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

AS OF DECEMBER 31, 2014

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, 2014

Dear Shareholders,

We hereby submit for your attention the consolidated financial statements for the year ended December 31, 2014 of Sisal Group S.p.A. which present a loss attributable to owners of the Parent of Euros 1,339 thousand. In the same year depreciation, amortization and impairment losses of fixed assets were recorded for Euros 101,013 thousand.

Key data

The key data for the years 2014 and 2013 are presented in the following table (figures in thousands of Euros). The table also includes "Adjusted" profitability indicators, which exclude, for 2013, the effects of non-recurring expenses of Euros 73.5 million, following the closing of the proceedings before the Court of Auditors with a reduced payment settlement, accruals for disputes with the regulatory authorities and other minor non-recurring expenses and, for 2014, the impact of non-recurring expenses of approximately Euros 6.3 million referring to the process for the listing of the Parent's shares, discussed later in the report, and other non-recurring income of approximately Euros 1.2 million. 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.

	2014	2013	Change	
Total revenues and income	820,978	772,337	48,641	6.3%
EBITDA	183,699	93,391	90,308	96.7%
Adjusted EBITDA	188,843	175,470	13,373	7.6%
Operating profit (loss) - EBIT	70,324	(12,081)	82,405	n.s.
Adjusted operating profit (loss) EBIT	75,468	69,998	5,470	7.8%
Loss for the year before income taxes	(19,715)	(96,607)	76,892	-79.6%
Loss for the year	(999)	(98,805)	97,806	99.0%

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 the year 2014, 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. This is confirmed by the companies in the Group that in the preceding year were awarded the prestigious Certification of Responsible Gaming from the European Lotteries.

The activities conducted by the Group over the years are described in depth in the 2013 Sisal Social Report, issued in September 2014, and in similar documents referring to the previous years. The activities specifically referring to 2014 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 cement its position as one of the leaders in the Payments and Services market.
In the gaming and betting markets, the Group offers a wide range of products 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, 2014 the Group operates with 4,067 points of sale featuring a series of formats identifiable with the Group’s own brands (“Branded Channel”) and through a network of 41,520 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 following activities are operated by the Group: (i) payments 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 of the Group 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 totalisator number games (“NTNG”), of which the most popular products are SuperEnalotto, WinForLife!, SiVinceTutto and EuroJackpot. The NTNG lottery games are operated through the Branded and Affiliated Channels as well as the Group’s web portal and 26 third-party 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 gamut offered by the Group is one of most extensive and includes the entire portfolio of products available in accordance with existing law, such as online betting, online poker and casino 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 4,606 Service Only points of sale at December 31, 2014—through the web portal "sisalpay.it".

The following chart sets out the revenues for each business unit for the years ended December 31, 2014 and 2013.

Segments ***(in Euros millions)***	**2014**	**2013**
Retail Gaming	530.2	491.7
Lottery	75.7	91.4
Online Gaming	44.8	39.8
Payments and Services	167.1	148.2
Other revenues	3.1	1.3
Total	**821.0**	**772.3**

The following chart presents Adjusted EBITDA for each business unit for the years ended December 31, 2014 and 2013.

Segments ***(in Euros millions)***	**2014**	**2013**
Retail Gaming	91.2	80.8
Lottery	14.9	26.7
Online Gaming	18.9	13.8
Payments and Services	65.5	55.9
Total EBITDA	190.6	177.2
Items with a different classification	(1.7)	(1.7)
Total	**188.8**	**175.5**

Retail Gaming: The results of Retail Gaming in 2014 reflect lower gaming wagers for gaming machines, especially VLTs, compared to prior year. This reduction was more than offset by a higher margin on sports betting compared to that of 2013 and the excellent performance of the new Virtual Races. As a percentage of total revenues, Retail Gaming Adjusted EBITDA in 2014 is 17.2% compared to 16.4% in 2013.

Lottery: the results of the Lottery business unit in 2014 are principally 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. As a percentage of revenues, Adjusted EBITDA of the Lottery business unit in 2014 is 19.6%, a decrease compared to 29.2% from 2013 as a result of the reduction in revenues but also higher marketing expenses owing to the launch of the VinciCasa product.

Online Gaming: Online Gaming's results in 2014 were driven, as in the prior year, by the solid performance of online sports betting, further growth of slot games and the successful launch, also online, of the Virtual Races game, partially offset by the continuously weak online Poker market. As a percentage of revenues, Adjusted EBITDA of Online Gaming in 2014 is 42.2% compared to 34.7% in 2013, thanks to revenues growth and operating costs in line with the prior year.

Payments and Services: the results for the Payments and Services Business Unit in 2014 mainly stem from the growth of revenues driven by new partnership contract arrangements and the opening of points of sale dedicated exclusively to the distribution of Payments and Services. Adjusted EBITDA of Payments and Services in 2014 is 39.2% compared to 37.7% in 2013.

The Group operates through a distribution network of 45,587 points of sale at December 31, 2014 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, 2014 by type of product normally offered under the various distribution formats is presented in the following chart.

Channel	Format	Number	Product Offered					
			Betting	VLT	Slot	Lottery	Payments and Services	Bingo
Branded Channel	WinCity	17	√	√	√	√	√	
	Matchpoint Betting Agencies	364	√	√	√	√	√	
	Matchpoint Corners	3,508	√		√	√	√	
	SmartPoint	177			√	√	√	
	Bingo Halls	1		√	√			√
	Total Branded Channel	**4,067**						
Affiliated Channel	POS with gaming machines, Lotteries, Payments and Services	4,436			√	√	√	
	POS with gaming machines only	4,310		√	√			
	POS with Lotteries, Payments and Services	28,168				√	√	
	POS "Services Only" *(stand-alone terminals)*"	4,606					√	
	Total Affiliated Channel	**41,520**						
Total Group Network		**45,587**						

Branded Channel

The Branded Channel at December 31, 2014 includes 4,067 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 17 WinCity casinos managed by the Group, the 364 Matchpoint betting agencies, some of which operate on the basis of partnership contracts, and 1 Bingo hall. 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 predominately gaming, promoted by the Group according to a shop-in-shop model. This category comprises (i) the 3,508 Matchpoint betting corners and (ii) the 177 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 offering, 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 the Matchpoint betting agencies, and for the component relating to the Slot Machine "operator", as in the case of Matchpoint corners and the SmartPoints.

Affiliated Channel

The Affiliated Channel at December 31, 2014 includes a network of 41,520 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 "Service Only".

The Affiliated Channel includes both points of sale such as bars, tobacconists and newsstands, which are not predominately 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 includes also 4,606 "Service Only" points of sale which the Group has set up in 2014 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 in December 31, 2014 and 2013 is presented in the following chart.

Retail Gaming ***(in Euros millions)***	**2014**	**2013**
Revenues		
Branded Channel	273.2	210.8
Affiliated Channel	257.1	280.9
Total Revenues	**530.2**	**491.7**
EBITDA		
Branded Channel	56.3	39.8
Affiliated Channel	34.9	41.0
Total EBITDA	**91.2**	**80.8**

Industry Overview

Gaming and Services market in Italy: the scenario

2010–2014 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 "potential" 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 2010 to 2014.

The aggregate of the two markets in 2014 reached a value of almost Euros 180 billion, with the potential Services market representing over 53.6% of the total, up 2.4% over 2013.

Both markets exhibit positive growth, although at different rates.

The potential payment services market shows a compound annual growth rate ("CAGR") in the five years under review of 1.1% while the gaming market reaches 8.2% growth, thanks also to the introduction during that period of many gaming alternatives (VLTs, Poker Cash, online Slots and online Virtual Races) which expanded the gaming field and also the playing public.

The data in the charts that follow are expressed in millions of euros, unless otherwise indicated. The data relating to the year 2014 are based on the best estimates available to the Group.

	2010	2011	2012	2013	2014	CAGR 2010/ 2014
Total Gaming Market Turnover	60,891	79,671	88,270	84,427	83,478	8.2%
Total Potential Payment Services Market	92,200	94,812	98,438	94,096	96,341	1.1%
Potential Market	153,091	174,483	186,709	178,523	179,819	4.1%

Gaming Market in Italy: the scenario

2010–2014 trend

The total turnover of the gaming market grew, with a CAGR of 8.2%. The CAGR growth, as mentioned, was achieved thanks to the introduction of new games which besides appealing to consumers also allowed a significant increase in the payout.

The payout component, which is the amount that returns to the players in the form of winnings, has assumed increasingly greater importance over the years, with a CAGR 2010-2014 of 11.3%, a percentage that is decidedly higher than the growth in turnover.

During the period in question, payout has increased from 72.1% in 2010 to 80.7% in 2014, in this last year reaching an amount of approximately Euros 67.3 billion.

Gross gaming revenues, or the actual expenditure by the public, or what Italians effectively spend on gaming, is given by the amount of turnover less the payout. During the period under review, this amount declined to a rate of 1.3%. This contraction is much more evident in the last three years, where the actual expenditure fell from Euros 18.0 billion in 2012 to Euros 16.6 billion in 2013 and Euros 16.1 billion in 2014. The actual expenditure determines the remuneration of the gaming value chain, that is, what is paid to the State in the form of taxes, to the concessionaires and to the points of sale. The charts below show the tax and the relative percentage weight calculated on the actual expenditures by Italians.

In 2014, the tax reached Euros 7.9 billion or 48.7% of actual expenditure.

	2010	2011	2012	2013	2014	CAGR 2010/2014
Total Turnover	**60,891**	**79,671**	**88,270**	**84,427**	**83,478**	**8.2%**
Payout	**43,912**	**61,739**	**70,267**	**67,791**	**67,342**	**11.3%**
Gross gaming revenues (actual expenditure by public)	**16,979**	**17,932**	**18,004**	**16,635**	**16,136**	**-1.3%**
Taxes	*8,750*	*8,592*	*8,015*	*8,156*	*7,852*	**-2.7%**

	2010	2011	2012	2013	2014	CAGR 2010/2014
Total Turnover	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**
Payout	**72.1%**	**77.5%**	**79.6%**	**80.3%**	**80.7%**	**2.8%**
Gross gaming revenues (actual expenditure by public)	**27.9%**	**22.5%**	**20.4%**	**19.7%**	**19.3%**	**-8.8%**
Taxes	**51.5%**	**47.9%**	**44.5%**	**49.0%**	**48.7%**	**-1.4%**

An analysis of the various segments that make up the gaming market shows that turnover growth is basically attributable to gaming machines (CAGR +10.0%) and the new online games (CAGR +40.7%).

The Betting segment shows a barely positive CAGR (+0.2%), thanks to Virtual Races launch in 2014, which made it possible to reverse the declining trend in turnover recorded in the three previous years.

Bingo, instead, is down by 6.5% owing to the failure to renew the product over the course of the years.

	2010	2011	2012	2013	2014	CAGR 2010/ 2014
Lotteries	18,081	19,421	17,765	17,321	17,258	-1.2%
Betting and Pools	6,228	5,294	5,007	4,653	6,285	0.2%
Gaming Machines	31,474	44,735	49,764	47,507	46,120	10.0%
Bingo	1,962	1,804	1,763	1,664	1,497	-6.5%
Skill, Card & Casino Games	3,146	8,418	13,972	13,282	12,318	40.7%
Total Gaming Market	60,891	79,671	88,270	84,427	83,478	8.2%

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

As mentioned, this value in 2014 reached Euros 16.1 billion with a CAGR, for the period under review, of a negative 1.3%.

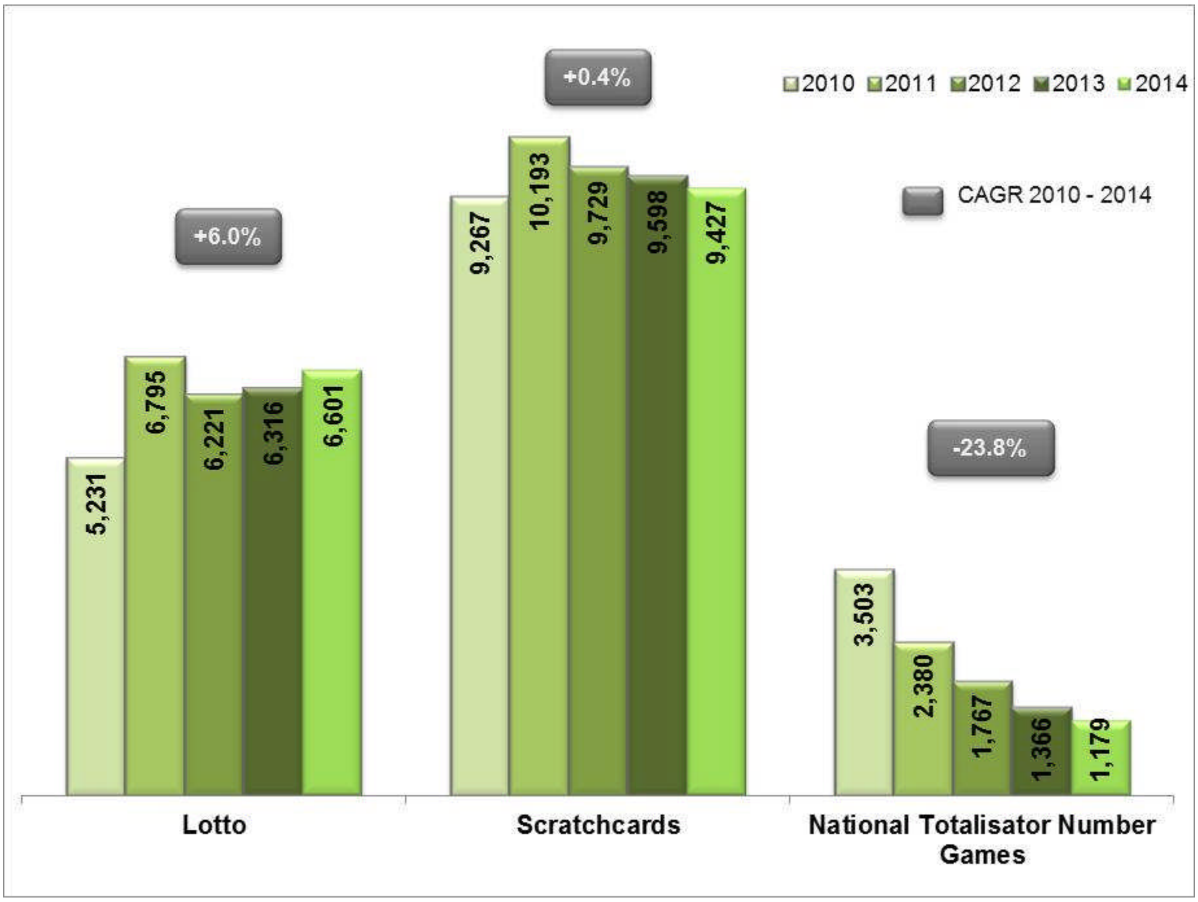
The market turnover was driven, as mentioned, by a steady increase in the amount of the payout, or winnings. As a consequence the percentage rate of actual expenditure by the public to turnover exhibits a steady decrease from approximately 28% in 2010 to just over 19% in 2014.

	2010	2011	2012	2013	2014	CAGR 2010/ 2014
Lotteries	6,848	6,994	5,938	5,609	5,450	-5.5%
Betting and Pools	1,408	1,340	1,000	1,048	1,205	-3.8%
Gaming Machines	7,749	8,595	9,985	9,006	8,587	2.6%
Bingo	594	569	578	499	449	-6.8%
Skill, Card & Casino Games	380	434	503	474	445	4.0%
Total Gaming Market	16,979	17,932	18,004	16,635	16,136	-1.3%

Business and Product Analysis - Turnover

Lottery & Bingo

Lottery records a declining growth during the analysis period of 1.6%. In 2014, the trend in the turnover of the segment reflects the contraction in consumption by Italians for these products, which have the largest following among the Italian playing public.

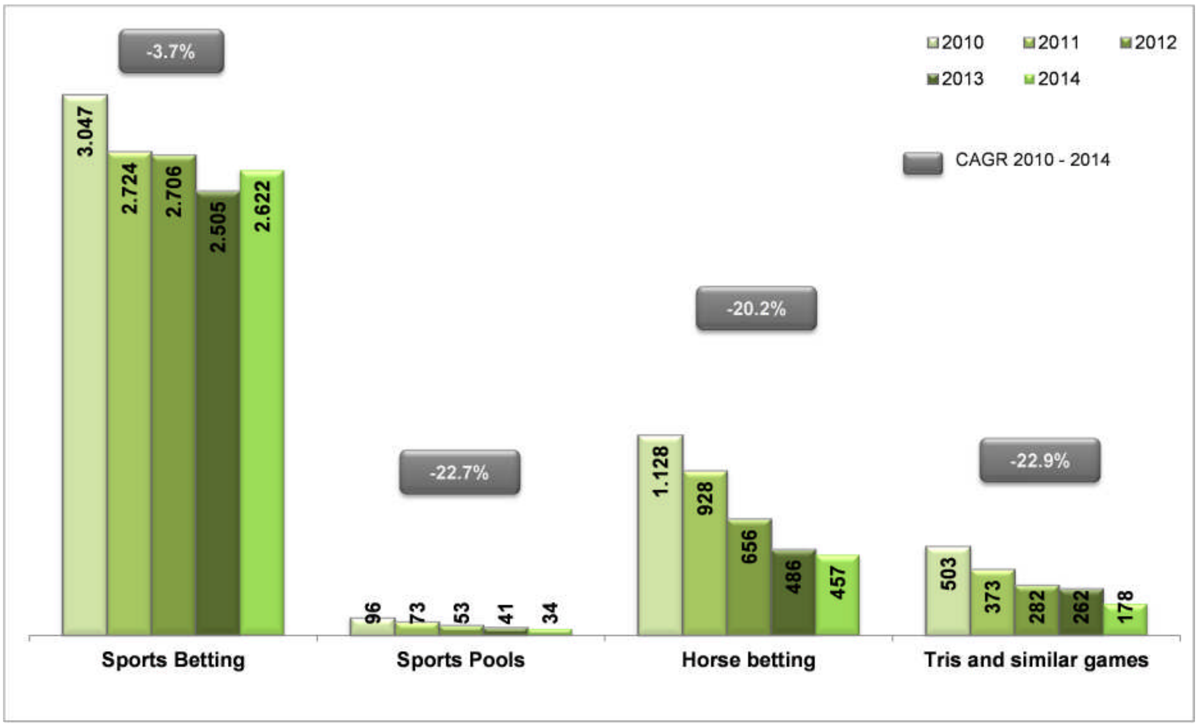


In particular, the NTNG products (SuperEnalotto, Vinci per la vita – Win for Life, SiVinceTutto, EuroJackpot and the latest new VinciCasa), whose management is under concession to Sisal S.p.A., show decreased CAGR of more than 20%, partly as a result of a significantly lower payout, compared to the market average, and the low average amount reached by the jackpot.

Betting market

The Betting market, retail channel, displays a total average decline during the period 2010-2014 of 2.2%, with a turnover in 2014 of Euros 4.4 billion. 2010 was the year of the World Cup in South Africa while 2014 was the year of the World Cup in Brazil and the entry on the market of Virtual Races, which in only 12 months has reached Euros 1.1 billion in turnover.

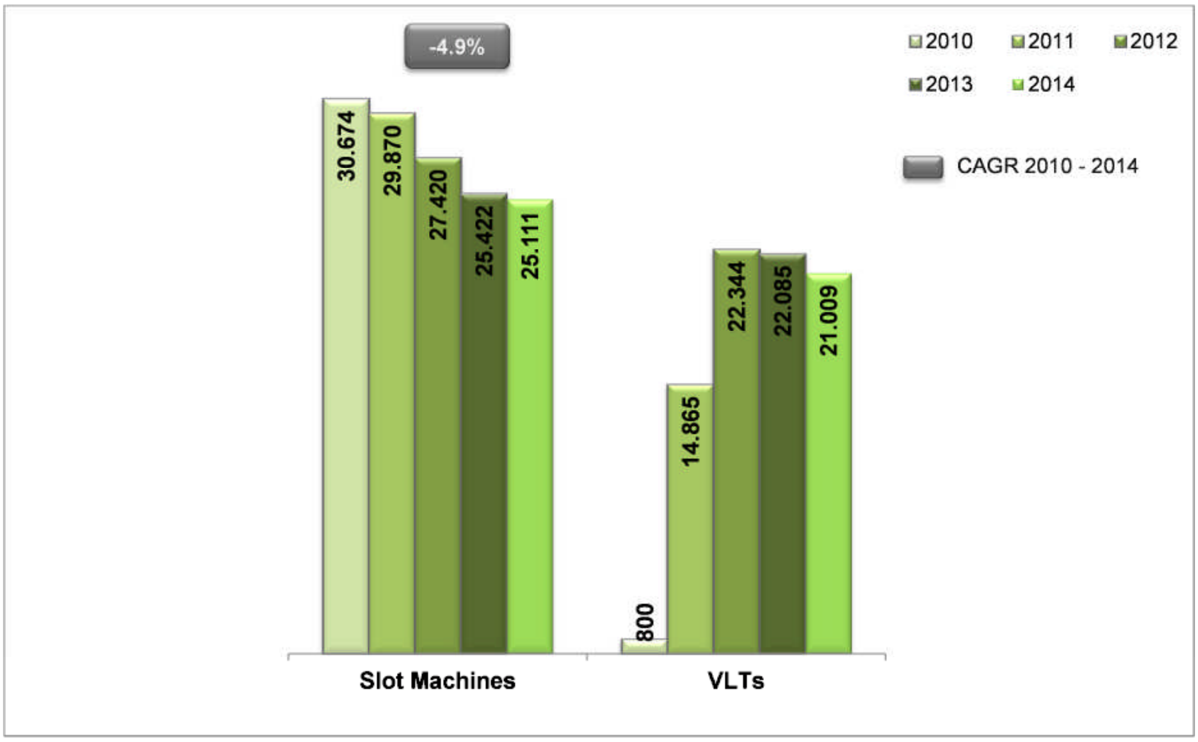
The horse betting and traditional sector of Totocalcio (sports pool games) was hurt, instead, by the intense market crisis that has continued for some years, recording a sharp reduction during the review period.



Gaming machines market (Slot machines and VLTs)

At the end of 2014 the Gaming Machines market accounts for 55.3% of the entire gaming market in Italy.

The gaming machines turnover was Euros 46.1 billion, with a 10.0% CAGR in the last five years. Slot machines lost market share and show a 4.9% decline in CAGR. VLTs reached Euros 21.0 billion, becoming the second most important product of the market. It should be highlighted that VLTs are in the market in Italy since July 2010.

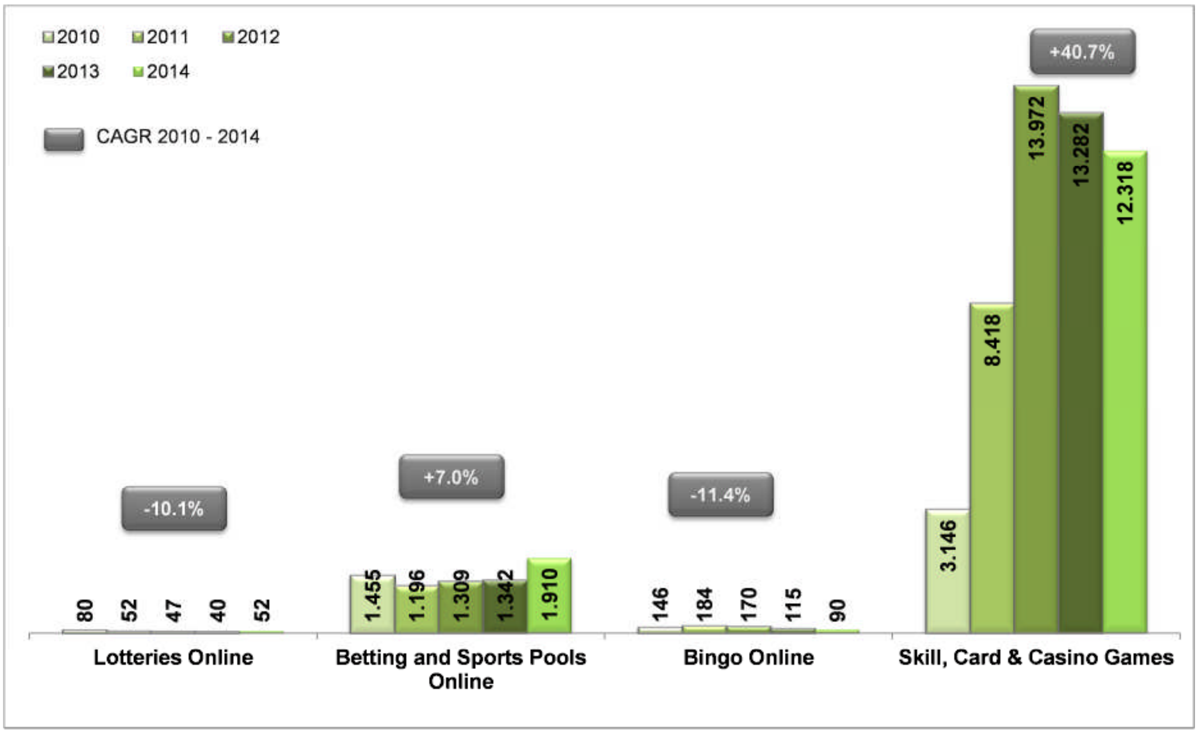


Online market

Online Gaming shows the highest increase in the gaming market with a 31.4% CAGR. This growth is driven by the Skill, Card and Casino Games which report a turnover of over Euros 12.3 billion in 2014, accounting for 85.7% of the total turnover of the market.

The success of online gaming can be attributed to a number of factors including the extremely high payout (on average upwards of 95%) and the frequent launch of new products, such as the introduction of poker tournaments in 2008, Poker Cash and Casino in 2011, online Slots in December 2012 and Virtual Races in 2014.

The Betting segment continued to grow in 2014, contrary to the trend in the turnover of the retail channel represented by the betting agencies and corners, thanks to the launch of smartphone and tablet applications which increase use, in addition to the entry on the legalized market, during the last months of the year, of foreign operators which went from dot.com to dot.it companies (especially Bet365 which in only three months since its launch in the Italian market has already acquired a third of the market).



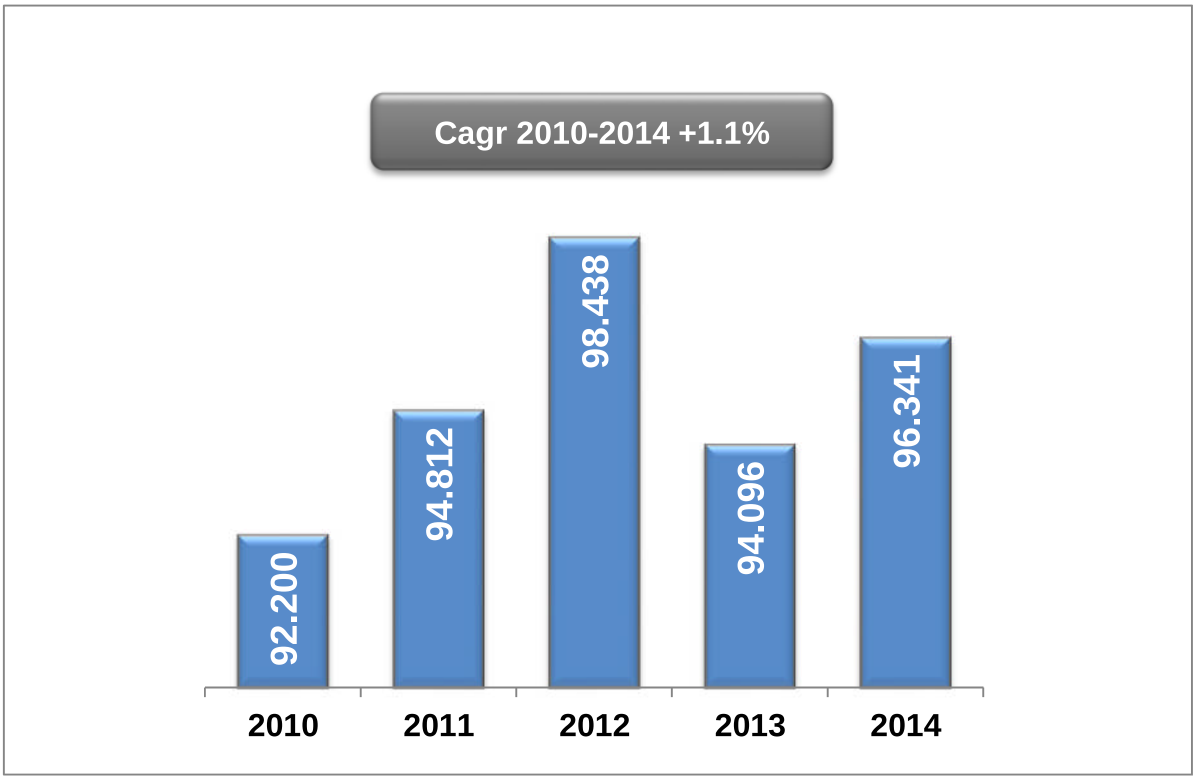
In a market scenario that for the second consecutive year recorded a slight decline in absolute amount compared to the prior year (-1.1%), the total turnover managed by the concessionaire companies of the Group (Euros 7.0 billion) was basically in line with the same figure as in 2013, thus resulting in a higher market share from 8.3% in 2013 to around 8.4% in 2014.

This evolution pinpointed the further deterioration of the trend in lotteries and the not completely satisfactory performance of gaming machines, particularly VLTs, which were affected by factors such as the roll-over of the relative terminals on the market, the still unfavourable economic situation as regards consumption and the increase in the specific gaming taxation. Conversely, in 2014 the Group consolidated its market share in new online games, recording a growth of more than one percentage point, due particularly to the favourable performance of the Casino Games. Another positive factor was the launch in 2014 of Virtual Races, which record a turnover for the Group of nearly Euros 240 million, corresponding to a 20% market share.

Payment Services Market

The addressable market of Services, that is the total amount paid by Italians net of direct debit, reached a turnover of Euros 96.3 billion in 2014.

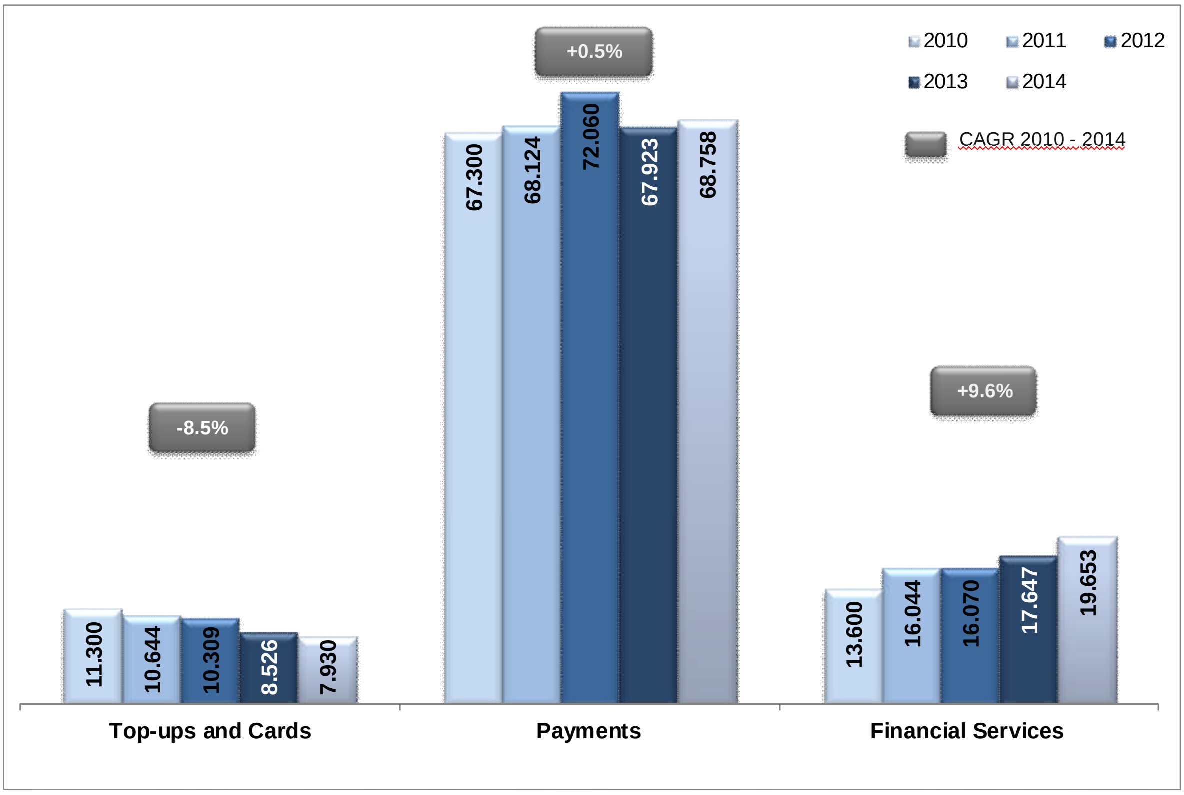
The market in 2014 shows an increase of 2.4% compared to the prior year, principally due to a growing turnover of payments and financial services.



An analysis of the various markets of the Services segment shows the increasingly greater importance assumed by the bill payment segment. In 2014, in fact, turnover exceeds Euros 68.7 billion, with 0.5% CAGR in the period 2010-2014. The reduction in the total value of the Services market in 2013 was due to the temporary cancellation of property taxes which were reintroduced in 2014.

The top-ups market, on the other hand, appears to have reached maturity with almost Euros 8 billion in turnover and a CAGR declining by 8.5%. This contraction is due to the aggressive policy by all telephone operators to reduce rates to the public beginning in 2013.

The other market of Financial Services (reloads of debit cards) in terms of volume reached a turnover of Euros 19.6 billion and shows a CAGR of 9.6%, becoming the most important segment in terms of growth potential.



The Payments and Financial Services within the Group are managed directly by the Company whereas the reloading services are distributed by Sisal S.p.A.

Overall in 2014 the Group reported turnover across its own network throughout the territory and the new online platform denominated "Sisal Pay" of approximately Euros 6.8 billion for Services, recording an increase of approximately 9.9% compared to 2013 and growing its market share which, calculated in relation to the market figure of potential services, is around 7.1% at year-end 2014 compared to about 6.6% in the prior year.

Overview

Total revenues and income of the Group recorded an increase of approximately 6.3% in 2014 compared to 2013. This reflects the trends in the various product and business segments of the Group as detailed in the following table (in thousands of euros):

	2014	2013	Change	
NTNG	44,025	51,153	(7,128)	-13.9%
Slot Machines and VLTs	396,060	395,581	479	0.1%
Betting and Sports Pools	118,069	82,769	35,300	42.6%
Online Games	44,375	38,567	5,808	15.1%
Bingo	1,445	1,379	66	4.8%
Services and Products Revenues	124,132	110,266	13,866	12.6%
Points of Sale Revenues	78,458	80,904	(2,446)	-3.0%
Other Revenues and Income	14,414	11,718	2,696	23.0%
Total Revenues and Income	**820,978**	**772,337**	**48,641**	**6.3%**

Additional details on the trends of the main segments are as follows:

- In the gaming segment, NTNGs recorded a reduction of about 14% in turnover and revenues, with approximately a Euros 7 million revenues shortfall compared to 2013. Among the factors behind this decrease are certainly the weak general economic trend, and particularly consumption, whose effects were also felt in other areas of the gaming market, 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 currently continues to show the lowest payout in the reference market.

  As for gaming machines, in 2014 the Group reduced the total number of installed gaming machines which, at the end of the year were approximately 36,530 units (-16% compared to the corresponding figure in 2013), of which there were approximately 32,770 Slot machines (-16%) and about 3,760 VLTs (-18%). The reduction in the number of VLTs installed at the end of 2014 is the result of the extraordinary action taken for the complete replacement of the Bally gaming platform and a partial replacement of the Inspired gaming platform with the Novomatic platform. The VLTs involved will be reinstalled during the current year.

  Gaming machines turnover was about Euros 4,011 million, with a decrease of 3.8% from the prior year, mainly on account of VLT performance, having been affected by the completion of the roll-over on the market by the other concessionaires and persisting weak consumption in the country. In spite of turnover dynamics, gross revenues for gaming machines recorded a slight increase of 0.1% over 2013, essentially thanks to Slot machine performance (+1.6%), as a result of an optimization process of the installed Slot machines, which translated into an increase of more than 2% in the average daily turnover per machine.

Taking into consideration the margin, calculated by subtracting from gross gaming revenues the fees paid to the gaming value chain, the 2014 result displayed an overall increase of more than 8% compared to 2013. This performance is always due primarily to the Slot segment (+14%), with good growth opportunities, particularly for gaming machines owned and installed in the points of sale directly operated by the Group.

As for betting and pool games, a segment which includes a considerable variety of games, from the historic Totocalcio, to national horse betting (TRIS and similar games), to pool games and fixed-odds betting, up to the most recent "Virtual Races", that is, bets on virtual events that the Group had begun to take since the end of 2013 and which from the start became an enormous success with the betting players. The Group's total turnover in the retail channel of the betting and pool games segment was about 44% higher than in 2013 and this performance was reflected in a similar trend for total revenues due to the following factors:

- o revenues from fixed-odds sports betting (expressed as the difference between turnover, payout and the taxes specific to the game) recorded an increase of more than Euros 10 million (approximately +15%) over 2013, thanks to the combination of a growth in turnover and higher average payouts compared to the prior year;
- o Virtual Races, in their first full year of operation, from the start reached significant levels of turnover, recording revenues of nearly Euros 30 million against nonmaterial income in 2013, since the product had been marketed starting from the end of December in the preceding year;
- o on the other hand, again in 2014 horse betting in its various forms continued a trend of structural contraction, with the Group turnover down by almost Euros 28 million (-17.5%) and related revenues falling around Euros 3 million (-22%).

- As for online games, (including online betting and bingo), while turnover grew by almost 12%, revenues increased nearly Euros 6 million or approximately +16% over 2013. Similarly to the retail channel, the online sports betting channel also recorded significant growth, an approximate 19% increase or more than Euros 3 million in higher revenues. Incremental revenues of another Euros 3.5 million came from products in the Casino Games family, particularly Slot Games, that is, online Slot Machines launched at the end of 2012 which quickly became the top product, in terms of revenues for the Group, after sports betting, and of approximately Euros 1.9 million from online Virtual Races, more than compensating a further net decrease in the Poker game (-34.5%). The overall growth of this segment was also sustained by the continual renewal of the product portfolio (which counts about 320 games at December 31, 2014), investments in new client acquisitions that in 2014 made it possible to introduce roughly 90,000 new clients to the games and the continuing development of ways to use the online games on mobile devices. In particular, at the end of 2014, the percentage of sports betting on mobile devices was 30% compared to 23% in 2013.

- In the segment of convenience payment services offered by retailers, gross revenues, relating 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 13% compared to an approximate 6% reduction in turnover, mostly on account of the aggressive sales policies introduced by all the major operators in the telephony and media sector. As for the payment services managed by the Parent, since it is a qualified Payment Institution, was during the year turnover recorded a further significant increase (+15%) in both Payments and Financial Services, corresponding to revenues of approximately Euros 79 million (+36%). Overall this segment generated revenues for the Group of about Euros 124 million, up approximately 13% compared to 2013, whereas the margin (revenues net of the fees paid to the retail network) contributed by this segment in 2014, thanks to the performance of payment services, further increased from the prior year to approximately Euros 54 million compared to approximately Euros 43.5 million in 2013, growing around 24%, also thanks to an increase in commission income per transaction, in particular in the Payments segment.
- other income relating to various contractual relationships with the retail network shows a decrease of about Euros 2.4 million (-3% compared to 2013). The reduction is principally in connection with the partial rationalization of the NTNG distribution network (about 36,500 units at year-end 2014 compared to about 38,400 units at year-end 2013), partially offset by higher fees due to the increase in the number of “Service Only” points of sale.
- finally, other revenues and income which include, among others, net prior period income, revenues relating to the new food initiative at directly operated points of sale and other charges to third parties, there was an increase of approximately Euros 2.7 million (+23% compared to 2013), mainly due to the one-off indemnity received by Sisal Entertainment S.p.A. following the settlement agreement reached with the supplier of the Bally VLT technological platform (that was uninstalled at the end of the year) which decided to leave the Italian market.

The year 2014 was also marked by the considerable effort by the corporate structures to complete the complex procedures for the listing of the Parent’s shares for trading on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana S.p.A. This process, begun in the second half of 2013, was concluded in June 2014 with the authorizations obtained by CONSOB and Borsa Italiana. Afterwards, however, despite a positive response from national and international investors during the course of the road show, the Company, on July 11, 2014, announced its decision to withdraw the offer of its shares because of unfavorable market conditions that arose in the meantime that would not have allowed the Company to satisfactorily conclude its listing on the stock market.

The change in operating costs, including depreciation, amortization and provisions, led to a reduction of approximately 4.3% compared to the prior year. If non-recurring expenses are excluded from both years, the increase in operating costs is approximately 6%, basically reflecting the increase recorded for total revenues and income.
The main factors leading to this increase are personnel costs, with an overall rise of about 14% owing to the addition of mostly white-collars workers to the headcount during the year (about +13.6%), particularly at directly managed points of sale. In addition, lease and rent expenses are up more than Euros 4.5 million (+22%), particularly on account of the lease expenses of points of sale managed by the Group, and impairment charges also grew due to the writedown of trade receivables (+34% or about Euros 3.1 million more compared to 2013) attributable to an increase in uncollectible receivables during the year. Lower increases in percentage terms were also recorded for the costs of services (+3%), depreciation, amortization and impairment losses of fixed assets (+5%) and other operating expenses (+11%).

The changes described above generated an increase in the gross profit margin of approximately 97% whereas the operating profit posted an increase of approximately Euros 82 million. Excluding the non-recurring income and expenses mentioned earlier, the gross profit grew by 7.6%, while operating profit records an increase of more than Euros 5 million (about +8% compared to operating profit in 2013).

As for the net financial position, the year 2014 continued along the lines of 2013 in which the Group finalized a complex financial restructuring operation. The exception was the notice received by the Parent on December 15, 2014 regarding the irrevocable and unconditional waiver of repayment of the loan denominated “ZC Shareholder Loan”, and the relative accrued expenses, by the sole shareholder Gaming Invest S.àr.l., with the consequent effect of a recapitalization of the equity of the Company for approximately Euros 89 million.
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 44.5 million. This is approximately 7% more than in 2013 principally due to the higher expense for the full-year 2014 payment of interest on the notes that were issued in March 2013, which carry a higher interest rate than the bank loans which it replaced in part, and also a different timing on the payment of interest to the pool of financing banks, partially offset by the absence during the year of one-off expenses incurred in 2013 on the bond issue. The sole shareholder of the Parent was paid interest of approximately Euros 19 million on outstanding loans. Another approximate Euros 26

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, mainly 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 measures, are summarized in the following table (in thousands of euros):

	2014	2013	Change
Net invested capital (NIC)	1,093,462	1,104,028	(10,566)
Funding by Third Parties	1,062,616	1,160,428	(97,812)
Total Equity	30,846	(56,400)	87,246
Debt/Equity Ratio	34.45	n.s.	
Normalized ROI (EBIT/NIC)	6%	-1%	

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 and current and non-current other assets and liabilities, 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 and cash and cash equivalents intended for the payment of winnings; this amount, equal to about Euros 175 million in 2014 (about Euros 172 million at year-end 2013) is reflected as an increase in the aggregate of the items Invested capital and Funding by third parties. The latter represents the sum of the financial liabilities of the Group (for a total of approximately Euros 1,092 million) net of cash and cash equivalents adjusted as indicated above (for a total of approximately Euros 29 million).

The trend in Funding by third parties, that is, the Net Financial Position of the Group during 2014, on one hand reflects the waiver by the shareholder of the repayment of the zero coupon loan that amounted to approximately Euros 83 million at the end of the prior year and, on the other hand, the excellent results achieved by operating activities which allowed the Group to fulfill its obligations, including payments for investments and acquisitions for a total of approximately Euros 51 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 totalisator 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 totalisator 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 Sisal S.p.A.'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 totalisator 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. considered that this claim was groundless, and instructed its lawyers to prepare a defense. The first hearing was held on March 25, 2015, and the company is waiting to hear the outcome.

- 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, the new formula of SuperEnalotto and the corresponding procedures for approval by the competent authorities are being finalized with the aim of relaunching that product, which is the most popular and best-known of those managed by the Group, in the second half of 2015.

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 of the proceedings pending in the Court of Auditors with the settlement on reduced payment already mentioned, the corresponding payment and the order to extinguish the proceedings made by the said Court at the hearing held on January 31, 2014, administrative proceedings are still pending against the granting authority AAMS which, by document dated January 27, 2012, 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. The Regional Administrative Tribunal also cancelled this latter penalty on February 20, 2013; AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014, and the case was set down for hearing on May 26, 2015.

- 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. After renegotiating their agreements with gaming network operators, concessionaires can pass on a proportion of the fees reduction to them. As a result of the said Director’s Decree, Sisal Entertainment S.p.A. is required to pay the total amount of Euros 45.8 million in two installments, payable at the end of April and end of October; after renegotiating its agreements with the network, about 40% of that amount will remain payable by the concessionaire.

  In view of the unfairness of the terms of the Stability Law 2015 and the alleged lack of constitutional legitimacy of the Act, Sisal Entertainment S.p.A. appealed to the Lazio Regional Administrative Tribunal.

Horse-racing and sports betting concession

- In the case of horse-racing betting concessions awarded in 2000, 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. 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. All the concessionaires, including Sisal Match Point 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 the 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.

Principal risks and uncertainties to which the Group is exposed

The Group operates in a complex regulatory environment which is subject to continuous evolution; this complexity is emphasized by the nature of the gaming industry which in recent years has experienced rates of growth not easily found in other sectors.

The strong presence of the State's 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 the ever fiercer 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 contestations 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 where necessary legal action 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 administrative liability. In 2014, as in the previous years, the supervisory bodies have not reported any significant inconsistencies or deviations from the prescribed organization model.

Other information

Some 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 operation which, in turn, can be traced to the extraordinary operation 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 Group 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, the company 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 the 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 ground that the 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 Group company a request for clarifications pursuant to art. 37-*bis*, DPR 600 of September 29, 1973, for the tax period 2005. The company, on January 17, 2011, 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 tax settlement proposal relating to the 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 advisability of submitting a tax settlement proposal for the years 2007 to 2009 last January, while for the year 2006, for which a tax settlement proposal has already been submitted, a formal appeal needs to be submitted to the Provincial Tax Commission.

At the same time as the above inspection activities of Sisal S.p.A. ended, the same officers of the Milan Tax Police Nucleus began a further tax inspection of the Company relating to direct income taxes for the tax year 2008. Later, on January 24, 2011, the officers advised the company of the extension of the inspection activities to the tax years 2006, 2007 and 2009 only with regard to the substantive control in progress on the finance expenses deriving from the operation for the acquisition of the controlling holdings of the Sisal Group, which was finalized in the month of October 2006.

On February 28, 2011, the inspectors illustrated the critical areas found during the investigation which are summarized in a document that was delivered for viewing to the Company. The document shows, in their view, that the set of corporate and financial transactions put in place in 2006 at the behest of the private equity funds Apax Partners and Permira, which indirectly control the Group, are to be considered lacking in valid economic reasons and preordained to generate exclusive and huge tax advantages only for the investing shareholders. In their view, such circumstances constitute the pre-requisites for an “abuse of rights” as defined by the case law of the Supreme Court of Cassation, with the result that the non-deductible interest payable, unlawfully recorded by the company, must be recovered for tax purposes.

Subsequently, the Company, advised by its professional consultants, held numerous informal discussions with the Guardia di Finanza (Financial Police) in reference to the tax inspection, presented defense arguments with a view to reducing the amount of interest payable concerned and above all convincing the inspectors that their arguments were unfounded, and produced evidence to demonstrate the valid economic reasons for the acquisition and the absence of an unlawful tax advantage.

During these meetings, the Financial Police gradually displayed its readiness to substantially review its findings, reducing their scope and the corresponding fines; therefore, on November 16, 2011, the

Financial Police issued a NoF in which the findings were reviewed in their entirety in order to take into account the correct calculation of the interest (which had been erroneously computed), as some of the interest expenses did not and do not relate to the acquisition process but to different and/or subsequent investments, and a subordinate hypothesis according to which, at most, the debt could be disputed insofar as it relates to the proportion reinvested by the outgoing shareholders (the Molo family and the Clessidra Fund).

On December 6, 2011, the final NoF was completed and delivered to the company. The NoF states that the operation for the acquisition of the controlling investments of the Sisal Group by leveraged buyout (LBO) was confirmed as substantially legitimate, and the attention of the inspectors is limited to the measurement of the fairness of the total debt assumed by the Parent, for purposes of the acquisition of the Sisal Group and, given the characteristics of the dispute founded on the "abuse of a right", the question is limited to the case in point (and not the LBO operations as a whole), and in any event only for the portion of the debt contracted and the related expenses, ideally referring to the reinvestment by the outgoing shareholders (amounting to 9.6%).

Since the NoF substantially confirmed the full civil and tax legitimacy of the operations put in place and the actual costs incurred for interest and expenses, and only objected to an alleged excessive margin on the loan contract from which the inspectors deduced the above alleged violation of the principle of "abuse of a right", the Company, taking into account the significant reduction in the fines as a result of the settlement procedure and only for the purpose of avoiding a long and costly possible dispute, presented a settlement proposal pursuant to art. 5-bis of Legislative Decree 218/97, declaring at the end of the NoF that it should not be interpreted in any way as being accepted, still less that the Company agrees with the inspectors' observations. As a result, in December 2011, the competent office, namely the Milan Provincial Office II - Controls Office, served the Company with the documents required for the settlement of the corresponding taxes, fines and interest, amounting to a total of Euros 7.1 million payable in 12 quarterly instalments. The instalments were punctually paid in the subsequent financial years, up to the last quarterly instalment, payable on September 30, 2014.

In relation to the same matter, in September 2013, the Milan Public Prosecutor's Office informed the Company'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 IRES tax returns of Sisal Group S.p.A. for the tax periods 2007, 2008 and 2009, the Company was alleged to have wrongfully deducted from the said returns interest payable exceeding, for one financial year, the punishability threshold laid down by art. 4.b of the said Decree. The investigation is based on the said tax inspection conducted 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 the 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, as stated above, pursuant to the applicable tax legislation. The Company submitted in its defense all the necessary documents and reports by independent experts; the Financial Police sergeant who conducted the assessment and the process was cross-examined at the hearing held on February 25, 2015, and the proceedings were adjourned to May 25, 2015, for hearing of the said independent experts.

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 favour 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 favourable to the tax authority, against which the Company has already filed an appeal, due to be heard by the Regional Tax Commission in May 2015;
- finally, as regards the year 2009, Sisal Entertainment S.p.A. 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 will be heard on the merits in June 2015.

Despite the above-mentioned contradictory rulings, and pending future developments/proceedings (as to which further favorable precedents have been found in the case law), there currently seems to be no reason to believe that higher taxes, interest or statutory penalties will be imposed.

Finally, as regards the general tax inspection conducted in late 2011 on Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.) by the Lazio Regional Office of the Revenues Agency, relating to the year 2009, which concluded in May 2012 with the drafting of a NoF containing some objections to a total taxable amount, allegedly evaded, of about Euros 4 million for IRES tax and Euros 2.7

million for IRAP tax, the assessment notice was served on the subsidiary in October. That notice basically reflects the contents of the NoF, despite the exhaustive defense memoranda and documentation produced on request by the tax authorities in the meantime. Although the Company did not agree with the contents of the assessment notice, it decided to submit a tax settlement proposal in the hope that its arguments would be upheld, at least in relation to most of the objections raised. This hope proved to be well-founded, and an agreement was signed in March 2015 whereby the company in question is required to pay about Euros 300,000 for taxes and penalties (plus statutory interest), namely just over 12% of the amount assessed (including a 100% surcharge by way of penalty).

After the reduced payment settlement in the gaming machines litigation (referred to as the Slots case), Sisal S.p.A. and Sisal Entertainment S.p.A. jointly presented an appeal in March 2014 to the Central Office of the Revenues Agency through the relevant Regional Office, asking for a confirmation of its interpretation, that is, the deductibility for IRES and IRAP tax purposes of the expense incurred because of its nature as damages based on the contractual relationship with AAMS, and not as a fine/penalty. Similar conduct appears to have been adopted or is in the process of being adopted by other gaming machine concessionaries which, like the Group companies, have agreed to the settlement procedure for the above litigation. In May 2014 the Central Law Office answered the appeal by completely confirming the deductibility of the above expenses and therefore a tax credit was recorded during the year (lower taxes in the income statement) for a total of approximately Euros 23 million.

In November 2014, assessments were begun at the Parent, Sisal S.p.A. and Sisal Entertainment S.p.A. by the financial information 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 have already concluded the inspection phase at the company. When the assessment activity is completed the UIF will issue a communication and a report; the group companies will be notified of any penalties within the following 90 days. Even before the start of the inspection by UIF, as a result of an in-depth analysis and evaluation, with the help of expert consultants, the Chief Security Officer of the Group prepared and discussed a document with the board of directors of the Parent that describes the elements of the anti-money laundering system adopted by the Sisal Group to protect against the risk of involvement, even if unaware of the fact, in money laundering operations within its respective operations. The system applies particularly to the Parent and Sisal Entertainment S.p.A. since the risk in connection with the activities of the other companies of the Sisal Group is considered negligible.

Moreover, 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 the 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. The Company considers that the dealings between Sisal, its Managing Director and persons working for BPM have always been based on maximum compliance with market procedures, standards and business and financial terms. The detailed check conducted by an independent expert confirms this evaluation. Sisal's Board of Directors has also obtained counsel's opinion and evaluated the facts to which the investigations relate, and has reached the conclusion that any charges would be groundless on the merits. In any event Sisal immediately offered the utmost cooperation with the Prosecutor's investigations. The company is not currently aware of any further developments in the investigations since July 2012.

In the lawyers' opinion, the applicable legislation does not provide for adverse impacts on the maintenance of the concessions owned by the Group's subsidiaries; in any event, the Group intends to continue guaranteeing the maintenance of the concessions and the statutory requirements of reliability, respectability and professionalism imposed on its Directors, as provided by the law.

Information regarding human resources and the environment

The Group has 2,009 employees at December 31, 2014. 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.

Development and investment activities

In 2014 the Group maintained high levels of investments in property, plant and equipment and intangible assets.

As for property, plant and equipment, approximately Euros 34 million was invested by the Group, of which approximately Euros 18 million relates to purchases or technological updates of slot machines and terminals for gaming and services. This amount also includes about Euros 1.5 million for the purchase of more than 14,000 POS terminals as part of the project aimed at allowing electronic payment using debit cards (Bancomat) and credit cards at points of sale.
Another Euros 8.5 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 8 million were also made for central and peripheral hardware, network systems and equipment and ADSL connectivity.

As for investments in intangible assets and concessions, contrary to 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 12.4 million.

During the year the new VLT platform developed by the supplier Novomatic was activated and rapidly produced an excellent response in terms of the VLTs appeal to the playing public and thus turnover; conversely the operating equipment on the Bally platform again confirmed its poor performance in 2014 and, as mentioned earlier, the VLTs in question were uninstalled at the end of the year.

As for acquisitions, in August 2014 the Group invested approximately Euros 350 thousand (including an earn-out) to acquire 100% of the capital of ACME S.r.l., with headquarters in Santorso (Vicenza). The company assembles gaming machines and is already a supplier of the Group.

Transactions with parent companies

With regard to transactions with the direct parent, Gaming Invest S.àr.l., at the end of the year Sisal Group has one loan outstanding from this company of approximately Euros 387 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 addition to the events already described, as regards the main concessions, the appeal judgment relating to "accounting statements" has been published. This was an appeal against the decision at first instance which ruled (i) that the proceedings requiring accounting statements for the gaming machines concession to be produced for the financial years from 2004 (when the Group concessionaire was still Sisal S.p.A.) to 2009 were inadmissible, and (ii) that the file should be forwarded to the public prosecutor to establish whether the concessionaires have any administrative liability as they are deemed to be accounting agents. This longstanding dispute concerns all the original concessionaires. The said judgment did not rule that the concessionaire was liable to make any payment, only that there were deficiencies and irregularities in the statements submitted by it, and that a decision on those statements 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 that were not eligible for deduction, and therefore to be charged.

Sisal Entertainment S.p.A. is also providing AAMS with all the requested clarifications, partly as a result of a parliamentary question relating to the disposal of about 1,700 Video Lottery Terminals in the last month of the year 2014, and their subsequent partial reactivation.

With regard to the opportunities for growth through acquisitions, some negotiations have been initiated. They refer to the acquisition of a business segment owned by SIS S.r.l., in liquidation, consisting of 55 shops qualified to operate public games; SIS has about 200 employees and 300 collaborators and generates approximately Euros 250 million in turnover. This company recently asked to be admitted to a liquidating composition of creditors arrangement on the basis of the non-binding offer proposed in the meantime by Sisal Entertainment S.p.A. which, in March, finally presented a binding offer for the purchase of the above business segment, which also provides for a precautionary and temporary granting of the lease of the business to the Group company. Thus the company is awaiting the decision by the judge on the validity of admitting the selling company to a composition of creditors and in the event of a positive outcome the appointment of the commissioner who will manage the proceedings and also decide on the merits of the offer presented.

In the tax area, on March 17, 2015 a general tax inspection of the company Sisal S.p.A. was begun for the years 2010, 2011 and 2012 by the Lombardy Regional Office – Large Taxpayers' Office; the inspection should fall under the periodical inspection program for companies of a size and complexity similar to those of Sisal S.p.A., according to the operating guidelines of the Revenues Agency.

Finally, as for financial ratings, partly in relation to the aforementioned bond issue, the rating agencies Standard & Poor's and Moody's completed their annual rating review of the Group in the early months of 2015 which is based on the results for the year 2014 and the business outlook for 2015. After a careful evaluation and discussions with company management both rating agencies confirmed the previous ratings of B and B1, respectively, with only a change in the outlook from favorable to stable and from stable to negative, respectively, in view of the possible repercussions on the company's business from the new laws introduced in the gaming market by the recent Stability Law. Their monitoring process will continue during the course of this current year with the support of the appropriate corporate structures.

Outlook

The expectations for the current year are influenced to a significant degree by amendments in the laws introduced by the recent Stability Law, particularly by the tax measures which considerably penalize the gaming machines sector, obliging all the operators, among other things, to renegotiate all the commercial agreements established among them.

In order to mitigate these impacts, the Group has also set up an incisive operating costs reduction plan identifying opportunities to reduce personnel costs, marketing and communication activities, distribution network costs and the activities managed by the staff functions. A similar plan has also been defined to reduce investment projects, aimed at offsetting the impact of the Stability Law on the liquidity of the Group as a whole and of the Group companies.

The gaming market overall is predicted to arrive at approximately Euros 82.1 billion in 2015, down about 1% from the 2014 market forecast due to the estimated slight contraction in the gaming market (-0.6%), owing to the reduction in number of machines installed as a result of the amendments in the laws approved at the end of 2014 and a further slight decline in lotteries (-2.3%). Betting and pool games, instead, are expected to grow on the whole (+6.1%) thanks to the forecast of a further increase in betting on Virtual Races and the launch of the so-called betting exchange.

In 2015 the turnover of the online channel is also forecast to contract overall. Specifically that of online poker is estimated to show a further fall (-20%), partially offset by the growth of casino games (+7.2%).

The principal business areas in which the Group operates, for 2015, expect to increase the turnover levels for national totalisator number games, following some years of steady decline, thanks to the renewal and relaunch of the portfolio of products. These specifically refer, as mentioned earlier, to the launch in the second half of 2015 of the new SuperEnalotto game that, with certain structural changes in the game formula, a higher payout and a higher average jackpot level should render the game more attractive to consumers.
The turnover of video lottery bets is also believed will grow due to the impact of the completion of the gaming equipment, by virtue of the relative available concessions and the programs to improve the game platforms and software, which would compensate for the slight reduction in the turnover of the wagers on the “comma 6a” gaming machines; with regard to the betting business, lastly, an overall turnover is predicted of more than Euros 810 million, up from approximately Euros 770 million in 2014, driven for the most part by fixed-odds sports betting and Virtual Races.

The 2015 outlook for the potential services market, that is, the total amount paid by Italian citizens, net of payments made by direct bank bill pay, is for a slight growth of about 1% attributable, as in the prior year, to financial services and payments that represented at the end of 2014 almost 92% of the total value transacted. 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) and the consolidation of the online platform for services commenced in preceding 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 decrease compared to the record performance in 2014, mainly as a result of the effects, as mentioned, of the additional taxation introduced by the 2015 Stability Law.
Notwithstanding, from a financial standpoint, the outlook is for a balanced management and the generation of operating cash flows in 2015 such as to effect further significant investments of over Euros 40 million, while complying with the covenants linked to the 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.

Milan, March 31, 2015

* * *

On behalf of the Board of Directors

The Chairman

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

(in € thousands)	Notes	2014	2013
Revenues	8	715,237	677,152
Fixed-odds betting income	9	99,696	86,356
Other revenues and income	10	6,045	8,829
of which non-recurring	*44*	*1,188*	-
Total revenues and income		**820,978**	**772,337**
Purchases of materials, consumables and merchandise	11	11,608	10,657
of which non-recurring	*44*	35	-
Costs for services	12	470,781	453,571
of which related parties	*43*	*2,768*	*2,250*
of which non-recurring	*44*	*5,180*	1,242
Lease and rent expenses	13	25,268	20,716
Personnel costs	14	92,506	81,298
of which related parties	*43*	*4,604*	*4,381*
Other operating costs	15	35,825	107,867
of which non-recurring	*44*	*1,117*	*76,637*
Depreciation, amortization, provisions and impairment losses and reversals	16	114,666	110,309
Net operating profit (loss) (EBIT)		**70,324**	**(12,081)**
Finance income and similar	17	1,203	2,237
Finance expenses and similar	18	91,031	86,798
of which related parties	*43*	*45,515*	*43,235*
of which non-recurring	*44*	*3,170*	*3,170*
Share of profit/(loss) of companies accounted for by the equity method		(211)	35
Loss before income taxes		**(19,715)**	**(96,607)**
Income taxes	19	(18,716)	2,198
of which non-recurring	*44*	*(22,853)*	-
Loss for the year		**(999)**	**(98,805)**
Attributable to non-controlling interests		340	279
Attributable to owners of the parent		**(1,339)**	**(99,084)**
Other comprehensive income:			
Other comprehensive income that will not be reclassified subsequently to the income statement:			
Remeasurement of defined benefit plans		(1,820)	40
Tax effect		502	(11)
Total comprehensive loss for the year		**(2,318)**	**(98,776)**
Attributable to non-controlling interests		338	279
Attributable to owners of the parent		(2,656)	(99,055)
Basic and diluted loss per share	20	(0.01)	(0.97)

Consolidated Statement of Financial Position

(in € thousands)	Notes	12/31/2014	12/31/2013 restated
Non-current assets			
Property, plant and equipment	21	120,565	131,607
Goodwill	22	879,978	880,024
Intangible assets	23	185,561	228,874
Investments in associates		58	61
Deferred tax assets	24	31,938	11,809
Other non-current assets	25	24,825	29,152
Total non-current assets		**1,242,925**	**1,281,527**
Current assets			
Inventories	26	8,965	9,010
Trade receivables	27	135,276	122,652
Current financial assets	28	-	2
Taxes receivable	29	3,652	4,651
Restricted bank deposits	30	90,339	76,726
Cash and cash equivalents	31	113,692	104,304
Other current assets	32	48,418	42,430
Total current assets		**400,342**	**359,775**
Total assets		**1,643,267**	**1,641,302**
Equity			
Share capital		102,500	102,500
Legal reserve		200	200
Share premium reserve		94,484	94,484
Other reserves		87,928	(1,637)
Retained earnings (Accumulated deficit)		(255,777)	(253,121)
Total equity attributable to owners of the parent		**29,335**	**(57,574)**
Equity attributable to non-controlling interests		1,511	1,174
Total equity	**33**	**30,846**	**(56,400)**
Non-current liabilities			
Long-term debt	34	1,037,656	1,107,890
of which related parties	*43*	*387,015*	*447,350*
Provision for employee severance indemnities	36	11,318	9,681
Deferred tax liabilities	24	15,858	19,847
Provisions for risks and charges	37	14,101	13,221
Other non-current liabilities	38	7,158	15,734
Total non-current liabilities		**1,086,091**	**1,166,373**
Current liabilities			
Trade and other payables	39	267,798	268,421
Short-term debt	34	34,286	34,286
Current portion of long-term debt	34	20,165	27,527
of which related parties	*43*	-	*2,715*
Taxes payable	40	4,458	2,623
Other current liabilities	41	199,623	198,472
of which related parties	*43*	*1,623*	*1,609*
Total current liabilities		**526,330**	**531,329**
Total liabilities and equity		**1,643,267**	**1,641,302**

Consolidated Statement of cash flows

(in € thousands)	**2014**	**2013**
Loss before income taxes	**(19,715)**	**(96,607)**
Depreciation and amortization	100,825	95,907
Impairment loss (reversal) of receivables in current assets	12,362	9,228
Impairment loss (reversal) of property, plant and equipment and intangible assets	189	336
Charge (release) of provisions for personnel and other provisions	951	5,696
Share of profit (loss) of companies accounted for using the equity method	211	(35)
Finance (income) expenses	89,828	84,561
Result for the year +/- adjustments reconciling to cash provided by operations before changes in working capital	**184,651**	**99,086**
Change in trade receivables	(24,986)	19,435
Change in inventories	45	871
Change in trade payables	(623)	(15,885)
Change in other assets and liabilities	(7,453)	(11,993)
Taxes paid	(1,603)	(3,016)
Cash flows provided by (used in) operating activities	**150,031**	**88,498**
Investments in property, plant and equipment	(33,095)	(30,061)
Investments in intangible assets	(13,357)	(30,376)
Investments in non-current financial assets	(206)	0
Change in other fixed assets	0	(12,000)
Net acquisition of cash acquired or paid	(15,808)	(8,895)
Cash flows provided by (used in) investing activities	**(62,466)**	**(81,332)**
New medium-/long-term debt	800	275,700
Repayment of medium-/long-term debt	(13,763)	(271,288)
Net change in payables to leasing companies	(1,537)	(583)
Net change in short-term debt	(300)	(3,606)
Share capital increase - non-controlling interests	0	600
Interest paid	(63,377)	(56,634)
Cash flows provided by (used in) financing activities	**(78,177)**	**(55,811)**
Increase (decrease) in cash and cash equivalents	**9,388**	**(48,645)**
Net cash at the beginning of the year	**104,304**	**152,949**
Net cash at the end of the year	**113,692**	**104,304**

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

Consolidated Statement of Changes in Equity

(in € thousands)	Note	*Share capital*	*Legal reserve*	*Share premium reserve*	*Other reserves*	*Retained earnings (accumulated deficit)*	*Total equity attributable to owners of the parent*	*Non-controlling interests*	Total equity
Equity at December 31, 2012	**32**	**102,500**	**200**	**94,484**	**2,092**	**(154,065)**	**45,211**	**335**	**45,546**
Remeasurement of defined benefit plans		-	-	-	-	29	29	-	29
Loss for the year		-	-	-	-	(99,084)	(99,084)	279	(98,805)
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**(99,055)**	**(99,055)**	**279**	**(98,776)**
Dividends paid		-	-	-	-	-	-	-	-
Other movements		-	-	-	(3,730)	-	(3,730)	560	(3,170)
Transactions with shareholders	**32**	**-**	**-**	**-**	**(3,730)**	**-**	**(3,730)**	**560**	**(3,170)**
Equity at December 31, 2013 (restated)	**32**	**102,500**	**200**	**94,484**	**(1,638)**	**(253,120)**	**(57,574)**	**1,174**	**(56,400)**
Remeasurement of defined benefit plans		-	-	-	-	(1,318)	(1,318)	(2)	(1,320)
Loss for the year		-	-	-	-	(1,339)	(1,339)	340	(999)
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**(2,657)**	**(2,657)**	**338**	**(2,319)**
Dividends paid		-	-	-	-	-	-	-	-
Waiver of shareholder loan					89,080		89,080		89,080
Other movements		-	-	-	486	-	486	(1)	485
Transactions with shareholders	**32**	**-**	**-**	**-**	**89,566**	**-**	**89,566**	**(1)**	**89,565**
Equity at December 31, 2014	**32**	**102,500**	**200**	**94,484**	**87,928**	**(255,777)**	**29,335**	**1,511**	**30,846**

SISAL GROUP

Notes to the Consolidated Financial Statements at December 31, 2014

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 31, 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Sisal Group at December 31, 2014 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 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.

Comparative data

The financial statements presented for comparison purposes have been adjusted to include the liability for the measurement of the sales option granted to the minority shareholders of the company Friulgame S.r.l.. The inclusion of this item led to the recognition of a payable classified as non-current "other liabilities" in the financial statements at December 31, 2013 of Euros 4.2 million and a corresponding charge to equity of the Group, shown in "other movements" under "other reserves" in the statement of changes in equity for the year ended December 31, 2013.

No other adjustment has been processed in the consolidated statements of comprehensive income and in the consolidated statement of cash flows for the year ended December 31, 2013.

2.2 Going concern

The year ended December 31, 2014 closed with a loss of Euros 999 thousand, consolidated equity at December 31, 2014 is Euros 30,846 thousand and net working capital at the same date is a negative Euros 185,229 thousand. The loss for the year is approximately Euros 98 million lower than for 2013 due to non-recurring events which took place in 2013, hardly affected by non recurring events totalling about Euros 81 million. On the other hand 2013 results were positively affected by non reccurring income for about Euros 17.7 million.

During year 2014 the consolidated equity increased as a result of the waiver, by the sole shareholder of the Parent, Gaming Invest S.àr.l., of the repayment of the "ZC Shareholder Loan" and relative accrued expenses, for a total of about Euros 89 million.

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, 2014, of Euros 387.0 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)	**2014**		**2013**	
Long-term debt	650,641		660,540	
Short-term debt and current portion of long-term debt	54,451		59,098	
Funding from third parties	**705,092**	**62.8%**	**719,638**	**64.6%**
Shareholder Loan	387,015		367,368	
Subordinated Zero Coupon Shareholder loan	-		82,697	
Funding from sole shareholder	**387,015**	**34.5%**	**450,065**	**40.4%**
Equity	**30,846**	**2.7%**	**(56,400)**	**(5.0)%**
Total debt and equity	**1,122,953**	**100.0%**	**1,113,303**	**100.0%**

2014 confirmed the recovery in gross margin budgeted in the business plan drawn up by the directors at the end of 2013. This was accomplished thanks to the execution of the growth strategies, guided by an expansion of existing games and services, as well as an increase in cash flows anticipated from the 101 additional sports concessions awarded in 2013 and from the 75 stores and 29 sports concessions coming from the acquisition of the Merkur-Win business segment.

These trends are also confirmed by recent projections drafted by management and will lead to a gradual reduction in net debt and compliance with the financial covenants established in the outstanding loan contracts.

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 Consolidation area 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, 2014 and 2013 are reported as follows:

Companies included in the scope of consolidation				
			% Direct and Indirect ownership at December 31,	
Name	**Headquarters**	**Share capital**	**2014**	**2013**
Sisal Group S.p.A (Parent)	Milan	€ 102,500,000	-	-
Sisal SpA	Milan	€ 125,822,467	99.81%	99.81%
Services				
Sisal Point SpA	Milan	€ 600,000	99.81%	99.81%
Gaming				
Sisal Entertainment SpA	Milan	€ 2,131,622	99.81%	99.81%
Acme S.r.l.	Santorso (VI)	€ 20,000	99.81%	
Friulgames S.r.l.	Tavagnacco (UD)	€ 100,000	59.89%	59.89%
Betting and Gaming Halls				
Thomas Morden Course Ltd (1)	Byfleet (Great Britain)	GPB 30,000	-	99.81%

(1) Extinguished since February 24, 2015

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 the subsidiaries and associates.

Subsidiaries

The consolidated financial statements include the financial statements of all the subsidiaries; the closing date of such financial statements coincides with that of the Parent. Control exists when the Parent holds, directly or indirectly, the majority of voting rights or has the power, directly or indirectly, to govern, also through contractual agreements, the financial and operating policies of an enterprise so as to obtain benefits from its activities. The subsidiaries are consolidated using the line-by-line method starting from the date that control commences until the date that control ceases. 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 and liabilities assumed 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 acquisition date of control. 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 remeasured 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 acquiree. The choice in the method of measurement of non-controlling interests is decided on a transaction by transaction basis. If the business combination is achieved in stages, the Group remeasures any previously held interest in the acquiree at 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 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, if significant. 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 in which the Group exercises a 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 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, 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 over their 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. The depreciation policy for depreciable assets held under finance leases is consistent with that for depreciable assets that are owned. If there is no reasonable certainty over the acquisition of the ownership of the asset at the end of the lease period, assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.

Leases where the lessor retains substantially 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, have the capacity to produce future economic benefits and can be controlled by the company. Such assets are initially recognized at purchase and/or construction cost, including directly attributable expenses to bring the asset to 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 and subsequently tested for impairment at least annually. The reversal of a previous writedown for the impairment of goodwill is not permitted.

(b) Other intangible assets with a finite useful life

Intangible assets with a finite useful life are recognized at cost, 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

Goodwill is tested for impairment annually or more frequently whenever events or changes in circumstances indicated 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 such asset. 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 and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the highest of:

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

The reversal of a previous writedown for the impairment of goodwill 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 with a finite useful life. 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 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. 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 and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, 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 or cash-generating unit is increased to the revised estimate of its recoverable amount with a contra-entry to the income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized.

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 in the transfer. 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 which accrue on with recourse sales are included in finance expenses, whereas the commissions on without recourse receivable sales are classified in other expenses.

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 debtor over the receivables;
- probability that the debtor will be involved in an insolvency procedure or other financial restructuring procedure.

The amount of impairment is measured as the difference between the carrying amount of the assets 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 deduction of the asset.

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

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 remeasured 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 the same instruments.

FOREIGN CURRENCY TRANSLATIONS

Transactions in currencies other than the functional currency are translated at the foreign exchange rate prevailing at the transaction date. Gains and losses on exchange arising from the settlement of transactions or the conversion at the end of the year of assets and liabilities at rates different from those at which they were initially recorded 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 decrees implementing the law introduced modifications concerning TFR employee severance indemnity. Such modifications include the choice by employees as to the destination of the 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 Revised – *Employee Benefits,* changes in actuarial gains and losses are recognized in other 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 fulfil the obligation. This amount represents the best estimate of the present value of the expenditures required to extinguish 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 passage of time is recognized as finance expenses.

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 of the end of the reporting period.

Revenues from sales of goods are recognized when the company has transferred substantially 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. The costs incurred by Sisal Entertainment S.p.A., which exercised the option to dispense from the 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 provided on the basis of an estimate of the tax expense for the year under 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 and there is a legally enforceable right of offset. 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 2014 the Group adopted the following accounting standards and amendments for the first time:

- IFRS 10 (*Consolidated Financial Statements*) and relative transition guidance. IFRS 10 introduces some changes to the definition of the concept of control. Specifically, under IFRS 10, control of an entity exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides application guidance on the various ways in which the investor could have control over another entity. The assessment of the requisites of control must be continuous and not only upon the acquisition of the investment.

- IAS 27 (*Separate Financial Statements*) addresses accounting for subsidiaries, jointly controlled entities and associates when a company elects, or is required by local law, to present separate financial statements.

- IAS 28 (Investments in Associates and Joint Ventures) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joints ventures.

- IFRS 11 (*Joint Arrangements*) and transition guidance. IFRS 11 provides criteria for the classification of joint arrangements based on the rights and obligations of the arrangements, rather than their legal form, and establishes how they should be recognized. According to IFRS 11, participants in a joint venture must measure their investments using the equity method. Thus, proportionate consolidation is no longer permitted. In a joint operation, the joint operator considers the joint operation as its own and recognizes its share of assets, liabilities, revenues and expenses.

- IFRS 12 (*Disclosure of Interests in Other Entities*) and transition guidance. IFRS 12 addresses the disclosure requirements for all forms of interests in other entities, including subsidiaries, associates and joint ventures. The objective is to disclose information that enables users of financial statements to evaluate the nature of the risks associated with its interests in strategic investments (qualified or not) intended to be held in the medium to long-term.

- Amendment to IAS 32 (*Financial Instruments: Presentation – Offsetting financial assets and financial liabilities*) clarifies the application of certain offsetting criteria for financial assets and financial liabilities.

- Amendment to IAS 36 (*Impairment of Assets* - *Recoverable Amount Disclosures for Non-Financial Assets*) addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

- Amendments to IAS 39 (*Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting*). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated, if specific conditions are met

- IFRIC 21: Levies – *Levies an interpretation of* IAS 37 (*Provisions, Contingent Liabilities and Contingent Assets).* The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized.

The adoption of these standards and amendments had no significant impact on these consolidated financial statements.

<u>Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group</u>

At the date of the preparation of these consolidated financial statements, the European Union completed the process for endorsement of the following standards and amendments, not yet applicable to the Group.

- Amendments to IAS 19 (*Defined 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 of several improvements to IFRS for the period 2010-2012, at EU level. In particular, these amendments 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 and amortization.
  - Amendment to IAS 24 (*Related Party Disc*losures). 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 of several improvements to IFRS for the period 2011-2013, at EU level. In particular, these amendments 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)*.

At the date of the preparation of these consolidated financial statements, the European Union had not yet completed the process for endorsement of the following standards and interpretations issued by the IASB:

- 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 puts in place hedges of 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 the management of risks, 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, 39% of the medium-and long-term debt and short-term debt at December 31, 2014 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 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, adjusting the cost in the income statement by the effect of the closure of the related derivative instrument. This analysis did not include financial payables contracted at fixed rates, further reported amounts do not reflect any tax impact.

		2014			
		Consolidated profit (loss)		Equity	
(in € thousands)	12/31/2014	+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**

		2013			
		Consolidated profit (loss)		Equity	
(in € thousands)	12/31/2013	+1% profit / (loss)	-1% profit / (loss)	+1% profit / (loss)	-1% profit / (loss)
Net financial debt	(337,900)	(4,043)	4,043	(4,043)	4,043
Total	**(337,900)**	**(4,043)**	**4,043**	**(4,043)**	**4,043**

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 funds available to meet such obligations. 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, 2014 the lines of credit authorized and not drawn down amount to a total of Euros 33.0 million and were secured by the Group in November 2013 in the form of bank overdrafts. This availability is used for the temporary requirements of the Group's working capital and is therefore subject to continual fluctuations. Moreover, the Group has a revolving line of credit under the Senior Credit Agreement for a total of Euros 34,286 thousand, which must be extinguished by September 30, 2017. At December 31, 2014 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, 2014 and 2013.

		Financial Liabilities Disbursements Analysis			
(in € thousands)	**At December 31, 2014**	**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**	**-**

		Financial Liabilities Disbursements Analysis			
(in € thousands)	**At December 31, 2013**	**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	719,638	6,213	18,600	710,016	30
Trade payables	268,421	238,560	28,722	1,139	-
Other payables	205,380	166,526	28,814	10,040	-
Total	**1,193,439**	**411,299**	**76,136**	**721,195**	**30**

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., totalling Euros 387 million at December 31, 2014 (Euros 450 million at December 31, 2013) 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 has 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 transactions 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 the examination and authorization of 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, 2014 and 2013 are analyzed by macro class of homogeneous risk in the following table:

	At December 31,	
(in € thousands)	**2014**	**2013**
Receivables from Public Authorities	26,726	25,221
Receivables from points of sale (outlets) and shops	163,555	139,896
Receivables from Betting Agencies	12,377	11,808
Receivables from Network	16,008	16,910
Other receivables	11,736	7,263
Provision for impairment of receivables	(55,611)	(46,472)
Total	**174,792**	**154,626**

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 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 the businesses, 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 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 form of significant risk 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, 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	**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	**39,516**	**37,760**	**1,321**	**-**	**435**
Total	**174,792**	**146,340**	**11,757**	**3,136**	**13,559**

		Ageing of Receivables			
(in Euros thousands)	**At December 31, 2013**	**Current**	**Overdue 0-90 days**	**Overdue between 90-180 days**	**Overdue more than 180 days**
Trade receivables	168,817	97,896	15,151	7,554	48,216
Provision for impairment of receivables	(46,165)	-	(1,525)	(4,570)	(40,070)
Net	**122,652**	**97,896**	**13,626**	**2,984**	**8,146**
Other receivables	32,281	31,650			631
Provision for impairment of receivables	(307)	(123)	-	-	(184)
Net	**31,974**	**31,527**	**-**	**-**	**447**
Total	**154,626**	**129,423**	**13,626**	**2,984**	**8,593**

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 a return to the shareholders and ensuring benefits to the other holders of interests while protecting the continuity of the company.

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 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.

During year 2014, 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 af of the waiver date. Such waiver increased for about Euros 89 million the Group's equity.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category at December 31, 2014 and 2013 are presented in the following table:

	At December 31, 2014				
(in Euros thousands)	**Loans and receivables**	**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**

	At December 31, 2013				
(in Euros thousands)	**Loans and receivables**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets	-	2	2	-	2
Trade receivables	122,652	-	122,652	-	122,652
Other assets (current and non-current)	61,126		61,126	10,456	71,582
Restricted bank deposits	76,726		76,726		76,726
Cash and cash equivalents	104,304		104,304	-	104,304
Total assets	**364,808**	**2**	**364,810**	**10,456**	**375,266**
Debt (current and non-current)	1,169,703	-	1,169,703	-	1,169,703
Trade payables and other payables	268,421	-	268,421	-	268,421
Other liabilities (current and non-current)	205,380	-	205,380	4,614	209,994
Total liabilities	**1,643,504**	**-**	**1,643,504**	**4,614**	**1,648,118**

During the years 2014 and 2013, 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, 2014, the market price of the senior secured notes was Euros 268.8 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) in active markets for identical assets and liabilities that the Group can access at the measurement date;
- Level 2: fair value based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;
- Level 3: fair value based on unobservable inputs for the assets and liabilities.

The following table sets out the assets and liabilities measured at fair value at December 31, 2014 and 2013, by the level of the fair value hierarchy reflecting the inputs used in determining their fair value.

Financial assets and liabilities measured at fair value Data at December 31, 2014				
(in € thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value through the income statement	-	-	-	-
2. Available for sale financial assets	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total	-	-	-	-
1. Financial liabilities measured at fair value through the income statement	-	-	-	-
2. Hedging derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

Financial assets and liabilities measured at fair value Data at December 31, 2013				
(in € thousands)	**Level 1**	**Level 2**	**Level 3**	**Totale**
1. Financial assets measured at fair value through the income statement	-	-	-	-
2. Available for sale financial assets	2	-	-	2
3. Hedging derivatives	-	-	-	-
Total	**2**	**-**	**-**	**2**
1. Financial liabilities measured at fair value through the income statement	-	-	-	-
2. Hedging derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 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 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 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 economical 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 the utilization of the assets and their recovery values are reviewed in order to update the residual useful life. Such updating may modify the period of depreciation and consequently the annual rate and charge for the 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 with appropriate valuation techniques. 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 totalisator 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 totalisator number games, including Enalotto, being chosen in preference to the bids submitted by Lottomatica S.p.A and SNAI S.p.A.;

- 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 bid, an agreement governing the concession was entered into between the Board and Sisal;

- 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. 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 Sisal S.p.A.'s opinion, the appeals are unfounded with reference to the claim 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 companies 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 totalisator 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 outlets' association, claimed that the rentals specified in that agreement were not payable, because they related to the supply of services by Sisal S.p.A., some of which were already due pursuant to the concession, while others were useless to the owner of the point of sale. Sisal S.p.A. considered that this claim was groundless, and instructed its lawyers to prepare a defense. The first hearing was held on March 25, 2015, and the Company is waiting to hear the outcome;

- 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, the new formula of SuperEnalotto and the corresponding procedures for approval by the competent authorities are being finalized with the aim of relaunching that product, which is the most popular and best-known of those managed by the Group, in the second half of 2015.

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

- 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 the 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 the 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.

- 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 the 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 the said decrees, which had already been granted following an *ex parte* application.

The said Fiscal Decree Law states that the taxation is 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 the 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. 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 latter penalty, and AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014. The appeal has been set down for hearing on May 26, 2015.

- 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 the 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 belonging to the Group 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 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. After renegotiating their agreements with gaming network operators, concessionaires can pass on a proportion of the fees reduction to them.

As a result of the said Director's Decree Sisal Entertainment S.p.A. is required to pay the total amount of Euros 45.8 million in two installments, payable at the end of April and end of October; after renegotiating its agreements with the network, about 40% of that amount will remain payable by the concessionaire.

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. appealed to the Lazio Regional Administrative Tribunal.

Horse-racing and sports betting concession

- In the case of the horse-racing betting concessions awarded in 2000, 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 the 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 safeguards 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 the 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. 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 procedures in progress

Some disputes and/or fiscal inspections and investigations of some subsidiaries were pending at the year end, broadly commented in the Board Report. 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 Statements.

Moreover, in November 2014, assessments were begun at the Parent, Sisal S.p.A. and Sisal Entertainment S.p.A. by the financial information 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 have already concluded the inspection phase at the company. Any penalties should be notified to the Group companies within the 90 days following the closing of the inspection, occurred on February 26, 2015. Currently it is not possible to assess any related charge.

6. Business combinations

In 2014 and 2013 business combination transactions were entered into as described below. These enabled the Group to further expand its network of points of sale for both horse and sport betting and also the number of gaming machines of the Group, particularly slot machines.

Year 2013

In 2013 efforts continued to support the Group's growth through acquisitions, particularly through two acquisitions in the Retail Gaming business unit.

Friulgames S.r.l.

At the beginning of the year an acquisition was concluded for about Euros 5 million for a 60% interest in the company Friulgames S.r.l., a company operating gaming machines, with about 2,100 slot machines and 172 VLTs, mainly in the Friuli Venezia Giulia region and a company that was already a commercial partner of the Group. In turn, last November the latter concluded the purchase of a business owned by a gaming operator that was already a commercial partner of Sisal Entertainment S.p.A. for a net amount of about Euros 0.2 million.

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 5 million was recognized as described in the following table:

	Friulgames S.r.l.
(in Euros thousands)	
Intangible assets	8
Property, plant and equipment	3,232
Other assets – current and on-current	922
Trade receivables	1,908
Cash and cash equivalents	2,144
Assets acquired	**8,214**
Severance indemnity provision	154
Short and m/l-term loans	2,309
Trade payables and other payables	3,819
Other liabilities	2,032
Liabilities assumed	**8,314**
Non-controlling interests	40
Net assets acquired	**(60)**

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

(in Euros thousands)	
Present value of consideration	5,033
Net assets acquired	60
Goodwill	**5,093**

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

(in Euros thousands)	
Consideration paid on acquisition	**(5,033)**
Cash at acquisition date	2,144
Net cash at acquisition	**2,144**
Net cash flows used for acquisition	**(2,889)**

At December 31, 2013, the consideration for the purchase was fully paid.

The expenses incidental to the acquisition were not significant and were charged to the income statement.

Subsequent to acquisition, the company was recapitalized for Euros 1.5 million by the shareholders in proportion to their ownership interest.

In 2013, which represented almost a full year of operations since the acquisition was completed at the beginning of the year, Friulgames S.r.l. recorded revenues of approximately Euros 7 million and, in 2014, approximately Euros 8 million.

In November 2013, Friulgames completed the acquisition of a business of the company Maxima for the management of 378 gaming machines in the “Triveneto” area, investing Euros 1.8 million. The acquisition was financed with its cash and with the assignment to the Group of a payable existing between the seller and Sisal Entertainment S.p.A. Goodwill was recognized on the acquisition for approximately Euros 1.0 million.

At the same time the Group assigned to minority shareholders a put option and obtained by them a call option related to the minority shares. Both the options could be exercised at a prestated price, based on company’s financials, starting from June 30, 2015. The consolidated financial statements include the financial liability related to the put option, totalling about Euros 3 million at December 31, 2014 (Euros 4,2 million at December 31, 2013).

Merkur Interactive Italia S.p.A. business

In the last quarter of 2013 one of the most important and relevant transactions of the last few years was concluded by the Group. This refers to the acquisition from the company Merkur Interactive Italia S.p.A. of the betting and gaming business segment which it operated through 75 Bersani concessions in addition to 29 new concessions awarded in the call for tenders in 2012 concluded during 2013. The business is already operational in 68 gaming establishments in which about 1,500 slot machines are installed. The transaction was concluded for consideration of about Euros 21 million, of which Euros 6 million was paid on acquisition and the remaining balance was paid in quarterly installments starting from January 2014. The acquisition allows the Sisal Matchpoint brand to consolidate its presence in central-northern Italy with shops having a medium floor area featuring a high level of service to the public and almost all with bar service attached.

Considering that the business combination was concluded close to the end of the year, the 2013 consolidated financial statements include only two months of the operations of the acquired business in the income statement, including revenues of approximately Euros 3.6 million.

In addition, at December 31, 2013 the fair value of the assets assumed and the liabilities acquired and the value of goodwill on acquisition were determined provisionally as allowed by IFRS 3 (Business Combinations). The finalization of the valuations took place in 2014 and confirmed the validity of the above values so no adjustments were made to the original amounts.

The fair value of the assets acquired and the liabilities assumed, the goodwill determined at the acquisition date and the value of the price paid are summarized in the following table:

	Merkur Interactive S.p.A.
(in Euros thousands)	
Intangible assets	2,778
Property, plant and equipment	14,113
Other assets – current and on-current	757
Cash and cash equivalents	571
Assets acquired	**18,219**
Severance indemnity provision	541
Other liabilities	736
Liabilities assumed	**1,277**
Net assets acquired	**16,942**

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

(in Euros thousands)	
Present value of consideration	21,051
Net assets acquired	(16,942)
Goodwill	**4,109**

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

(in Euros thousands)	
Consideration paid on acquisition	**(6,000)**
Cash at acquisition date	571
Net cash at acquisition	**571**
Net cash flows used for acquisition	**(5,429)**

Year 2014

There was only one acquisition during 2014.

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**
Severance indemnity provision	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**

7. Operating segments

In 2014 management confirmed its business management and monitoring structure by identifying its four operating segments, during the course of the prior year.

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 segments EBITDA do not includes financing activities results since not directly under control of each segment. At the same time provisions, amortization and depreciation and other non cash items are non included in segment EBITDA calculation different from similar items which have to be separately indicated under IFRS 8.

It is also mentioned, to be thorough, that the share part of revenues recognized to the distribution network in the Reatil Gaming and Payments and Services segment are reported against the related costs in the management results; likewise some costs reported against revenues in the consolidated financial statements are included in operating costs under management results.

From a financial position perspective, segments activities and results are not currently reviewed by the 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***", engages in activities for the Group's exclusive concession of NTNG national totalisator number games, 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 26 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***", manages the activities for online games and placing online bets through the sisal.it portal and through the mobile phone channel. The online gamut 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) 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 operating segment distributes the products and services of the Group through both the Branded and Affiliated Channels—the latter also including the 4,606 Service Only points of sale as at December 31, 2014—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, 2014 and 2013:

	Year ended December 31,			
	2014		2013	
(in Euros thousands)	**Revenues and income**	**EBITDA operating segments**	**Revenues and income**	**EBITDA operating segments**
Retail Gaming				
Revenues	305,296		250,671	
Supply chain / other	224,934		240,982	
Total	**530,230**	**91,234**	**491,653**	**80,847**
Lottery				
Revenues	75,669		91,276	
Supply chain / other	65		129	
Total	**75,734**	**14,913**	**91,406**	**26,663**
Payments and Services				
Revenues	96,983		81,639	
Supply chain / other	70,132		66,538	
Total	**167,115**	**65,467**	**148,177**	**55,859**
Online gaming				
Revenues	51,658		45,777	
Supply chain / other	(6,819)		(6,013)	
Total	**44,839**	**18,942**	**39,765**	**13,815**
Other revenues	**3,059**		**1,337**	
Total Revenues/ EBITDA adjusted of the operating segments	**820,978**	**190,556**	**772,337**	**177,184**

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

(in Euros thousands)	**2014**	**2013**
Total operating segments	**190,556**	**177,184**
Non-recurring expenses	(5,144)	(77,879)
Items with difference classification	(1,712)	(1,714)
Amortization of intangible assets	(56,874)	(53,397)
Depreciation of property, plant and equipment	(43,950)	(42,511)
Other impairment losses on fixed assets	(189)	(335)
Provisions for claims with regulator	-	(4,200)
Impairment losses on current receivables	(12,363)	(9,228)
EBIT, operating profit (loss)	**70,324**	**(12,081)**

Total Revenues by segment are totally related to income from third parties since no inter segment revenues are in place.

Other revenues include the result of business and activities which do not represent an operating segment under IFRS 8 and are mainly related to income araising from changes in estimates, net gains on fixed assets sales and other sundry income.

Items with different classification are related to income and charges, different form amortization and provisions, included in EBIT under consolidated financial statements, but non included in EBITDA by operating segment under management accounting and reporting.

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

Revenues are as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Gaming and betting revenues	504,266	483,093
Payments and other services revenues	124,132	110,266
Points of sale revenues	78,458	80,904
Other revenues from third parties	8,380	2,890
Total	**715,237**	**677,152**

Gaming and betting revenues are analyzed as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
NTNG revenues	44,854	52,061
Gaming machines revenues	396,060	395,581
Horse race betting revenues	9,987	12,621
Big bets revenues	33	41
Virtual races revenues	29,700	54
Sports pools revenues	705	822
Online game revenues	21,483	20,535
Bingo revenues	1,445	1,379
Total	**504,266**	**483,093**

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.

Other revenues from third parties reflect the settlement agreement reached with the supplier of the Bally VLT technological platform which decided to leave the Italian market granting to Sisal Entertainment S.p.A. a one-off indemnity of Euros 2,0 million; they also include the effect of the settlement agreement with the supplier WIND which granted to the Group a one-off indemnity of Euros 1,0 million.

9. Fixed-odds betting income

Fixed-odds betting income is as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Fixed-odds sports betting income	99,009	85,560
Fixed-odds horse race betting income	245	275
Reference horse race betting income	442	520
Total	**99,696**	**86,356**

10. Other revenues and income

Other revenues and income are as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Income arising from changes in estimates	3,926	7,450
Other sundry income	2,119	1,379
Total	**6,045**	**8,829**

11. Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise are as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Gaming materials purchases	5,220	3,837
Spare parts purchases	2,836	3,464
Sundry materials purchases	4,495	2,862
Warehousing	156	209
Change in inventories	(1,099)	284
Total	**11,608**	**10,657**

12. Costs for services

Costs for services are as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Marketing and commercial expenses	19,116	16,761
Other commercial initiatives	8,723	7,137
Other commercial services	1,138	1,130
Commercial services	**28,977**	**25,027**
Sales channel - Gaming	269,081	264,509
Sales channel – Payment services	70,257	66,872
Consulting	15,327	13,401
Other service costs	87,139	83,762
Other services	**441,804**	**428,544**
Total	**470,781**	**453,571**

The fees paid to the audit firm for the audit of the annual financial statements of the Parent and the subsidiaries amount to (net of VAT) Euros 363 thousand (Euros 337 thousand in 2013). 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 66 thousand (Euros 60 thousand in 2013).

Some other fees, totalling about Euros 1,009 thousand, have been paid to the audit firm due to the verification activities related to the Italian Public Offering issued by the Parent as requested by Italian Securities Exchange Commission (CONSOB) regulations and to the related comfort letters released by the audit firm as provided by the regulations of the trading markets organized and managed by Borsa Italiana S.p.A.. 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 419 thousand.

13. Lease and rent expenses

These expenses are composed as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Building leases	19,450	15,298
Other rentals and operating leases	5,818	5,418
Total	**25,268**	**20,716**

14. Personnel costs

Personnel costs comprise the following:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Salaries and wages	65,593	57,265
Social security contributions	20,800	18,311
Employee severance indemnities	5,132	4,658
Other personnel costs	980	1,064
Total	**92,506**	**81,298**

The total increase in personnel costs for the years 2014 and 2013 is largely due to a higher headcount in the Group as can be seen in the following table which presents the average number of employees by category.

	Year ended December 31,	
Average number of employees	**2014**	**2013**
Executives	49	47
Management staff	125	118
White-collar	1,768	1,559
Blue-collar	58	54
Total	**2,000**	**1,778**

15. Other operating costs

Other operating costs comprise the following:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Other taxes and duties	3,215	2,890
Gifts and donations	1,435	960
Gaming concession fees	19,168	19,585
Sundry operating costs	12,006	84,432
Total	**35,825**	**107,867**

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.

With regard to sundry operating costs in 2013, it should be noted that on November 8, 2013, the Court of Auditors confirmed the decree issued previously by its council chambers against the Group for the reduced payment settlement of the gaming machines litigation fixing the amount due by the Group at Euros 76,475 thousand (of which Euros 73,500 thousand was recognized in sundry operating costs and Euros 3,170 thousand in interest expenses).

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

These are as follows:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Amortization of intangible assets	56,874	53,396
Depreciation of property, plant and equipment	43,950	42,511
Other impairment losses on fixed assets	189	336
Impairment losses on current receivables	12,363	9,228
Accruals to provisions for risks and charges	1,290	4,837
Total	**114,666**	**110,309**

17. Finance income and similar

Finance income and similar comprise the following:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Finance income bank accounts	454	1,702
Finance income guarantee deposits	372	230
Other finance income	377	305
Total	**1,203**	**2,237**

18. Finance expenses and similar

Finance expenses and similar comprise the following:

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Interest and other finance expenses - related parties	45,515	43,235
Interest and other finance expenses - third parties	45,455	43,567
Exchange (gains) losses realized	54	(4)
Exchange (gains) losses unrealized	7	0
Total	**91,031**	**86,798**

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)	**2014**	**2013**
Current income taxes	22,896	5,832
Current income tax adjustments relating to prior years	(17,995)	(296)
Deferred tax assets adjustments related to prior years	(4,979)	-
Deferred tax liabilities	(3,365)	(2,834)
Deferred tax assets	(15,273)	(504)
Total	**(18,716)**	**2,198**

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

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Pre-tax loss	(19,715)	(96,607)
Nominal tax rate	27.5%	27.5%
Theoretical tax using the nominal tax rate	(5,422)	(26,567)
Non-deductible interest expense	2,243	2,261
Tax effect on dividends	6	141
Benefits for partial IRAP deductibility	(73)	(211)
Non-deductible sanctions	-	20,268
Other effects	1,444	1,368
Effective Ires tax	**(1,802)**	**(2,740)**
Effective Irap tax	**6,060**	**5,234**
Current and deferred income tax adjustments related to prior year	(22,974)	(296)
Total effective tax benefit (expense)	**(18,716)**	**2,198**

After the reduced payment settlement in the gaming machines litigation (referred to as the Slots case), Sisal S.p.A. and Sisal Entertainment S.p.A. jointly presented an appeal in March 2014 to the Central

Office of the Revenues Agency through the relevant Regional Office, asking for a confirmation of its interpretation, that is, the deductibility for IRES and IRAP tax purposes of the expense incurred because of its nature as damages based on the contractual relationship with AAMS, and not as a fine/penalty. In May 2014 the Central Law Office answered the appeal by completely confirming the deductibility of the above expenses and therefore a tax income was recorded during the year for a total of approximately Euros 23 million.

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 2013 and 2014.

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Number of shares outstanding (in thousands)	102,500	102,500
Loss attributable to owners of the parent	(1,339)	(99,084)
Basic loss per share (in Euro)	(0.01)	(0.97)
Diluted loss per share (in Euro)	(0.01)	(0.97)

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 movements of property, plant and equipment is as follows:

(in Euros thousands)	January 1, 2014	Increases	Depreciation and impairments	Disposals	Reclassifi-cations	December 31, 2014
Land and buildings:						
Original cost	45,024	2,627		(1)	943	48,593
Accumulated depreciation	(13,554)	-	(3,932)	1		(17,486)
Impairments	-					-
Net	**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	**9,216**	**1,946**	**(2,690)**	**(11)**	**0**	**8,461**
Industrial and commercial equipment:						
Original cost	342,214	25,373		(10,745)	22	356,864
Accumulated depreciation	(261,606)	(6)	(34,672)	10,481	(4)	(285,806)
Impairments	(1,402)		(189)	2		(1,589)
Net	**79,206**	**25,367**	**(34,861)**	**(262)**	**19**	**69,469**
Other assets:						
Original cost	30,201	3,534		(214)	(22)	33,499
Accumulated depreciation	(19,241)	(96)	(2,655)	205	4	(21,785)
Impairments	(186)					(186)
Net	**10,774**	**3,438**	**(2,655)**	**(9)**	**(18)**	**11,527**
Construction in progress:						

Original cost	943		-	-	(943)	-
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**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	**131,607**	**33,378**	**(44,139)**	**(283)**	**0**	**120,565**

(in Euros thousands)	**January 1, 2013**	**Additions**	**Depreciation and impairments**	**Disposals**	**Reclassifi-cations**	**December 31, 2013**
Land and buildings:						
Original cost	30,769	14,255				45,024
Accumulated depreciation	(11,124)	(45)	(2,385)			(13,554)
Impairments	-					-
Net	**19,645**	**14,210**	**(2,385)**	**-**	**-**	**31,470**
Plant and machinery:						
Original cost	24,309	2,297				26,606
Accumulated depreciation	(14,863)	(13)	(2,513)			(17,389)
Impairments	-					-
Net	**9,446**	**2,284**	**(2,513)**	**-**	**-**	**9,217**
Industrial and commercial equipment:						
Original cost	322,632	28,414		(8,841)		342,205
Accumulated depreciation	(232,085)	(2,292)	(35,963)	8,743		(261,597)
Impairments	(1,066)		(336)			(1,402)
Net	**89,481**	**26,122**	**(36,299)**	**(98)**	**-**	**79,206**
Other assets:						
Original cost	25,695	4,530		(24)		30,201
Accumulated depreciation	(17,472)	(127)	(1,650)	8		(19,241)
Impairments	(187)					(187)
Net	**8,036**	**4,403**	**(1,650)**	**(16)**	**-**	**10,773**
Construction in progress:						
Original cost	-	943	-	-	-	943
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**-**	**943**	**-**	**-**	**-**	**943**
Total:						
Original cost	403,405	50,439	-	(8,865)		444,979
Accumulated depreciation	(275,544)	(2,477)	(42,511)	8,751		(311,781)
Impairments	(1,255)	-	(336)	-		(1,591)
Net	**126,606**	**47,962**	**(42,847)**	**(114)**	**-**	**131,607**

"*Industrial and commercial equipment*" includes assets under finance leases whose net value is Euros 7,509 thousand at December 31, 2014 (Euros 9,228 thousand at December 31, 2013).

Year 2014

The increases in 2014 amount to a total of approximately Euros 33 million and refer to the following:

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

Year 2013

The additions in 2013 total approximately Euros 50 million and regard mainly:

- investments in new “Series 6A” slot machines, access points (PdAs) and change machines of Euros 9.3 million;
- purchase of new-generation gaming and services equipment such as the Big Touch and Microlot terminals and more than 28,000 POS of approximately Euros 5.1 million;
- purchase of network hardware as well as display equipment for points of sale of approximately Euros 6 million;
- investments in plant, furniture and restructuring work of the points of sale of more than Euros 9 million;
- aggregate of property, plant and equipment acquired by the Group in business combinations concluded during the year of approximately Euros 18 million.

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

(in Euros thousands)	**Net book value at 12/31/2014**	**Leasing instalments 2014**	**Residual debt at 12/31/2014**	**Residual leasing instalments at 12/31/2014**
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**

(in Euros thousands)	**Net book value at 12/31/2013**	**Leasing instalments 2013**	**Residual debt at 12/31/2013**	**Residual leasing instalments at 12/31/2013**
Microlot gaming terminals	4,427	3,373	1,439	1,454
Big Touch G.T. (industrial & commercial equipment)	651	160	572	604
POS G.T. (industrial & commercial equipment)	2,997	-	2,098	2,213
HW (industrial & commercial equipment)	447	-	447	524
Slot machines Series 6A	286	183	142	151
Total	**8,808**	**3,716**	**4,698**	**4,946**

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 879,978 thousand at December 31, 2014 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 charges at the various year-end dates are the following:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Gross carrying amount	1,103,034	1,103,080
Accumulated impairment losses	(223,056)	(223,056)
Total	**879,978**	**880,024**

The movements in goodwill in 2014 are as follows:

	At December 31,	
(in € thousands)	**2014**	**2013**
Balance at January 1	**879,814**	**869,564**
Acquisitions	(46)	10,460
Impairments	-	-
Balance at December 31	**879,768**	**880,024**

Goodwill recognized on acquisitions in 2013 related to the acquisitions of Friulgames and Maxima for Euros 6,351 thousand and Merkur for Euros 4,109 thousand.

The change in goodwill in 2014 refers to the acquisitions of Maxima (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, 2014 and 2013 in accordance with international accounting standards. Specifically, operating cash flows were measured to determine the value in use of the identified CGUs by applying the discounted cash flow method.

For purposes 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 2.3% at December 31, 2014 (2.85% at December 31, 2013). 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 7.26% at December 31, 2014 (8.49% at December 31, 2013), derived from the weighted average cost of capital of 9% (9.5% at December 31, 2013) - inclusive of a Market Risk Premium of 8.6% (4.39% at December 31, 2013) and the after-tax cost of debt of 3.98% (4.21% at December 31, 2013).

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 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 Totalisator 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.

Goodwill at December 31, 2014 and 2013 is allocated to the different operating segments as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Retail Gaming	445,742	445,788
Lottery	156,622	156,622
Online Gaming	140,908	140,908
Payment and Services	136,706	136,706
Total	**879,978**	**880,024**

In particular, the excess of the recoverable amount of the operating segments, at December 31, 2014, determined on the basis of the parameters described above, compared with the relative carrying amount, is as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Retail Gaming	285,179	329,526
Lottery	146,661	68,249
Online Gaming	79,244	35,918
Payment and Services	515,994	597,628
Total	**1,027,078**	**1,031,321**

The impairment test at December 31, 2014, as set out above, was carried out using a growth rate of 2.3% and a WACC equal to 7.26%.

The values of the parameters that would 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	9.5%	(0.9%)
Lottery	10.3%	(1.73%)
Online Gaming	10.0%	(1.37%)
Payments and Services	23.7%	(65.3%)

23. Intangible assets

The composition and movements of intangible assets are as follows:

(in Euros thousands)	January 1, 2014	Increases	Amortization and impairments	Decreases	Reclassifi-cations	December 31, 2014
Patents and utilization rights, copyrights and similar rights						
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)**	**(3)**	**0**	**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**	**0**	**173,713**
Other intangible assets						
Original cost	-	-	-	-	-	-
Accumulated amortization	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net book value	**-**	**0**	**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**

(in Euros thousands)	January 1, 2013	Increases	Amortization and impairments	Decreases	Reclassifi-cations	December 31, 2013
Patents and utilization rights, copyrights and similar rights	-					
Original cost	48,964	9,052		(55)	100	58,061
Accumulated amortization	(36,434)	(9)	(9,589)	37		(45,995)
Impairments	(6)					(6)
Net book value	**12,524**	**9,043**	**(9,589)**	**(18)**	**100**	**12,060**
Concessions, licenses, trademarks and similar rights	-					
Original cost	613,960	24,634		(1,220)	4	637,378
Accumulated amortization	(329,809)		(43,808)	725	(4)	(372,896)
Impairments	(47,666)					(47,666)
Net book value	**236,485**	**24,634**	**(43,808)**	**(495)**	**0**	**216,816**
Other intangible assets	-					
Original cost	100	-	-	-	(100)	-
Accumulated amortization	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net book value	**100**	**0**	**0**	**0**	**(100)**	**0**
Total:	-					
Original cost	663,024	33,686	-	(1,275)	4	695,439
Accumulated amortization	(366,243)	(9)	(53,397)	762	(4)	(418,891)
Impairments	(47,673)	-	-	-	-	(47,674)
Net book value	**249,108**	**33,677**	**(53,397)**	**(513)**	**-**	**228,874**

Year 2014

In 2014 additions to intangible assets amount 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 (approximately Euros 13 million in 2013), 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 2013

In 2013 additions to intangible assets amount to approximately Euros 33 million and are composed as follows:

- purchase and development of software for the management of business operations for approximately Euros 14 million;
- new concessions for Euros 16.4 million, of which Euros 9 million refers to 600 new VLT concessions and Euros 6.6 million for the award of 225 concessions for gaming and betting;

- aggregate of intangible assets acquired by the Group through business combinations concluded during the year for approximately Euros 3 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)	**2014**	**2013**
Deferred tax assets		
Due within 12 months		
Due after 12 months	31,938	11,809
Total deferred tax assets	**31,938**	**11,809**
Deferred tax liabilities		
Due within 12 months	-	-
Due after 12 months	(15,858)	(19,847)
Total deferred tax liabilities	**(15,858)**	**(19,847)**
Net amount	**16,080**	**(8,038)**

Net changes are as follows:

	Year	
(in Euros thousands)	**2014**	**2013**
At January 1	**(8,038)**	**(11,366)**
Charge/release to income statement	23,617	3,339
Charge/release to statement of comprehensive income	501	(11)
At December 31	**16,080**	**(8,038)**

Deferred tax assets are summarized in the following table:

	At December 31,			
(in Euros thousands)	**2014**		**2013**	
	Temporary differences (amount)	Tax effect	Temporary differences (amount)	Tax effect
Charge for provision for impairment of receivables	42,240	11,616	35,485	9,758
Charge for provision for risks and charges	15,083	4,733	24,048	7,093
Maintenance expenses	4,512	1,241	7,361	2,024
Other temporary differences	24,224	6,951	17,819	5,289
Losses from tax consolidation	67,977	18,694		
Total deferred taxes	**154,036**	**43,234**	**84,713**	**24,164**
Amount offset against deferred tax liabilities	(35,634)	(11,296)	(40,482)	(12,355)
Total deferred tax assets	**118,402**	**31,938**	**44,231**	**11,809**
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)	2014		2013	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Goodwill deducted out of books	39,296	12,459	59,258	17,977
Business combinations	32,781	10,392	27,868	8,430
Severance indemnity deducted out of books	(1,672)	(460)	852	242
Other temporary differences	15,169	4,763	15,153	5,553
Total deferred taxes	**85,574**	**27,154**	**103,131**	**32,202**
Reversal of quota of non-current deferred taxes	(35,972)	(11,296)	(40,482)	(12,355)
Total deferred tax liabilities	**49,602**	**15,858**	**62,649**	**19,847**

25. Other non-current assets

Other non-current assets amount to Euros 24,825 at December 31, 2014 (Euros 29,152 thousand at December 31, 2013) 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 instalment payments for the penalty for failure to reach the guaranteed minimum on NTNG games; this deposit amounts to Euros 7,535 thousand at December 31, 2014, including the return earned to date.

26. Inventories

Inventories are composed of the following:

	At December 31,	
(in Euros thousands)	2014	2013
Playslips	223	295
Rolls of paper for gaming terminals	384	258
VLT tickets	36	39
Spare parts (repairs)	4,168	3,833
Spare parts (consumables)	1,403	1,027
Materials, auxiliaries and consumables	**6,215**	**5,452**
Top-up and scratch cards	398	82
Virtual top-ups	2,018	3,399
Mini-toys	65	77
Finished gaming machines inventory	237	-
Finished gaming machines and merchandise	**2,718**	**3,558**
Semifinished products inventory	32	-
Semifinished products	**32**	**-**
Total	**8,965**	**9,010**

Inventories are shown net of the provision for inventory obsolescence. The movements in the provision account are as follows:

(in Euros thousands)	Provision for inventory obsolescence
At January 1, 2013	**1,838**
Charge	390
Release	(216)
At December 31, 2013	**2,012**
Charge	573
Release	(64)
At December 31, 2014	**2,521**

27. Trade receivables

Trade receivables comprise the following:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Receivables from points of sale	97,336	86,402
Doubtful receivables	62,219	51,492
Trade receivables from gaming machines network	13,485	14,497
Trade receivables from betting agencies	12,144	11,622
Trade receivables from gaming customers	25	25
Trade receivables from third parties	3,283	2,627
Other trade receivables from third parties	2,263	2,152
Provision for impairment of receivables	(55,479)	(46,165)
Total	**135,276**	**122,652**

Receivables from points of sale represent amounts due to the Group for bets placed on the last games in December 2014 and for payment services performed in the same month.

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.

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.

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 movements 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
At January 1, 2013	**(41,336)**	**(811)**	**(42,147)**
Increases	(9,105)	-	(9,105)
Decreases	5,249	120	5,369
Change in scope of consolidation	(282)		(282)
At December 31, 2013	**(45,474)**	**(691)**	**(46,165)**
Increases	(12,244)	(34)	(12,278)
Decreases	2,965	-	2,965
At December 31, 2014	**(54,754)**	**(725)**	**(55,479)**

The increases recorded in 2014 and 2013 reflect the trend in debtor insolvency (particularly with reference to the outlet points of sale). They are also due to the unfavorable general macroeconomic climate which during the year has caused a rise in the percentage of managed insolvencies compared to volumes collected and, as a consequence, to the doubtful positions as well. The decreases during these years refer mainly to the sale of non-recourse receivables and settlement agreements regarding prior years' receivables as well as the write-off of doubtful positions, including those relating to owned slot and VLT machines subject to manual collection and/or installed at points of sale operated directly by the Group, due for a considerable period of time and, after close examination, no longer considered recoverable.

28. Current financial assets

Current financial assets show a zero balance at December 31, 2014 due to the write-off of the securities balance accounted at the end of the prior year.

29. Taxes receivable

Taxes receivable are composed of the following:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Receivables for IRES tax from tax authorities	3,086	4,056
Receivables for IRAP tax from tax authorities	566	595
Total	**3,652**	**4,651**

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 the companies Sisal S.p.A. and Sisal Entertainment S.p.A..

30. Restricted bank deposits

Restricted bank deposits 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 the payment of the cumulative winnings on the relative games and the payment of any winnings from online games.

Fluctuations in these accounts 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

Cash and cash equivalents at December 31, 2014 are as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Bank and postal accounts	106,384	97,169
Cash and cash equivalents in hand	7,308	7,135
Total	**113,692**	**104,304**

32. Other current assets

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Receivables from the Public Administration	26,726	25,221
Other receivables from tax authorities	8,902	10,456
Prepaid expenses	4,087	3,678
Other receivables from third parties	8,370	2,964
Other receivables from employees	466	417
Provision for impairment of other receivables	(132)	(307)
Total	**48,418**	**42,430**

Other receivables from third parties, equal to Euros 8,370 thousand (Euros 2,964 thousand at December 31, 2013) are mainly related to the short term component, equal to Euros 3,905 thousand, of the deposit activated By Sisal S.p.A. as guarantee of the timing payment of NTNG penalty charged to the company in 2012 and to the insurance deposit, equal to Euros 1,510 thousand, activated by the same company Euros to support the NTNG game Win For life Vinci Casa, launched inJuly 2014.

Receivables from the Public Administration are mainly composed of receivables for security deposits with the AAMS, under the concessions relating to the gaming machines, equal to Euros 19,795 thousand at December 31, 2014 (Euros 20,456 thousand at December 31, 2013).

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 premiums for health insurance.

33. Equity

Share capital

The share capital of the Company at December 31, 2014, fully subscribed and paid-in, is composed of 102,500,000 ordinary shares of par value Euros 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 possibility 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. For purposes of the determination of the fair value of the plan, the return differential that will be paid to the managers as compared with the shareholders of reference was measured at the grant date of the plan. Various assumptions for the settlement of share-based payments were considered and on that basis a cost referring to 2014 of Euros 484 thousand (Euros 484 thousand in 2013) was recorded in the income statement with a contra-entry to other reserves.

The plans thus structured co-exist with similar incentive plans granted to the managers of the Group as part of the operation that took place in 2006 which 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.

Non-controlling interests

The change in non-controlling interests is due to the variation in the result for the year.

34. Long-term debt

Long-term debt of the Group at December 31, 2014 and 2013, shown net of transaction charges, in accordance with IFRS, is presented as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Senior Credit Agreement	**425,438**	**439,465**
Senior Secured Notes	**274,273**	**272,736**
Shareholder Loan	387,015	367,368
Subordinated Zero Coupon Shareholder loan	-	82,697
Loans from related parties	**387,015**	**450,065**
Loans from other banks	2,220	2,739
Payables to other lenders – leasing contracts	3,161	4,698
Other loans from third parties	**5,381**	**7,437**
Total	**1,092,107**	**1,169,703**
of which current	*54,451*	*61,813*
of which non-current	*1,037,656*	*1,107,890*

Long-term debt outstanding at December 31, 2014, including the current portion of long-term debt, amounts in total to Euros 1,092 million (Euros 1,170 million at December 31, 2013) of which Euros 430 million or 39% (Euros 447 million at December 31, 2013 or 38%) relates to bank debt or similar (including payables to leasing companies) at variable rates, Euros 274 million or 25% to the issuance of Notes completed during the prior year (Euros 273 million at December 31, 2013 or 23%) and Euros 387 million or 36% (Euros 450 million at December 31, 2013 or 39%) 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 lead bank. 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 € thousands)	**Type**	**2014**	**2013**	**Due**	**Repayments**
Facility A	Amortizing	37,920	50,561	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		**431,234**	**443,875**		
Transaction charges connected to loans		**(5,796)**	**(7,863)**		
Finance expenses payable		**-**	**3,453**		
Total		**425,438**	**439,465**		

(*) 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 has:

- partially repaid the Senior Credit Agreement for Euros 275 million; specifically Facility B and C for Euros 130,972 thousand, Facility D for Euros 139,028 thousand and 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 unextinguished 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, 2014 for each line of debt is provided in the following table:

Senior Credit Agreement Summary				
		Amortization Plan		
(in Euros thousands)	**Residual debt at December 31, 2014**	**2015**	**2016**	**2017**
Facility A	37,920	12,640	12,640	12,640
Facility B	179,514	-	-	179,514
Facility C	179,514	-	-	179,514
Facility D	-	-	-	-
RF (*)	34,286	-	-	34,286
Total	**431,234**	**12,640**	**12,640**	**405,954**
Residual debt		**418,594**	**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 down 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 closing 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 closing 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 ended December 31, 2014 and 2013, the above mentioned financial covenants have been complied with and there are no events of default.

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)	**2014**	**2013**
Shareholder Loan	387,015	367,368
Subordinated Zero Coupon Shareholder loan	0	82,697
Loans from related parties	**387,015**	**450,065**

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, 2013 to December 31, 2014 the Group did not repay principal and capitalized interest for a total of Euros 26.0 million in 2014 (Euros 17.5 million in 2013).

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

Subordinated Zero Coupon Shareholder loan

The sole shareholder, Gaming Invest, in June 2009, also extended another loan of Euros 60 million denominated "Subordinated Zero Coupon Shareholder loan" and, like the preceding loan, is subordinate to the obligations under 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 earned to date.

Senior Secured Notes

Senior Secured Notes Summary					
		Residual Debt at December 31,			
(in € thousands)	**Type**	**2014**	**2013**	**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		**(5,822)**	**(7,359)**		
Finance expenses payable		**5,095**	**5,095**		
Total		**274,273**	**272,736**		

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 at September 30, 2017. Interest is computed at the fixed rate of 7.25%, before the effects associated with the costs incurred for the 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 the 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 early repay in full or in part the notes issued, as established in the contract which regulates the issue. The main terms applicable in the event of early repayment are described below.

In the event of early repayment (in part or in full): i) between November 1, 2014 and April 30, 2015, the Group must pay an amount equal 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 101% of the amount repaid in addition to any interest accrued and not paid; and iii) subsequent to April 30, 2016, any early repayment only requires the 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 the fulfilment 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 fulfilment of the obligations deriving from the Company's obligations. Moreover, *inter alia*, the following secured guarantees have been 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)	**2014**	**2013**
Loans from other banks	2,220	2,739
Payables to leasing companies	3,161	4,698
Other loans from third parties	**5,381**	**7,437**

"*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, as well as additional contracts in 2013 for Euros 3.2 million relating to the purchase of industrial and commercial equipment (Big Touch terminals, POS and hardware).

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

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Minimum lease payments due		
Within 12 months	1,343	2,358
Between 1 and 5 years	1,998	2,407
After 5 years	-	30
Future financial expenses	(180)	(97)
Present value of payables to leasing companies	**3,161**	**4,698**

35. Net financial debt

The net financial debt of the Group at December 31, 2014 and 2013, determined in conformity with paragraph 127 of the recommendations contained in the document drafted by ESMA, no. 81 in 2011, implementing Regulation (EC) 809/2004 is presented as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
A Cash	7,308	7,135
B Other liquid assets	106,384	97,169
C Securities held for sale	0	2
D Liquidity (A+B+C)	**113,692**	**104,306**
E Current financial receivables	0	-
F Current financial payables	34,286	34,286
G Current portion of medium-/long-term debt	20,165	25,199
H Other current financial payables	0	2,328
I Current financial debt (F+G+H)	**54,451**	**61,813**
J Net current financial debt (I-E-D)	**(59,241)**	**(42,493)**
K Medium-/long-term debt	766,560	837,879
L Notes issued	269,178	267,641
M Other non-current financial payables	1,918	2,370
N Non-current financial debt (K+L+M)	**1,037,656**	**1,107,890**
O Net financial debt (J+N)	**978,415**	**1,065,397**

36. Provision for employee severance indemnities

The movements in the provision for employee severance indemnities are presented as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Beginning balance	**9,681**	**9,096**
Current service costs	62	27
Finance expenses	304	284
Actuarial (gains) losses	1,820	(40)
Contributions made - Benefits paid	(639)	(404)
Change in scope of consolidation	90	718
Ending balance	**11,318**	**9,681**

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	1.8%
Inflation rate	1.8%
Future salary increase rate	2.8%
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 movements in the provisions for risks and charges are the following:

(in Euros thousands)	Sundry risks and charges provisions	Technological updating provision
At January 1, 2013	**7,356**	**1,507**
Increases	4,385	452
Decreases	(479)	
At December 31, 2013	**11,262**	**1,959**
Increases	2,139	628
Decreases	(411)	(1,477)
At December 31, 2014	**12,990**	**1,110**

The *Technological updating provision* refers to the accrual that the concessionaire companies of the Group are required to provide 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 its 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 the 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 the year-end 2014 reporting date there are certain tax inquiries 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

Other non-current liabilities:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Payable for acquisition of business segment	458	1,481
Other non-current liabilities	6,700	14,253
Total	**7,158**	**15,734**

Payable for the acquisition of business segments refers to the non-current amount payable for the acquisition of the business segment from Merkur Interactive Italia S.p.A. which was concluded in preceding years, and also, with regard to December 31, 2013, to the liability related to the option granted to minority shareholders of the Friulgames S.r.l. subsidiary. Such liability has been reported as consequence of the prior year financial position restatement, equal to Euros 4,2 million.

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

Trade and other payables are composed of the following:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Payables to suppliers	69,624	80,429
Payables to partners for services	193,979	181,314
Payables to gaming machines network	566	1,261
Other trade payables	3,628	5,417
Total	**267,798**	**268,421**

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 in the two years 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

Taxes payable comprise the following:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Payables for IRAP tax	3,946	2,623
Payables for IRES tax on income tax consolidation	511	-
Total	**4,458**	**2,623**

At December 31, 2014 and also at December 31, 2013 the payables for IRES taxes show nil balances since the Group had a net receivable based on the national tax consolidation at the end of those years.

41. Other current liabilities

Other current liabilities are composed as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Payables on games	66,250	74,284
Payables for winnings	94,847	78,218
Payables to employees	12,993	10,164
Sundry current liabilities	10,591	22,513
Payables to social security agencies	8,286	7,380
Other taxes payable	4,833	4,614
Payables to collaborators	1,824	1,299
Total	**199,624**	**198,472**

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)	**2014**	**2013**
Payables to tax authorities on games	52,591	58,726
NTNG subscribers	1,708	1,730
Payables for online games	5,848	7,780
Payables for guaranteed minimum	3,905	3,905
Payables for betting management	2,198	2,143
Total payables on games	**66,250**	**74,284**

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. At December 31, 2014, moreover, this item includes approximately Euros 3.3 million for the short-term portion of the aforementioned NTNG penalty paid in 2014 for Euros 3.3 million in accordance with the amortization plan agreed with the AAMS.

Payables for online games report the sums deposited by players in order to play 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 betting concession agreements signed by Sisal Match Point. By agreement with the concession granting Authority, in 2009, Sisal Match Point did not pay the instalment 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 as a result of mergers and acquisitions in the preceding years. AAMS appealed against the Arbitration Board's award to 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 following that revocation order. An appeal was filed to the Supreme Court in 2014 against the said 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 in the assets of the statement of financial position.

Payables for winnings can be analyzed as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Payables for SuperEnalotto-SuperStar winnings	73,934	64,332
Payables for Win for Life winnings	10,845	5,267
Payables for VLT winnings	6,792	6,579
Payables for Si Vince Tutto-SuperEnalotto winnings	847	1,406
Payables for Eurojackpot winnings	1,766	250
Payables for CONI games	439	155
Payables for Tris games and horse betting winnings	185	212
Payables for Bingo winnings	16	9
Payables for Play Six winnings	21	6
Total payables for winnings	**94,847**	**78,218**

The fluctuations between years depend mainly on the levels of the winnings for each game.

Payables to employees

Payables to employees include the 14th month salary, bonuses, vacation, former holidays, outstanding amounts due 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)	**2014**	**2013**
Payables for IRPEF payroll tax	2,821	2,626
Payables for loan withholding tax	109	53
Payables for equalization tax	2	9
Payables for VAT	218	0
Sundry taxes payable	1,684	1,926
Other taxes payable	**4,833**	**4,614**

Sundry taxes payable mainly refer to the short-term portion of the payable due on the acceptance of the Notice of Findings issued by the Finance Police signed by the Parent at the end of 2011 and paid in full in 2014.

Sundry current liabilities

Sundry current liabilities principally include payables relating to the acquisition of business segments, guarantee deposits received, non-deductible VAT on invoices to be received and also dividends not yet paid. The reduction of this item is attributable primarily to the payment during the year of amounts payable contracted at the end of 2013 for the acquisition of companies and business segments, according to the relative agreements, totalling about Euros 16 million.

42. Commitments

The commitments of the Group at December 31, 2014 and 2013 are detailed as follows:

	At December 31,	
(in Euros thousands)	**2014**	**2013**
Customs and Monopolies Agency	213,006	226,729
Payments and services	167,600	161,820
Other guarantees provided	4,424	3,087
Tax revenues agency	1,246	1,247
Total	**386,276**	**392,883**

The Customs and Monopolies Agency (AAMS) commitments refer to the aggregate of the guarantees and/or commitments issued by the concessionaire companies of the Group on behalf of the concession 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 customer partners mainly for agreements relating, respectively, to payment services and to the sale and/or distribution of telephone 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 transacted on an arm's length basis.

The balances referring to related party transactions in the statement of financial position at December 31, 2014 and 2013 are detailed in the following table:

(in Euros thousands)	**Parent companies**	**Management**	**TOTAL**	**TOTAL ITEM IN FINANCIAL STATEMENTS**	**PERCENTAGE OF TOTAL ITEM**
Current portion of long-term debt					
At December 31, 2014	-	-	-	20,165	**0.0%**
At December 31, 2013	2,715	-	2,715	27,527	**9.9%**
Long-term debt					
At December 31, 2014	387,015	-	387,015	1,037,656	**37.3%**
At December 31, 2013	447,350	-	447,350	1,107,890	**40.4%**
Other current liabilities					
At December 31, 2014	-	1,623	1,623	199,623	**0.8%**
At December 31, 2013	-	1,609	1,609	198,472	**0.8%**

The effects of related party transactions on the income statement for the years ended December 31, 2014 and 2013 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, 2014	-	2,768	2,768	470,781	**0.6%**
Year ended December 31, 2013	-	2,250	2,250	453,571	**0.5%**
Personnel costs					
Year ended December 31, 2014	-	4,604	4,604	92,506	**5.0%**
Year ended December 31, 2013	-	4,381	4,381	81,298	**5.4%**
Finance expenses and similar					
Year ended December 31, 2014	45,515		45,515	91,031	**50.0%**
Year ended December 31, 2013	43,235		43,235	86,798	**49.8%**

Parent companies

With reference to the transactions with Gaming Invest, the Parent has total financial payables outstanding for approximately Euros 387 million at December 31, 2014; interest accrued on such financial payables referring to the year amounts to approximately Euros 39.1 million, of which approximately Euros 26.0 million has been capitalized. In addition, another Euros 6.4 million was expensed during the year in conjunction with the waiver of the shareholder loan at the end of 2014. The percentage of transactions of a financial nature outstanding with Gaming Invest is commented in Note 34.

Management

Key executives charged with strategic responsibilities are considered the following persons within the Group: 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 functions HR, Legal, Strategy, Marketing & Communication, Institutional Affairs and Security & Anti Money-Laundering.

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

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Salaries	4,313	4,093
Employee severance indemnities	291	288
Total	**4,604**	**4,381**

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 the 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 successive 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 2014 and 2013are as follows:

At December 31, 2014					
(in Euros thousands)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Amount in financial statements	***(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 amount in the financial statements	***(a-b)***	**13,137**	**(18,708)**	**978,415**	**19,060**

At December 31, 2013					
(in Euros thousands)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Amount in financial statements	***(a)***	**(56,400)**	**(98,805)**	**1,065,399**	**(48,645)**
Settlement of Slots fiscal proceedings		(76,670)	(76,670)	-	(76,670)
Penalty for failure to reach guaranteed minimum NTNG				-	(3,120)
Cost associated with restructuring of debt /other		(2,268)	(2,268)	-	-
Income/costs for acquisitions		(6,323)	(2,111)	-	(2,111)
Acceptance of Notice of Findings					(2,372)
IRES recovery for IRAP on personnel costs					2,401
Total effects	***(b)***	**(85,261)**	**(81,049)**	**-**	**(81,872)**
Notional amount in the financial statements	***(a-b)***	**28,861**	**(17,756)**	**1,065,399**	**33,227**

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

	Year ended December 31,	
(in Euros thousands)	**2014**	**2013**
Other income	**1,188**	**-**
Remeasurement of debt on Friulgames acquisition	1,188	-
Purchases of materials, consumables and merchandise	**(35)**	-
Costs for IPO process	(35)	-
Costs for services	**(5,180)**	**(1,242)**
Costs associated with restructuring of debt/other	**-**	(1,140)
Costs for acquisitions	-	(102)
Costs for IPO process	(5,180)	-
Other operating costs	**(1,117)**	**(76,637)**
Settlement of gaming machines dispute	-	(73,500)
Costs associated with restructuring of debt/other	-	(1,128)
Costs for acquisitions	-	(632)
Remeasurement of debt on Merkur 2010 business acquisition	-	(1,377)
Costs for IPO process	(1,117)	-
Impact on Operating result (EBIT)	**(5,144)**	**(77,879)**
Finance expenses and similar		
Finance expenses on settlement of Slots fiscal proceedings	-	(3,170)
Loss before income taxes	**(5,144)**	**(81,049)**
Income taxes	**22,853**	**-**
Settlement of gaming machines dispute (recovery of tax deductibility)	22,853	-
Impact on profit (loss) for the year	**17,709**	**(81,049)**

45. Significant events occurring after the end of the year

In addition to the events already described, as regards the main concessions the appeal judgment relating to "accounting statements" has been published. This was an appeal against the decision at first instance which ruled (i) that the proceedings requiring accounting statements for the gaming concession to be produced for the financial years from 2004 (when the Group concessionaire was still Sisal S.p.A.) to 2009 were inadmissible, and (ii) that the file should be forwarded to the public prosecutor to establish whether the concessionaires have any administrative liability as they are deemed to be accounting agents. This longstanding dispute concerns all the original concessionaires. The said judgment did not rule that the concessionaire was liable to make any payment, only that there were deficiencies and irregularities in the statements submitted by it, and that a decision on those statements 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 that were not eligible for deduction, and therefore to be charged.

Sisal Entertainment S.p.A. is also providing the AAMS with all the requested clarifications, partly as a result of a parliamentary question relating to the disposal of about 1,700 Video Lottery Terminals in the last month of the year 2014, and their subsequent partial reactivation.

On the front of opportunities for growth through acquisitions, some negotiations have been initiated, including the acquisition of a business segment owned by SIS S.r.l., in liquidation, consisting of 55 shops qualified to operate public games; SIS has about 200 employees and 300 collaborators and generates approximately Euros 250 million in turnover. This company recently asked to be admitted to a liquidating composition of creditors arrangement on the basis of the non-binding purchase offer proposed in the meantime by Sisal Entertainment S.p.A., which, in March, finally presented a binding offer for the purchase of the above business segment, which also provides for a precautionary and temporary granting of the lease of the business to the Group company. Therefore the company is awaiting a decision by the judge on the validity of admitting the selling company to a composition of creditors and in the event of a positive outcome to the appointment of the commissioner who will manage the proceedings and also decide on the merits of the offer presented.

In the tax area, on March 17, 2015 a general tax inspection of the company Sisal S.p.A. was begun for the years 2010, 2011 and 2012 by the Lombardy Regional Office – Large Taxpayers' Office; the inspection should fall under the periodical inspection program for companies of a size and complexity similar to those of Sisal S.p.A., according to the operating guidelines of the Revenues Agency.

Finally, as for financial ratings, partly in relation to the previously mentioned bond issue, the rating agencies Standard & Poor's and Moody's completed their annual rating review of the Group in the early months of 2015 which is based on the results for the year 2014 and the business outlook for 2015. After a careful evaluation and discussions with company management both rating agencies confirmed the previous ratings of B and B1, respectively, with only a change in the outlook from favorable to stable and from stable to negative, respectively, in view of the possible repercussions on the Company's business from the new laws introduced in the gaming market by the recent Stability Law. Their monitoring process will continue during the course of this current year with the support of appropriate corporate structures.

Milan, March 31, 2015

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On behalf of the Board of Directors

The Chairman

Prof. Augusto Fantozzi