11,907)	-	(11,907)
Usage	6,917	12	6,929
December 31, 2015	**(59,743)**	**(713)**	**(60,456)**

The increases recorded in 2015 and 2014 reflect the trend in debtor insolvency (particularly with reference to the outlet points of sale). The decreases during these years refer mainly to the write-off of doubtful positions, no longer considered recoverable.

28. Current financial assets

There is no balance for this item in either 2015 or 2014.

29. Taxes receivable

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Receivables for IRES tax from tax authorities	1,040	3,086
Receivables for IRAP tax from tax authorities	396	566
Total	**1,436**	**3,652**

Receivables for IRES and IRAP taxes from the tax authorities are shown net of advance payments made during the year and reflect, respectively, the receivable positions of the tax group and of Sisal S.p.A. and Sisal Entertainment S.p.A.

30. Restricted bank deposits

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

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

Fluctuations in the total deposits mainly refer to the amount of the SuperEnalotto Jackpot at the end of the year and the prize monies for the Vinci per la Vita - Win for Life and SiVinceTutto SuperEnalotto games.

31. Cash and cash equivalents

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Bank and postal accounts	133,772	106,385
Cash and cash equivalents in hand	5,971	7,308
Total	**139,743**	**113,692**

32. Other current assets

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Receivables from the Public Administration	24,695	26,726
Other receivables from tax authorities	3,738	8,902
Prepaid expenses	2,913	4,087
Other receivables from third parties	9,438	8,370
Other receivables from employees	388	466
Provision for impairment of other receivables	(96)	(132)
Total	**41,076**	**48,418**

Other receivables from third parties, equal to Euros 9,438 thousand (Euros 8,370 thousand at December 31, 2014) are mainly related to the short term component, equal to Euros 3,799 thousand, of the policy activated by Sisal S.p.A. as guarantee of the payment timing of the NTNG penalty charged to the company in 2012 and to the insurance policy, equal to Euros 1,827 thousand, activated by the same company to manage the NTNG game Win For life Vinci Casa, launched in July 2014.

Receivables from the Public Administration are mainly composed of receivables for security deposits with the AAMS, under the concessions relating to collections from legal gaming through gaming machines, equal to Euros 19,614 thousand at December 31, 2015 (Euros 19,795 thousand at December 31, 2014).

Other receivables from tax authorities mainly refer to receivables for VAT.

Prepaid expenses mainly represent the prepaid portion of expenses not relating to the current year incurred for the issue of bank guarantees, rent and health insurance premiums.

33. Equity

Share capital

The share capital of the Company at December 31, 2015, fully subscribed and paid-in, is composed of 102,500,000 ordinary shares of par value Euro 1 each.

Other reserves

In order to allow participation in an effective system of manager incentives, some first-level managers of the Group have been granted the option of taking part in incentive plans of the shareholder Gaming Invest.

In particular, the incentive plans provide for the subscription, as employees of the Group, to equity instruments and debt instruments issued by Gaming Invest under a system that is more favorable than those granted to the shareholders of reference. The incentive plan is structured as an equity-settled share-based payment transaction under IFRS 2 and consequently is reflected as such in the financial statements of the Group.

The plans thus structured co-exist with similar incentive plans granted to the managers of the Group as part of the operation which in 2006 led to the change in the Group's shareholders of reference. Such plans have been granted to replace, in whole or in part, the previously existing plans, the costs of which had been reflected in the income statement of the various companies. The vesting period taken into account for the related cost accounting ended in the prior year with the failure of the Group listing process.

Non-controlling interests

The change in non-controlling interests is associated with the profit trend for the year and the effect of acquisition of a 40% non-controlling interest in the subsidiary Friulgames S.r.l., upon exercise of the put option by the minority shareholder, which led to a decrease in non-controlling interests of Euros 1,281 with a simultaneous increase of the same amount in Group equity.

34. Long-term debt

Long-term debt of the Group at December 31, 2015 and 2014, shown net of transaction charges in accordance with IFRS, is presented as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Senior Credit Agreement	**414,810**	**425,438**
Senior Secured Notes	**276,224**	**274,273**
Shareholder Loan	410,885	387,015
Loans from related parties	**410,885**	**387,015**
Loans from other banks	1,795	2,220
Payables to other lenders – leasing contracts	1,896	3,161
Short-term debt - other	103	
Other loans from third parties	**3,794**	**5,381**
Total	**1,105,713**	**1,092,107**
of which current	*54,246*	*54,451*
of which non-current	*1,051,467*	*1,037,656*

Long-term debt outstanding at December 31, 2015, including the current portion of long-term debt, amounts in total to Euros 1,106 million (Euros 1,092 million at December 31, 2014) of which Euros 419 million or 38% (Euros 431 million at December 31, 2014 or 39%) relates to bank debt or similar (including payables to leasing companies) at variable rates, Euros 276 million or 25% to the issuance of Notes completed during the prior year (Euros 274 million at December 31, 2014 or 25%) and Euros 411 million or 37% (Euros 387 million at December 31, 2014 or 36%) to fixed rate loans obtained from related parties. In previous years the Group put into place an Interest Rate Swap ("IRS"), exchanging the variable rate with a fixed rate, in order to reduce exposure to the risks associated with the variability of the interest expenses on its debt. Subsequently, in view of the economic situation and the expectations in terms of inflation, an increase in interest rates has not appeared probable; therefore, the Group decided not to extend the hedging transactions which closed at the end of the year 2012.

A description follows of the most significant outstanding debt.

Senior Credit Agreement

The Senior Credit Agreement was initially secured by the Group in October 2006 and later renegotiated, the most recent being in May 2013, from a banking pool with Royal Bank of Scotland plc acting as the Agent. The total original amount of the loan, equal to Euros 725 million, was subsequently increased to Euros 745 million in 2008 and later partially repaid, as described below. Details of the lines of credit which form the Senior Credit Agreement are as follows:

Senior Credit Agreement Summary					
		Residual Debt at December 31,			
(in Euros thousands)	**Type**	**2015**	**2014**	**Due**	**Repayments**
Facility A	Amortizing	25,280	37,920	September 30, 2017	semi-annual
Facility B	Bullet	179,514	179,514	September 30, 2017	when due
Facility C	Bullet	179,514	179,514	September 30, 2017	when due
Facility D	Amortizing	-	-	September 30, 2017	semi-annual
RF (*)	Revolving facility	34,286	34,286		
Total gross of transaction charges		**418,594**	**431,234**		
Transaction charges connected to loans		**(3,784)**	**(5,796)**		
Total		**414,810**	**425,438**		

(*) The total available credit line is equal to Euros 34,286 thousand.

In May 2013, following the issuance of the Senior Secured Notes, commented below, the Group:

- partially repaid the Senior Credit Agreement for Euros 275 million; specifically Facilities B and C for Euros 130,972 thousand, fully repaid the Facility D for Euros 139,028 thousand and partially the Revolving Facility for Euros 5,000 thousand;

- renegotiated several conditions of the Senior Credit Agreement, extending the maturity of some lines of credit after a revision of the spread. Specifically, as a result of the renegotiation, the outstanding credit lines of the Senior Credit Agreement will be repaid by 2017 (before renegotiation the amortization plan provided for repayment between the years 2014-2016) and interest will accrue on the basis of the 1-, 3- or 6-month Euribor, plus a spread of between 3.5% and 4.25% depending on the characteristics of the lines of credit (the spread was between 2.25% and 3.68% before the renegotiation).

The amortization plan at December 31, 2015 for each facility is provided in the following table:

Senior Credit Agreement Summary			
Amortization Plan			
(in Euros thousands)	**Residual debt at December 31, 2015**	**2016**	**2017**
Facility A	25,280	12,640	12,640
Facility B	179,514	-	179,514
Facility C	179,514	-	179,514
Facility D	-	-	-
RF (*)	34,286	-	34,286
Total	**418,594**	**12,640**	**405,954**
Residual debt		**405,954**	**0**

(*) The Revolving Facility – totaling Euros 34,286 thousand – must be paid by September 30, 2017, unless the Company repays it beforehand in part or in full. In that case, the Company may again draw upon the facility but is still obliged to extinguish the facility as mentioned above.

The Senior Credit Agreement, among other things, contains the following covenants which must be complied with and must be calculated in reference to the consolidated data of the shareholder Gaming Invest S.àr.l.:

- *Cash-flow cover*, that is, the ratio of:

a. consolidated cash flows provided during the period in question (excluding cash flows that are not available to the Group and some additional flows, specifically identified in the contracts regulating the loans in question), and

b. financial debt inclusive of interest (being the sum of the loans received from banks, noteholders, leasing companies and factoring companies) due during the same period.

This ratio must not be less than 1.

- *Interest Cover*, that is, the ratio of consolidated EBITDA to consolidated net finance expenses (adjusted to take into account certain effects specifically identified in the contracts regulating the loans in question). This ratio must not be below a) 1.85 at the 2014 year-end date; b) 1.90 in the years 2015, 2016 and 2017;

- *Leverage Ratio*, that is, the ratio of consolidated net debt (net of restricted bank deposits) to consolidated EBITDA (adjusted to take into account certain effects specifically identified in the contracts regulating the loan in question). This ratio must not be higher than a) 6.00 at the 2014 year-end date, b) 5.75 in the years 2015, 2016 and 2017.

Non-compliance with these covenants constitutes an "event of default" which triggers the consequent obligation to immediately repay the residual debt, except in the case a waiver is obtained from the relative credit institutions;

The Group is also required to comply with a series of restrictions such as, inter alia, limitations: *i)* entering into merger, spin-off, corporate restructuring and joint venture transactions, *ii)* carrying out acquisitions or investments, *iii)* carrying out acts disposing of all or part of its assets and *iv)* increasing financial debt. Exceptions to these restrictions are permitted, on authorization from the lending banks.

For the years under review, the above-mentioned financial covenants have been complied with and there are no events of default.

The Group pledged to the financing banks the shares held in the companies Sisal S.p.A., Sisal Entertainment S.p.A. and Sisal Match Point S.p.A. (eventually incorporated in Sisal Entertainment S.p.A.)

Loans from related parties

Loans from related parties include two loans obtained from Gaming Invest, detailed in the following table:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Shareholder Loan	410,885	387,015
Loans from related parties	**410,885**	**387,015**

Shareholder Loan

The loan denominated "Shareholder Loan" for an original amount of Euros 452 million, provides for: *i)* the obligation of the Company to repay the loan in a one-off payment on request by the lender and *ii)* the right of the Company to repay the residual debt in part or in full at any time. However, the repayment of the principal on this loan is subordinate to the Senior Credit Agreement, previously described, or in cases expressly provided by the Senior Credit Agreement or, finally, upon specific authorization of the banking pool which granted this last loan. As a result this loan is in fact considered as if it were a medium-/long-term loan.

There are two different fixed rate interest components of this loan:

- the "PIK Margin" interest, equal to 6% per year on the residual debt, which the Company, instead of paying, may capitalize for the entire term of the loan (interest accrues on the capitalized interest);

- the "Cash Margin" interest, equal to 4.5% per year on the residual debt, which obligatorily must be paid quarterly.

From January 1, 2014 to December 31, 2015 the Group did not repay principal and capitalized interest for a total of Euros 50.0 million (Euros 26.0 million in 2014 and Euros 24.0 million in 2015).

Repayments of principal were made prior to January 1, 2013, within the limits established by the Senior Credit Agreement.

Subordinated Zero Coupon Shareholder loan

In June 2009, the sole shareholder Gaming Invest S.àr.l also granted another loan of Euros 60 million denominated “Subordinated Zero Coupon Shareholder loan” and, like the preceding loan, is subordinate to obligations deriving from the “Senior Credit Agreement”.

This loan bears interest at 11% per year and is due when principal is repaid; the interest accrued does not bear interest.

On December 15, 2014 the sole shareholder waived the right to this loan, including the interest accrued at that date.

Senior Secured Notes

Senior Secured Notes Summary					
		Residual Debt at December 31,			
(in Euros thousands)	**Type**	**2015**	**2014**	**Due**	**Repayments**
Senior Secured Notes	Bullet	275,000	275,000	September 30, 2017	when due
Total gross of transaction charges		**275,000**	**275,000**		
Transaction charges connected to loans		**(3,871)**	**(5,822)**		
Finance expenses payable		**5,095**	**5,095**		
Total		**276,224**	**274,273**		

In May 2013, the Group completed the issuance of secured notes for a total of Euros 275,000 thousand, issued at par, with semi-annual coupon interest (due March 31 and September 30) and a one-off repayment of the principal at September 30, 2017. Interest is computed at the fixed rate of 7.25%, before the effects associated with the costs incurred for issuance of the Senior Secured Notes which, pursuant to IFRS, are recognized using the effective interest method. Taking into account the above costs and assuming repayment of the loan at the above maturity date, the effective interest rate recorded in the consolidated income statement as an interest cost is 7.96% on an annual basis.

The Company has the right to full or partial early repayment of the notes issued, as established in the contract governing their issue. The main terms applicable in the event of early repayment are described below.

In the event of early repayment (partial or full): i) between November 1, 2014 and April 30, 2015, the Group had to pay an amount equal to 102% of the amount repaid in addition to any interest accrued and not paid; ii) between May 1, 2015 and April 30, 2016, the Group must pay an amount equal to 101% of the amount repaid in addition to any interest accrued and not paid; and iii) subsequent to April 30, 2016, any early repayments only require payment of the face value of the amount repaid and any interest accrued and not paid.

The Senior Secured Notes provide for a series of covenants to be complied with by the Company. In particular, there are limitations, *inter alia*, on *i)* payment of dividends; *ii)* early repayment or any payment to repay the subordinated debt of the Company or the subordinated shareholder loans; *iii)* make investments; *iv)* increase financial debt; *v)* enter into transactions for mergers or transfers of the company and *vi)* carry out transactions that involve a change of control of the Company. Such limitations oblige the Group to obtain specific authorizations for any exceptions to these limitations.

The Senior Secured Notes also provide for:

- a series of "events of default" if the trustee or the noteholders ask for full repayment of the notes and the interest accrued. The most important events of default are the following:

  i) non-compliance with the established covenants (some of which are mentioned in the preceding paragraph);

  ii) whenever the guarantees (discussed in the following paragraph) provided by the loan cease to be effective or are declared null and void.

- secured and unsecured guarantees have been set up to guarantee fulfillment of the obligations of the Company and its subsidiaries (the "**Subsidiaries**"). The subsidiaries are committed to guaranteeing, irrevocably and unconditionally, with the exclusion of certain established contractual limitations, the fulfillment of obligations deriving from the Company's obligations. Moreover, inter alia, the following secured guarantees were set up for the benefit of the noteholders:

  i) first-ranking pledge on the shares of the Company held by the direct parent, Gaming Invest S.àr.l., and representing 100% of the share capital of the Company;

  ii) first-ranking pledge on all the shares of the subsidiaries held by the Company and by other companies of the Group.

The Senior Secured Notes and the Senior Credit Agreement are equally ranked with the loans from related parties.

Other loans from third parties

Details of other loans from third parties are detailed in the following table:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Loans from other banks	1,796	2,220
Payables to leasing companies	1,895	3,161
Short term loans	103	-
Other loans from third parties	**3,794**	**5,381**

"*Loans from other banks*" refer mainly to the residual amount of pre-existing medium-/long-term debt in the companies acquired by the Group.

"*Payables to leasing companies*" refer mainly to the contracts signed in 2010 and 2011 for the purchase of new generation gaming terminals denominated Microlot. Further contracts were added in 2013 and 2014 relating to the purchase of industrial and commercial equipment (Big Touch terminals, POS and hardware) for a total debt at December 31, 2015 of Euros 1.9 million.

The minimum lease payments for finance lease liabilities are summarized in the following table:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Minimum lease payments due		
Within 12 months	1,296	1,343
Between 1 and 5 years	676	1,998
After 5 years	-	-
Future financial expenses	(77)	(179)
Present value of payables to leasing companies	**1,895**	**3,162**

35. Net financial debt

The net financial debt of the Group at December 31, 2015 and 2014, determined in conformity with paragraph 127 of the recommendations contained ESMA Document no. 81/2011, implementing Regulation (EC) 809/2004 is presented as follows:

		At December 31,	
	(in Euros thousands)	**2015**	**2014**
A	Cash	5,971	7,308
B	Other liquid assets	133,772	106,384
C	Securities held for sale	0	0
D	**Liquidity (A+B+C)**	**139,743**	**113,692**
E	**Current financial receivables**	0	0
F	Current financial payables	34,286	34,286
G	Current portion of medium-/long-term debt	19,857	20,165
H	Other current financial payables	103	0
I	**Current financial debt (F+G+H)**	**54,246**	**54,451**
J	**Net current financial debt (I-E-D)**	**(85,497)**	**(59,241)**
K	Medium-/long-term debt	778,770	766,560
L	Notes issued	271,129	269,178
M	Other non-current financial payables	1,568	1,918
N	**Non-current financial debt (K+L+M)**	**1,051,467**	**1,037,656**
O	**Net financial debt (J+N)**	**965,970**	**978,415**

36. Provision for employee severance indemnities

The changes in this item are the following:

	Year	
(in Euros thousands)	**2015**	**2014**
Beginning balance	**11,318**	**9,681**
Current service costs	95	62
Finance expenses	200	304
Actuarial (gains) losses	(514)	1,820
Contributions made - Benefits paid	(1,064)	(639)
Change in scope of consolidation	-	90
Ending balance	**10,035**	**11,318**

The provision includes the effects of the present value calculation required by IAS 19.

Details of the financial and demographic assumptions used in the actuarial calculations are as follows:

Discount rate	2.00%
Inflation rate	1.8%
Future salary increase rate	2.80%
Estimated mortality rate	table RG48 reduced by 80%
Estimated disability rate	table CNR reduced by 70%
Probability of resignation/retirement (annual)	3%

There are no plan assets servicing the defined benefit plans.

37. Provisions for risks and charges

The changes in this item are the following:

(in Euros thousands)	Sundry risks and charges provisions	Technological updating provision	Total
December 1, 2014	**11,262**	**1,959**	**13,221**
Net provisions	2,139	(849)	1,290
Usage	(411)	-	(411)
December 31, 2014	**12,990**	**1,110**	**14,100**
Net provisions	26	(718)	(692)
Usage	(949)	-	(949)
December 31, 2015	**12,067**	**392**	**12,459**

The *Technological updating provision* refers to the provision that must be allocated by the Group's concessionaire companies, based on the relative concession agreements, in order to ensure over time that the online network and infrastructures are updated according to the technology and size necessary for the gaming business.

It should be noted that the Group operates in a complex legal environment where regulations are continuously evolving. See Note 5 for further details.

As of the date of preparation of the consolidated financial statements, and at this time, although in a context of uncertainty, it is believed that such pending cases and proceedings will not give rise to liabilities besides those already recorded in the consolidated financial statements or have significant consequences.

At the same time, it should be mentioned that at year-end 2015 there are certain tax audits and inspections in progress; however, it is believed, at this time, that there will be no further additional costs to the Group other than those already recognized in the consolidated financial statements.

38. Other non-current liabilities

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payable for acquisition of business segment	-	458
Other non-current liabilities	3,360	6,700
Total	**3,360**	**7,158**

Payable for the acquisition of business segments refers to the non-current amount payable for acquisition of the business segment from Merkur Interactive Italia S.p.A. which was concluded in preceding years. The residual amount has been fully reported at December 31, 2015 in other current liabilities.

Other non-current liabilities refer to the non-current portion of the payable relating to the NTNG penalty levied on Sisal S.p.A. in 2012.

39. Trade and other payables

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables to suppliers	63,092	69,624
Payables to partners for services	188,519	193,979
Payables to gaming machines network	374	566
Trade payables to concessionaires	352	-
Other trade payables	2,331	3,628
Total	**254,668**	**267,798**

Payables to partners for services relate mainly to the sale of top-ups of telephone and TV content cards and collection and payment services operated directly by the Parent on behalf of private and public entities. The fluctuations between the periods under review are due to the volumes transacted and the timing of amounts transferred to the companies/partner entities.

Payables to gaming machines network mostly include the amount due to the network based on turnover.

40. Taxes payable

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables for IRAP tax	779	3,946
Payables for IRES tax on income tax consolidation	-	511
Total	**779**	**4,458**

At December 31, 2015 the payables for IRES taxes show zero balances since the Group recorded a net receivable based on the national tax consolidation. *Payables for IRAP tax* reduction is mainly due to advance payments trend and taxable income decrease following the introduction of new regulations that provide as from January 1, 2016 the substantial deductibility of labor costs.

41. Other current liabilities

This item is composed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables on games	91,557	66,250
Payables for winnings	81,933	94,847
Payables to employees	11,459	12,993
Other current liabilities	5,848	10,591
Payables to social security agencies	7,565	8,286
Other taxes payable	2,885	4,833
Payables to collaborators	1,647	1,824
Total	**202,895**	**199,624**

The main items forming other current liabilities are analyzed below.

Payables on games

Payables on games refer to the following:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables to tax authorities on games	77,198	52,591
NTNG subscribers	1,610	1,708
Payables for online games	6,457	5,848
Payables for guaranteed minimum	3,905	3,905
Payables for betting management	2,387	2,198
Total payables on games	**91,557**	**66,250**

Payables to tax authorities on games mainly include: *i)* the tax on the last NTNG games played in the year; *ii)* payables for the PREU tax and concession fees on the turnover from gaming machines, for the last two months of the year and *iii)* taxes relating to the turnover for the month of December on sports pool games, horse and sports betting and online games. This item includes approximately Euros 3.3 million for the short-term portion of the aforementioned NTNG penalty paid in 2015 for Euros 3.3 million in accordance with the amortization plan agreed with the AAMS. The increase reported in this item for more than Euros 22 million is due to the pledgee proceedings with third parties under article 543 Code of Civil Procedure, notified to Sisal Entertainment S.p.A. at initiative of some subjects creditors towards the Gaming Agency.

To comply with the mandatory obligation to provision of the sums subject to garnishment, they have been deposited in a bearing bank account classified as restricted cash.

Payables for online games report the sums deposited by players in order to bet online.

Payables for guaranteed minimum include the remaining amount payable to the concession granting Authorities for the integration due on the guaranteed minimum adjustment specified in the horse-race betting concession agreements signed by Sisal Match Point S.p.A. The latter, by agreement with the concession granting Authority, in 2009 did not pay the installment due for 2009 relating to the guaranteed minimum adjustment for horse betting concessions in view of the receivable resulting from the Arbitration award on May 26, 2003. In the arbitration proceedings, between 171 plaintiff companies and the concession granting authority UNIRE, the Arbitration Board ruled in favor of the companies, confirming the existence of a receivable in favor of the concessions owned by Sisal Match Point S.p.A. as a result of mergers and acquisitions in the preceding years. AAMS appealed against the Arbitration Board's award before the Rome Court of Appeal, which revoked the award in question and ruled that the Administrative Judge had jurisdiction over the matter. No claim has so far been made against Sisal Entertainment S.p.A. following that revocation order. An appeal was filed with the Supreme Court against the previous year's judgment of the Rome Court of Appeal, requesting that its decision be overruled and the Award reinstated.

NTNG subscribers include the payable for subscriptions to SuperEnalotto and the additional SuperStar game, Vinci per la vita - Win for life, and Eurojackpot games.

Payables for winnings

Payables for winnings include jackpots payable by the Group to winners of pool games, betting and VLTs at the closing date of the financial statements; the contra-entry to such payables is mainly restricted bank deposits set up for this purpose and recorded under assets in the statement of financial position.

Payables for winnings can be analyzed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables for SuperEnalotto-SuperStar winnings	62,538	73,934
Payables for Win for Life winnings	11,589	10,845
Payables for Si Vince Tutto-SuperEnalotto winnings	591	847
Payables for Tris games and horse betting winnings	183	185
Payables for CONI games	172	439
Payables for Bingo winnings	-	16
Payables for VLT winnings	6,342	6,792
Payables for Eurojackpot winnings	470	1,766
Payables for Play Six winnings	29	21
Payables for bet winnings	20	-
Total payables for winnings	**81,933**	**94,847**

The fluctuations between reporting periods depend mainly on the levels of the winnings for each game, related to the turnover of the period.

Payables to employees

Payables to employees include the 14th month bonus, other bonuses, vacation, former holidays, outstanding leave, remuneration and overtime accrued but not yet paid at the end of the year.

Other taxes payable

Other taxes payable are detailed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Payables for IRPEF payroll tax	2,631	2,821
Payables for loan withholding tax	18	109
Payables for equalization tax	11	2
Payables for VAT	71	218
Sundry taxes payable	155	1,684
Total	**2,885**	**4,833**

Sundry taxes payable reduction is mainly due to the payment of a tax notice for about Euros 1,3 million, received by Sisal S.p.A. in September month 2014 and paid in January 2015 following the deposit of the second appeal judgment unfavorable result for the company which has already made an appeal in Cassation Court.

Other current liabilities

Other current liabilities principally include payables relating to the acquisition of business segments and/or companies, guarantee deposits received, non-deductible VAT on invoices to be received and also dividends not yet paid. The decrease in this item is mainly due to settlement during the year of the debt recognized at the end of 2014 against the option to purchase 40% of the share capital of the subsidiary Friulgames S.r.l. The option was exercised in 2015 on the basis of related agreements for a total of Euros 3.3 million.

42. Commitments

The commitments of the Group at the reporting dates are detailed as follows:

	At December 31,	
(in Euros thousands)	**2015**	**2014**
Customs and Monopolies Agency	212,817	213,006
Payments and services	169,752	167,600
Other guarantees provided	4,131	4,424
Tax revenues agency	1,081	1,246
Total	**387,780**	**386,276**

The *Customs and Monopolies Agency* (ADM) commitments refer to the aggregate of the guarantees and/or commitments issued by the concessionaire companies of the Group on behalf of the granting Authority for the concession to operate and develop various games, and also for the related tax and operating obligations. *Payments and services* instead refer to the guarantees issued by the Company and Sisal S.p.A. on behalf of partner customers mainly for agreements relating, respectively, to payment services and to the sale and/or distribution of mobile phone top-ups for which the above companies are required to guarantee payment, net of their fees, of the amounts collected under the terms of the agreements.

Moreover, to guarantee the debt deriving from the financing contracts signed in the course of the acquisition of the majority interest in Sisal S.p.A., the Group pledged the shares held in Sisal S.p.A., Sisal Entertainment S.p.A, and Sisal Match Point S.p.A. (later merged in Sisal Entertainment S.p.A.) to the lending banks. Similar pledges were set up on behalf of the subscribers to the Senior Secured Notes.

43. Related party transactions

Related party transactions are mainly financial in nature. The Company holds that all such transactions are substantially settled on an arm's length basis.

The balances referring to related party transactions in the statement of financial position at December 31, 2015 and 2014 are detailed in the following table:

(in Euros thousands)	**Parent companies**	**Management**	**TOTAL**	**TOTAL ITEM IN FINANCIAL STATEMENTS**	**PERCENTAGE OF TOTAL ITEM**
Long-term debt					
At December 31, 2015	410,885	-	410,885	1,051,467	**39.08%**
At December 31, 2014	387,015	-	387,015	1,037,656	**37.3%**
Other current liabilities					
At December 31, 2015	-	1,465	1,465	202,895	**0.7%**
At December 31, 2014	-	1,623	1,623	199,624	**0.8%**

The effects of related party transactions on the income statement for the years ended December 31, 2015 and 2014 are detailed in the following table:

(in Euros thousands)	**Parent companies**	**Management**	**TOTAL**	**TOTAL ITEM IN FINANCIAL STATEMENTS**	**PERCENTAGE OF TOTAL ITEM**
Costs for services					
Year ended December 31, 2015	-	3,193	3,193	445,461	**0.7%**
Year ended December 31, 2014	-	2,768	2,768	470,781	**0.6%**
Personnel costs					
Year ended December 31, 2015	-	4,643	4,643	90,463	**5.1%**
Year ended December 31, 2014	-	4,604	4,604	92,506	**5.0%**
Finance expenses and similar					
Year ended December 31, 2015	41,773		41,773	84,946	**49.2%**
Year ended December 31, 2014	45,515		45,515	91,031	**50.0%**

Parent companies

With reference to the transactions with Gaming Invest, the Parent has a total financial debt for approximately Euros 411 million at December 31, 2015; interest accrued for the year on such debt amounts to approximately Euros 42 million, of which approximately Euros 24 million has been capitalized. Details of the financial relations with Gaming Invest are provided in Note 34.

Management

The following Group officers are considered key executives charged with strategic responsibilities: i) Chief Executive Officer on the board of directors; ii) Chief Financial Officer; iii) executives heading the business units (Retail Gaming, Lottery, Online Gaming and Payments and Services); iv) executive heading the betting business, v) executives heading the HR, Legal, Strategy, Marketing & Communication, Institutional Affairs and Security & Anti Money-Laundering functions.

Compensation to the key executives of the Group is as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Salaries	4,328	4,313
Employee severance indemnities	315	291
Total	**4,643**	**4,604**

Executives who are also Company directors, with related powers and responsibilities, are entitled to directors' compensation determined by the shareholders at the annual general meeting.

Under the agreements reached with the shareholders following acquisition of the majority of the share capital of Sisal S.p.A. by the Parent in 2006, some executives subscribed to certain debt and equity instruments of the vehicle used for the purpose of the new acquisition. Similar opportunities were offered to several executives hired in later years, as described in the note on other reserves under equity.

44. Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, the following information is presented in respect of the impact of non-recurring events and transactions on the results of operations and the cash flows for the year and the financial position of the Group.

Non-recurring events and transactions are identified mainly on the basis of the nature of the transactions. Specifically, non-recurring income and expenses include events that by their nature do not occur continuously under normal business operations (for example: income and expenses deriving from the acquisition and/or disposal of buildings, business segments and investments included in non-current assets, income and expenses deriving from company reorganizations, income and expenses deriving from sanctions levied by regulatory entities and impairment losses on goodwill or intangible assets). The impacts of non-recurring events and transactions relating to the year 2015 and 2014 are as follows:

At December 31, 2015					
(in Euros thousands)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Book value	***(a)***	**(8,537)**	**(39,711)**	**965,970**	**26,051**
Outsourcing of contact center functions		(1,331)	(1,331)		(1,331)
Costs/income for acquisitions/reorganizations		(1,100)	(1,100)		(1,100)
Release of provisions for disputes with regulators		2,400	2,400		
Impairment losses on goodwill		(19,476)	(19,476)		
Total effects	***(b)***	**(19,507)**	**(19,507)**	**-**	**(2,431)**
Notional book value	***(a-b)***	**10,970**	**(20,204)**	**965,970**	**28,482**

At December 31, 2014					
(in Euros thousands)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Book value	***(a)***	**30,846**	**(999)**	**978,415**	**9,388**
Settlement of Slots fiscal proceedings (tax recovery)		22,853	22,853		
Penalty for failure to reach guaranteed minimum NTNG					(3,340)
Income/costs for acquisitions		1,188	1,188		
Costs for IPO process		(6,332)	(6,332)		(6,332)
Acceptance of Notice of Findings					(1,844)
Total effects	***(b)***	**17,709**	**17,709**	**-**	**(9,672)**
Notional book value	***(a-b)***	**13,137**	**(18,708)**	**978,415**	**19,060**

With regard to the consolidated income statement, the gains and losses arising on non-recurring transactions are indicated according to the specific items of the statement and the relative effects on the main intermediate levels of earnings as follows:

	Year ended December 31,	
(in Euros thousands)	**2015**	**2014**
Other income	**439**	**1,188**
Recalculation of payables for acquisitions/IPO process	439	1,188
Purchase of materials, consumables and merchandise	**-**	**(35)**
Cost for IPO process	-	(35)
Costs for services	**(1,362)**	**(5,180)**
Costs associated with company reorganization projects	(537)	-
Costs for acquisitions/other	(825)	-
Costs for IPO process	-	(5,180)
Personnel costs	**(794)**	**-**
Costs associated with company reorganization projects	(794)	-
Other operating costs	**(714)**	**(1,117)**
Costs for acquisitions/other	(714)	-
Costs for IPO process	-	(1,117)
Depreciation, amortization, provisions and impairment losses and reversals of the value of property, plant and equipment and intangible assets	**(17,076)**	**-**
Provisions for/release of claims with regulators	2,400	-
Impairment losses on goodwill	(19,476)	-
Impact on Operating result (EBIT)	**(19,507)**	**(5,144)**
Profit (loss) before income taxes	**(19,507)**	**(5,144)**
Income taxes	**-**	**22,853**
Settlement of gaming machines dispute (recovery of tax deductibility)	-	22,853
Impact on profit (loss) for the year	**(19,507)**	**17,709**

45. Significant events occurring after the end of the year

The new, recently-approved Stability Law again has a significant impact on gaming business profit margins as a result, in particular, of the change in the PREU tax on slots, which has risen from 13% in 2015 to 17.5% from January 1, 2016. The same legislation also allowed reduction of the minimum payout from 74% in 2015 to 70% with effect from 2016, a change which will in any event require significant input for its application to the entire pool of gaming machines managed by the Group.
Again as part of the gaming machines segment, the aforementioned regulations also envisaged - as mentioned previously - elimination of the lump-sum reduction in fees for a total of Euros 500 million, a three-step disposal process for slot machines currently in use (to be completed by December 31, 2019) and the introduction of latest generation, remotely-controlled slot machines installable from January 1, 2017, onwards.

With reference to other gaming segments of direct interest to the Group, the 2016 Stability Law also confirmed the tender for the award of new nine-year concessions for the collection of bets on sporting events, including horse racing, and non-sporting events numbering 15,000 due to start from May 2016 with starting odds totaling Euros 32,000 for those made at the “agencies” (up to a maximum of 10,000 units) and Euros 18,000 for those made at “corners” (up to a maximum of 5,000 units), and envisaging a free extension of current concessions (due to expire June 30, 2016) until new licenses are signed. In addition, from January 1, 2016, a new tax has been introduced on the margin for fixed-odds bet collection set at 18%, if collected on a physical network, or 22% if remote collection is involved. The latter regulatory change had been long awaited and hoped for by industry operators.

Furthermore, on conclusion of a long approval process, note that at the beginning of February Sisal S.p.A., the Group’s NTNG concessionaire, started collecting the new SuperEnalotto game, including a number of structural changes - such as increased payout and average jackpot total – which should make the game more appealing to consumers. The trend for the first few weeks of collections, with rates increasing by more than 30% compared to previous operations, are encouraging in this sense.

Milan, March 29, 2016

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On behalf of the Board of Directors

The Chairman

Prof. Augusto Fantozzi