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, 2013

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, 2013

Dear Shareholders,

We hereby submit for your attention the consolidated financial statements for the year ended December 31, 2013 of Sisal Group S.p.A. which present a loss of Euros 99,084 thousand. In the same year depreciation, amortization and impairment losses and reversals were recorded for Euros 96,244 thousand.

Key data

The 2013 financial year and the main profitability indicators of the Group's result for that year were affected by the conclusion of the litigation in the Court of Auditors, already illustrated in detail in the financial statements of the preceding years, relating to the judgment against Amusement with Prizes (AWP) gaming machine concessionaires, including Sisal S.p.A. and Sisal Entertainment S.p.A., ordering them to pay compensation for alleged loss of fiscal revenues caused by the implementation and operation of the network of the said machines. In October 2013 Sisal S.p.A. (also acting on behalf of Sisal Entertainment S.p.A.) submitted an application for settlement based on payment of a reduced amount, subsequently established by the Third Appeal Section of the Court of Auditors at 30% of the amount quantified in the judgment at first instance in February 2012, plus interest, making a total of Euros 76.7 million.

Similarly, also the result for the prior year was impacted by the significant non-recurring penalty of Euros 16.5 million levied against Sisal S.p.A. by the State Monopolies Board (AAMS, now the Customs and Monopolies Agency) for not having reaching the minimum turnover levels for NTNG games in the two-month monitoring period of May and June 2012, as established in the concession agreement.

In light of the comments above, the following chart (figures in thousands of Euro) presents a comparison of the results for the years 2013 and 2012, which also shows the normalized profitability indicators that exclude the effects of the above expenses and, as concerns 2013, other minor non-recurring expenses. Moreover, with regard to EBITDA, which is not specifically indicated in the Group's financial statements, this is defined as profit (or loss) plus depreciation, amortization, impairments losses and reversals of property, plant and equipment and intangible assets, net finance income and expenses and similar and income taxes.

	2013	**2012**	**Change**	
Total revenues and income	772,337	823,395	(51,058)	-6.2%
EBITDA	93,391	155,146	(61,755)	-39.8%
Normalized EBITDA	171,270	171,646	(376)	-0.2%
Operating profit (loss) - EBIT	(12,081)	33,217	(45,298)	-136.4%
Normalized operating profit (loss)	65,798	49,717	16,081	32.3%
Loss for the year	(98,805)	(38,794)	(60,011)	-154.7%
Normalized profit (loss) for the year	(22,410)	(27,525)	5,115	18.6%

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

The Group's Business

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

During the year 2013, social management continued and developed what had been implemented in the prior years, primary attention being devoted to the important subject of the social sustainability of all corporate activities. In particular, Sisal continued to stand forward as a leader in promoting initiatives geared to ensure a safe, aware approach to gaming, using a structured model of responsible gaming based on international best practices. This is confirmed by the fact that the companies in the Group were awarded the prestigious Certification of Responsible Gaming by European Lotteries.

All of the activities performed by the Group over the years are exhaustively described in the 2012 Sisal Social Report, issued in June 2013, and in similar documents referring to the previous years. The activities specifically referring to 2013 will be published in a similar document.

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 also 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 website "sisal.it", and mobile applications. Specifically, at December 31, 2013 in the retail distribution network the Group operates with 4,013 points of sale featuring a series of formats identifiable with the Group's own brands ("Branded Channel") and through a network of 41,182 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 products not associated for the most part to the Gaming and Betting or Payments and Services markets, such as bars and tobacconists, and points of sale whose activities are primarily associated with Slot 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 online website "sisalpay.it".

In December 2013 when the business plan was being drafted, the Group commenced a process to redefine its management and monitoring strategy. The Group was previously organized into the three segments of Entertainment, Lottery and Digital Game and Services but at the date of these financial statements the structure was modified into four segments. Specifically, the activities connected with Digital Games and Services were previously just one segment but with the evolution of these operating activities, and, more specifically, the significant growth of the products and services being offered by both sectors, it in fact became necessary to create a distinct strategic model for each of these. Therefore two different segments were identified and one was named Online Gaming and the other Payments and Services, respectively. In addition, as part of this review, the Entertainment

segment was renamed Retail Gaming since it manages a part of the Group's distribution retail network identified as the Branded Channel.
The Group has therefore adopted an organizational model based on four segments which is in the process of being implemented and is expected to be completed in the first half of 2014. A description of the four segments is as follows:

- **Retail Gaming**: The Retail Gaming activities refer to slot machines and VLTs and fixed-odds sports betting and also traditional sports pools, as well as 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 website and 27 third-party online gaming sites 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 website 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, online poker and casino as well as lotteries and bingo.

- "**Payments and Services**": Payments and Service 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 1,542 Service Only points of sale at December 31, 2013—through the aforementioned website "sisalpay.it".

The following chart sets out the revenues for each segment for the years ended December 31, 2013 and 2012.

Segments *(in millions of Euro)*	2013	2012
Retail Gaming	491.7	525.3
Lottery	91.4	119.1
Online Gaming	39.8	32.4
Payments and Services	148.2	140.5
Other revenues	1.3	6.1
Total	**772.3**	**823.4**

The following chart presents Normalized EBITDA for each segment for the years ended December 31 2013 and 2012.

Segments *(in millions of Euro)*	2013	2012
Retail Gaming	80.8	93.8
Lottery	26.7	18.5
Online Gaming	13.8	8.3
Payments and Services	55.9	52.5
Total EBITDA	**177.2**	**173.1**
Items with a different classification	(5.9)	(1.5)
Total	**171.3**	**171.6**

Retail Gaming: The results of Retail Gaming in 2013 reflect gaming levels that were below expectations and an increase in taxes on slot machines and VLTs. The reduction was partially compensated by a higher margin on sports betting compared to that of 2012. As a percentage of total revenues, Retail Gaming Normalized EBITDA in 2013 is 16.4% compared to 17.9% in 2012.

Lottery: Lottery's results in 2013 reflect low average jackpots for SuperEnalotto during the year, which reduced the game's appeal to customers, and the delays in authorizing the game's relaunch. As a percentage of revenues, Normalized EBITDA of the Lottery segment in 2013 is 29.2%, a marked increase over the 15.6% in 2012, thanks to cutbacks in operating costs and lower marketing expenses, which more than offset the reduction in revenues.

Online Gaming: Online Gaming results in 2013 were driven by the strong performance of online sports betting and the successful launch of Slot Games, partially countered by the weak online Poker market. As a percentage of revenues, Normalized EBITDA of Online Gaming in 2013 came to 34.7% compared to 25.8% in 2012, owing to the growth of turnover and operating costs in line with the prior year.

Payments and Services: the results for Payments and Services in 2013 mainly stem from the growth of revenues obtained partly from new partnership contract arrangements and the opening of points of sale dedicated exclusively to the distribution of Payments and Services. Normalized EBITDA as a percentage of revenues in 2013 is 37.7% compared to 37.3% in 2012.

The Group operates through a distribution network of 45,195 points of sale at December 31, 2013 across two different physical channels: the Branded Channel and the Affiliated Channel, as well as the Online Channel.

A breakdown of the distribution network of the Group at December 31, 2013 by type of product normally offered under the various distribution formats is presented in the following chart:

Channel	Format	Number	Product Offered					
			Betting	VLTs	Slots	Lotteries	Payments and Services	Bingo
Branded Channel	WinCity	7	√	√	√	√	√	
	Matchpoint* Betting Shops	311	√	√	√	√	√	
	Matchpoint** Corners	3,689	√		√	√	√	
	SmartPoint	5***			√	√	√	
	Bingo Halls	1		√	√			√
	Total Branded Channel	**4,013**						
Affiliated Channel	POS with gaming machines, Lotteries, Payments and Services	5,318			√	√	√	
	POS with gaming machines only	5,072		√	√			
	POS with Lotteries, Payments and Services	29,250				√	√	
	POS “Services Only”	1,542					√	
	Total Affiliated Channel	**41,182**						
Total Group Network		**45,195**						

Branded Channel

The Branded Channel at December 31, 2013 includes 4,013 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 7 WinCity gaming halls managed by the Group, the 311 Matchpoint betting shops, 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 3,689 Matchpoint betting corners and (ii) the 5 SmartPoints currently in the testing stage in addition to 6 Corners in which the same format is being tested for a comparative evaluation. 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 are the POS that not only record the best performance in the entire distribution network in terms of gaming volumes but also the ones that represent the format through which the Group is able to capture a larger share of the gaming chain of value, 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 chain of value component relating to the reseller, as in the case of WinCity and the Matchpoint betting shops, 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, 2013 includes a network of 41,182 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;
- Service Only points of sale, with only Payments and Services.

The Affiliated Channel includes not only points of sale such as bars, tobacconists and newsstands, which are not predominately associated with the Gaming and Betting or Payments and Services markets, but also 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 Branded Channel.

Also included in the Affiliated Channel are 1,542 “Service Only” points of sale which the Group has set up in 2013 in shops and businesses such as bars, tobacconists, newsstands, supermarkets, etc. where only Payments and Services are offered by the Group on an exclusive basis.

A summary of revenues and EBITDA of the two above channels for the years ended in December 31, 2013 and 2012 is presented in the following chart.

Retail Gaming ***(in millions of Euro)***	**2013**	**2012**
Revenues		
Branded Channel	210.8	202.4
Affiliated Channel	280.9	322.9
Total Revenues	**491.7**	**525.3**
EBITDA		
Branded Channel	39.8	40.3
Affiliated Channel	41.0	53.4
Total EBITDA	**80.8**	**93.8**

Industry Overview

Gaming and Services market in Italy: the scenario

2009–2013 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 AAMS and **the “potential” payment services market,** calculated net of payments made by direct bank bill pay, which includes the payment of utilities, taxes, fines, telephone top-ups and reloads of debit cards. A review is performed of the trend from 2009 to 2013.

The aggregate of the two markets in 2013 reached a value of almost Euros 180 billion, with the potential Services market representing over 53.5% of the total.

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 1.5% while the gaming market reaches 11.4% growth, thanks also to the introduction during that period of many gaming alternatives (VLTs, online poker cash and online slots) which expanded the gaming field and also the playing public.

The data in the charts that follow are expressed in millions of Euro, unless otherwise indicated. The data relating to the year 2013 are based on the best estimates available to the Group.

	2009	2010	2011	2012	2013	CAGR 2009/2013
Total Gaming Market Turnover	**54,403**	**60,891**	**79,671**	**87,106**	**83,651**	**11.4%**
Total Potential Payment Services Market	**90,800**	**92,200**	**94,812**	**98,439**	**96,273**	**1.5%**
Potential Market	**145,203**	**153,091**	**174,483**	**185,545**	**179,924**	**5.5%**

Gaming Market in Italy: the scenario

2009–2013 trend

The total turnover of the gaming market grew, with a CAGR of 11.4%. 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 2009-2013 of 15.3%, a percentage that is decidedly higher than the growth in turnover.

If payout over the years is analyzed, it can be seen that, during the period in question, it has increased from 70.2% in 2009 to 80.7% in 2013, in this last year reaching an amount of more than Euros 67 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 by 0.1%. This contraction is much more evident if attention is placed on the last three years where the actual expenditure fell from Euros 17.9 billion in 2011 to Euros 16.9 billion in 2012 to Euros 16.1 billion in 2013. In other words, starting from 2011, while the increase in turnover was almost Euros 4 billion, the actual expenditure by Italians declined almost Euros 1.8 billion.

The actual expenditure determines the remuneration of the 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 2013, the tax reached Euros 7.9 billion or 48.8% of actual expenditure.

	2009	2010	2011	2012	2013	CAGR 2009/2013
Total Turnover	**54,403**	**60,891**	**79,671**	**87,106**	**83,651**	**11.4%**
Payout	**38,202**	**43,912**	**61,739**	**70,169**	**67,504**	**15.3%**
Gross gaming revenues (actual expenditure by public)	**16,201**	**16,979**	**17,932**	**16,938**	**16,147**	**-0.1%**
Taxes	*8,802*	*8,750*	*8,592*	*8,143*	*7,882*	*-2.7%*

	2009	2010	2011	2012	2013
Total Turnover	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Payout	**70.2%**	**72.1%**	**77.5%**	**80.6%**	**80.7%**
Gross gaming revenues (actual expenditure by public)	**29.8%**	**27.9%**	**22.5%**	**19.4%**	**19.3%**
Taxes	**54.3%**	**51.5%**	**47.9%**	**48.1%**	**48.8%**

An analysis of the various segments that make up the gaming market shows that the growth in turnover is basically attributable to gaming machines (CAGR +16.7%) and the new online games (CAGR +52.7%).

The Betting area, instead, shows a decline which can largely be ascribed to the serious crisis in the horse betting sector in Italy.

Bingo, on the other hand, is stable thanks to the increase in the payout which rose from 58% in 2009 to 70% in 2013.

	2009	2010	2011	2012	2013	CAGR 2009/ 2013
Lotteries	**18,876**	**18,081**	**19,421**	**17,777**	**17,321**	**-2.1%**
Betting and Pools	**6,142**	**6,228**	**5,294**	**5,007**	**4,651**	**-6.7%**
Gaming Machines	**25,525**	**31,474**	**44,735**	**48,700**	**47,400**	**16.7%**
Bingo	**1,512**	**1,962**	**1,804**	**1,690**	**1,515**	**0.0%**
Skill, Card & Casino Games	**2,348**	**3,146**	**8,418**	**13,933**	**12,764**	**52.7%**
Total Gaming Market	**54,403**	**60,891**	**79,671**	**87,106**	**83,651**	**11.4%**

The trend of the actual expenditure by the public for the different segments is illustrated in the chart below.

- The weight of the actual expenditure by the public went from 29.8% in 2009 to 19.3% in 2013, since the new online games of the Skill, Card and Casino Games, with a turnover of approximately Euros 13 billion in 2013, show actual expenditure by the public of "only" Euros 467 million, or 2.9% of the total.
- The turnover of the market was driven, as mentioned, by a steady increase in the amount of the payout, or winnings. As a consequence the percentage of actual expenditure by the public to turnover displayed a trend in steady decline from approximately 30% in 2009 to just slightly higher than 19% in 2013. In support of this affirmation, for example, the CAGR of the turnover in the Skill, Card & Casino Games segment (+52.7%), if compared with the actual expenditure (+13.4%), shows a ratio of 4:1, or, Euros 4 of turnover to Euros 1 of actual expenditure.

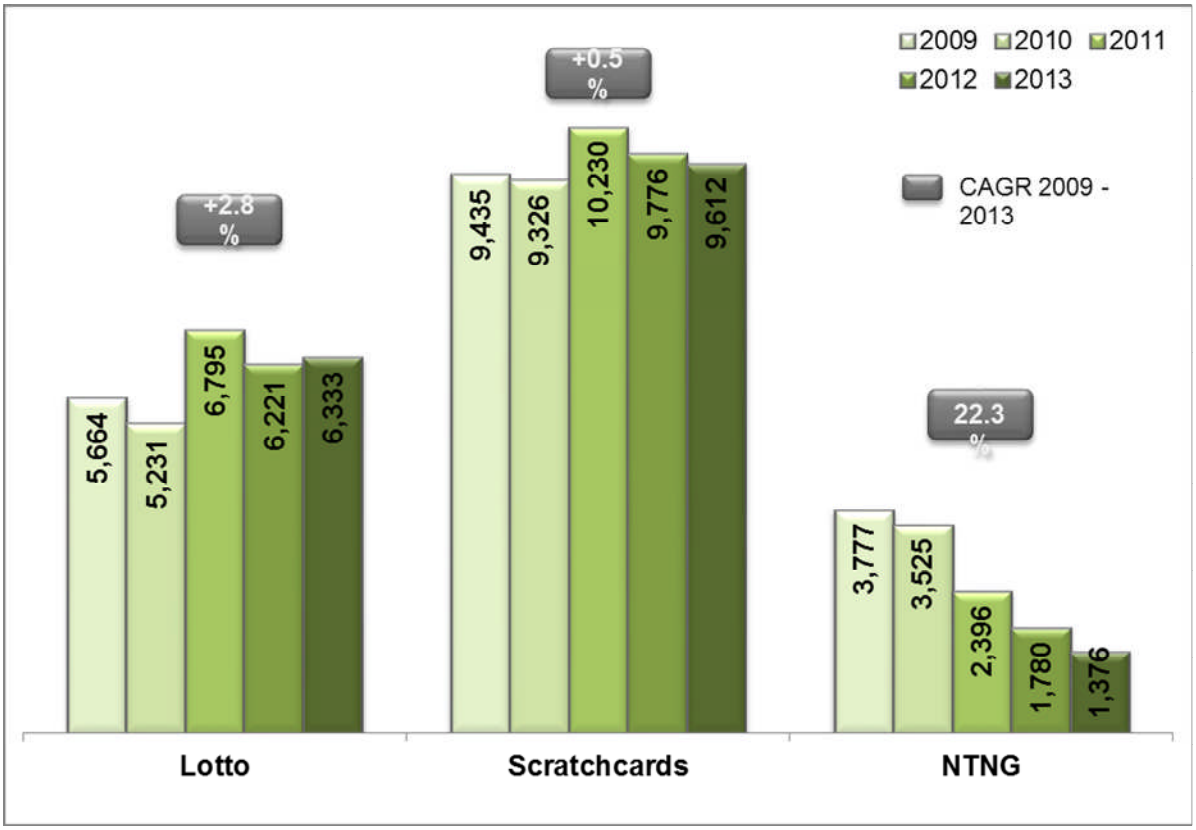
	2009	2010	2011	2012	2013	CAGR 2009/ 2013
Lotteries	**7,545**	**6,848**	**6,995**	**6,016**	**5,612**	**-7.1%**
Betting and Sports Pools	**1,538**	**1,408**	**1,340**	**1,012**	**1,047**	**-9.2%**
Gaming Machines	**6,381**	**7,749**	**8,595**	**8,900**	**8,566**	**7.6%**
Bingo	**454**	**594**	**569**	**503**	**454**	**0.0%**
Skill, Card & Casino Games	**283**	**380**	**434**	**508**	**467**	**13.4%**
Total Gaming Market	**16,201**	**16,979**	**17,932**	**16,938**	**16,147**	**-0.1%**

Business and Product Analysis - Turnover

Lottery

Lottery records a declining growth during the period of reference of 2.1%. In 2013, the trend in the turnover of the segment reflects the decline in consumption by Italians.

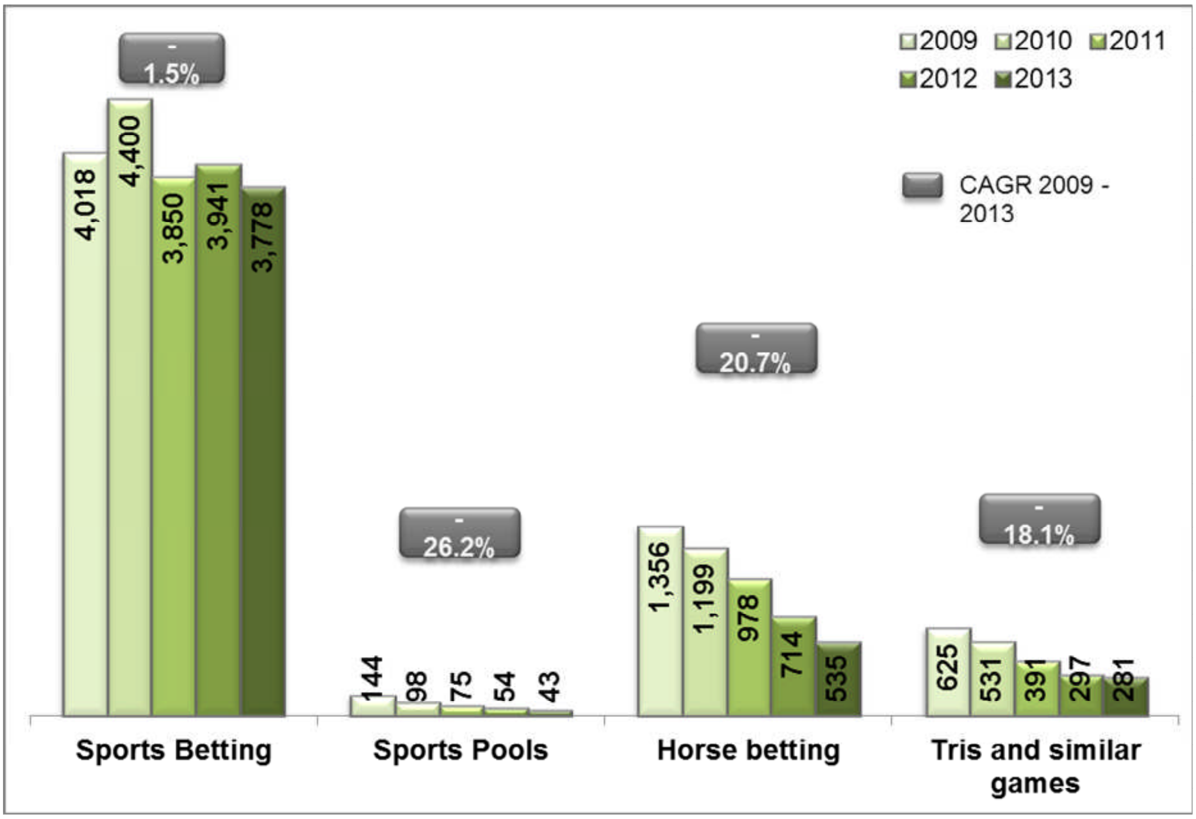
In particular, the NTNG products (SuperEnalotto, Vinci per la vita – Win for Life, SiVinceTutto and EuroJackpot), whose management is under concession to Sisal S.p.A., show a decreased CAGR of 22.3%, partly as a result of a payout that is significantly lower than the market average.



Betting market

The Betting market displays an average decline in sports betting during the period 2009-2013 of 1.5%, with turnover in 2013 of nearly Euros 4 billion.

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 between 2009 and 2013.

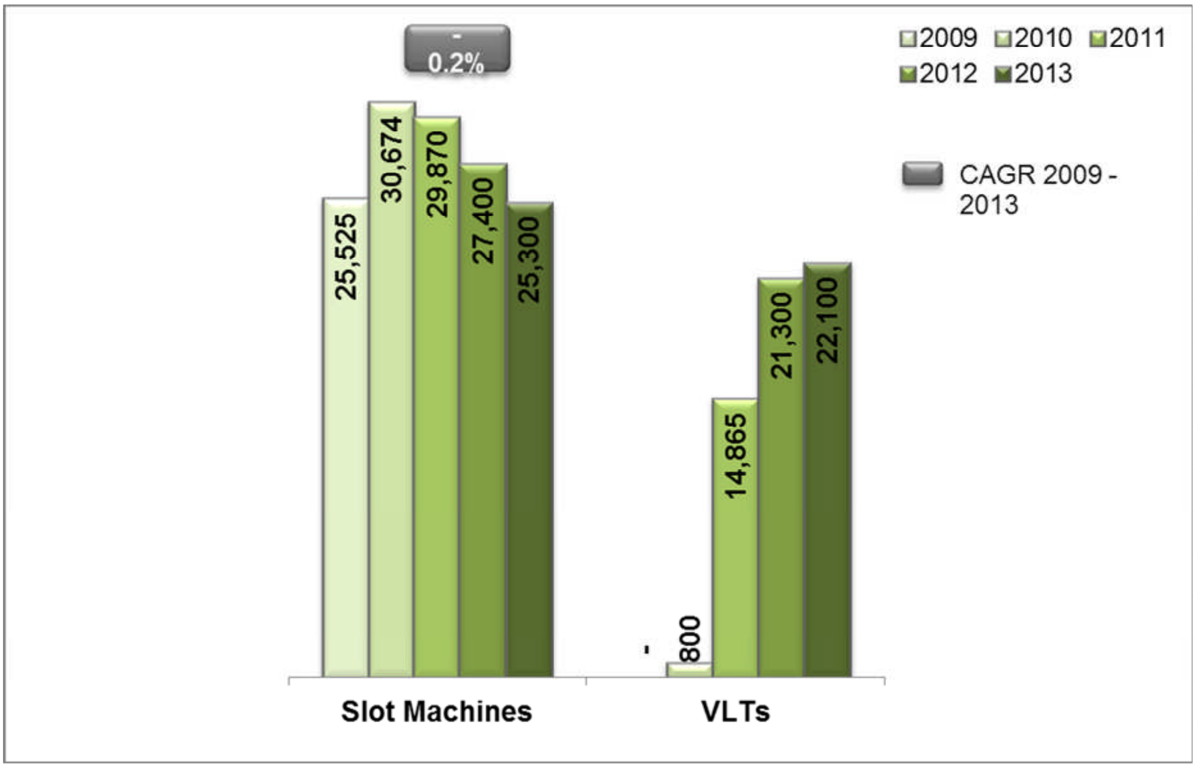


Gaming machines market (Slot machines and VLTs)

At the end of 2013 the Gaming Machines market accounts for 56.7% of the entire gaming market in Italy.

The turnover of gaming machines was Euros 47.4 billion with a 16.7% CAGR in the last five years. Slot machines lost market share and show a 0.2% decline in CAGR. VLTs reached Euros 22.1 billion, becoming the second most important product of the market.

It should be stressed that the declining trend in the turnover of slot machines in 2013 is in relation to the growth of VLTs, which now represent the top games in this segment in terms of appeal to players and the amount paid in winnings (75% Slots and 90% VLTs).

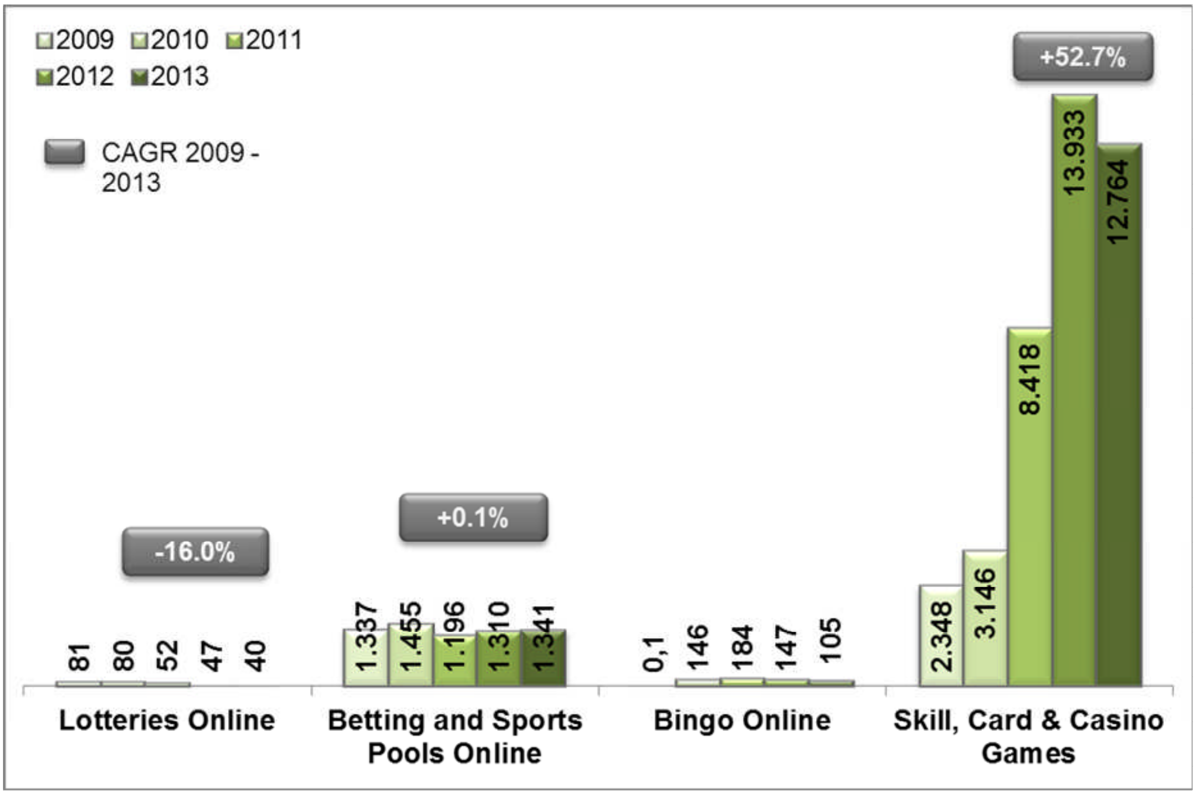


Online Gaming Market

Online Gaming shows the highest increase in the gaming market with a 39.5% CAGR. This growth is driven by the Skill, Card and Casino Games which report a turnover of almost Euros 13 billion in 2013, accounting for 89.6% 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 more than 95%) and the frequent launch of new products, such as the introduction of poker tournaments in 2008, Poker and Casino in 2011 and online slots in December 2012.

The Betting segment continued to grow in 2013, contrary to the trend in the turnover of the retail channel represented by the betting shops and corners, thanks to the launch of smartphone and tablet applications which increase use as well as the enormous appeal of live betting.



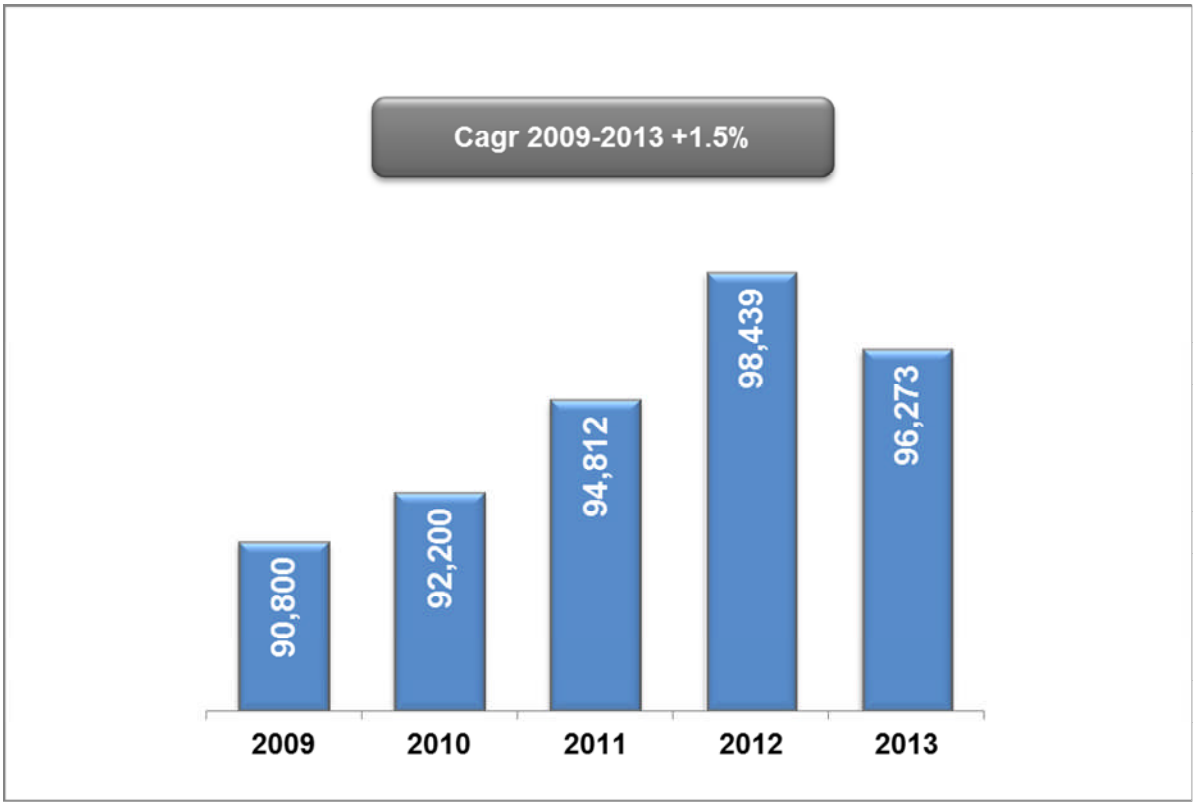
In a market scenario that for the first time recorded a slight decline in absolute amount compared to the prior year (-4%), the total turnover managed by the concessionaire companies of the Group (Euros 7.0 billion) showed a reduction in growth of approximately 11% which corresponds to a reduction in market share from 9.1% in 2012 to around 8.5% in 2013.

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 unfavorable economic situation as regards consumption and the increase in the specific tax system. Conversely, in 2013 the Group consolidated its market share in new online games, recording a growth of approximately one percentage point, due particularly to the favorable performance of the Casino Games.

Payment Services Market

The potential market of Services, that is, the total amount paid by Italians net of direct bank bill pay, reached a turnover of more than Euros 96 billion in 2013.

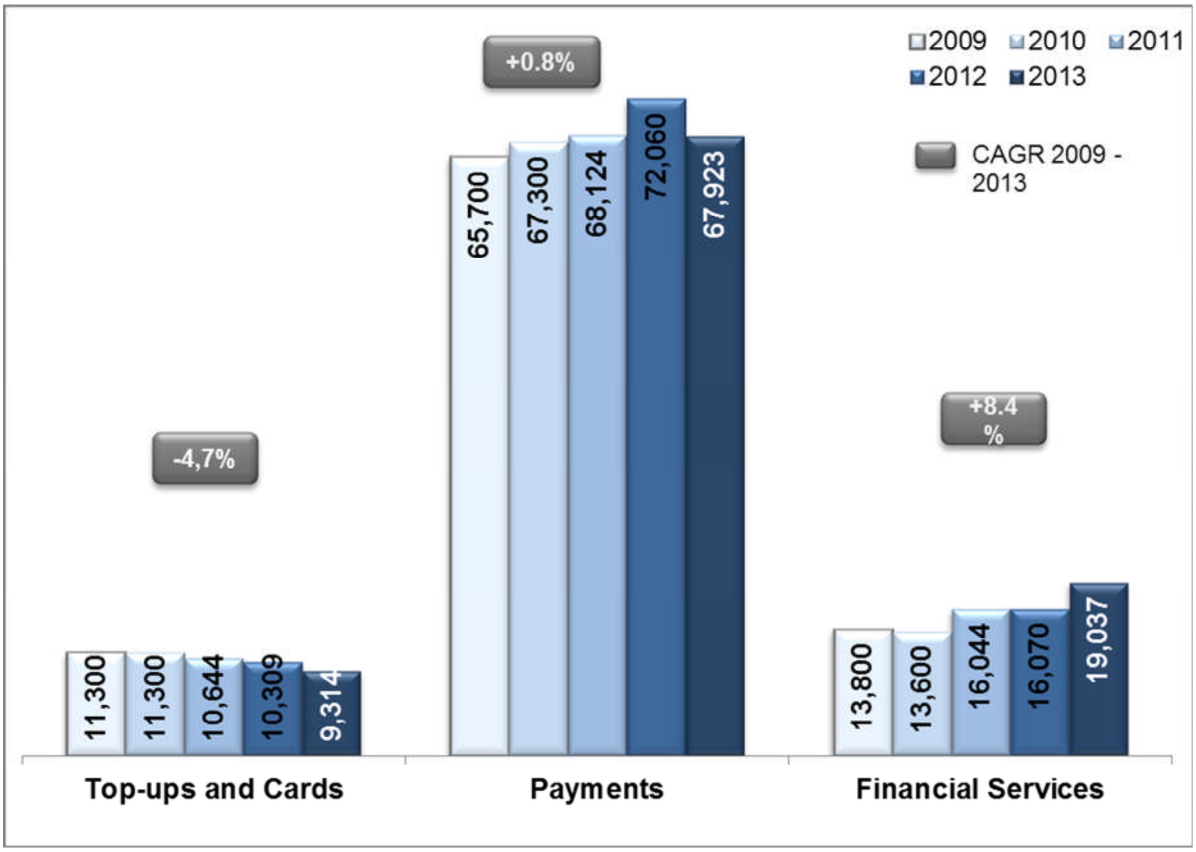
The market in 2013 shows a reduction of 2.2% due mainly to the contraction of prepaid telephony and the suspension of the first-home IMU property tax.



An analysis of the various markets of the Services segment shows the increasingly greater importance assumed by the bill paying segment. In 2013, in fact, turnover reached nearly Euros 68 billion, with 0.8% CAGR in the period 2009-2013.

The top-ups market, on the other hand, appears to have reached maturity with its more than Euros 9 billion in turnover and a CAGR declining by about 4.7%. This contraction is due to the aggressive policy by all telephone operators to reduce rates to the public in 2013.

The other market of Financial Services (reloads of debit cards) shows an 8.4% CAGR, becoming the most important segment in terms of growth potential, even though in terms of volume the turnover is “only” Euros 19 billion.



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 2013 the Group reported turnover across its own network throughout the territory and the new online platform denominated Sisal Pay of about Euros 6.3 billion for Services, recording an increase of approximately 7% compared to 2012 and growing its market share which, calculated in relation to the market figure of potential services, is around 6.5% at year-end 2013 compared to about 6% in the prior year.

Overview

Total revenues and income of the Group recorded a reduction of approximately 6.2% in 2013 compared to 2012. This is a reflection of the trends in the various product and business segments of the Group as detailed in the following chart (in thousands of Euro):

	2013	2012	Change	
NTNG	51,153	66,167	(15,014)	-22.7%
Slot Machines and VLTs	395,581	452,749	(57,168)	-12.6%
Betting and Sports Pools	82,769	67,450	15,319	22.7%
Online Games	38,567	31,509	7,058	22.4%
Bingo	1,379	1,571	(192)	-12.2%
Services and Products Revenues	110,266	110,517	(251)	-0.2%
Points of Sale Revenues	80,904	85,375	(4,471)	-5.2%
Other revenues and income	11,718	8,058	3,660	45.4%
Total Revenues and Income	**772,337**	**823,396**	**(51,059)**	**-6.2%**

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

- In the gaming business, NTNGs recorded a reduction in turnover of about 23%, a figure similar to the approximately Euros 15 million fall recorded by the relative revenues compared to 2012. Among the factors behind this decrease, as mentioned earlier, are certainly the weak general economic trend, 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 2013 the Group further increased the overall number of machines installed to about 43,700 units (6.5% more than in 2012) reflecting the trend in the performance of slots (+7.7%), whereas the number of VLTs recorded a slight decline of 2.4%. In terms of overall turnover, the total of approximately Euros 4,168 million is 9.3% lower than in 2012 mainly on account of VLT performance, having been more affected by the roll-over on the market by the other concessionaires and weak consumption in the country. These dynamics caused gross revenues for gaming machines to record a contraction of about 12.6% from 2012, or approximately Euros 57 million, with a trend basically influenced by higher taxation specifically on slot machines from 11.8% in 2012 to 12.7% in 2013 and on VLTs from 4% in 2012 to 5% in 2013 (representing an increase of 25% on the VLTs). Net of this increase, overall revenues would have shown a much lower reduction, less than 4%.

As for betting and pool games, a considerable variety of games are grouped in this business, from the historical 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 which the Group has begun to take since the end of December and which seem set to become a top product in the gaming market as early as the beginning of 2014. Turnover for betting and pool games totaled about 11% less than in 2012 but this trend is not reflected in the trend of overall revenues thanks to the performance of fixed-odds sports betting where net revenues (expressed as the difference between turnover, payout and the taxes specific to the game) recorded an increase of more than Euros 18 million (approximately +36%) over 2012. This significant gain largely stems from the fact that during the year the payout levels were on average lower than in the prior year which, instead, featured particularly high winnings (historically the highest in the last ten years). On the other hand, again in 2013, a trend highlighting the structural contraction in horse betting in its various forms continued, with turnover managed by the Group down by almost Euros 35 million (-20%) and related revenues falling more than Euros 3 million (-20%).

Finally, in online games (including online betting and bingo), while turnover grew by about 4%, revenues increased more than Euros 7 million or approximately +22% over 2012. Similarly to the retail channel, the online sports betting channel recorded significant growth, an approximate 47% increase or more than Euros 5 million in higher revenues. Incremental revenues of another Euros 2 million came from products in the Casino Games family, particularly Slot Games, that is, online Slot Machines; launched at the end of the prior year these quickly became the top product, in terms of revenues for the Group, after sports betting, and more than compensated the net drop in the game of Poker. The overall gains made in this business were also sustained by the continual renewal of the product portfolio (which counts more than 260 games at December 31, 2013), investments in new client acquisitions that in 2013 made it possible to introduce 120,000 new clients to the games (+17% compared to 2012) and the continuing development of ways to use the online games on mobile devices. In particular, at the end of 2013, the percentage of sports betting on mobile devices was 23% compared to 12% in 2012).

- In the segment of convenience payment services offered by outlets, gross revenues, relating to existing contracts for the sale and/or distribution through the Sisal outlets network of mobile telephone top-ups and TV content cards, decreased in total by approximately 12% compared to an approximate 9% 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 collection and payment services managed by the Parent, since it is a qualified financial intermediary, a further significant increase was recorded during the year in turnover (+12%) in both Payments and Financial Services, corresponding to revenues of approximately Euros 58 million (+14%). Overall this business generated revenues for the Group of about Euros 110 million, which is basically in line with the figure in the prior year, whereas the margin (that is, net of the fees paid to the outlet network and payment points) contributed by this business in 2013, thanks to the performance of payment services, was approximately Euros 43.4 million compared to approximately Euros 41.5 million in 2012, growing around 5%;

- Finally, other income relating to various contractual relationships with the outlet network shows a decrease of about Euros 4.5 million (-5.2% compared to 2012). The reduction is principally in connection with the partial consolidation of the distribution network where there were about 40,000 units at year-end 2013 compared to about 41,300 at year-end 2012.

The change in operating costs, including depreciation, amortization and provisions, recorded a reduction of approximately 0.7% from last year. If non-recurring expenses are excluded from both years, the reduction is just under 9%.

The main factors leading to this reduction were the decrease in service costs by more than 13% and sales and promotional expenses by almost 53% (translating into a savings of about Euros 28 million) from 2012. The reasons for this can be ascribed to the impacts of the program put into effect by the Group to improve the efficiency of the corporate cost structure which began in prior years, the reduction in the volume of turnover with the consequent fall in certain types of variable costs, such as those relating to the remuneration of the points of sale for the distribution and sale of reloads and telephone cards (-Euros 6.2 million compared to the prior year) and the turnover of gaming, particularly through gaming machines, which declined in total by more than Euros 32 million, but also the sharp contraction in marketing and promotional expenses relating to NTNG products in anticipation of perfecting and agreeing the relative relaunching plans with the concession granting Authority.

Depreciation, amortization and impairments of property, plant and equipment and intangible assets recorded a total contraction of about 9% entirely due to the effect of the approximate Euros 17 million impairment charge recognized last year in respect of the Digital Games cash-generating unit which, in 2013, did not require any further charge for impairment on intangible assets.

Personnel costs and lease and rent expenses instead increased by 9% and 26% respectively for a total of about Euros 11 million. The increase is generally due to policies to expand the distribution network (particularly those directly managed by the Group) and the acquisitions carried out during the year.

As a result of the performance described above, the gross profit margin recorded a decrease of about 40% while the operating profit posted a reduction of approximately Euros 45 million; excluding the previously mentioned non-recurring expenses, the gross profit is basically in line with the prior year whereas operating profit records an increase of about Euros 16 million (about +32% compared to operating profit in 2012).

From the standpoint of financial position and, in particular, the changes in the net financial position, certain important developments took place during the year which require mention:

- Firstly, in May 2013, a complex financial restructuring operation of the Group was completed as a result of which the Company issued notes for Euros 275 million at a rate of 7.25% due September 30, 2017, listed on the Italian Stock Exchange and the Luxembourg Stock Exchange. Proceeds from the notes were used to repay a portion of the debt relating to the pool loan denominated “Senior Credit Agreement” carried by the Company and the companies Sisal S.p.A., Sisal Entertainment S.p.A. and Sisal Match Point S.p.A. (later merged in Sisal Entertainment S.p.A.). Specifically, the credit lines “Facility B and Facility C” were partially repaid for a total of Euros 131 million and the “Facility D” was fully repaid for approximately Euros 139 million; at the same time, the maturity date of all the remaining credit lines were extended to September 30, 2017 and the amortization plan for the “Facility A Facility” was revised and the semi-annual repayments will start up again on June 30, 2014. Further changes agreed in respect of what was originally fixed in the pre-existing Financing Contract also include the change in the spread applicable to the credit lines which has been increased on average by +1%. The aforementioned transactions required thorough due diligence on the Group, conducted by leading international legal firms and the major financial institutions, the publication of a comprehensive Offering Memorandum by the Group as well as extensive presentations and illustrations about the Group’s business to the European financial community. The more than gratifying result obtained in terms of Standard & Poor’s and Moody’s rating of the Company’s Notes respectively of “B” and “B1” and the volume of requests for the notes led to the full subscription of the issue at satisfactory conditions. This is a testament to the credibility and soundness that the Group was able to document and guarantee which project it towards national and international financial markets with a new perspective of continual openness, cross-comparison and absolute transparency;
- as mentioned earlier, the year was marked by the closing of ancient litigation with the Court of Auditors dating back to 2007 with the settlement of a reduced amount which led to a total payment by the Group of more than Euros 76.5 million, including approximately Euros 3 million of interest. This significant payment, entirely settled by the end of the year, since it was not possible to pay in installments, was in any case substantially funded by cash flows generated by the Group.

During the year the Group also paid the lending banks and the noteholders interest and commissions for approximately Euros 57.6 million (57% more than in 2012, principally due to the effect of non-recurring expenses incurred when the notes were issued and when the pool Financing Contract was renegotiated, equal to approximately Euros 16 million) while the sole shareholder of the Parent was paid interest of approximately Euros 13 million on the loans outstanding. Another approximate Euros 18 million was instead capitalized on the basis of the arrangement that had been entered into with the lending shareholder and about Euros 6.2 million of interest was accrued during the year but not paid on the zero coupon loan obtained from the sole shareholder in 2009. Additional interest for a total of Euros 14.8 million was accrued during the year but was not paid on various loans outstanding with third-party financial backers and the sole shareholder.

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 Euro):

	2013	**2012**	**Change**
Net invested capital (NIC)	1,108,240	1,102,733	5,507
Funding by Third Parties	1,160,428	1,057,188	103,240
Total Equity	(52,188)	45,545	(97,733)
Debt/Equity Ratio	n.s.	23.21	
Normalized ROI (EBIT/NIC)	-1%	3%	

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 other assets and liabilities, neutralizing 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 172 million in 2013 (about Euros 160 million at year-end 2012) is reflected in the 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 Euros 1,169.7 million) net of cash and cash equivalents adjusted as indicated above (for a total of Euros 9.3 million).

The trend in Funding by third parties, or the Net Financial Position of the Group during 2013, with operating activities able to always provide cash flows, although lower than in 2012 mainly on account of the reduction in volumes of Lotteries and Gaming machines, reflects events not in the ordinary course of business previously described in addition to disbursements for further non-recurring activities regarding acquisitions and investments in concessions, which are discussed later in the report and that produced an effect on the cash flows for the year of more than Euros 28 million.

As in prior years, the Group also complied with the financial covenants established by the above-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, in the two-month period May-June 2012, receipts fell below the minimum limit guaranteed in the agreement, namely Euros 350 million (this was the last of the 18 two-month periods monitored). The State Monopolies Board (AAMS, now the Customs and Monopolies Agency) consequently called on the company to pay the penalty, calculated at Euros 16,500,000. The company appealed against the authority's order to the Regional Administrative Tribunal which ruled, by judgment filed on February 13, 2013, that the penalty imposed by AAMS was lawful. The judgment appears to be substantiated, although various aspects would have deserved consideration by a higher court, as it leads to a substantially unfair result. However, Sisal S.p.A. has decided not to appeal against that judgment to the Council of State, and has entered into a Settlement Agreement with AAMS requiring the payment of the entire amount over a 4-year period.

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

- as regards the penalties that the AWP concessionaires have been ruled liable to pay on various grounds, since 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, and AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014.
- 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 AWP 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.

Horse and sports betting concession

- As regards the betting sector, Fiscal Decree Law 16/2012, converted to Law 44/2012, required a new call for tenders, to be issued by AAMS not later than July 31, 2012, in compliance with the following main criteria:

- participation open to all parties that carry on betting business in one of the Member States of the European Economic Area on the basis of a valid authorization issued by the State in which they operate, and comply with the respectability and economic/financial requirements indicated by AAMS;

- grant of concessions expiring on June 30, 2016, for physical outlets only, up to a maximum of 2,000, whose sole activity is marketing of public games, without any obligatory minimum distance between them or from other outlets already conducting identical betting business;

- starting price Euros 11,000 per agency;

- absence of territorial limits and of privileged conditions for concessionaires already authorized to handle identical betting business;

On July 31, 2012, AAMS initiated the selection procedure for the award of the concessions in question, and Sisal Match Point S.p.A. presented a bid in the procedure. The commission responsible for examining applications to participate in the said selection procedure began its examination of the documentation received on November 6, 2012; following the examination Sisal Match Point S.p.A. was awarded 225 betting concessions, and signed the corresponding agreement on July 31, 2013. 124 of those concessions were immediately used to continue business, without a break, at the outlets where the concessions granted in 1999 had been carried on, those concessions having been extended until the new concessions were allocated. The remaining concessions were used to open new outlets, 44 of which were activated by the year end, while the remainder will be opened during the current financial year;

- 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. (taken over by Sisal Entertainment S.p.A. in 2013), 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 “safeguarding 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 above-mentioned 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., 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 (now Sisal Entertainment S.p.A.) in view of the principles laid down by the Constitutional Court. As far as Sisal Entertainment S.p.A. is aware, no new order has yet been issued by AAMS.

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 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 Company and the main subsidiaries have progressively adopted an organizational model that conforms to Legislative Decree 231/2001 on matters regarding their administrative liability. In 2013, 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 Milano 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, and the other party appealed against the decision. The hearing by the Regional Tax Commission took place at the end of January, but the result has not yet been announced.

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 mentioned for 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 an assessment with acceptance of 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 continued during the 2013 financial year, and the proceedings are still in progress.

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 a right” as defined by the case law of the Supreme Court of Cassation, with the result that the non-deductible interest expenses, 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 expenses 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 initially 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 proposal and only for the purpose of avoiding a long and costly possible dispute, accepted the 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 agreed with the inspectors’ observations. As a result, in December 2011, the

competent office, namely the Milan Provincial Office II - Controls Office, sent the Company 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 first of which was duly paid at the end of the financial year. The economic and financial effects of this acceptance were recorded in the Company's financial statements as of December 31, 2011, and on an accrual basis in the financial statements for 2012 and 2013, when further instalments and the related interest fell due for payment.
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 returns of Sisal Group S.p.A. for the tax periods 2007, 2008 and 2009, he had wrongly deducted in the said returns an amount of interest expenses which, for one financial year, exceeded the punishability level laid down in 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 Public Prosecutor is currently evaluating the defense pleadings. The Company is not aware of any further developments in the investigations.

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 of 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" AWP machines, due to the use of a fiscal depreciation rate (20%) considered inappropriate by the inspectors, during 2013 Section 1 of the Milan Provincial Tax Commission, by judgment issued in February 2013, fully upheld on the merits the appeal filed for the year 2006, on grounds that demonstrated that it perfectly understood the appellant's arguments, and also appreciated the huge amount of documentation produced in support of them. In October 2013, the Milan Regional Tax Commission also upheld on the merits the appeal filed by the company investigated, and by the Company in the capacity of Parent company, against the unfavorable judgment at first instance issued by the Provincial Tax Commission for the same question, but relating to the year 2007. In view of these recent favorable developments, it is considered that in any subsequent stages of the proceedings Sisal Entertainment S.p.A.'s arguments are likely to be accepted in both suits, and that there is no reason at present to consider that costs are likely to be incurred for higher taxes, interest or statutory penalties regarding the same alleged offenses as already charged (year 2008), or which may be charged in future for the subsequent years.

Finally, as regards the tax inspection of Sisal Match Point S.p.A. by the Lazio Regional Office of the Revenues Agency, regarding the year 2009, which began in late 2011 and was concluded in May 2012 with the issue of a NoF containing some observations for a total amount, in terms of alleged evasion of taxable income, of about Euros 4 million for IRES tax purposes and Euros 2.7 million for IRAP tax purposes, no assessments have yet been issued by the Agency.
On the basis of the analyses subsequently carried out, and the corresponding evaluations submitted by the company to the competent agency during the preceding financial year as Observations pursuant to the Taxpayers' Act, it is deemed that there are valid reasons to consider that the position taken by the inspectors, principally in reference to two types of observations, one relating to expenses for operations with "black-list" parties and the other for alleged unlawful use of the provision for risks and charges, is groundless, and that significant consequences for the Group company involved therefore cannot derive from it.

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.

Information regarding human resources and the environment

The Group had 1,967 employees at December 31, 2013. 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 2013 the Group maintained high levels of investments in property, plant and equipment and intangible assets.

As for property, plant and equipment, approximately Euros 29 million was invested, of which approximately Euros 14 million relates to purchases and or technological updates of slot machines and terminals for gaming and services. This amount also includes about Euros 3 million for the purchase of more than 28,000 POS terminals as part of the project geared to allowing electronic payment using debit cards (Bancomat) and credit cards at the points of sale.
Another Euros 9 million was spent during the year for miscellaneous restructuring and furniture in the main operating centers of the Group and especially in the points of sale network made up mainly of the horse and sports betting agencies and WinCity. Investments of approximately Euros 6.3 million were also made for central and peripheral hardware, network systems and equipment and ADSL connectivity.

As for investments in intangible assets and concessions, some significant events took place during the year. Firstly, as regards the betting segment, this refers to the aforementioned subscription to the new agreement and relative awarding to Sisal Entertainment S.p.A. of 225 concessions for a one-time payment of about Euros 6.7 million. Subsequently, in the month of November, the above company asked and obtained the release of 600 new VLT concessions from the concession granting Authority against a one-time payment of Euros 9 million. Completing the picture are further investments in software and management applications for a total of Euros 13.7 million.

Last but not least, a further significant effort to support the Group's growth was made during the year through acquisitions. Straddling the two years was the conclusion of the acquisition of a 60% interest in Friulgames S.r.l. for approximately Euros 5 million. Friulgames S.r.l. is an important company operating gaming machines with over 2,100 slot machines and 172 VLTs mainly in the Friuli Venezia Giulia region and was already a commercial partner of the Group. In turn in 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. Again in November, one of the Group's most important and relevant transactions was the acquisition of the betting and gaming business operated by Merkur Interactive Italia S.p.A. through 75 Bersani concessions in addition to 29 new concessions awarded in the recent call for tenders in 2012 concluded during the year. The business already operates through 68 gaming locations 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 will be 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.

Transactions with parent companies

With regard to transactions with the direct parent, Gaming Invest S.àr.l., as previously mentioned, there are two loans outstanding at the end of the year from this company to Sisal Group for total principal of approximately Euros 421 million in addition to approximately Euros 29.1 million of interest accrued but not yet paid and/or capitalized.

Transactions with related parties

There were no particular financial or commercial transactions with related parties. The pre-existing transactions with S.P.A.T.I. S.p.A., under liquidation, whose shareholders hold indirect interests in the direct parent, had already been extinguished in previous years.

Number and nominal value of treasury shares

Neither the Parent nor the other Group companies hold treasury shares and they do not hold shares or quotas in parent companies, neither through trust companies nor 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

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 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 above mentioned companies, have agreed to the settlement procedure for the above litigation. Pronouncements are therefore expected from the AAMS within the deadline established by existing law. In the meantime, although confident of the absolute validity of its reasoning and arguments, the Group companies have prudently decided not to consider the expense in question deductible in the preparation of the 2013 financial statements in which it is recorded on the accrual basis.

There are no other further significant developments to report regarding the concessions and/or other relationships.

Outlook

From the standpoint of the macroeconomic context in which 2014 operations will take place, although uncertain, a slight growth in GDP is forecast accompanied by greater stability as regards fiscal policy and the unemployment rate. The reference markets, that is, the markets of gaming and services to the public, are expected to post a slight growth over the 2013 closing estimates, once again, as in previous years, driven, on one hand, by new gaming products with a high payout, particularly online Slots and Casino Games and VLTs and, on the other, by higher growth in financial services and payments which represented in 2013 almost 97% of the total value transacted in the potential services market, or the total amount paid by Italians net of direct bank bill pay.

The Gaming machines area is predicted to contract slightly overall (-0.9%) due to a 5.6% drop in slot machines associated with the contraction in the number of machines installed, whereas the

completion of the installation of VLTs, partly as a result of the new concessions awarded at the end of 2013, should bring growth in this segment to around 4.5%.
Betting and pool games are expected to increase on the whole (+13%) thanks to the contribution by Virtual Races, which were introduced on the market starting from December 2013, and the football World Cup in Brazil in June and July 2014. As for the Lottery segment, a slight gain (+1%) is projected with turnover at about Euros 17.6 billion.

Considering these scenarios and also in view of the fact that at this time increases in taxation on gaming are not foreseeable, the Group expects a positive operating profit for the current year and above all higher than that in the year just ended (once again excluding the effect of the non-recurring expenses mentioned before). Such outlook can also be ascribed to the positive effects expected from the development plans begun also during 2013 in all business areas. In particular, the Group will benefit from a strong expansion of the distribution network thanks to 101 additional sports concessions awarded in June 2013 and the 75 stores and 29 sports concessions arising from the Merkur-Win acquisition mentioned earlier. A contribution will also be made by important process innovations in the Services area, such as providing the territorial network with terminals that enable payments to be made with debit cards (Bancomat) and credit cards (already being implemented in the early months of the current year and the consolidation of the Online platform begun during 2013. Finally, important prospects are also expected from the innovation and the relaunch of NTNG products which have been under study by the dedicated company structures for some time; it is hoped that they can be implemented during 2014 in full agreement with the concession granting authority.

Thanks to these trends the expectations for cash flows from operations are also positive and such as to permit further material investments for a total of approximately Euros 45 million, principally for expansion of the distribution of slot machines (Series 6°) and the renovation and expansion of the shops and stores network and the constant updating of the information technologies.

Milan, April 3, 2014

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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
Tax code and VAT No. : 05425630968

Consolidated Statement of Comprehensive Income

(in thousands of Euro)	**Notes**	**2013**	**2012**	**2011**
Revenues	8	677.098	754.134	792.621
Fixed-odds betting income	9	86.410	62.283	74.456
Other revenues and income	10	8.829	6.978	2.763
Total revenues and income		**772.337**	**823.395**	**869.840**
Purchases of materials, consumables and merchandise	11	10.657	13.345	18.882
Costs for services	12	453.571	520.295	547.268
of which related parties	*43*	*2.250*	*1.834*	*1.978*
of which non-recurring	*44*	*1.242*	-	-
Lease and rent expenses	13	20.716	16.446	13.813
Personnel costs	14	81.298	74.658	69.338
of which related parties	*43*	*4.381*	*3.699*	*4.976*
Other operating costs	15	107.867	48.204	31.415
of which non-recurring	*44*	*76.637*	*16.500*	-
Amortization, depreciation, provisions and impairment losses and reversals	16	110.309	117.230	133.081
Net operating profit (EBIT)		**(12.081)**	**33.217**	**56.043**
Finance income and similar	17	2.237	4.343	4.033
Finance expenses and similar	18	86.798	73.262	73.064
of which related parties	*43*	*43.235*	*40.630*	*37.349*
of which non-recurring	*44*	*3.170*	-	-
Share of profit/(loss) of companies accounted for using the equity method		35	(45)	(11)
Loss before income taxes		**(96.607)**	**(35.747)**	**(12.999)**
Income taxes	19	2.198	3.047	16.586
of which non-recurring	*44*	-	*(2.401)*	*8.582*
Loss for the year		**(98.805)**	**(38.794)**	**(29.585)**
Attributable to non-controlling interests		279	6	12
Attributable to owners of the parent		**(99.084)**	**(38.800)**	**(29.597)**
Other comprehensive income:				
Other comprehensive income that will not be subsequently reclassified to the income statement:				
Remeasurement of defined benefit plans		40	(1.393)	330
Tax effect		(11)	383	(91)
Total comprehensive loss for the year		**(98.776)**	**(39.804)**	**(29.346)**
Profit attributable to non-controlling interests		279	4	12
Loss attributable to owners of the Parent		(99.055)	(39.808)	(29.358)
Basic earinings (loss) per share	20	(0,97)	(0,38)	(0,29)
Diluted eanings (loss) per share	20	(0,97)	(0,38)	(0,29)

Consolidated Statement of Financial Position

(in thousands of Euro)	***Notes***	**12/31/2013**	**12/31/2012**	**12/31/2011**
Non-current assets				
Property, plant and equipment	21	131.607	126.606	120.290
Goodwill	22	880.024	869.564	886.520
Intangible assets	23	228.874	249.108	285.825
Investments accounted for using the equity method		61	26	22
Deferred tax assets	24	11.809	16.800	18.997
Other non-current assets	25	29.152	14.925	11.883
Total non-current assets		**1.281.527**	**1.277.029**	**1.323.537**
Current assets				
Inventories	26	9.010	9.880	14.507
Trade receivables	27	122.652	151.316	183.983
Current financial assets	28	2	2	1.004
Tax receivables	29	4.651	6.285	2.573
Restricted bank deposits	30	76.726	89.171	121.472
Cash and cash equivalents	31	104.304	152.949	162.220
Other current assets	32	42.430	42.485	49.473
Total current assets		**359.775**	**452.088**	**535.232**
Total assets		**1.641.302**	**1.729.117**	**1.858.769**
Equity				
Share capital		102.500	102.500	102.500
Legal reserve		200	200	200
Share premium reserve		94.484	94.484	94.484
Other reserves		2.575	2.092	1.607
Retained earnings (accumulated deficit)		(253.121)	(154.065)	(114.523)
Total equity attributable to owners of the parent		**(53.362)**	**45.211**	**84.268**
Equity attributable to non-controlling interests		1.174	335	639
Total equity	**33**	**(52.188)**	**45.546**	**84.907**
Non-current liabilities				
Long-term debt	34	1.107.890	1.010.168	1.082.270
of which related parties	*43*	*447.350*	*419.997*	*395.212*
Provision for employee severance indemnities	36	9.681	9.096	7.876
Deferred tax liabilities	24	19.847	28.166	33.648
Provisions for risks and charges	37	13.221	8.863	15.223
Other non-current liabilities	38	11.522	3.245	6.319
Total non-current liabilities		**1.162.161**	**1.059.538**	**1.145.336**
Current liabilities				
Trade and other payables	39	268.421	284.306	259.159
Short-term debt	34	34.286	34.406	40.894
Current portion of long-term debt	34	27.527	94.158	22.078
of which related parties	*43*	*2.715*	-	*301*
Tax payables	40	2.623	220	9.994
Other current liabilities	41	198.472	210.943	296.401
of which related parties	*43*	*1.069*	*782*	*978*
Total current liabilities		**531.329**	**624.033**	**628.526**
Total liabilities and equity		**1.641.302**	**1.729.117**	**1.858.769**

Consolidated Statement of Cash flows

(in thousands of Euro)	**2013**	**2012**	**2011**
Loss before income taxes	**(96.607)**	**(35.747)**	**(12.999)**
Amortization and depreciation	95.907	89.034	89.432
Impairment of current receivables	9.228	15.729	12.330
Impairment of property, plant and equipment and intangible assets	336	17.166	25.734
Provisions for risks and charges, accruals and employee severance indemnities	5.696	(3.754)	6.471
Impairment of investments	(35)	45	10
Finance (income) expenses	84.561	68.919	69.032
Net cash generated from operating activities before changes in working capital, interest and taxes	**99.086**	**151.392**	**190.010**
(Increase) decrease in trade receivables	19.435	16.939	(18.100)
(Increase) decrease in inventories	871	4.625	(4.098)
(Increase) decrease in trade payables	(15.885)	25.147	29.594
Change in other assets and liabilities	(11.993)	(31.933)	(15.930)
Taxes (paid)/reimbursed	(3.016)	(24.313)	(19.486)
Net cash generated from operating activities	**88.498**	**141.857**	**161.991**
(Increase) decrease in property, plant and equipment	(30.376)	(45.095)	(34.628)
(Increase) decrease in intangible assets	(30.061)	(13.751)	(14.906)
(increase) decrease in investments	-	(49)	1
(Increase) decrease in other non-current assets	(12.000)	-	-
Acquisitions (net of cash)	(8.895)	(9.155)	(10.578)
Net cash used in investing activities	**(81.332)**	**(68.050)**	**(60.111)**
New medium-/long-term debt	275.700	-	17.200
Increase (decrease) in medium-/long-term debt	(271.288)	(28.600)	(19.100)
Increase (decrease) in lease paybles	(583)	(4.818)	617
Increase (decrease) in short-term debt	(3.606)	(621)	(1.478)
Increase (decrease) share capital non-controlling interests	600	-	-
Dividends paid to minority interests	-	(43)	(55)
Net interest paid	(56.634)	(48.996)	(54.862)
Net cash used in financing activities	**(55.811)**	**(83.078)**	**(57.678)**
Net increase (decrease) in cash and cash equivalents	**(48.645)**	**(9.271)**	**44.202**
Net cash at the beginning of the year	**152.949**	**162.220**	**118.018**
Net cash at the end of the year	**104.304**	**152.949**	**162.220**

The effect of cash flows relating to non-recurring transactions is presented in Note 44.

Consolidated Statement of Changes in Equity

(in thousands of Euro)	**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, 2010	**32**	**102.500**	**200**	**94.484**	**1.124**	**(85.165)**	**113.143**	**682**	**113.825**
Profit and loss recorded directly in equity		-	-	-	-	-	-	-	-
Loss for the year		-	-	-	-	(29.597)	(29.597)	12	(29.585)
Remeasurement of defined benefit plans		-	-	-	-	239	239		239
Total comprehensive income for the year			**-**	**-**	**-**	**(29.358)**	**(29.358)**	**12**	**(29.346)**
Dividends paid (Sisal Spa Shareholders'meeting of June 15, 2011)		-	-	-	-	-	-	(55)	(55)
Other movements		-	-	-	483	-	483	-	483
Transactions with shareholders	**32**	**-**	**-**	**-**	**483**	**-**	**483**	**(55)**	**428**
Equity at December 31, 2011	**32**	**102.500**	**200**	**94.484**	**1.607**	**(114.523)**	**84.268**	**639**	**84.907**
Profit and loss recorded directly in equity		-	-	-	-	-	-	-	-
Loss for the year		-	-	-	-	(38.800)	(38.800)	6	(38.794)
Remeasurement of defined benefit plans		-	-	-	-	(1.008)	(1.008)	(2)	(1.010)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(39.808)**	**(39.808)**	**4**	**(39.804)**
Dividends paid (Sisal Spa Shareholders'meeting of June 28, 2012)		-	-	-	-	-	-	(42)	(42)
Other movements		-	-	-	485	266	751	(266)	485
Transactions with shareholders	**32**	**-**	**-**	**-**	**485**	**266**	**751**	**(308)**	**443**
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 for the year		**-**	**-**	**-**	**-**	**(99.055)**	**(99.055)**	**279**	**(98.776)**
Dividends paid		-	-	-	-	-	-	-	-
Other movements		-	-	-	482	-	482	560	1.042
Transactions with shareholders	**32**	**-**	**-**	**-**	**482**	**-**	**482**	**560**	**1.042**
Equity at December 31, 2013	**32**	**102.500**	**200**	**94.484**	**2.574**	**(253.120)**	**(53.362)**	**1.174**	**(52.188)**

SISAL GROUP

Notes to the Consolidated Financial Statements at December 31, 2013

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 Company was formerly named 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 game wagers, horse and sports betting and legal gaming with AWP (Amusement With Prizes) 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.à.r.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.

2. Summary of significant accounting policies

The consolidated financial statements Sisal Group S.p.A. for the year ended December 31, 2013 present the comparative figures and related disclosures for the years ended December 31, 2012 and 2011. Comparative information for the previous two years is presented as the Group wished to be in the position of having all the documentation necessary to the meet the requisites of law and market practice in case it decided to promptly seize any opportunities afforded by access to market operations.

The following adjustments were made to the published financial statements for the years 2012 and 2011 in preparing the consolidated financial statements:

- In the consolidated statement of cash flows, the net cash generated from the Group's operating activities exclude the effects of fluctuations in the amounts payable for jackpots and winnings for games which have a contra-entry in restricted bank deposits. This is because the cash generated by the sale of these games and earmarked, by concession obligation, for the payment of related 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 consolidated 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.

- During the year management modified the way it manages and monitors its business. In particular, the Group's business is now organized into four operating segments instead of the three operating segments in which it was previously structured. As a result of this change, the Online Gaming segment was separated from the Payments and Services segment to reflect their evolution and the different dynamics that characterize these two businesses. Management also decided to use EBITDA as the key measure for monitoring purposes. EBITDA is defined as the result for year adjusted by the following items: i) depreciation and amortization, impairment losses and reversals of property, plant and equipment and intangible assets; ii) finance income and similar: iii) finance expenses and similar; iv) expenses from the equity method valuation of investments; and v) income taxes. The measure previously used to monitor the business was the gross operating margin less certain corporate costs not allocated to the individual operating segments. In light of these changes, the consolidated statement of comprehensive income no longer presents the gross operating margin. Further details on disclosure by operating segment are presented in Note 7.

- On June 16, 2011, the IASB issued an amendment to IAS 19 – *Employee Benefits* ("IAS 19 Revised"), which is applicable retrospectively from the year beginning January 1, 2013. The amendment modifies the rules for the recognition of defined benefits plans and termination benefits. Specifically, on first-time application of international financial reporting standards the Company chose, among the possible options allowed by IAS 19, to report the actuarial components in the consolidated income statement and classified them in personnel costs. IAS 19 Revised excludes this possibility and requires that such actuarial differences are instead reported in the consolidated statement of comprehensive income.

This change, considering the retrospective application required by IAS 8, led to the adjustment of the amounts in the consolidated statement of comprehensive income for the years 2011 and 2012 as indicated below:

	Year ended December 31,	
	2012	**2011**
Personnel costs – adjusted actuarial gains (losses)	1,393	(330)
Income taxes	(383)	91
Impact on consolidated result for the year	**1,010**	**(239)**
Other components of consolidated comprehensive income:		
Remeasurement of defined benefit employee plans	(1,393)	330
Tax effect	383	(91)
Impact on consolidated comprehensive income (loss)	**-**	**-**

The adoption of IAS 19 Revised, as set out above, did not require adjustments to the opening or closing equity figures for the years ended 31 December 2012 or 2011 (the only difference being the composition of retained earnings as shown in the consolidated statement of changes in equity and in the consolidated statement of financial position). Therefore the consolidated statement of financial position was not presented at January 1, 2011.

IAS 19 Revised was applied to the consolidated financial statements of the Group for the year ended December 31, 2013 and, in accordance with paragraph 41 of IAS 1, to the comparative amounts presented.

2.1 Basis of preparation

The consolidated financial statements of the Sisal Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 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"). The IFRS have been applied consistently to all 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 consolidated financial statements and the related classification criteria adopted by the Group, within the framework of the options provided by IAS 1 – Presentation of financial statements, are:

- the consolidated statement of financial position, which classifies assets and liabilities based on whether they are current and non-current;

- the consolidated statement of comprehensive income, which classifies costs according to their nature, and sets out the profit or loss for the year and other non-owner changes in equity; and
- the consolidated statement of cash flows, which is prepared using to the indirect method.

2.2 Going concern

The year ended December 31, 2013 closed with a loss of Euros 98,805 thousand, consolidated equity at December 31, 2013 was negative Euros 52,188 thousand and net working capital at the same date was negative Euros 214,047 thousand. The loss for the year and the negative equity are substantially due to the non-recurring events which took place in 2013, including, in particular, the expenses incurred in the settlement of the litigation pending before the Court of Auditors relating to the implementation and management of the network for legal gaming using gaming machines. This led to a payment of Euros 73.5 million, recorded in the consolidated income statement of the Group during the year in “other operating costs”, in addition to Euros 3.1 million of interest.

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 due to the partners and the State are paid by the network earlier than required. Therefore, the presence of a negative working capital should be considered a specific characteristic of the Group.

As for the debt structure, the Company has two different outstanding loans secured from Gaming Invest for an amount, at December 31, 2013, of Euros 450.1 million, including interest accrued and not paid and/or not capitalized for approximately Euros 29 million. These loans are 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 loan referred to as the “Shareholder Loan”, the payment of a portion of the interest due can be deferred for the entire duration of the loan on request of the borrower, whereas for the loan referred to as the “Subordinated Zero Coupon Shareholder Loan” the interest accrued will be paid only when the loan is repaid. Therefore the contractual characteristics of 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 role 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 chart:

	At December 31					
(in thousands of Euro)	**2013**		**2012**		**2011**	
Percentages computed on total debt and equity)		**%**		**%**		**%**
Long-term debt	660,540		590,171		687,058	
Short-term debt and current portion of long-term debt	59,098		128,564		62,671	
Funding from third parties	**719,638**	**64.4%**	**718,735**	**60.7%**	**749,729**	**60.9%**
Shareholder Loan	367,368		343,478		324,725	
Subordinated Zero Coupon Shareholder Loan	82,697		76,519		70,788	
Funding from sole shareholder	**450,065**	**40.3%**	**419,997**	**35.5%**	**395,513**	**32.2%**
Equity	**(52,188)**	**(5%)**	**45,546**	**3.8%**	**84,907**	**6.9%**
Total debt and equity	**1,117,515**	**100.0%**	**1,184,278**	**100.0%**	**1,230,149**	**100.0%**

The directors have drawn up a business plan aimed at regaining profitability, beginning January 1, 2014. The strategies to increase profitability are led by an expansion of the existing games and services, as well as an increase in cash flows anticipated from the 101 additional sports concessions awarded in 2013 and the 75 stores and 29 sports concessions arising from the acquisition of the Merkur-Win business segment. The sales network will also benefit from the continual expansion of the WinCity network and completion of the VLT installations, partly as a result of the award of 600 new concessions in 2013. As far as products are concerned, a further contribution is expected from the "Virtual Races", in the gaming and betting segment, which were introduced during the year and display an excellent growth potential, and from the launch of the NTNG products. In the payments and services segment, further growth is expected from the already positive performance due to the consolidation of cashless payments and the Sisalpay.it online platform.

These growth prospects 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 and 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 previously described, and in any case for a period of time beyond twelve months, and has therefore prepared these consolidated financial statements on a going concern basis.

These consolidated financial statements were approved by the board of directors of Sisal Group S.p.A. on April 3, 2014.

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 of directors. The companies included in the scope of consolidation at December 31, 2013, 2012 and 2011 are as follows:

Companies included in the scope of consolidation					
			% Direct and Indirect ownership at December 31,		
Name	**Headquarters**	**Share capital**	**2013**	**2012**	**2011**
Sisal Group S.p.A (Parent)	Milan	€102,500,000	-	-	-
Sisal S.p.A.	Milan	€125,822,467	99.81%	99.81%	99.81%
Services					
Sisal Point S.p.A.	Milan	€600,000	99.81%	99.81%	99.81%
Gaming					
Sisal Entertainment S.p.A.	Milan	€2,131,622	99.81%	99.81%	99.88%
Friulgames S.r.l.	Tavagnacco (UD)	€100,000	59.89%	-	-
Betting and Gaming Halls	Milan				
Sisal Bingo S.p.A. (1)	Milan	€120,000	-	99.81%	99.81%
Sisal Match Point S.p.A. (2)	Rome	€24,020,000	-	99.81%	99.81%
Thomas Morden Course Ltd	Byfleet, Great Britain	£ 30,000	99.81%	99.81%	99.81%

(1) Entity no longer exists following the merger with and into Sisal Match Point, effective July 1, 2013.
(2) Entity no longer exists following the merger with and into Sisal Entertainment, effective November 1, 2013.

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 balance sheet 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 consolidated income statement.

- 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 relevant 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 consolidated income statement, as a gain on a bargain purchase. Transaction costs are recorded in the consolidated income statement when incurred.

- The acquisition cost also includes contingent consideration measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in the consolidated income statement or the consolidated 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 is recorded directly in equity when settled.

- Non-controlling interests in equity and in the profit (loss) are shown as separate items in the consolidated 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 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 consolidated income statement as appropriate.

- Changes in non-controlling interests in a subsidiary which do not constitute 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. Receivables and payables, costs and revenues and finance income and expenses between companies included in the consolidation are also eliminated, if significant.

Associates

Associates are those companies over which the Group exercises significant influence, which is presumed to exist when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost. The equity method is described 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. If, 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 legal or constructive obligations, or is otherwise required to settle the losses. Changes in the equity of the investee unrelated to profit or loss are recognized in the consolidated statement of comprehensive income.

- Unrealized gains and losses between the Company/subsidiaries and the investee, 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 is stated at acquisition or production costs which includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating. . 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 consolidated 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, Sisal Match Point and Sisal Bingo, 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 relating to a specific transaction increases the original cost, with the result being that such expense constitutes a part of the value of the capitalized asset. Non-deductible VAT, calculated on the basis of the pro-rata coefficient, is similar to a general cost as it cannot be calculated objectively at the date of acquisition, and is therefore recognized entirely 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 comprise the asset, each of the parts which make up the asset is separately depreciated under the component approach principle.

The estimated useful life by class of property, plant and equipment is as follows:

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 expenditure made by the Group relates 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 begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating.

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 consolidated 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 consolidated income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance that are controlled by the Group as a result of past events and from which future economic benefits are expected to flow. Interest expenses, if any, incurred for the development of intangible assets are considered part of their 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 initially measured at cost, as previously described, and subsequently tested for impairment at least annually to identify if goodwill is impaired.

(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 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 lessor, 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 above. When there is no reasonable certainty that the lessee will obtain ownership of the assets at the end of the lease term, the assets are amortized over the shorter of the lease term and the useful life of the assets.

Costs relating to the development of new products and sales channels, particularly relating to software (for example, the website software used for online gaming and betting, as well as the management of online payment services), have also been capitalized. In accordance with IFRS, such costs have been capitalized since it is believed that the estimated future economic benefits linked to the receipts from online games and services support 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 indicate that goodwill may be impaired.

To test for impairment goodwill is allocated to each cash-generating unit ("CGU") monitored by management. An impairment loss on goodwill is recognized when the CGU's carrying amount exceeds its recoverable amount. The recoverable amount a CGU is the higher of its fair value less costs to sell and its value in use, being the present value of estimated future cash flows. In calculating the value in use, the estimated future cash flows are discounted to present value using a 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 balance sheet 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, 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, trends 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. The recoverable amount of an asset is the higher of its 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 CGU to which the asset belongs.

If the carrying amount of the CGU exceeds the recoverable amount, an impairment loss is recorded as described above in relation to goodwill. 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 consolidated income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized.

TRADE RECEIVABLE 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 consolidated financial statements, which are classified as non-current assets.

The factoring of trade receivables which does not provide for the transfer to the factor of substantially all the risks and rewards of ownership (the Group thus remains exposed to the risk of insolvency and late payment, referred to as with recourse factoring) is similar to obtaining a loan guaranteed by the receivables in the transfer. In this circumstance, the receivables transferred remain on the Group's consolidated statement of financial position until collection is received by the factor and, as a contra-entry to any advance obtained from the factor, a financial payable is recorded. The finance expenses for the factoring transactions represented by the interest on the amounts advanced are charged to the consolidated 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 consolidated 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 no impairment occurred.

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 “financial assets held to maturity”. 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 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 of or impaired, at which time they are reversed to the income statement. 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 recording a specific provision as a direct deduction from the asset.

The inventories of virtual and scratch top-up cards for telephone and television content are stated at the weighted average cost based on 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 transaction costs, 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 as initially determined. 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 settled and when the Group has transferred all the risks and expenses related to the instruments.

DERIVATIVE INSTRUMENTS

Derivative instruments, designated as a hedging instruments primarily to hedge the risks associated with fluctuations in finance expenses, are measured as securities held for trading at fair value with a contra-entry to the consolidated income statement and are classified in current and non-current assets or liabilities.

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 their conversion at the end of the year at rates different from those at which they were initially recorded are recognized in the consolidated income statement.

STOCK OPTIONS

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

The fair value of the options is determined at the grant date and the cost is recognized (under personnel costs in the consolidated 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 share-based payment 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 consolidated 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 consolidated income statement as they occur, based on the relevant nominal value.

In defined benefit plans, which include severance indemnity due to employees regulated by art. 2120 of the Italian 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 year of service and compensation. Therefore the relevant cost is charged to the consolidated statement of comprehensive income based on actuarial computations. The liability recorded in the consolidated financial statements for defined benefit plans corresponds to the present value of the obligation at the date of the consolidated 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 reflect the period of the relevant defined benefit plan.

Starting from January 1, 2007, Italian 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 Group. In the case of TFR directed to external pension funds, starting from such date the new amounts accrued have the nature of defined contribution funds not subject to actuarial measurement.

From January 1, 2013, following the adoption of IAS 19 Revised*,* 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 expenditure required to extinguish the obligation. The rate used for the present value calculation reflects current market assessments of the time value of money and the risks specific to each liability.

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, taking into account the risks associated with 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 the sale of goods are recognized when the company has transferred substantially all the risks and rewards of ownership of the goods.

In accordance with IFRS, sums collected on behalf of third parties that do not cause an increase in the Group'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

Betting income in relation to fixed odds betting is 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 consolidated income statement under "Fixed odds betting income" until the date of the event for which the bet was accepted.

COST OF GOODS PURCHASED AND SERVICES PERFORMED

Purchases of goods and the performance of services are recognized in the consolidated income statement. The costs incurred by Group companies, specifically Sisal Entertainment, Sisal Match Point and Sisal Bingo, 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 consolidated income statement inclusive of non-recoverable VAT.
Non-deductible VAT, calculated on the basis of the pro-rata coefficient, is similar to a general cost as it cannot be calculated objectively at the date of acquisition, and is therefore recognized entirely in other operating costs.

INCOME TAXES

Income taxes are provided for 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 consolidated 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 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 consolidated financial statements.

Expenses, if any, in connection with litigation with the tax authorities 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 the purposes of the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming that rights having potential dilutive effects are exercised by all the grantees of the rights, and 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 Changes in accounting policy and disclosures

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

In 2013 the Group adopted the following accounting standards and amendments for the first time:

- amendment to IAS 1 – *Presentation of Financial Statements,* which requires that items of other comprehensive income be separately grouped, distinguishing between those that may be reclassified subsequently to the consolidated income statement and those that will not be reclassified subsequently.

- amendment to IAS 19 – *Employee Benefits*, which eliminates the option of deferring the recognition of actuarial gains and losses using the off-balance sheet corridor approach or presenting them in the consolidated income statement, requiring the presentation of the deficit or surplus of the fund in the consolidated statement of financial position, the recognition of service costs and net interest expenses in the consolidated income statement and the recognition of actuarial gains and losses from remeasurement of the liability in other components of comprehensive income. The amendment also introduces additional information to be provided in the notes to the consolidated financial statements.

- IFRS 13 – *Fair Value Measurement* which addresses the manner in which fair value is measured.

- amendments arising from the Annual Improvements to IFRS 2009-2011 Cycle.

The adoption of the above mentioned standards and amendments did not have a significant impact on the consolidated financial statements of the Group, except as indicated in Note 2 – Summary of significant accounting policies in respect of IAS 19.

<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.

- On December 16, 2011 the IASB issued certain amendments to IAS 32 – *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* to clarify the application of several of the criteria for offsetting financial assets and liabilities. The amendments are applicable retrospectively for all years beginning on or after January 1, 2014.

- On May 12, 2011 the IASB issued IFRS 10 – Consolidated Financial Statements which replaces SIC-12 Consolidation - Special Purpose Entities - Vehicle Companies as well as parts of IAS 27 – Consolidated and Separate Financial Statements (now renamed Separate Financial Statements, IAS 27 addresses the accounting treatment of investments in separate financial statements without undergoing substantial changes to the previous version). The new IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 and IAS 27 are applicable retrospectively from January 1, 2014.

- On May 12, 2011 the IASB issued IFRS 11 – Joint Arrangements which supersedes IAS 31 – Interests in Joint *Ventures* and SIC-13 – *Jointly Controlled Entities* – Contributions of non-monetary assets by the controlling participants. The new standard provides criteria for identifying joint arrangements based on the rights and obligations of the arrangements, rather than their legal form, and establishes how joint ventures and joint operations should be recognized. The standards is applicable retrospectively from January 1, 2014.

- On May 12, 2011 the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*. IFRS 12 included the disclosure requirements for all forms of interests in other entities, including subsidiaries, associates and joint arrangements. It defines the disclosure to be provided in the financial statements in order for the readers to better evaluate the nature of, and risks associated with all forms of investment in other entities expected to remain part of the Group in the medium- to long-term. The standard is applicable retrospectively from January 1, 2014.

The Group is currently reviewing the above standards and amendments to assess the impact, if any, of their application on the consolidated financial statements.

3. Management of financial risks

The Group is exposed to the following risks: 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 potential adverse effects on the Group's financial performance. Certain types of risk are mitigated by using derivative instruments. Risk management is centralized in the treasury function which identifies, assesses and implements 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 in the Italian market and is therefore exposed to exchange rate risk to a limited extent, solely in reference to insignificant amounts for the supply of spare parts for gaming equipment purchased mainly in foreign currency (USD and GBP).

Interest rate risk

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

In particular, the Group normally looks for short-term debt to finance its working capital requirements and for medium-and long-term financing to support investments related to its operations and extraordinary transactions. The financial liabilities which expose the Group to interest rate risk are mainly medium-and long-term indexed loans at variable rates of interest. Specifically, on the basis of the analysis of the Group's indebtedness, 38% of the medium-and long-term debt and short-term debt at December 31, 2013 is at variable rates.

See Note 34 for additional details.

During 2011 and 2012, Group policy aimed to reduce the fluctuation of interest costs on its debt and the related effect on the consolidated statement of comprehensive income by putting into place interest rate swaps (IRS). Subsequently, due to the anticipated trend in the economic climate and expectations in terms of inflation, an increase in interest rates has not appeared probable; thus, at this time, the Group has decided not to extend the hedging transactions that closed at the end of 2012.

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 date of the consolidated financial statements, adjusting the cost in the consolidated income statement by the effect of the closure of the related derivative instrument. This analysis did not include financial payables contracted at fixed rates.

		2013			
		Consolidated profit/(loss) for the year		**Consolidated statement of financial position**	
(in thousands of Euro)	**At December 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
Derivative instruments	-	-	-	-	-
Total	**(337,900)**	**(4,043)**	**4,043**	**(4,043)**	**4,043**

		2012			
		Consolidated profit/(loss) for the year		**Consolidated statement of financial position**	
(in thousands of Euro)	**At December 31, 2012**	**+1% profit / (loss)**	**-1% profit / (loss)**	**+1% profit / (loss)**	**-1% profit / (loss)**
Net financial debt	(551,491)	(779)	779	(779)	779
Derivative instruments	-	-	-	-	-
Total	**(551,491)**	**(779)**	**779**	**(779)**	**779**

		2011			
		Consolidated profit/(loss) for the year		Consolidated statement of financial position	
(in thousands of Euro)	At December 31, 2011	+1% profit / (loss)	-1% profit / (loss)	+1% profit / (loss)	-1% profit / (loss)
Net financial debt	(578,808)	(368)	368	(368)	368
Derivative instruments	(6,591)	(4,243)	4,243	(4,243)	4,243
Total	**(585,399)**	**(4,611)**	**4,611**	**(4,611)**	**4,611**

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 fulfil 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 adequate lines of credit.

At December 31, 2013 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 working capital of the Group and is therefore subject to continual fluctuations. Moreover, as commented previously, 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, 2013 this line has been completely drawn down.

Set out below are the cash flows expected in future years for the repayment of financial liabilities split by repayment date at December 31, 2013, 2012 and 2011.

(in thousands of Euro)	Financial Liabilities disbursements analysis				
	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**

(in thousands of Euro)	Financial Liabilities disbursements analysis				
	At December 31, 2012	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	718,735	1,994	92,283	629,624	-
Trade payables	284,306	254,453	29,373	512	-
Other payables	209,367	116,649	87,072	5,646	-
Total	**1,212,408**	**373,096**	**208,729**	**635,782**	**-**

(in thousands of Euro)	Financial Liabilities disbursements analysis				
	At December 31, 2011	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	749,728	11,128	22,804	722,898	-
Trade payables	259,159	233,629	24,582	900	-
Other payables	296,579	170,380	112,532	13,137	-
Total	**1,305,466**	**415,136**	**159,918**	**736,935**	**-**

The flows indicated for the loans refer exclusively to repayments of principal. Actual payments will be increased by the interest charges due 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, on which there is no liquidity risk and 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 repayment 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 not significant, and in any case, is covered by provisions for the impairment of receivables.

Current trade receivables at December 31, 2013, 2012 and 2011 are analyzed by macroclass of homogeneous risk in the following chart:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Receivables from Public Authorities	25,221	26,510	30,642
Receivables from points of sale and shops	139,896	158,292	185,425
Receivables from Betting Agencies	11,808	10,219	13,391
Receivables from Network	16,910	20,474	21,644
Other receivables	7,263	9,653	13,967
Provision for impairment of receivables	(46,472)	(42,577)	(41,305)
Total	**154,626**	**182,571**	**223,764**

- *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 amounts due from gaming activities and payments and other services relating to the last few days of the year and the related 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 been covered by a specific provision for impairment of receivables.

- *Receivables from Betting Agencies* mainly represent 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 businesses, requires constant monitoring and the recognition of provisions for certain critical cases, often resolved with agreed repayment plans.

- *Receivables from Network* mainly represent receivables from gaming machines, including the single tax (PREU tax) which the concessionaire, Sisal Entertainment, 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 risk is believed to exist.

<u>*Risk exposure*</u>

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

		Ageing			
((in thousands of Euro))	**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 Amount	**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 Amount	**31,974**	**31,527**	**-**	**-**	**447**
Total	**154,626**	**129,423**	**13,626**	**2,984**	**8,593**

		Ageing			
(in thousands of Euro)	**At December 31, 2012**	**Current**	**Overdue 0-90 days**	**Overdue between 90-180 days**	**Overdue more than 180 days**
Trade receivables	193,462	136,998	10,019	2,798	43,647
Provision for impairment of receivables	(42,146)	(5,784)	(1,187)	(2,221)	(32,954)
Net Amount	**151,316**	**131,214**	**8,832**	**577**	**10,693**
Other receivables	31,687	30,704	-	-	983
Provision for impairment of receivables	(430)	(246)	-	-	(184)
Net Amount	**31,257**	**30,458**	**-**	**-**	**799**
Total	**182,573**	**161,672**	**8,832**	**577**	**11,492**

	Ageing				
(in thousands of Euro)	**At December 31, 2011**	**Current**	**Overdue 0-90 days**	**Overdue between 90-180 days**	**Overdue more than 180 days**
Trade receivables	225,016	172,063	8,280	4,605	40,068
Provision for impairment of receivables	(41,033)	(6,423)	(905)	(3,870)	(29,835)
Net Amount	**183,983**	**165,640**	**7,375**	**735**	**10,233**
Other receivables	40,052	39,128	-	-	924
Provision for impairment of receivables	(271)	(87)	-	-	- (184)
Net Amount	**39,781**	**39,041**	**-**	**-**	**740**
Total	**223,763**	**204,681**	**7,375**	**735**	**10,973**

Overdue trade receivables not covered by provisions represent balances on which the Group believes an insignificant risk of uncollectibility to exist. As already discussed, the Group monitors credit risk existing mainly in connection 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 Group.

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 two different outstanding loans obtained from Gaming Invest, both 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 these loans obtained from Gaming Invest, in terms of the repayment and interest settlement conditions, facilitate the Group in meeting the 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 alternative to debt.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category at December 31, 2013, 2012 and 2011 are presented in the following table:

	At December 31, 2013				
(in thousands of Euro)	**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 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**

	At December 31, 2012				
(in thousands of Euro)	**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	151,316	-	151,316	-	151,316
Other assets (current and non-current)	46,182		46,182	11,228	57,410
Restricted bank deposits	89,171		89,171		89,171
Cash and cash equivalents	152,949		152,949	-	152,949
Total assets	**439,618**	**2**	**439,620**	**11,228**	**450,848**
Debt (current and non-current)	1,138,732	-	1,138,732	-	1,138,732
Trade and other payables	284,306	-	284,306	-	284,306
Other liabilities (current and non-current)	209,369	-	209,369	4,819	214,188
Total liabilities	**1,632,407**	**-**	**1,632,407**	**4,819**	**1,637,226**

	At December 31, 2011				
(in thousands of Euro)	**Loans and receivables**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets	-	1,004	1,004	-	1,004
Trade receivables	183,983	-	183,983	-	183,983
Other assets (current and non-current)	51,664	-	51,664	9,692	61,356
Restricted bank deposits	121,471	-	121,471	-	121,471
Cash and cash equivalents	162,220	-	162,220	-	162,220
Total assets	**519,338**	**1,004**	**520,342**	**9,692**	**530,034**
Debt (current and non-current)	1,145,242	-	1,145,242	-	1,145,242
Trade and other payables	259,159	-	259,159	-	259,159
Other liabilities (current and non-current)	264,841	6,592	271,433	31,287	302,720
Total liabilities	**1,669,242**	**6,592**	**1,675,834**	**31,287**	**1,707,121**

The Group has not carried out any reclassification of 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, 2013, the market price of the senior secured notes was Euros 281.7 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 as follows:

- 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, 2013, 2012 and 2011, 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, 2013			
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	-	-	-
2. Available for sale financial assets	2	-	-	2
3. Hedging derivatives	-	-	-	-
Total	**2**	**-**	**-**	**2**
1. Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	-	-	-
2. Hedging derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

Financial assets and liabilities measured at fair value				
	Data at December 31, 2012			
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	-	-	-
2. Available for sale financial assets	2	-	-	2
3. Hedging derivatives	-	-	-	-
Total	**2**	**-**	**-**	**2**
1 Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	-	-	-
2. Hedging derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

Financial assets and liabilities measured at fair value				
	Data at December 31, 2011			
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	-	-	-
2. Available for sale financial assets	1,004	-	-	1,004
3. Hedging derivatives	-	-	-	-
Total	**1,004**	**-**	**-**	**1,004**
1. Financial assets measured at fair value recognized in the consolidated statement of comprehensive income	-	(6,591)	-	(6,591)
2. Hedging derivatives	-	-	-	-
Total	**-**	**(6,591)**	**-**	**(6,591)**

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 subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in the relevant circumstances. The use of such estimates and assumptions affects the amounts and disclosures reported in the consolidated financial statements. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the consolidated financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Goodwill

The Group, in accordance with its accounting policies and procedures for impairment, tests goodwill at least annually if there is any indication that goodwill may be impaired. The recoverable amount of CGU's to which goodwill is allocated 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. An asset's actual useful life may, therefore, be different from its estimated useful life. Each year the Group assesses technological and business segment developments and any contractual and legislative changes related to the use of the assets, and reviews the assets' recoverable values in order to update residual useful life estimates if necessary. Such updating may modify the period of depreciation/amotization and consequently the annual rate and charge for the current and future periods.

Impairment loss/reversal of fixed assets

Non-current assets are tested for impairment when impairment indicators are identified, and when the carrying value of an assets exceeds its recoverable value, an impairment loss is recorded. The existence of such indicators can be verified through subjective valuations, based on information available within the Group or externally and on historical experience. When an impairment indicator is identified, the recoverable value of the relevant assets is determined using appropriate valuation techniques. The correct identification of the factors indicating a potential impairment and the valuations undertaken to determine the loss, may depend on conditions which vary over time, and are affected by estimates and assumptions. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations 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

In this provision the Group provides for the probable liabilities relating to litigation with staff, suppliers and third parties, and other general expenses arising from any commitments. The quantification of such provisions 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 consolidated 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 both current and prospective economic trends and forecasts relevant to the Group'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 process 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 Monopoly Board (AAMS, now the Customs and Monopolies Agency), relating in particular to Sisal S.p.A.'s bid, an agreement governing the concession was entered into between AAMS and Sisal;

- 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 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 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 as regards the concession for the operation and development of national totalisator number games (NTNG), art. 14.3 of the corresponding agreement contains an undertaking by the concessionaire to collect minimum gaming receipts of Euros 350 million in the first 18 two-month periods during which the concession is in force, failing which a penalty of Euros 500,000 will be imposed for every million euros or fraction thereof not collected. In the last two-month period in question, May-June 2012, the receipts collected amounted to Euros 317,326,174. AAMS then asked the company to pay a penalty calculated at Euros 16,500,000. The concessionaire filed formal defense arguments and appealed to the Lazio Regional Administrative Tribunal, substantially arguing that in the 18 two-month periods referred to in the agreement, taken as a whole, the receipts collected were actually 50% higher than the minimum guaranteed amount, and raised various crucial factors, falling outside the concessionaire’s control, which led to its failure to reach the minimum receipts in the said two-month period. However, after the main hearing on December 19, 2012, the Regional Administrative Tribunal ruled, by judgment filed on February 13, 2013, that the penalty imposed by AAMS was lawful. The judgment appears to be substantiated, but the Company believes various aspects are deserving of consideration by a higher court, as it leads to a substantially unfair result. However, Sisal S.p.A. has decided not to appeal against that judgment to the Council of State, and has entered into a settlement agreement with AAMS requiring the payment of the entire amount over a 4-year period.

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

- Sisal Entertainment S.p.A., formerly Sisal Slot S.p.A., operates in the AWP gaming segment, having replaced Sisal S.p.A. as concessionaire of AAMS pursuant to a provision in the concession agreement for the activation and operation of the network for online management of legal gaming through AWP 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 s. 110.6.b of the TULPS, stating that this activity was governed by the agreements already in force for the operation of the AWP gaming machines network, and could therefore be entrusted to operators which, like the above Group company, were 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 AWP machines, as specified in art. 110.6 of the TULPS, and of the associated activities and functions". Sisal Entertainment S.p.A. took part in the 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. As regards the AWP sector, AAMS instituted the list of authorized parties referred to in art. 1.533 of Law 266/2005, as replaced by art. 1.82 of Law 220 of December 13, 2010, by Director's Decree of September 9, 2011, commencing on January 1, 2011.

Registration in that list authorized registered parties to perform activities relating to AWP machines. Sisal Entertainment S.p.A. was registered in the list, and urged the other parties belonging to its AWP gaming network, in particular merchants and managers, to register in the list by the deadline specified in the applicable legislation.

Pursuant to the Director's Decree, in the first few months of 2012 Sisal Entertainment S.p.A. consequently terminated its legal relations regarding the AWP gaming concession with parties obliged to enroll in the list which had not done so by the deadline.

By the 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 AWP sector, amounting to 6% of the prizes exceeding the sum of Euros 500 on the VLT machines referred to in art. 110.6.b of the TULP. In particular, in order to apply the dadditional fee, concessionaires belonging to the online AWP 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 Directors' Decrees without prior modification of the gaming systems software, all concessionaires have appealed to the Lazio Regional Administrative Tribunal against the decrees, requesting their suspension. On January 25, 2012 the Lazio Regional Administrative Tribunal confirmed the suspension of the decrees, which had already been granted following an *ex parte* application.

The Tax Decree Law 16/2012, converted to Law 44/2012, 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 Tax Decree Law, ruled in its Order of July 26, 2012 that the issue of constitutional legitimacy raised by the concessionaires regarding the Tax Decree Law was relevant and not manifestly groundless, and ordered the corresponding proceedings to be suspended and the file sent to the Constitutional Court. The application for the additional levy of 6% of winnings exceeding Euros

500 on the VLT machines referred to in s. 110.6.b of the TULPS is therefore suspended pending the judgment by the Constitutional Court, before which the hearing has been set down for June 10, 2014.

- The sector has been fraught with disputes for several years (information about which has been given in the consolidated financial statements for the years concerned), which have created a general situation of serious difficulty and uncertainty. In particular, the question of the penalties or fines for loss to the Treasury which AAMS and the Prosecutor at the Court of Auditors believe can be imposed on concessionaires of gaming machines has now been 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 all the penalties imposed and the termination of the related litigation.

The Prosecutor of the Court of Auditors issued a summons applying for a parallel order for the concessionaires to pay compensation for lost fiscal revenues caused by the delay in the start-up of the network, quantified at the original amount estimated by AAMS. In its judgment and simultaneous order filed on November 11, 2010, the Court of Auditors ruled that in theory, damages for lost fiscal revenues can be claimed from the concessionaires, a principle already adopted by the Combined Sections of the Court of Cassation, before which the concessionaires had filed a preliminary request for a ruling on jurisdiction. In the present case, in view of the defenses submitted by the concessionaires, including on the merits of the case, the Court of Auditors commissioned an expert's report from the non-profit public agency Digit P.A., to be delivered within six months, regarding the technical and behavioral reasons that may have caused the delay in starting up the network, such as (i): the intentional or unintentional delay with which the machine operating companies asked the concessionaires to sign the necessary agreements for connection of the machines to the online system; the scarcity of communication lines; the existence of machines which had been type-tested and approved despite having different communication ports; the suitability of the characteristics of the central system of AAMS and SOGEI; and (ii) compliance by the concessionaires with all the technical pre-requisites required for the network to be activated on schedule.

The Court therefore wished to clarify whether the delay in activating the network, possibly resulting in loss of fiscal revenues, was the fault of the concessionaires or other parties. Significantly, it ordered the joinder of a third party, SOGEI, the company which designed, implemented and operated the whole system for the management and control of the machines on behalf of AAMS. As regards the calculation of lost fiscal revenues, the Court ruled that the criteria proposed by the Prosecutor (namely the criteria specified in the agreement for quantifying penalties) could not be taken into consideration, postponed the calculation, and stated that in this respect, it would take into consideration the findings of the Technical Commission and the opinion of the Council of State, the main aspects of which are described below.

Most recently, by document dated 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;

- the Regional Administrative Tribunal also cancelled this latter penalty at the hearing of the main suit held on February 20, 2013; AAMS appealed against the judgment of the Regional Administrative Tribunal by appeal served on January 30, 2014.

In the course of the appeal against the judgment of the Court of Auditors issued in the proceedings at first instance on February 17, 2012, in which the concessionaires were ordered to pay compensation for lost fiscal revenues amounting to a total of Euros 2.5 billion, the former General Manager and former Gaming Manager of AAMS were ordered to pay a total of Euros 7.4 million, and Sisal S.p.A. (incorrectly named instead of Sisal Entertainment S.p.A.) was ordered to pay Euros 245 million, six concessionaires settled the proceedings.

Pursuant to Law 266/2005 and of Decree Law 102/2013, converted to Law 124/2013, Sisal S.p.A. and the other five concessionaires filed an application for settlement on payment of a reduced amount, subsequently established by the third Appeal section of the Court of Auditors at 30% of the amount quantified in the judgment at first instance, plus interest, making a total of Euros 76,669,897.26; Sisal S.p.A. paid the required amount, and at the hearing held on January 31, 2014, the Court announced that the proceedings had terminated.

Again with regard to the AWP gaming machine sector, on November 17, 2010, the Court of Auditors issued a judgment which on the one hand recognized that one of the roles of concessionaires is to act as an accounting agent, and that they are therefore required to draw up an accounting statement, but on the other rejected the Prosecutor’s request to order the concessionaires to pay large fines for the delay with which they submitted the accounting statement, ruling that there was no evidence of gross negligence by Sisal Entertainment S.p.A. in particular.

In the appeal, filed by the Regional Prosecutor of the Court of Auditors, Sisal Entertainment S.p.A., like the other concessionaires, was ordered to pay Euros 5,000. Moreover, 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 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 fulfil 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 the 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.

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 s.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 AWP 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 has not entered in the proceedings to date, and a date has not yet been set for a hearing.

Remote gaming concession

- Director's Decree 2011/190/CGV of February 8, 2011, published in the Official Gazette of the Italian Republic 56 of March 9, 2011, establishes the commencement date of the obligations referred to in arts. 24.11 to 24.25 of Law 88 of July 7, 2009, which constitute the general conditions for access to the concession for operation of remote gaming.

The application forms for the Public Gaming Concession Procedure referred to in art. 24.11.A) to F) of Law 88 of July 7, 2009 (call for tenders published in the OJEU on March 10, 2011, S-48-079188) and the procedure for updating the concession agreement to include remote operation of public gaming pursuant to art. 24.22 of Law 88 of July 7, 2009, referred to in art. 2.2 of Director's Decree 2011-190-CGV of February 8, 2011 (commencement of obligations relating to the operation of remote gaming agencies) were published with the Decree. Sisal S.p.A. took part in the procedure for updating the concession agreement to include remote operation of public gaming, and Sisal Match Point S.p.A. (taken over by Sisal Entertainment S.p.A. on November 1, 2013) took part in both the contract updating procedure and the procedure for the award of a public gaming concession, and both companies were awarded their respective concessions/updates to the agreement.

Horse and sports betting concession

As regards the betting sector, the Fiscal Decree Law required a new procedure for tenders, to be issued by AAMS not later than July 31, 2012, in compliance with the following criteria:

- participation open to all parties that carry on betting business in one of the Member States of the European Economic Area on the basis of a valid authorization issued by the State in which they operate, and comply with the respectability and economic/financial requirements indicated by AAMS;
- grant of concessions expiring on June 30, 2016, for physical outlets only, up to a maximum of 2,000, whose sole activity is marketing of public gaming, without any obligatory minimum distance between them or from other outlets already conducting identical betting business;
- starting price Euros 11,000 per agency;
- signature of an agreement consistent with the principles laid down in the Costa/Cifoni judgment of the European Court of Justice, and with the compatible national provisions applicable to public gaming;
- absence of territorial limits and of privileged conditions for concessionaires already authorized to handle identical betting business;
- issue of bank guarantees by the parties appointed as concessionaires;
- extension of concessions expiring in June 2012 until the award of the concessions under the new tender procedure;
- revocation of territorial limits for horse-racing and sports betting outlets previously awarded through the “Bersani” tender procedure.

On July 31, 2012, AAMS initiated the selection procedure for the award of the concessions in question, and Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.) presented a bid in the procedure. The commission responsible for examining applications to participate in the selection procedure began its examination of the documentation received on November 6, 2012; following the examination Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.) was awarded 225 betting concessions, and signed the corresponding agreement on July 31, 2013.

In the case of horse 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 increase the minimum guaranteed annual amounts.

Art. 4 of the agreements states that concessionaires shall pay an additional sum up to the minimum guaranteed annual 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 April 8, 1998, destined for UNIRE, is less than the minimum guaranteed annual amount.

The earlier requests by AAMS to concessionaires to increase the minimum guaranteed annual 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 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 above-mentioned Fiscal Decree Law cancelled the 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 (now Sisal Entertainment S.p.A.) in view of the principles laid down by the Constitutional Court. As far as Sisal Entertainment S.p.A. is aware, no new order has yet been issued by AAMS. Consequently, there are currently no legislative provisions that indicate the sums that concessionaires may be required to pay, and AAMS has not issued any order in this respect; even if it did so, it could still be appealed against. The remaining amounts payable, amounting to Euros 3.9 million, have therefore been written off to Other income in the consolidated financial statements.

6. Business combinations

In 2013 and 2011, as described below, business combinations were undertaken which enabled the Group to further expand its network of points of sale for both horse and sport betting and also the number gaming machines of the Group, particularly slot machines.

In 2012 there were no significant changes in the scope of consolidation.

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 approximatelyEuros 5 million for a 60% interest in the company Friulgames S.r.l., a company operating gaming machines, with approximately

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. Subsequently, in November the Group concluded the purchase of Friulgames S.r.l. for a net amount of Euros 0.2 million.

The assets and liabilities of the business acquired were recognized at their fair value and, in addition to the recognition of the assets and liabilities assumed, goodwill of approximately Euros 5,093 million was recognized as described in the following table:

(in thousands of Euro)	**Friulgames S.r.l.**
Intangible assets	8
Property, plant and equipment	3,232
Other assets – current and on-current	922
Inventories	-
Trade receivables	1,908
Cash and cash equivalents	2,144
Assets acquired	**8,214**
Provision for employee severance indemnities	154
Short and m/l-term loans	2,309
Deferred tax liabilities	-
Trade payables and other payables	3,819
Other liabilities	2,032
Liabilities acquired	**8,314**
Non-controlling interests	40
Net assets acquired	**(60)**

Details of the goodwill generated by the acquisition are as follows:

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

Net cash flows resulting from the acquisition were as follows:

(in thousands of Euro)	
Consideration paid on acquisition	**(5,033)**
Cash at acquisition date	2,144
Financial payables and overdrafts at acquisition date	-
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 consolidated income statement.

Subsequent to acquisition, the Friulgames S.r.l was recapitalized for Euros 1.5 million by the shareholders in proportion to their ownership interest.

From the date of consolidation to December 31, 2013, which represents almost a full year since the 60% acquisition was completed at the beginning of the year, the Friulgames S.r.l recorded revenues for approximately Euros 7 million.

In November 2013, Friulgames S.r.l. concluded the acquisition of a business relating to 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 1,258 thousand.

Merkur Interactive Italia S.p.A. business

In the last quarter of the year one of the most important and relevant transactions of the last few years was concluded by the Group. This relates to the acquisition from the company Merkur Interactive Italia S.p.A. of the betting and gaming business which it operated through 75 Bersani concessions in addition to 29 new concessions recently awarded in the call for tenders in 2012 concluded during the year. The business is already operational in 68 gaming establishments in which approximately 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 will be paid in quarterly installments starting in 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.

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

In addition, at December 31, 2013 the fair value of the assets and liabilities acquired and the value of goodwill on acquisition were provisionally determined as permitted by IFRS 3 (Business Combinations). The provisional amounts will be adjusted on the basis of final valuations that will be completed during the course of the current year.

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

(in thousands of Euro)	**Merkur Interactive S.p.A.**
Intangible assets	2,778
Property, plant and equipment	14,113
Other assets – current and on-current	757
Inventories	-
Trade receivables	-

Cash and cash equivalents	571
Assets acquired	**18,219**
Provision for employee severance indemnities	541
Short and m/l-term loans	-
Deferred tax liabilities	-
Trade payables and other payables	-
Other liabilities	736
Liabilities acquired	**1,277**
Non-controlling interests	-
Net assets acquired	**16,942**

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

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

Net cash flows resulting from the acquisition were as follows:

(in thousands of Euro)	
Consideration paid on acquisition	**(6,000)**
Cash at acquisition date	571
Financial payables and overdrafts at acquisition date	-
Net cash at acquisition	**571**
Net cash flows used for acquisition	**(5,429)**

Year 2011

The acquisitions recorded in 2011 did not have any significant impact on the revenues or results of the Group for that year since the most important acquisitions were concluded close to the end of the year.

Ilio S.p.A. and La Martingala S.r.l.

In 2011 the Group acquired the points of sale of the Mazzilli group, formed by three businesses and the companies Ilio S.p.A. and La Martingala S.r.l. thus increasing its Sisal Matchpoint network by 32 shops and 68 sports corners, with total annual turnover from betting of approximately Euros 70 million.

This acquisition greatly increased the Group's presence in the Apulia region which represents the fourth largest region in Italy in terms of sports betting turnover, particularly the provinces of Bari and Barletta-Andria-Traniale.

The fair value of the assets and liabilities acquired at the acquisition date is summarized in the table below:

(in thousands of Euro)	**Ilio Group and Martingala**
Intangible assets	10,083
Property, plant and equipment	1,318
Other assets – current and on-current	3,268
Inventories	1
Trade receivables	918
Cash and cash equivalents	6,154
Assets acquired	**21,742**
Provision for employee severance indemnities	328
Short -term and medium-/long-term loans	12,154
Deferred tax liabilities	2,018
Trade payables and other payables	1,233
Other liabilities	2,593
Liabilities acquired	**18,326**
Non-controlling interests	-
Net assets acquired	**3,416**

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

(in thousands of Euro)	
Present value of consideration	15,731
Net assets acquired	(3,416)
Goodwill	**12,315**

Net cash flows resulting from the acquisition were as follows:

(in thousands of Euro)	
Consideration paid on acquisition	**(8,996)**
Cash at acquisition date	6,154
Financial payables and overdrafts at acquisition date	-
Net cash at acquisition	**6,154**
Net cash flows used for acquisition	**(2,842)**

The fair value attributed to the net assets acquired resulted in the recognition of intangible assets for Euros 10,083 thousand due to the value attributed to the concession rights held by the acquired companies on acquisition.

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

Consideration of approximately Euros 9 million was paid when the acquisition was concluded at the end of 2011 and the remaining consideration of Euros 6.7 million was paid during 2012.

The transaction also led to the acquisition from the same shareholders of three businesses operating in the same sector for consideration of Euros 0.9 million.

The acquired companies, Ilio S.p.A. and La Martingala S.r.l, were included in the scope of consolidation at December 31, 2011.

It was estimated that if the companies had been consolidated for the full-year 2011 they would have contributed approximately Euros 13 million to the revenues of the Group.

Arezzo Giochi S.r.l.

The acquisition of Arezzo Giochi S.r.l. was also concluded in 2011 for consideration of Euros 1 million. This company holds the concessions for 3 shops and a corner in the province of Siena.

The difference between the acquisition cost and the fair value of the assets acquired—including the value attributed to the concession rights on acquisition—and the liabilities assumed was recognized as goodwill of Euros 577 thousand. This acquisition was also concluded at the end of 2011 and had no impact on the revenues or results of the Group for that year.

Billennium and Bbet S.r.l. points of sale

During 2011 the Group's acquired a business relating to the Billennium points of sale, and the wholly-owned investment made in the subsidiary Bbet S.r.l., for total consideration of Euros 4 million, increasing the Group's network by another 11 directly managed horse and sports betting agencies.

The difference between the acquisition cost and the fair value of the assets acquired—including the value attributed to the concession rights on acquisition—and the liabilities assumed was recognized as goodwill of Euros 1.6 million.

Costanzelli S.r.l. and Slotmatic S.r.l. businesses

The subsidiary Sisal Entertainment acquired a business operating in the lease, maintenance and logistics of gaming machines sector and two important businesses for total consideration of Euros 2.6 million from the companies Costanzelli S.r.l. and Slotmatic S.r.l. These last two transactions allowed the company to acquire management contracts with a significant number of points of sale and the ownership of the gaming machines therein.

The difference between the acquisition cost and the fair value of the assets and liabilities acquired was recognized as goodwill.

7. Operating segments

In 2013 management modified the manner in which it manages and monitors its business and identified four business segments. This led to the separation of the "Online Gaming" sector from the "Payments and Services" sector in order reflect the evolution, the distinct strategic models and the different dynamics which characterize these two operating segments.

Moreover, as part of this change, the "Entertainment" segment was renamed "Retail Gaming" since it manages part of the retail distribution network of the Group identified as the Branded Channel in addition to the points of sale in the Affiliated Channel which offer gaming machines.

The new 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.

The four operating segments are briefly 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 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 website and 27 third-party online gaming sites 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 website and through the mobile phone channel. The Group's online offering is one of most extensive and includes the entire portfolio of products available in accordance with the laws in force, such as online betting, online poker and casino as well as lotteries and bingo.

- "***Payments and Services***", operates activities for payment and financial services such as: (i) payment of bills, utilities, fines, taxes, subscriptions etc.; (ii) top-ups 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. This operating segment distributes the products and services of the Group through both the Branded and Affiliated Channels—the latter also including the 1,542 Service Only points of sale as at December 31, 2013—through the website 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 following the change in the management and monitoring of the Group's business for the years ended December 31, 2013, 2012 and 2011. The comparative data relating to the years ended December 31, 2012 and 2011, are presented in accordance with paragraph 29 of IFRS 8 and reflect the operating segments identified for the year ended December 31, 2013.

	Year ended December 31,					
	2013		2012		2011	
(in thousands of Euro)	**Total revenues and income**	**EBITDA**	**Total revenues and income**	**EBITDA**	**Total revenues and income**	**EBITDA**
Retail Gaming						
Revenues	250,671		259,761		279,535	
Supply chain / other revenues	240,982		265,496		286,735	
Total	**491,653**	**80,847**	**525,257**	**93,785**	**566,270**	**105,773**
Lottery						
Revenues	91,276		120,057		150,069	
Supply chain / other revenues	129		(953)		(712)	
Total	**91,405**	**26,663**	**119,104**	**18,520**	**149,357**	**27,966**
Online Gaming						
Revenues	45,777		40,370		41,641	
Supply chain / other revenues	(6,012)		(7,986)		(6,973)	
Total	**39,765**	**13,815**	**32,383**	**8,344**	**34,668**	**8,217**
Payments and services						
Revenues	81,639		71,854		55,864	
Supply chain / other revenues	66,538		68,680		62,267	
Total	**148,177**	**55,859**	**140,533**	**52,453**	**118,131**	**42,079**
Other revenues	1,337		6,118		1,414	
Total operating segment	**772,337**	**177,184**	**823,395**	**173,102**	**869,840**	**184,035**

A reconciliation between operating segments EBITDA and the Group's operating profit (EBIT) is set out in the following table:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Total operating segment	**177,184**	**173,102**	**184,305**
Non-recurring expenses	(77,879)	(16,500)	-
Items with different classification	(5,914)	(1,456)	(496)
Amortization of intangible assets	(53,397)	(50,257)	(56,835)
Depreciation of property, plant & equipment	(42,511)	(38,777)	(32,597)
Other impairment losses on fixed assets	(366)	(17,166)	(25,734)
Impairment losses on current receivables	(9,228)	(15,729)	(12,330)
Operating Profit	**(12,081)**	**33,217**	**56,043**

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

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

8. Revenues

Revenues are as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Gaming revenues	483,039	557,163	611,294
Payments and other services	110,266	110,517	98,425
Points of sale revenues	80,903	85,375	81,896
Other revenues	2,890	1,079	1,006
Total	**677,098**	**754,134**	**792,621**

The gaming revenues are analyzed as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Slot machines revenues	395,581	452,749	479,121
NTNG revenues	52,061	67,248	91,407
Online game revenues	20,535	18,254	16,595
Horse race betting revenues	12,620	16,271	20,975
Bingo revenues	1,379	1,571	1,785
Sports pools revenues	822	1,017	1,337
Big bets revenues	41	53	74
Total	**483,039**	**557,163**	**611,294**

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

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

9. Fixed-odds betting income

Fixed-odds betting income is as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Fixed odds sports betting income	85,560	61,832	73,854
Fixed odds horse race betting income	330	(5)	14
Reference horse race betting income	520	456	588
Total	**86,410**	**62,283**	**74,456**

10. Other revenues and income

Other revenues and income are as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Income arising from changes in estimates	7,450	5,241	2,357
Other sundry income	1,379	1,737	406
Total	**8,829**	**6,978**	**2,763**

11. Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise are as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Game materials purchases	3,837	8,278	12,489
Spare parts purchases	3,464	3,060	4,739
Sundry materials purchases	2,862	2,507	2,026
Warehousing	209	182	224
Change in inventories	285	(682)	(596)
Total	**10,657**	**13,345**	**18,882**

12. Costs for services

Costs for services are as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Marketing and commercial expenses	16,761	38,871	48,533
Other commercial initiatives	7,137	12,814	14,259
Other commercial services	1,130	956	2,139
Commercial services	**25,028**	**52,641**	**64,931**
Sales channel - Gaming	264,509	297,316	322,304
Sales channel – Payments services	66,872	69,027	62,182
Consulting	13,401	15,971	17,101
Other service costs	83,761	85,340	80,750
Other services	**428,543**	**467,654**	**482,337**
Total	**453,571**	**520,295**	**547,268**

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 337 thousand (Euros 331 thousand in 2012 and Euros 407 thousand in 2011). 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 60 thousand (Euros 60 thousand in 2012 and Euros 40 thousand in 2011).

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 449 thousand.

13. Lease and rent expenses

Lease and rent expenses are composed as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Building leases	15,298	12,206	9,909
Other rentals and operating leases	5,418	4,240	3,904
Total	**20,716**	**16,446**	**13,813**

14. Personnel costs

Personnel costs comprise the following:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Salaries and wages	57,265	51,984	48,923
Social security contributions	18,311	16,374	15,409
Employee severance indemnities	4,658	4,200	3,946
Other personnel costs	1,064	2,100	1,060
Total	**81,298**	**74,658**	**69,338**

The total increase in personnel costs for these years 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 for the years ended December 31, 2013, 2012 and 2011.

	Year ended December 31,		
Average number of employees	**2013**	**2012**	**2011**
Managers	47	44	43
Management staff	118	114	92
Clerical	1,559	1,383	1,157
Labourers	54	16	-
Total	**1,778**	**1,557**	**1,292**

15. Other operating costs

Other operating costs comprise the following:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Gaming concession fees	19,585	21,704	21,334
Other taxes and duties	2,890	1,902	1,856
Gifts and donations	960	1,131	1,067
Sundry operating costs	84,432	23,467	7,158
Total	**107,867**	**48,204**	**31,415**

The gaming concession fees relate mainly to the concession fees due under existing regulations on the collection of gaming revenues from 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 was recognized in sundry operating costs and Euros 3,170 thousand in interest expenses).

The increase in sundry operating costs in 2012 is for the most part due to the penalty of Euros 16.5 million levied on Sisal by the AAMS for failure to reach the minimum required turnover from NTNG games for the two-month period May-June 2012.

16. Amortization, depreciation, provisions and impairment losses and reversals

These are as follows:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Amortization of intangible assets	53,397	50,257	56,835
Depreciation of property, plant & equipment	42,511	38,777	32,597
Other impairment losses on fixed assets	336	17,166	25,734
Impairment of receivables	9,228	15,729	12,330
Accruals to provisions for risks and changes	4,837	(4,699)	5,585
Total	**110,309**	**117,230**	**133,081**

Other impairment losses on fixed assets reflect the impairment charge on the concession rights relating to horse betting, Tris and pool games recorded in 2011. In 2012 an impairment charge was recognized on goodwill of Euros 17.1 million, on the basis of the impairment test. Additional details are provided in Note 22 - Goodwill and Note 23 - Intangible assets.

17. Finance income and similar

Finance income and similar comprise the following:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Other finance income	2,237	4,343	3,224
Other income on derivative instruments	-	-	809
Total	**2,237**	**4,343**	**4,033**

18. Finance expenses and similar

Finance expenses and similar comprise the following:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Interest and other finance expenses – Group	43,235	40,630	37,349
Interest and other finance expenses - third parties	43,567	30,872	33,080
Other expenses on sundry instruments	-	1,619	2,609
Exchange (gains) losses realized	(4)	154	22
Exchange (gains) losses unrealized	-	(13)	4
Total	**86,798**	**73,262**	**73,064**

Interest and other finance expenses – Group relate to expenses on the loans outstanding with the company Gaming Invest, the sole shareholder of the Parent, as discussed in Note 34.

Interest and other finance expenses – third parties relate to the Senior Credit Agreement and Senior Secured Notes, as discussed in Note 34.

Other expenses on sundry instruments relate to the net expenses on derivative instruments put in place in previous years relating to loans secured from a pool of lending banks and which reached maturity at December 31, 2012.

19. Income taxes

Income taxes comprise the following:

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Current income taxes	5,832	8,349	22,652
Income tax adjustments relating to prior years	(296)	(2,400)	8,500
Deferred tax liabilities - (benefit)	(2,834)	(3,367)	(4,942)
Deferred tax assets - (benefit)	(504)	465	(9,624)
Total	**2,198**	**3,047**	**16,586**

Income tax adjustments relating to prior years include: for 2012, the recognition of the tax credit (for the partial deductibility of IRAP taxes for IRES tax purposes) relating to prior years of Euros 2.4 million; for 2011, the effect of the proposal to settle the Notice of Findings issued at the end 2011 to the Parent by the Financial Police (on the years 2006-2009) of Euros 7.1 million (including fines), and; for 2010, the voluntary disclosure of the unreported taxes relating to the tax year 2010 of Euros 1.4 million.

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

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Pre-tax loss	(96,607)	(35,747)	(12,999)
Applicable domestic tax rate	27,5%	27,%	27,5%
Income taxes determined using the applicable domesticl tax rate	(26,567)	(9,830)	(3,575)
Tax effect on gains eliminated in the consolidated financial statements	-	3,946	-
Non-deductible interest expense	2,261	2,041	1,971
Tax effect on dividends	141	318	556
Non-deductible goodwill impairment charge	-	4,721	-
Benefits for partial IRAP deductibility	(211)	(596)	(157)
Charge/release of provisions not considered deductible	-	(633)	1,482
Non-deductible sanctions	20,268	-	-
Other effects	1,368	536	682
Effective Ires tax	**(2,740)**	**502**	**959**
Effective Irap tax	**5,234**	**4,945**	**7,127**
Other current taxes	(296)	(2,400)	8,500
Total effective tax benefit	**2,198**	**3,047**	**16,586**

Following 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 to the Central Office of the Revenues Agency through the relevant Regional Office, asking for a confirmation of its interpretation that the expense incurred is deductible for IRES and IRAP tax purposes because of its nature as damages based on the contractual relationship with AAMS, and not as a fine/penalty. Pronouncements are therefore expected from the AAMS within the deadline established by existing law. In the meantime, although confident of the absolute validity of its reasoning and arguments, the above companies have decided, in light of the complexity of the laws of reference and the uncertainties associated with the peculiarity of the litigation from which such expense arises, not to consider the expense in question deductible in the preparation of the 2013 consolidated financial statements in which it is recorded on the accrual basis.

20. Earnings per share

The calculation of earnings per share is presented in the table below. There were no changes in the number of shares forming the share capital of the Parent during the course of the last three years 2011 - 2013. Given that there has been a loss attributable to the owners of the parent in each of the last three years, the effects, if any, on the number of shares was not considered since they would have an anti-dilutive effect.

	Year ended December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Number of shares outstanding (in thousands)	102,500	102,500	102,500
Loss attributable to owners of the parent	(99,084)	(38,800)	(29,597)
Basic loss per share (in Euro)	(0.97)	(0.38)	(0.29)
Diluted loss per share (in Euro)	(0.97)	(0.38)	(0.29)

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 results 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 are as follows:

(in thousands of Euro)	**At January 1, 2011**	**Increases**	**Depreciation and impairments**	**Disposals**	**Reclassifi-cations**	**At December 31, 2011**
Land and buildings:						
Original cost	17,231	2,865	-	-	6,675	26,771
Accumulated depreciation	(3,306)	-	(1,555)	-	(4,586)	(9,447)
impairments	-	-	-	-	-	-
Net	**13,925**	**2,865**	**(1,555)**	**-**	**2,089**	**17,324**
Plant and machinery:						
Original cost	22,280	6,503	-	-	(6,686)	22,097
Accumulated depreciation	(14,392)	-	(3,086)	-	4,636	(12,842)
Impairments	-	-	-	-	-	-
Net	**7,888**	**6,503**	**(3,086)**	**-**	**(2,050)**	**9,255**
Industrial and commercial equipment						
Original cost	276,155	26,010	-	(3,756)	(7,597)	290,812
Accumulated depreciation	(187,256)	-	(25,819)	3,448	6,085	(203,542)
Impairments	(1,449)	-	(196)	25	-	(1,620)
Net	**87,450**	**26,010**	**(26,015)**	**(283)**	(1,512)	**85,650**
Other assets:						
Original cost	12,799	3,544	-	(33)	8,514	24,824
Accumulated depreciation	(8,300)	-	(2,137)	31	(6,168)	(16,574)
Impairments	(187)	-	-	-	-	(187)
Net	**4,312**	**3,544**	**(2,137)**	**(2)**	**2,346**	**8,063**
Construction in progress						
Original cost	1,746	844	-	(1,717)	(873)	-
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**1,746**	**844**	**-**	**(1,717)**	**(873)**	**-**
Total:						
Original cost	330,211	39,766	-	(5,506)	33	364,504
Accumulated depreciation	(213,255)	-	(32,597)	3,479	(33)	(242,405)
Impairments	(1,636)	-	(196)	25	-	(1,809)
Net	**115,320**	**39,766**	**(32,793)**	**(2,002)**	**-**	**120,290**

(in thousands of Euro)	**At January 1, 2012**	**Increases**	**Depreciation and impairments**	**Disposals**	**Reclassifi-cations**	**At December 31, 2012**
Land and buildings:						
Original cost	26,771	3,632	-	-	366	30,769
Accumulated depreciation	(9,447)	-	(1,677)	-	-	(11,124)
Impairments	-	-	-	-	-	-
Net	**17,324**	**3,632**	**(1,677)**	-	**366**	**19,645**
Plant and machinery:						
Original cost	22,097	2,502	-	-	(290)	24,309
Accumulated depreciation	(12,842)	-	(2,404)	-	383	(14,863)
Impairments	-	-	-	-	-	-
Net	**9,255**	**2,502**	**(2,404)**	-	**93**	**9,446**
Industrial and commercial equipment						
Original cost	290,812	37,117	-	(6,504)	1,207	322,632
Accumulated depreciation	(203,542)	-	(33,415)	5,764	(892)	(232,085)
Impairments	(1,620)	-	-	554	-	(1,066)
Net	**85,650**	**37,117**	**(33,415)**	**(186)**	**315**	**89,481**
Other assets:						
Original cost	24,824	2,077	-	(107)	(1,099)	25,695
Accumulated depreciation	(16,574)	-	(1,281)	58	325	(17,472)
Impairments	(187)	-	-	-	-	(187)
Net	**8,063**	**2,077**	**(1,281)**	**(49)**	**(774)**	**8,036**
Construction in progress						
Original cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**	**-**
Total:						
Original cost	364,504	45,328	-	(6,611)	184	403,405
Accumulated depreciation	(242,405)	-	(38,777)	5,822	(184)	(275,544)
Impairments	(1,809)	-	-	554	-	(1,255)
Net	**120,290**	**45,328**	**(38,777)**	**(235)**	**-**	**126,606**

(in thousands of Euro)	At January 1, 2013	Increases	Depreciation and impairments	Disposals	Reclassifi -cations	At 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**
Costruction 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 9,228 thousand at December 31, 2013 (Euros 8,235 thousand and Euros 12,014 thousand at December 31, 2012 and 2011 respectively).

Year 2013

The additions in 2013 amount to a total of approximately Euros 50 million and relate to the following:

- 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 for Euros 5.1 million;
- purchase of network hardware as well as display equipment for points of sale for approximately Euros 6 million;

- investments in plant, furniture and restructuring relating to points of sale of more than Euros 9 million;
- aggregate property, plant and equipment acquired by the Group in business combinations concluded during the year of approximately Euros 18 million.

Year 2012

The additions in 2012 total approximately Euros 45 million and mainly relate to:

- investments in new “Series 6A” slot machines, access points (PdAs) and change machines of Euros 16.5 million;
- purchase of new-generation gaming and services equipment such as the Microlot terminals and Wave terminals for approximately Euros 12 million;
- purchase of network hardware for employees as well as display equipment for points of sale for Euros 6.5 million.

In light of the ever increasing focus of the legislation related to slot machines on the “electronic game card” component and the significant growth in the activities to replace these cards to meet commercial demands for the introduction of new games, in 2012 the Group deemed that the conditions existed for the application of the component approach discussed in IAS 16 – *Property, plant and equipment* for the separation of the entertainment asset into its “cabinet” and “electronic game card” components. As a result of this decision, the slot machines previously depreciated over an average estimated useful life of five years, are now capitalized separately and the cabinet component is considered to have a useful life of seven years and the electronic game card component a useful life of 2.5 years to cover commercial obsolescence.

Consequently, the costs to replace the cards, in previous years reported as maintenance expenses when the costs did not relate to work to fulfil legal obligations, are now capitalized as a separate asset class. To best reflect this component approach to slot machines, the Group has also separated the two components for all the recently recognized machines that had not been subjected to updates to meet regulations or for the machines that were not almost completely depreciated.

The recalculation of accumulated depreciation into the two distinct components, for the classes that were recalculated, did not generate a significant difference compared with the amount determined on the basis of the average useful life.

Year 2011

The additions in 2011 amount to approximately Euros 40 million and relate primarily to:

- investments in new “Series 6A” slot machines, access points (PdAs) and change machines for Euros 9.7 million;

- purchase of new-generation gaming and services equipment such as “Leonardo” and “Microlot” terminals for Euros 14.7 million;

- purchase of display equipment and gaming terminals for Euros 3.6 million.

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

(in thousands of Euro)	**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	-	179	-	-
Total	**8,522**	**3,712**	**4,556**	**4,795**

(in thousands of Euro)	**Net book value at 12/31/2012**	**Leasing instalments 2012**	**Residual debt at 12/31/2012**	**Residual leasing instalments at 12/31/2012**
Microlot gaming terminals	6,598	3,373	4,720	4,827
AWP gaming machines comma 6 A	1,637	1,585	188	179
Total	**8,235**	**4,958**	**4,908**	**5,006**

(in thousands of Euro)	**Net book value at 12/31/2011**	**Leasing instalments 2011**	**Residual debt at 12/31/2011**	**Residual leasing instalments at 12/31/2011**
Microlot gaming terminals	8,768	2,764	7,912	8,200
AWP gaming machines comma 6	3,246	2,646	1,663	1,637
Total	**12,014**	**5,410**	**9,575**	**9,837**

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 880,024 thousand at December 31, 2013 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 subsequent years goodwill increased due to further acquisitions made by the Group principally for companies and businesses relating to legal gaming with gaming machines and horse and sports betting, but the Group 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 thousands of Euro)	**2013**	**2012**	**2011**
Gross carrying amount	1,103,080	1,092,620	1,092,410
Accumulated impairment losses	(223,056)	(223,056)	(205,890)
Total	**880,024**	**869,564**	**886,520**

The movements in goodwill starting from January 1, 2011 are as follows:

(in thousands of Euro)	**2013**	**2012**	**2011**
Balance at January 1	**869,564**	**886,520**	**870,083**
Acquisitions	**10,460**	-	16,437
Impairments	**-**	(17,166)	-
Other movements	**-**	210	-
Balance at December 31	**880,024**	**869,564**	**886,520**

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

Goodwill recognized on acquisitions in 2011 mainly relates to the acquisitions of Ilio S.p.A. and La Martingala S.r.l. for a total of Euros 12,315 thousand and the three related businesses for Euros 345 thousand (see Note 6). The remaining increase is related to the acquisitions of Arezzo Giochi S.r.l for Euros 577 thousand and the Billennium and Bbet S.r.l. points of sale for Euros 1,663 thousand as well as the acquisitions of the Costanzelli S.r.l. and Slotmatic S.r.l. businesses for Euros 1,537 thousand.

The impairment loss of Euros 17.1 million was recorded as a result of the impairment test carried out at the end of 2012 and is discussed below.

Goodwill was tested for impairment at December 31, 2013, 2012 and 2011 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 determined according to the historical trends of the various products and relative reference markets.

The growth rate used to estimate cash flows beyond the projected five-year 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 2.85% at December 31, 2013 (3% at December 31, 2012 and 3.25% at December 31, 2011). 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 to match the duration of the concession being tested.

The rate used to discount cash flows to present value is equal to a WACC of 8.49% at December 31, 2013 (8.71% at December 31, 2012 and 8.6% at December 31, 2011) derived from the weighted average of a cost of capital of 9.5% (9.9% at December 31, 2012 and 10.0% at December 31, 2011) inclusive of a Market Risk Premium of 4.39% (4,8% at December 31, 2012 and 5,2% at December 31, 2011) and an after-tax cost of debt of 4.21% (3.64% at December 31, 2012 and 4.4% at December 31, 2011).

As described in Note 7 on segment reporting, in 2013 management modified the manner in which it manages and monitors its business.

Following this modification, the Group is currently organized into four operating segments: *Retail Gaming, Lottery, Online Gaming* and *Payments and Services*.

The operating segments are comprised of the following 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) 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 relates 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, 2013, 2012 and 2011 is allocated to the different operating segments (net of the recognition of the impairment loss) as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Retail Gaming	445,788	435,328	435,118
Lottery	156,622	156,622	156,622
Online Gaming	140,908	140,908	158,074
Payments and Services	136,706	136,706	136,706
Total	**880,024**	**869,564**	**886,520**

The change to the operating segments previously described did not have any effect on the allocation of goodwill to the CGUs. In particular, the two new operating segments (*Online Gaming* and *Payments and Services*), coincided with the two previously separate CGUs.

The impairment test at December 31, 2012 showed that the discounted cash flows by CGU exceeded invested capital (including goodwill) allocated to each CGU with the exception of the *Online Gaming* CGU, for which a partial impairment loss on goodwill was recognized for Euros 17.1 million in Amortization, depreciation, provisions and impairment losses and reversals in the consolidated income statement. This impairment loss stems from the allocation rationale that was initially adopted for a significant amount of goodwill that originated in previous years, particularly during the 2005-2006 period when two successive acquisitions were concluded for the former parent company Sisal S.p.A., and from an updated assessment of the expected future cash flows from the online gaming CGU. For this CGU, the expectation is for a growth rate trend slightly below that originally estimated, due, in particular, to competitive forces in this segment and to the general macroeconomic situation.

In particular, the excess of the recoverable amount of the operating segments, at December 31, 2013, determined on the basis of the parameters described above, compared with the relative carrying amount, is as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Retail Gaming	329,526	334,923	117,253
Lottery	68,249	134,830	176,874
Online Gaming	35,918	(17,166)	30,989
Payments and Services	597,628	415,877	399,363
Total	**1,031,321**	**868,464**	**724,479**

With regard to 2012, the excess is reported before the above-mentioned impairment loss.

The impairment test at December 31, 2013, as set out above, was carried out using a growth rate of 2.85% and a WACC equal to 8.49%.

A change in these values, as indicated in the following table, would render the recoverable amount of the operating segments equal to their carrying amount:

	Discount rate	**Growth rate**
Base value		
Retail Gaming	11.3%	(1.3%)
Lottery	10.2%	0.75%
Online Gaming	9.8%	1.13%
Payments and Services	27.3%	(63.3%)

23. Intangible assets

The composition and movements of intangible assets are as follows:

(in thousands of Euro)	**At January 1, 2011**	**Increases**	**Amortization and impairments**	**Decreases**	**Reclassifi-cations**	**At December 31, 2011**
Patents and utilization rights, copyrights and similar rights						
Original cost	31,060	8,384	-	(59)	(224)	39,161
Accumulated amortization	(22,979)	-	(6,140)	49	224	(28,846)
Impairments	-	-	(6)	-	-	(6)
Net	**8,081**	**8,384**	**(6,146)**	**(10)**	**-**	**10,309**
Concessions, licenses, trademarks and similar rights						
Original cost	588,856	21,738	-	(665)	224	610,153
Accumulated amortization	(236,249)	-	(50,695)	199	(224)	(286,969)
Impairments	(22,398)	-	(25,532)	263	-	(47,667)
Net	**330,209**	**21,738**	**(76,227)**	**(203)**	**-**	**275,517**
Other intangible assets						
Original cost	-	-	-	-	-	-
Accumulated amortization	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**	**-**
Total:						
Original cost	619,916	30,122	-	(724)	-	649,314
Accumulated amortization	(259,228)	-	(56,835)	248	-	(315,815)
Impairments	(22,398)	-	(25,538)	263	-	(47,674)
Net	**338,290**	**30,122**	**(82,373)**	**(213)**	**-**	**285,825**

(in thousands of Euro)	**At January 1, 2012**	**Increases**	**Amortization and impairments**	**Decreases**	**Reclassific-ations**	**At December 31, 2012**
Patents and utilization rights, copyrights and similar rights						
Original cost	39,161	9,651	-	(80)	232	48,964
Accumulated amortization	(28,846)	-	(7,406)	18	(199)	(36,434)
Impairments	(6)	-	-	-	-	(6)
Net	**10,309**	**9,651**	**(7,406)**	**(62)**	**33**	**12,524**
Concessions, licenses, trademarks and similar rights						
Original cost	610,152	3,852	-	-	(44)	613,960
Accumulated amortization	(286,969)	-	(42,851)	-	11	(329,809)
Impairments	(47,667)	-	-	-	-	(47,666)
Net	**275,516**	**3,852**	**(42,851)**	**-**	**(33)**	**236,485**
Other intangible assets						
Original cost	-	100	-	-	-	100
Accumulated amortization	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**-**	**100**	**-**	**-**	**-**	**100**
Total:						
Original cost	649,313	13,603	-	(80)	188	663,024
Accumulated amortization	(315,815)	-	(50,257)	18	(188)	(366,243)
Impairments	(47,673)	-	-	-	-	(47,673)
Net	**285,825**	**13,603**	**(50,257)**	**(62)**	**-**	**249,108**

(in thousands of Euro)	At January 1, 2013	Increases	Amortization and impairments	Decreases	Reclassific -ations	At 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	**12,524**	**9,043**	**(9,589)**	**(18)**	**100**	**12,060**
Concessions, licenses, trademarks and similar rights	-					
Original cost	613,960	24,634		(1,220)		637,378
Accumulated amortization	(329,809)		(43,808)	725		(372,896)
Impairments	(47,666)					(47,666)
Net	**236,485**	**24,634**	**(43,808)**	**(495)**	**0**	**216,816**
Other intangible assets	-					
Original cost	100	-	-	-	(100)	-
Accumulated amortization	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Net	**100**	**0**	**0**	**0**	**(100)**	**0**
Total:	-					
Original cost	663,024	33,686	-	(1,275)	-	695,439
Accumulated amortization	(366,243)	(9)	(53,397)	762	-	(418,891)
Impairments	(47,673)	-	-	-	-	(47,674)
Net	**249,108**	**33,677**	**(53,397)**	**(513)**	**-**	**228,874**

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 (approximately Euros 16 million in 2012 and approximately Euros 25 million in 2011) 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 2012

The increase in *Patents and utilization rights*, *copyrights and similar rights* in 2012 of Euros 9.6 million is solely related to the purchase and development of software for the management of business operations and the management of the concession activities in the Group's various businesses.

Year 2011

The increase in *Concessions, licenses, trademarks and similar rights* in 2011 was Euros 21.7 million mainly on account of the purchase of software user licenses by Sisal and the value attributed, in the purchase transactions, to the concession rights for the companies and the businesses acquired during the year as described in Note 6.

The increase in *Patent and utilization rights*, *copyrights and similar rights* was Euros 8.3 million due to the purchase of software for the management of business operations and the management of provider activities for legal gaming using gaming machines.

Concerning impairments, the Group recognized an impairment loss of Euros 25.5 million in 2011 on national horse betting and sports pool games concession rights. The impairment charge was necessary because the impairment test indicated that the recoverable amount of such concessions was lower than the carrying amount, given the less than satisfactory performance of these products and the updated expectations on their future trends.

The following table presents information on outstanding finance leases taken out in 2011:

	2011			
(in thousands of Euro)	**Net book value at 12/31/2011**	**Leasing instalments 2011**	**Residual debt at 12/31/2011**	**Residual leasing instalments at 12/31/2011**
Software licenses	273	159	274	282
Total	**273**	**159**	**274**	**282**

	2012			
((in thousands of Euro)	**Net book value at 12/31/2012**	**Leasing instalments 2012**	**Residual debt at 12/31/2012**	**Residual leasing instalments at 12/31/2012**
Software licenses	137	159	122	124
Total	**137**	**159**	**122**	**124**

	2013			
(in thousands of Euro)	**Net book value at 12/31/2013**	**Leasing instalments 2013**	**Residual debt at 12/31/2013**	**Residual leasing instalments at 12/31/2013**
Software licenses	-	124	-	-
Total	-	124	-	-

24. Deferred tax assets and liabilities

Deferred tax assets and liabilities are composed as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Deferred tax assets			
Due within 12 months	-	-	-
Due after 12 months	11,809	16,800	18,997
Total deferred tax assets	**11,809**	**16,800**	**18,997**

Deferred tax liabilities			
Due within 12 months	-	-	-
Due after 12 months	(19,847)	(28,166)	(33,648)
Total deferred tax liabilities	**(19,847)**	**(28,166)**	**(33,648)**
Net amount	**(8,038)**	**(11,366)**	**(14,651)**

Net changes are as follows:

	Year		
(in thousands of Euro)	**2013**	**2012**	**2011**
At January 1	**(11,366)**	**(14,651)**	**(26,436)**
Charge/release to consolidated income statement	3,339	2,902	14,566
Charge/release to consolidated statement of comprehensive income	(11)	383	(91)
Change in scope of consolidation		-	(2,690)
At December 31	**(8,038)**	**(11,366)**	**(14,651)**

Deferred tax assets are summarized in the following table:

	At December 31,					
	2013		**2012**		**2011**	
(in thousands of Euro)	Temporary differences (amount)	Tax effect	Temporary differences (amount)	Tax effect	Temporary differences (amount)	Tax effect
Accruals to provision for impairment of receivables	35,485	9,758	37,616	10,344	32,155	8,844
Accruals to provision for risks and charges	24,048	7,093	28,363	8,232	39,473	11,186
Maintenance expenses	7,361	2,024	8,950	2,461	9,623	2,649
Other temporary differences	17,819	5,289	9,135	2,652	5,200	1,474
Total deferred taxes	**84,713**	**24,164**	**84,064**	**23,689**	**86,452**	**24,153**
Amount offset against deferred tax liabilities	(40,482)	(12,355)	(23,820)	(6,889)	(17,092)	(5,156)
Total deferred tax assets	**44,231**	**11,809**	**60,244**	**16,800**	**69,360**	**18,997**
Temporary differences excluded from the deferred tax computation	2,014	554	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 were not 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:

(in thousands of Euro)	At December 31, 2013		2012		2011	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Goodwill deducted out of books	58,162	18,438	16,056	5,090	14,716	4,624
Accelerated depreciation	1,175	323	2,482	682	2,545	701
Business combinations	27,868	8,430	91,804	28,698	99,454	32,205
Severance indemnity deducted out of books	852	234	1,820	501	1,832	501
Other temporary differences	15,074	4,777	275	84	2,445	773
Total deferred taxes	**103,131**	**32,202**	**112,437**	**35,055**	**120,992**	**38,804**
Reversal of quota of non-current deferred taxes	(40,482)	(12,355)	(23,820)	(6,889)	(17,092)	(5,156)
Total deferred tax liabilities	**62,649**	**19,847**	**88,617**	**28,166**	**103,900**	**33,648**

25. Other non-current assets

Other non-current assets amount to Euros 29,152 at December 31, 2013 (Euros 14,925 thousand at December 31, 2012 and Euros 11,883 thousand at December 31, 2011) 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 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 12,218 thousand at December 31, 2013, including the return earned to date of Euros 224 thousand.

26. Inventories

Inventories are composed of the following:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Spare parts (repairs)	3,833	3,041	3,504
Rolls of paper for gaming terminals	258	1,828	1,353
Spare parts (consumables)	1,027	814	272
Playslips	295	230	245
VLT tickets	39	37	-
Materials, auxiliaries and consumables	**5,452**	**5,950**	**5,374**
Top-up and scratch cards	82	833	615
Virtual top-ups	3,399	3,054	8,435
Mini-toys	77	43	83
Finished goods and merchandise	**3,558**	**3,930**	**9,133**
Total	**9,010**	**9,880**	**14,507**

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

(in thousands of Euro)	**Provision for inventory obsolescence**
At January 1, 2011	**1,084**
Charge	525
Release	(20)
At December 31, 2011	**1,589**
Charge	329
Release	(80)
At December 31, 2012	**1,838**
Charge	390
Release	(216)
At December 31, 2013	**2,012**

27. Trade receivables

Trade receivables comprise the following:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Receivables from points of sale	86,402	114,095	155,017
Doubtful receivables	53,008	46,618	33,485
Trade receivables from network	14,497	18,169	20,346
Trade receivables from betting agencies	11,622	10,105	13,263
Trade receivables from gaming customers	25	365	340
Trade receivables from third parties	2,627	1,777	1,445
Other trade receivables from third parties	2,152	2,334	1,121
Provision for impairment of receivables	(47,681)	(42,147)	(41,034)
Total	**122,652**	**151,316**	**183,983**

Receivables from points of sale represent amounts due to the Group for bets placed on the last games in December 2013 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 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 the Group, 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 thousands of Euro)	**Provision for impairment of network trade receivables**	**Provision for impairment of other trade receivables**	**Total**
At January 1, 2011	**(31,727)**	**(637)**	**(32,364)**
Increases	(12,352)	(20)	(12,372)
Decreases	3,694	8	3,702
At December 31, 2011	**(40,459)**	**(574)**	**(41,033)**
Increases	(15,233)	(250)	(15,483)
Decreases	14,356	13	14,369
At December 31, 2012	**(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)**

The increases recorded in 2013, 2012 and 2011 compared to the previous years 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 receivables as well. However this trend has slowed down in 2013, due in part to decisive actions taken by the Group to recover the receivables. The decreases relate mainly to the sale of non-recourse receivables and settlement agreements regarding prior years' receivables as well as the write-off of doubtful receivables, including those relating to owned slots and VLTs 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 totaled Euros 1,004 thousand at December 31, 2011 and mainly represented Monte dei Paschi di Siena securities held by the Group at the end of that year. These securities were sold in 2012 and at December 31, 2012 there are insignificant balances.

29. Taxes receivable

Taxes receivable are composed of the following:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Receivables for IRES tax from tax authorities	4,056	4,650	273
Receivables for IRAP tax from tax authorities	595	1,635	2,300
Total	**4,651**	**6,285**	**2,573**

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 Match Point S.p.A., now 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 available prize money and 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 relate 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.

From 2013, the Group has elected to present the restricted bank deposits on a separate line in the consolidated financial statements in order to highlight the specific nature of the deposits which are not freely available since they are earmarked for the payment of winnings and the amounts deposited for online games.
The change in the presentation of restricted bank deposits is also reflected in the consolidated statement of cash flows, as discussed in Note 2 - Summary of Significant Accounting Policies.
The comparative figures at December 31, 2012 and 2011 have also been reclassified.

31. Cash and cash equivalents

Cash and cash equivalents at December 31, 2013 are as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Bank and postal accounts	97,169	150,027	159,056
Cash and cash equivalents in hand	7,135	2,922	3,164
Total	**104,304**	**152,949**	**162,220**

32. Other current assets

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Other receivables from the Public Administration	25,221	26,510	30,643
Other receivables from tax authorities	10,456	11,228	9,694
Prepaid expenses	3,678	3,101	3,072
Other receivables from third parties	2,965	1,745	5,989
Other receivables from employees	417	331	346
Provision for impairment of other receivables	(307)	(430)	(271)
Total	**42,430**	**42,485**	**49,473**

Other 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 20,456 at December 31, 2013 (Euros 23,011 thousand at December 31, 2012 and Euros 21,775 thousand at December 31, 2011).

Other receivables from tax authorities mainly relate 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, 2013, fully subscribed and paid-in, is composed of 102,500,000 ordinary shares of par value Euros 1 each.

Other reserves

In order to facilitate 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 classified as an equity-settled share-based payment transaction under IFRS 2 and is reflected as such in the consolidated 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 relating to 2013 of Euros 483 thousand (Euros 485 thousand in 2012, Euros 483 thousand in 2011) was recorded in the consolidated income statement with a contra-entry to other reserves.

Similar incentive plans were granted to the managers of the Group as part of the transaction 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 includes the result for the year net of the payment of dividends to the non-controlling interests of Sisal S.p.A (Euros 43 thousand and Euros 55 thousand in 2012 and 2011 respectively). In addition to these movements (which decreased the aggregate non-controlling interests) is the effect of the 2012 acquisition by Sisal S.p.A. of the 35% interest in the company Sisal

Entertainment (formerly Sisal Slot S.p.A.), previously held directly by the Parent. This acquisition, since it took place within the Group, did not require the recognition of new goodwill and/or intangible assets in the Group's consolidated financial statements, but instead resulted in a reduction in consolidated equity at the sub-consolidation level of Sisal S.p.A., with a consequent reduction in non-controlling interests. In 2013, Euros 560 thousand of the increase in the non-controlling interests is due to the effect of the acquisition of Friulgames S.r.l. whose minority shareholders retained a 40% interest in share capital.

34. Long-term debt

Long-term debt of the Group at December 31, 2013, 2012 and 2011, shown net of transaction charges, in accordance with IFRS, is as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Senior Credit Agreement	**439,465**	**708,709**	**723,754**
Senior Secured Notes	**272,736**		
Shareholder Loan	367,368	343,478	324,725
Subordinated Zero Coupon Shareholder Loan	82,697	76,519	70,788
Loans from related parties	**450,065**	**419,997**	**395,513**
Loans from other banks	2,739	970	5,613
Payables to other lenders – factoring contracts	-	3,906	3,906
Payables to other lenders – leasing contracts	4,698	5,030	9,848
Short-term loans - other	-	120	6,608
Other loans from third parties	**7,437**	**10,026**	**25,975**
Total	**1,169,703**	**1,138,732**	**1,145,242**
of which current	*61,813*	*128,564*	*62,972*
of which non-current	*1,107,890*	*1,010,168*	*1,082,270*

Long-term debt outstanding at December 31, 2013, including the current portion of long-term debt, amounts in total to Euros 1,170 million (Euros 1,139 million at December 31, 2012) of which Euros 447 million or 38% (Euros 719 million at December 31, 2012 or 63%) relates to bank debt or similar (including payables to leasing companies) at variable rates, Euros 273 million or 23% to the issuance of Notes completed during the year and Euros 450 million or 38% (Euros 420 million at December 31, 2012 or 37%) to fixed rate loans obtained from related parties.

In the years 2011 and 2012 the Group entered into 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; thus, 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, most recently in May 2013, from a banking pool with Royal Bank of Scotland plc acting as the lead bank. The 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 of Euro)	**Type**	**2013**	**2012**	**2011**	**Expiry**	**Repayment**
Facility A	Amortising	50,561	50,561	67,446	September 30, 2017	semiannual
Facility B	Bullet	179,514	245,000	245,000	September 30, 2017	at expiry
Facility C	Bullet	179,514	245,000	245,000	September 30, 2017	at expiry
Facility D	Amortising	-	139,028	139,028	September 30, 2017	semiannual
Revolving Facility (*)	Revolving facility	34,286	34,286	34,286		
Total gross of transaction charges		**443,875**	**713,875**	**730,760**		
Transaction charges connected to loans		**7,863**	**5,166**	**7,006**		
Finance expenses payable		**3,453**				
Total		**439,465**	**708,709**	**723,754**		

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

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

- repaid Euros 275 million of the Senior Credit Agreement; 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 certain 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, 2013 for each line of credit is provided in the following table:

Senior Credit Agreement Summary					
		Amortisation Plan			
(in thousands of Euro)	**Residual debt at December 31, 2013**	**2014**	**2015**	**2016**	**2017**
Facility A	50,561	12,640	12,640	12,640	12,641
Facility B	179,514		-	-	179,514
Facility C	179,514		-	-	179,514
Revolving Facility (*)	34,286		-	-	34,286
Total	**443,875**	**12,640**	**12,640**	**12,640**	**405,955**
Residual debt		431,235	418,595	405,955	-

(*) 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 contains the following covenants which must be complied with and must be calculated based on the consolidated financial information of the shareholder Gaming Invest:

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

a. consolidated cash flows generated during the period in question (excluding cash flows that are not available to the Group and some additional flows, specifically identified in the contracts governing 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 governing the loans in question). This ratio must not be below a) 1.65 at December 31, 2013; b) 1.85 at the December 31, 2014 and c) 1.90 at the 2015, 2016 and 2017 balance sheet dates.

- 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 governing the loans in question). This ratio must not be higher than a) 6.25 at December 31, 2013, b) 6.00 at December 31, 2014 and c) 5.75 at the 2015, 2016 and 2017 balance sheet dates.

Non-compliance with these covenants constitutes an “event of default” which triggers the 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 on: *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 ending December 31, 2013, 2012 and 2011, the above-mentioned financial covenants have been complied with and there have been no events of default.

Loans from related parties

Loans from related parties include two loans obtained from Gaming Invest as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Shareholder Loan	367,368	343,478	324,725
Subordinated Zero Coupon Shareholder Loan	82,697	76,519	70,788
Loans from related parties	**450,065**	**419,997**	**395,513**

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 amount 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 considered to be a medium-/long-term loan.

There are two different fixed rate interest components on 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 must be paid quarterly.

From January 1, 2011 to December 31, 2013, the Group, within the limits of the Senior Credit Agreement, repaid principal of a total of Euros 3.4 million (Euros 2.2 million in 2011, Euros 1.2 million in 2012) and capitalized interest of a total of Euros 56.5 million (Euros 19.0 million in 2011, Euros 20.0 million in 2012 and Euros 17.5 in 2013).

Further repayments of principal were made prior to January 1, 2011.

Subordinated Zero Coupon Shareholder Loan

The sole shareholder, Gaming Invest, in June 2009, also extended another loan of Euros 60 million referred to as the "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 which is due when principal is repaid; the interest accrued does not bear interest.

During the years 2011-2013 the change in this debt was due solely to the interest accrued and not paid, recognized in the consolidated income statement using the amortized cost method.

Senior Secured Notes

In May 2013 the Group issued 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 these 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 governs the notes. 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*) before November 1, 2014, the Group must pay the face value of the amount repaid in addition to any interest accrued and not paid, plus an additional amount to be calculated on the basis of the interest that would accrue between the actual date of repayment and November 1, 2014; *ii*) between November 1, 2014 and April 30, 2015, the Group must pay an amount equal to 102% of the amount repaid in addition to any interest accrued and not paid; *iii*) between May 1, 2015 and April 30, 2016, the Group must pay an amount equal to 101% of the amount repaid in addition to any interest accrued and not paid and *iv*) 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.

In addition to the above, before November 1, 2014, in the event that the shares of the Company are listed, the Company has the right to repay a portion not in excess of 40% of the loan paying an amount equal to 107.25% of the amount repaid in addition to any interest accrued and not paid on the condition that both the following conditions are met: i) the repayment is made within 120 dates of the deadline of the listing process and ii) following the repayment, there remains a portion outstanding equal to 60% of the notes issued (a total of Euros 275 million).

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 entities 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 set out in the preceding paragraph);

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

- Secured and unsecured guarantees have been provided 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, 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 rank equally towards the loans from related parties.

Other loans from third parties

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

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Loans from other banks	2,739	970	5,613
Loans from other lenders -factoring	-	3,906	3,906
Loans from other lenders -leasing	4,698	5,030	9,848
Short-term loans - other	-	120	6,608
Other loans from third parties	**7,437**	**10,026**	**25,975**

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

"*Loans from other lenders - factoring*" totaled Euros 3,906 thousand at December 31, 2012 and referred principally to the transfer of the VAT receivable referring to the year 2007. The Group filed a request to the concessionaire for the reimbursement of this amount, thus taking advantage of the procedure set out in art. 38 *bis*, paragraph 1 of DPR 633/72. Following subsequent agreements with the factoring company, the debt was completely repaid during 2013.

"Loans from other lenders - *leasing*" 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 4.1 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 chart:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Minimum lease payments due			
Within 12 months	2,358	3,686	5,003
Between 1 and 5 years	2,407	1,454	5,153
After 5 years	30	-	-
Future financial expenses	(97)	(110)	(307)
Present value of payables to leasing companies	**4,698**	**5,030**	**9,849**

At December 31, 2011 *Short-term loans – other* include a loan of Euros 5,850 thousand due to the former shareholders of the company Ilio S.p.A., paid in January 2012.

35. Net financial debt

The net financial debt of the Group at December 31, 2013, 2012 and 2011, 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 thousands of Euro)	**2013**	**2012**	**2011**
A Cash	7,135	2,922	3,164
B Other liquid assets	97,169	150,027	159,056
C Securities held for sale	2	2	1,004
D Liquidity (A+B+C)	**104,306**	**152,951**	**163,224**
E Current financial receivables	**-**	**-**	**-**
F Current financial payables	34,286	34,406	40,894
G Current portion of medium-/long-term debt	25,199	86,661	17,271
H Other current financial payables	2,328	7,497	4,807
I Current financial debt (F+G+H)	**61,813**	**128,564**	**62,972**
J Net current financial debt (I-E-D)	**(42,493)**	**(24,387)**	**(100,252)**
K Medium-/long-term debt	837,879	1,008,729	1,073,323
L Notes issued	267,641	-	-
M Other non-current financial payables	2,370	1,439	8,947
N Non-current financial debt (K+L+M)	**1,107,890**	**1,010,168**	**1,082,270**
O Net financial debt (J+N)	**1,065,397**	**985,781**	**982,018**

36. Provision for employee severance indemnities

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

(in thousands of Euro)	At December 31, 2013	2012	2011
Opening balance	**9,096**	**7,876**	**7,593**
Current service costs	27	105	28
Finance expenses	284	353	374
Actuarial (gains) losses	(40)	1,393	(330)
Contributions made - Benefits paid	(404)	(631)	(436)
Change in scope of consolidation	718	-	647
Total balance	**9,681**	**9,096**	**7,876**

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	3.2%
Inflation rate	2%
Future salary increase rate	3%
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 thousands of Euro)	Sundry risks and charges provisions	Technological updating provision
At January 1, 2011	**8,548**	**604**
Increases	5,917	353
Decreases	(199)	-
At December 31, 2011	**14,266**	**957**
Increases	150	550
Decreases	(7,060)	-
At December 31, 2012	**7,356**	**1,507**
Increases	4,385	452
Decreases	(479)	-
At December 31, 2013	**11,262**	**1,959**

The *Technological updating provision* refers to the accrual which 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 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 are detailed as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Payable for the acquisition of business segments	1,481	1,465	2,044
Other non-current liabilities	10,041	1,780	4,275
Total	**11,522**	**3,245**	**6,319**

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.

Other non-current liabilities refer to the non-current portion of the payable to the tax authorities relating to the proposal to settle the Note of Findings (NoF) issued following the inspection by the Financial Police and signed by the Parent in December 2011.

39. Trade and other payables

Trade and other payables are composed of the following:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Payables to suppliers	80,429	92,587	91,586
Payables to partners for services	181,314	186,805	158,376
Payables to gaming machines network	1,261	4,391	8,548
Other trade payables	5,417	523	649
Total	**268,421**	**284,306**	**259,159**

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 during the 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 thousands of Euro)	**2013**	**2012**	**2011**
Payables for IRAP tax	2,623	220	3,370
Payables for IRES tax on income tax consolidation	-	-	6,624
Total	**2,623**	**220**	**9,994**

At December 31, 2013 and also at December 31, 2012 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 thousands of Euro)	**2013**	**2012**	**2011**
Payables on games	74,284	90,795	102,126
Payables for winnings	78,216	88,623	144,851
Payables to employees	10,164	11,253	11,329
Other current liabilities	22,515	7,545	17,093
Payables to social security agencies	7,380	6,350	6,722
Other taxes payable	4,614	4,819	6,139
Payables to collaborators	1,299	1,558	1,549
Liabilities relating to fair value of derivative instruments	-	-	6,592
Total	**198,472**	**210,943**	**296,401**

The main items forming other current liabilities are analyzed below.

<u>*Payables on games*</u>

Payables on games refer to the following:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Payables to tax authorities on games	58,726	71,851	82,252
Payables for guaranteed minimum	3,905	7,837	9,922
Payables for online games	7,780	6,174	7,715
NTNG subscribers	1,730	2,937	974
Payables for betting management	2,143	1,996	1,263
Total other payables on games	**74,284**	**90,795**	**102,126**

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 of 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, 2012, moreover, this item includedEuros 16.6 million for the penalty and interest levied by AAMS on Sisal for failure to reach the minimum turnover on NTNG games for the two month period May-June 2012.

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 Courts had jurisdiction over the matter. No claim has so far been made against Sisal Entertainment following that revocation order. An appeal to the Supreme Court can still be filed against the judgment of the Rome Court of Appeal to overturn its decision and reinstate the award; a new application to the Administrative Court, identified by the Rome Court of Appeal as having jurisdiction, is also still possible. As at December 31, 2012, this payable also includes the amounts due for the integration of the minimum guaranteed adjustment accrued in the years 2008 and 2009; as already stated, this payable was fully written off in 2013 in view of the latest developments in the courts.

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

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 balance sheet date; the contra-entry to such payables is mainly restricted bank deposits set up for this purpose and recorded in the assets of the consolidated statement of financial position.

Payables for winnings can be analyzed as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Payables for SuperEnalotto-SuperStar winnings	64,332	71,731	97,744
Payables for Win for Life winnings	5,267	8,005	28,387
Payables for VLT winnings	6,579	4,700	6,052
Payables for Si Vince Tutto-SuperEnalotto winnings	1,406	2,856	12,046
Payables for Eurojackpot winnings	250	741	-
Payables for CONI games	155	321	283
Payables for Tris games and horse race betting winnings	212	256	328
Payables for Bingo winnings	9	13	11
Payables for Play Six winnings	6		
Total payables for winnings	**78,216**	**88,623**	**144,851**

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 thousands of Euro)	**2013**	**2012**	**2011**
Payables for IRPEF payroll tax to tax authorities	2,626	1,996	2,128
Payables for withholding tax on RBS loan to tax authorities	53	431	80
Payables for equalization tax to tax authorities	9	16	29
Sundry taxes payable	1,926	2,376	3,903
Other taxes payable	**4,614**	**4,819**	**6,139**

Sundry taxes payable at December 31, 2012 mainly included 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.

Other current liabilities

Other 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 in 2012 in this item is attributable primarily to the payment during the year of amounts payable contracted at the end of 2011 on the acquisition of companies and business segments, according to the relative agreements. The increase during the year is largely in reference to the residual amount payable on the acquisitions concluded in 2013 which will be paid during the first half of 2014.

Liabilities relating to fair value of derivative instruments

This item shows a nil balance at December 31, 2012 following the closing of the interest rate swaps upon maturity. As mentioned previously, in 2011 and 2012, the Group's policy to reduce exposure to the fluctuations in the finance expenses on its debt was to use derivative instruments represented by interest rate swaps. Subsequently, in view of the economic situation and the expectations in terms of inflation, an increase in interest rates has not appeared probable; thus, the Group decided not to extend the hedging transactions which closed at the end of the year 2012.

42. Commitments

The commitments of the Group at December 31, 2013, 2012 and 2011 are detailed as follows:

	At December 31,		
(in thousands of Euro)	**2013**	**2012**	**2011**
Customs and Monopolies Agency (AAMS)	226,729	238,468	383,276
Payments and other services	161,820	140,820	132,870
Other guarantees provided	3,087	3,311	3,404
Tax revenues agency -Vat Office	1,247	611	25
Total	**392,883**	**383,210**	**519,575**

The Customs and Monopolies Agency (AAMS) commitments refer to the aggregate of the guarantees and/or commitments issued by the concessionaire companies of Group on behalf of the concession granting Authority for the concession to operate and develop various games and also 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 duly guarantee payment, net of their fees, of the amounts collected under the terms of the agreements.

The reduction in the total of commitments provided on behalf of third parties at December 31, 2012 compared with December 31, 2011 of about Euros 136 million is due mainly to the partial release of Euros 158 million referring to the second guarantee provided on behalf of AAMS for the NTNG concession, at the end of the three-year monitoring period of the guaranteed minimum turnover, leaving a residual amount of Euros 17 million to cover the aforementioned NTNG penalty levied on Sisal because of failure to reach the guaranteed minimum turnover in the two-month period May-June 2012.

The increase in the total of commitments provided on behalf of third parties at December 31, 2013 compared to December 31, 2012 of Euros 13 million is primarily due to the increase in the guarantees issued by the Parent on behalf of commercial partners particular in respect of collection and payment services.

Moreover, to guarantee the debt deriving from the financing contracts signed in the course of the acquisition of the majority interest in Sisal, the Group pledged the shares held in Sisal, Sisal Entertainment and Sisal Match Point (later merged in Sisal Entertainment) 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 Group holds that all such transactions are substantially transacted on an arm’s length basis.

The balances referring to related party transactions in the consolidated statement of financial position at December 31, 2013, 2012 and 2011 are detailed in the following chart:

(in thousands of Euro)	**Parent companies**	**Management**	**TOTAL**	**TOTAL ITEM IN CONSOLIDATED FINANCIAL STATEMENTS**	**PERCENTAGE OF TOTAL ITEM**
Current portion of long-term debt					
At December 31, 2013	2,715		2,715	27,527	**9.9%**
At December 31, 2012	-	-		94,158	**0.0%**
At December 31, 2011	301		301	22,078	**1.4%**
Long-term debt					
At December 31, 2013	447,350		447,350	1,107,890	**40.4%**
At December 31, 2012	419,997		419,997	1,010,168	**41.6%**
At December 31, 2011	395,212		395,212	1,082,270	**36.5%**
Other current liabilities					
At December 31, 2013	-	1,069	1,069	198,472	**0.5%**
At December 31, 2012	-	782	782	210,943	**0.4%**
At December 31, 2011	-	978	978	296,401	**0.3%**

The effects of related party transactions on the consolidated income statement for the years ended December 31, 2013, 2012 and 2011 are detailed in the following chart:

(in thousands of Euro)	**Parent companies**	**Management**	**TOTAL**	**TOTAL ITEM IN CONSOLIDATED FINANCIAL STATEMENTS**	**PERCENTAGE OF TOTAL ITEM**
Costs for services					
Year ended December 31, 2013		2,250	2,250	453,571	**0.5%**
Year ended December 31, 2012	-	1,834	1,834	520,295	**0.4%**
Year ended December 31, 2011	-	1,978	1,978	547,268	**0.4%**
Personnel costs					
Year ended December 31, 2013		4,381	4,381	81,298	**5.4%**
Year ended December 31, 2012	-	3,699	3,699	74,658	**5.0%**
Year ended December 31, 2011	-	4,976	4,976	69,338	**7.2%**
Finance expenses and similar					
Year ended December 31, 2013	43,235		43,235	86,798	**49.8%**
Year ended December 31, 2012	40,630	-	40,630	73,262	**55.5%**
Year ended December 31, 2011	37,349	-	37,349	73,064	**51.1%**

The cash flows provided by (used for) transactions with related parties for the years ended December 31, 2013, 2012 and 2011 are detailed in the following chart:

(in thousands of Euro)	**Parent companies**	**Management**	**TOTAL**	**TOTAL CASH FLOWS**	**PERCENTAGE OF TOTAL CASH FLOWS**
Cash flows provided by operating activities					
Year ended December 31, 2013	-		-	**89,912**	**0%**
Year ended December 31, 2012	-		-	**141,857**	**0%**
Year ended December 31, 2011	-		-	**161,991**	**0%**
Cash flows used for investing activities					
Year ended December 31, 2013	-		-	**(82,146)**	**0%**
Year ended December 31, 2012	-		-	**(68,050)**	**0%**
Year ended December 31, 2011	-		-	**(60,111)**	**0%**

Cash flows used for financing activities				
Year ended December 31, 2013	27,353	27,353	**(56,411)**	**(48.5%)**
Year ended December 31, 2012	24,484	24,484	**(83,078)**	**(29.5%)**
Year ended December 31, 2011	20,971	20,971	**(57,678)**	**(36.4%)**

Parent companies

With reference to the transactions with Gaming Invest, the Parent has total financial payables outstanding (including interest accrued but not yet paid and/or capitalized) for approximately Euros 450 million at December 31, 2013; interest accrued on such financial payables referring to the year amounts to Euros 43.2 million, of which Euros 17.6 million has been capitalized. 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 Operating 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 thousands of Euro)	**2013**	**2012**	**2011**
Salaries	4,093	3,475	4,647
Employee severance indemnities	288	224	329
Total	**4,381**	**3,699**	**4,976**

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 some 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 and 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 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 2013 are as follows:

At December 31, 2013					
(in thousands of Euro)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Amount in consolidated financial statements	***(a)***	**(52,188)**	**(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)	-	-
Costs for acquisitions		(2,111)	(2,111)	-	(2,111)
Acceptance of Notice of Findings					(2,372)
IRES recovery for IRAP on personnel costs					2,401
Total non-recurring expenses	***(b)***	**(81,049)**	**(81,049)**	**-**	**(81,872)**
Amount in consolidated financial statements net of non-recurring expenses	***(a-b)***	**28,861**	**(17,756)**	**1,065,399**	**33,227**

The impacts of non-recurring events and transactions relating to the year 2012 are as follows:

At December 31, 2012					
(in thousands of Euro)		**Equity**	**Profit (Loss) for the year**	**Carrying amount of net financial debt**	**Cash flows**
Amount in financial consolidated statements	**(a)**	**45,546**	**(38,794)**	**985,781**	**(9,271)**
Penalty for failure to reach guaranteed minimum NTNG		(16,500)	(16,500)		
Acceptance of Notice of Findings					(2,372)
Voluntary tax settlement 2010					(1,465)
IRES recovery for IRAP on personnel costs		2,401	2,401		
Total non-recurring expenses	**(b)**	**(14,099)**	**(14,099)**	**0**	**(3,837)**
Amount in financial consolidated statements net of non-recurring expenses	**(a-b)**	**59,645**	**(24,695)**	**985,781**	**(5,434)**

The amount of Euros 16,500 thousand recorded in other operating costs in 2012 referred to the fine levied on the Group for failure to reach the guaranteed minimum turnover level on the NTNG games.

The impacts of non-recurring events and transactions relating to the year 2011 are as follows:

At December 31, 2011					
(in thousands of Euro)		Equity	Profit (Loss) for the year	Carrying amount of net financial debt	Cash flows
Amount in financial consolidated statements	**(a)**	**84,907**	**(29,585)**	**982,018**	**44,202**
Acceptance of notice of findings		(7,117)	(7,117)		(593)
Voluntary tax settlement 2010		(1,465)	(1,465)		
Total non-recurring expenses	**(b)**	**(8,582)**	**(8,582)**	**0**	**(593)**
Amount in consolidated financial statements net of non-recurring expenses	**(a-b)**	**93,489**	**(21,003)**	**982,018**	**44,795**

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 thousands of Euro)	**2013**	**2012**	**2011**
Costs for services	**(1,242)**	**-**	**-**
Costs associated with restructuring of debt/other	(1,140)	-	-
Costs for acquisitions	(102)	-	-
Other operating costs	**(76,637)**	**(16,500)**	**-**
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)	-	-
Penalty for failure to reach guaranteed minimum NTNG	-	(16,500)	-
Impact on Operating result (EBIT)	**(77,879)**	**(16,500)**	**-**
Finance expenses and similar	**(3,170)**	**-**	**-**
Finance expenses on settlement of Slots fiscal proceedings	(3,170)	-	-
Loss before income taxes	**(81,049)**	**(16,500)**	**-**
Income taxes	**-**	**2,401**	**(8,582)**
Acceptance of Notice of Findings	-	-	(7,117)
IRES recovery for IRAP on personnel costs	-	2,401	
Voluntary tax settlement 2010	-	-	(1,465)
Impact on profit (loss) for the year	**(81,049)**	**(14,099)**	**(8,582)**

45. Significant events occurring after the end of the year

As mentioned in Note 19, after the reduced payment settlement reached in the gaming machines litigation (referred to as the Slots case), the companies Sisal S.p.A. and Sisal Entertainment S.p.A. jointly presented an appeal in March 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.

There are no other further significant developments to report regarding the concessions and/or other relationships.

Milan, April 3, 2014

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On behalf of the Board of Directors

The Chairman

Prof. Augusto Fantozzi