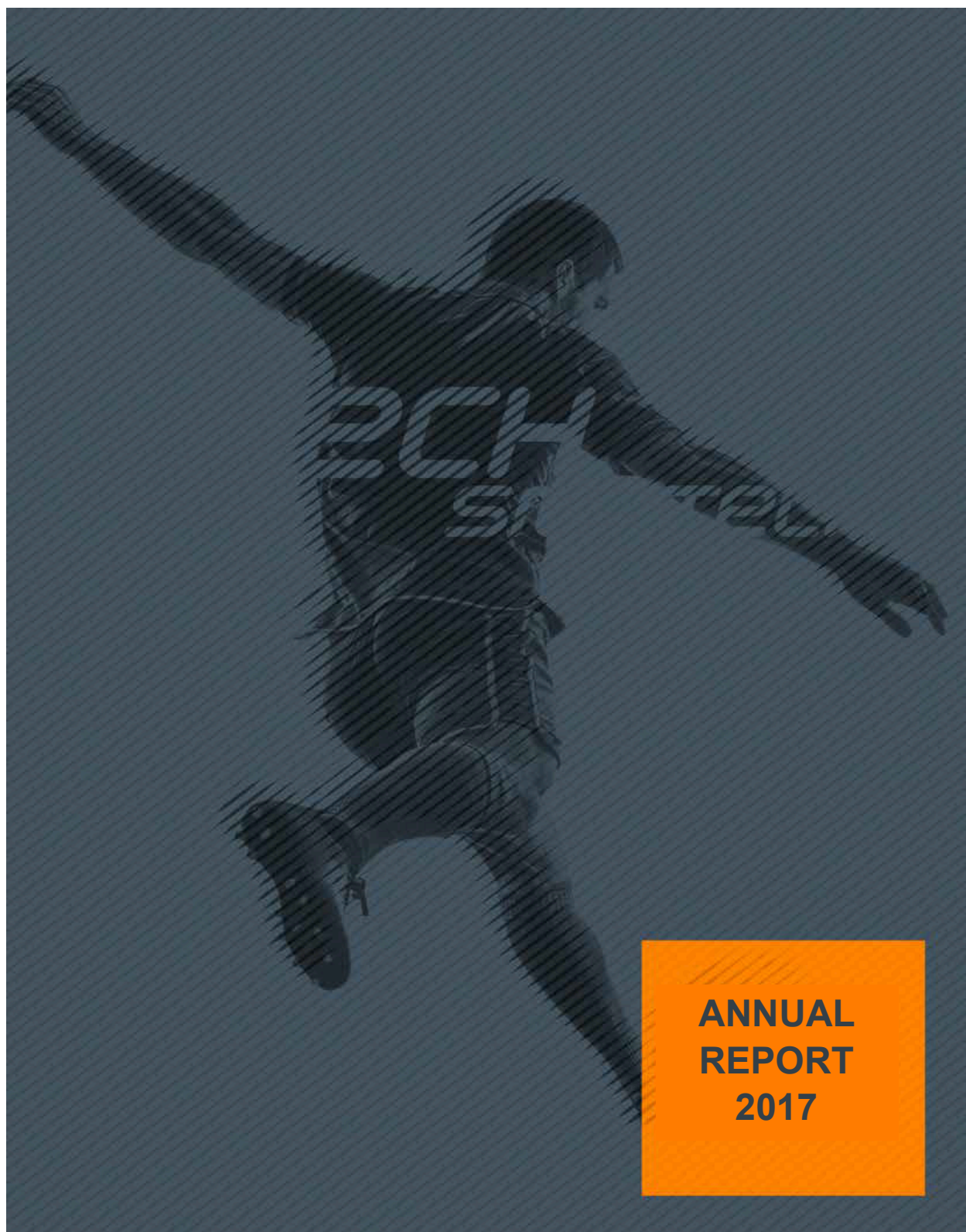


SNAITECH



SNAITECH S.p.A.

Registered Office in Milan – Piazza della Repubblica, 32 – 20124 Milan

Share Capital Euro 97,982,245.40 fully paid in

Tax Code 00754850154 - VAT no. 01729640464

Milan REA no. 1584464 - Register of Companies in Milan no. 00754850154

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**CORPORATE GOVERNANCE
STRUCTURE**

BOARD OF DIRECTORS

(Appointed from the Shareholders' Meeting held on June 9, 2016 and expiring with the Shareholders' Meeting, which approves the financial statements as of December 31, 2018 except for specifications made hereunder)

*Chairwoman
Managing Director*

Mara Caverni
Fabio Schiavolin

Directors

Maurizio Leo*
Giorgio Drago
Nicola Iorio**
Roberto Ruozi***
Barbara Poggiali***
Chiara Palmieri*/******
Salvatore Catapano
Raffaella Viscardi/******
Nadia Buttignol
Paolo Scarlatti
Mauro Pisapia/******
Roberto Maestroni*****

The Director in charge of the preparation of the corporate accounting documents

Chiaffredo Rinaudo

BOARD OF STATUTORY AUDITORS

(Appointed from the Shareholders' Meeting held on May 26, 2017 and expiring with the Shareholders' Meeting, which approves the financial statements as of December 31, 2019)

*Chairwoman
Standing Auditors*

Angelo Miglietta
Massimo Gallina
Mariateresa Salerno

INDEPENDENT AUDITORS

(Appointed from the Shareholders' Meeting held on June 9, 2016, for a nine-year term)

PricewaterhouseCoopers S.p.A.

* Appointed by the Shareholders' Meeting held on March 13, 2017 until the Shareholders' Meeting that will approve the financial statements as of December 31, 2018

** Members of the Control and Risks Committee

*** Members of the Compensation Committee

**** Members of the Related Parties Committee

***** Appointed by co-option on June 26, 2017 to replace Angelo Giovannone, effective until next Shareholders' Meeting



**DIRECTORS' REPORT ON THE
COMPANY AND THE GROUP**

A SNAITECH GROUP

Snaitech Group is the leading operator on the Italian retail betting market and one of the main players on the gaming machines market.

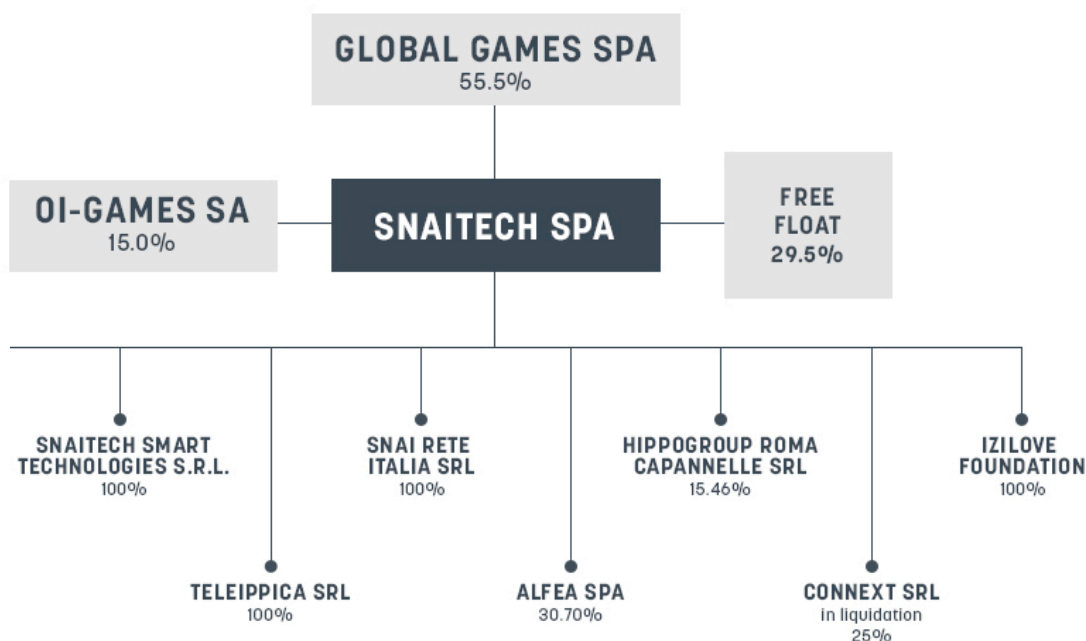
The Group offering primarily includes, on a national basis: (i) Gaming Machines (AWP and VLT); (ii) Sports bets, Horserace bets and Virtual Events bets both on retail and online channel; (iii) Bingo, Skill and Casino games.

Additionally, the Group offering includes also: (i) bets services provided to independent concessioners; (ii) payment services (utility bill payment, mobile top-up, phone/gift cards) and (iii) management of horse racing tracks in Milan (Trot and Gallop) and Montecatini and (iv) Sat TV broadcasting and Radio channel for Horse Racing and Virtual Games.

As a market leader and in line with its social responsibility principles, which inspire every single activity, SNAITECH S.p.A. (also “Snaitech” or “Company”) is committed to prevent, control and protect gaming through communication and information campaigns on responsible gaming, which alert clients on the risks of pathologic gaming, as well as cooperate with relevant authorities through reporting of illegal gaming activities.

The Group is controlled by Global Games S.p.A., which owns 55.5% of the Snaitech S.p.A.. Global Games S.p.A. ownership is equally divided between Global Entertainment and Global Win (each respectively with 50% shares). Global Entertainment is a Luxembourg established company owned by Investindustrial IV Buld-Up L.P. (L.P. private equity fund established in London); Global Win is an Italian established company owned by 99.9% by Venice European Investment Capital S.p.A., which is owned by Palladio Holding S.p.A. Furthermore, 15% of the Group is owned by OI Games S.A., which is an SPV owned by Orlando Italy fund.

Global Games S.p.A. (as holding company) does not engage in direction and coordination activities vis-à-vis Snaitech S.p.A., which is self-governed and sets its own strategic objectives, with full organisational, operational and contractual independence.



B FINANCIAL PERFORMANCE

The following operating and financial analysis is provided as a supplement to the financial statements and the explanatory notes and must be read jointly.

B.1 Comments on “non-GAAP” and Key performance indicators

The key performance indicators of the Group's performance are shown in the following table (in thousands of Euro, with the exception of amounts per share).

| <i>Figures in thousand/Euro</i> | Full year | | Change | |
|---------------------------------|-----------|----------|---------|-------|
| | 2017 | 2016 | € | % |
| Total revenues | 889,608 | 898,497 | (8,889) | (1.0) |
| EBITDA | 135,865 | 128,302 | 7,563 | 5.9 |
| EBIT | 82,094 | 50,724 | 31,370 | 61.8 |
| Profit/(loss) before tax | 41,576 | (35,643) | 77,219 | >100 |
| Net profit (loss) | 27,010 | (16,954) | 43,964 | >100 |
| Earnings/(loss) per share | 0.14 | (0.09) | 0.23 | >100 |

In compliance with the Consob Communication DEM/6064293 of July 28, 2006, as amended and supplemented (Communication Consob no. 0092543 of December 3, 2015 which transposes the ESMA/2015/1415 directives concerning alternative performance indicators), Snaitech recorded, in its interim management report, in addition to the financial performance measures set out by IFRS, some measures derived from the latter although not contemplated in the IFRS (Non-GAAP Measures). These measures are being adopted with the aim to provide a better assessment of the Group performance and they should not be considered alternatively to those required under the IFRS standards.

In particular, the alternative performance indicators used are the following:

- EBITDA
- EBIT

These performance indicators are not required under the IFRS accounting standards. Therefore, they must not be considered separately or as a replacement of other items of financial statement drafted according to the IFRS standards. These indicators must rather be used to supplement the results calculated according to IFRS in order to allow a better understanding of the operating performance of the Group.

It is worthwhile to emphasize that the calculation of these indicators is not defined by the IFRS accounting standards and therefore their definition must be carefully assessed and analysed by the investor. A detailed description of the above-mentioned indicators is provided below along with an IFRS accounting standards reconciliation.

The Non-IFRS measures, such as EBITDA, EBIT and the net financial indebtedness are included in this interim management report in order to:

- Improve the level of transparency for the financial community;
- Assist investors in the assessment of the operating performance of the Group and its capacity to refinance its debt within the due date and to obtain further funding to invest in new business opportunities;
- Assist investors in calculating the cost of debt for the Group;
- Ensure that these measures are fully understood in light of the Group assessment of its operating results and financial leverage;
- Define precisely the measures adopted and confirm their calculation method; and
- Share these measures with the financial community simultaneously.

EBITDA represents the net profit attributable to the Group before income taxes, other financial income and expenses, amortisations and depreciations, other provisions, non-recurrent income and expenses, fees on bank guarantees and bank expenses and cost of personnel related to share-based remuneration (IRFS 2 charges).

It is believed that the determination of EBITDA is useful to both the management and the investors in assessing the operating performance of the Group, as well as for comparisons with other companies

operating in the same sector, although these indicators may not be comparable with the same indicators used by the other companies.

The Group recognises certain limits on the usefulness of EBITDA such as:

- The above indicator does not include financial expenses. Since the Group received funding to develop its own business, the financial interest is deemed to be a needful item to determine overall costs and assess the ability to produce earnings and cash flows. Therefore, any indicator that excludes financial expenses may have significant limitations;
- The above indicator does not include amortisations, depreciations and write-downs on fixed assets. Since the Group owns fixed assets, depreciation, amortization and write-down are essential to define overall costs and assess the ability to produce earnings. Therefore, any indicator that excludes depreciations/amortisations may have significant limitations;
- The above indicator does not include income taxes. Since income taxes are deemed to be a needful item to determine overall costs, any indicator that excludes income taxes may have significant limitations;
- They do not take into account any cash disbursement or capital requirement to fund future investments or contractual commitments;
- The above indicator does not take into account any changes to the working capital or to the capital requirement.

In order to address the above limitations, the Group adopts the EBITDA as a comparative tool along with those indicators determined in accordance with IAS/IFRS accounting standards, with the aim to facilitate assessment of the operating performance and financial leverage of the Group.

EBIT refers to “Earnings before interest and taxes” recorded in the Statement of Comprehensive Income.

The composition of EBITDA is obtained by adding the following items to EBIT:

| <i>Figures in thousand/Euro</i> | Full year | | Change | |
|---|------------------|----------------|---------------|-------------|
| | 2017 | 2016 | € | % |
| EBIT | 82,094 | 50,724 | 31,370 | 61.8 |
| + Depreciation of property, plant and equipment | 19,611 | 22,514 | (2,903) | (12.9) |
| + Amortisation of intangible fixed assets | 30,176 | 34,233 | (4,057) | (11.9) |
| + Depreciations | 746 | 653 | 93 | 14.2 |
| + Other allocations | 44 | 11,036 | (10,992) | (99.6) |
| Earnings before interest, tax, depreciation and amortisation | 132,671 | 119,160 | 13,511 | 11.3 |
| + Commissions on bank guarantees and costs | 6,470 | 6,083 | 387 | 6.4 |
| + Costs related to share-based remuneration (IFRS 2) | 120 | 0 | 120 | 100 |
| + Non-recurring Costs (income) | (3,396) | 3,059 | (6,455) | >100 |
| EBITDA | 135,865 | 128,302 | 7,563 | 5.9 |

The composition of the profit (loss) before taxes is obtained by adding the following items to EBIT:

| <i>Figures in thousand/Euro</i> | Full year | | Change | |
|--|------------------|-----------------|---------------|----------------|
| | 2017 | 2016 | € | % |
| EBIT | 82,094 | 50,724 | 31,370 | 61.8 |
| + Profit/(loss) of associates measured using the equity method | (586) | 4 | (590) | >100 |
| + Financial income | 770 | 666 | 104 | 15.6 |
| + Financial costs | (40,701) | (87,035) | 46,334 | 53.2 |
| + Net income (loss) on foreign exchange | (1) | (2) | 1 | 50.0 |
| Profit before tax | 41,576 | (35,643) | 77,219 | >100 |

B.2 Non-recurring income and costs

During the year, the Group accounted for non-recurring income and costs occurred out of the normal course of business.

| <i>Figures in thousand/Euro</i> | Snaitech Full year 2017 | Snaitech Group Full year 2017 |
|--|------------------------------------|--|
| Non-recurring income and costs | | |
| Income from lawsuit | (499) | (499) |
| Capital gains | 0 | (913) |
| Income related to compensations for damages | (2,300) | (2,300) |
| Costs related to incomes from lawsuit | 695 | 695 |
| Costs related to non-recurring advisory | 690 | 912 |
| Voluntary redundancy schemes and related costs | 92 | 107 |
| Extraordinary AAMS requests related to prior periods | 1,207 | 1,207 |
| VAT reimbursement from previous years | (2,978) | (2,978) |
| Other | 340 | 373 |
| Impact on EBITDA | (2,753) | (3,396) |
| Deferred expenses related to labour lawsuit | 390 | 390 |
| Impact on Profit before tax | (2,363) | (3,006) |

The Board of directors believes the above figures to be extraordinary non-recurring items.

B.3 Investments

The Snaitech Group has made the following investments:

- a. Property, plant and equipment for a total amount of Euro 17,759 thousand, broken down as follows:

| | <i>Figures in thousand/Euro</i> |
|------------------------------------|---------------------------------|
| Land and buildings | 937 |
| Plant and equipment | 15,259 |
| Industrial and commercial fixtures | 147 |
| Other assets | 1,402 |
| Capital work-in-progress | 14 |

- b. Intangible assets in a total amount of Euro 9,403 thousand, broken down as follows:

| | <i>Figures in thousand/Euro</i> |
|--|---------------------------------|
| Goodwill | 3,555 |
| Industrial patent rights and intellectual property | 168 |
| Concessions, licenses, brands and similar rights | 3,144 |
| Other | 1,874 |
| Capital work-in-progress | 662 |

B.4 Economic and Financial Performance of the Group

B.4.1 Snaitech Group

Total revenues of the Snaitech Group decreased by 1% compared to the previous year, moving down to Euro 889.6 million from Euro 898.5 million in 2016. Revenues from sales and services totalled Euro 884.2 million in 2017 compared to Euro 889.1 million in 2016, with a 0.5% decrease owing to the increase of PREU tax rate on Gaming Machines, effective from April 2017, and lower wagers always from Gaming Machines, which was partially offset by the lower payout level on Sports Betting, the increase of wagers of Online games and Sports Betting online and the positive effect of lower payout on AWP's and VLT's.

Other revenues and income dropped to Euro 5.4 million from Euro 9.4 million recorded in 2016, down by Euro 4 million and owing to a significant reduction of income from lawsuit.

Notwithstanding the increase of PREU tax rate on Gaming Machines, the Group's EBITDA increased by 5.9%, from Euro 128.3 million in 2016 to Euro 135.9 million in 2017, owing to a lower Sports payout, good performance of the Online business, the outsourcing of shops owned by SNAI Rete Italia and the achievement of relevant synergies and operational efficiencies following the merger with Cogemat group.

In 2017 the non-recurring net income impacted EBITDA by Euro 3.4 million compared to Euro 3 million of non-recurring net costs of 2016.

The Group's EBIT in 2017 settled at Euro 82.1 million compared to Euro 50.7 million of the previous year, owing to the aforementioned increase of EBITDA and to a lower level of depreciations and expenses related to provisions for risks and charges. The Group's result before taxes in 2017 was positive and equal to Euro 41.6 million, up by Euro 77.2 million compared to 2016. Such result, in addition to the previously mentioned reasons, is also due to lower financial costs related to the bonds issued on November 2016 at better market conditions.

The net profit of the Group in 2017 is equal to Euro 27 million, compared to a net loss of Euro 17 million in 2016.

The net financial indebtedness of the Snaitech Group as of December 30, 2017, was equal to Euro 428.8 million, versus Euro 480.9 million as of December 31, 2016. Such reduction is for the most part related to the increase of cash and cash equivalents by Euro 55.3 million, owing to the economic results achieved and the net working capital movements. Conversely, the gross financial indebtedness increased by Euro 3.1 million due to the amortised cost method applied to bonds and the new bank loan of Euro 1.5 million.

B.4.2 Snaitech S.p.A.

The parent company Snaitech S.p.A. generated revenues of Euro 879.9 million (inclusive of the effect of the merger with the Società Trenno S.r.l.), down by 0.15% compared to Euro 881.2 million in 2016. The EBITDA is equal to Euro 136.1 million (Euro 132.4 million in 2016), while the EBIT is positive by Euro 83 million (Euro 58.7 million in 2016). The result for the year is positive and equal to Euro 21.7 million (Euro -18.5 million in 2016). The net financial indebtedness of Snaitech S.p.A. as of December 31, 2017 was equal to Euro 437.7 million compared to Euro 488.8 million at the end of 2016. A reminder on the comparability of 2017 income statement with the previous year statement and the influence produced by the merger of Società Trenno S.r.l., effective from January 1, 2017: income statement for 2016 does not include the balances of the absorbed undertaking differently from 2017 statement, which includes balances for the whole year.

B.5 Economic and financial performance of Snaitech S.p.A.

The merger of the undertaking Trenno S.r.l. in Snaitech took on the form of a parent-subsiary merger with an investment holding in the absorbed company of 100% and the nature of the restructuring transaction. In this context, the accounting treatment of the mergers in the annual financial statements is regulated by the revised OPI No. 2, which establishes that the backdating of previous year costs and revenues of the incorporated undertaking as well as balance sheet figures, must be represented in specific pro forma statements presented in the directors' report.

Therefore, the pro forma balances of the absorbing company as of December 31, 2016 are illustrated below. The pro forma balances have been set with the purpose of presenting the effects of the Merger transaction on the equity, financial and economic situation of Snaitech as if such transaction had taken place in the period when pro forma data were calculated.

Therefore:

- a) With reference to the statement of financial position, the pro forma adjustments were made assuming that the Merger was finalised on January 1, 2016;
- b) With reference to the income statement, the pro forma adjustments were made assuming that the Merger was finalised on January 1, 2016 and included consolidated data;
- c) The pro forma adjustments included and represent all the material equity, economic and financial effects directly related to the transaction for which the pro forma figures are requested;
- d) The pro forma adjustments made are supported by objective evidence which can be as independently assessed;
- e) The pro forma adjustments were determined by observing the valuation principles and IAS/IFRS international accounting standards, approved by the European Union;
- f) The pro forma adjustments were determined, insofar as possible, using methods and criteria essentially consistent with those adopted at the time of drawing up the first set of financial statements after the Merger, in which the effects of said Merger are reflected.

It follows that despite the observance of the general criteria mentioned previously, intrinsic limits remain in the very nature of the pro forma data, since these are representations based on assumptions. Therefore, they should not be considered to be representative of the results, which would have been obtained if the transactions considered in the drafting of the pro forma data had really taken place as of the date taken as reference. The pro forma data reproduces a hypothetical situation and therefore does not intend to represent a current or forecasted financial and economical performance of Snaitech.

The Pro Forma Statements include:

- A. The historical data of the annual report of Snaitech as of December 31, 2016, produced in accordance with the IAS/IFRS international accounting standards;
- B. The historical data of the annual report of Trenno S.r.l., produced in accordance with the IAS/IFRS international accounting standards;
- C. The aggregation (sum) of the annual reports of Snaitech and Trenno S.r.l. as of December 31, 2016;
- D. The pro forma adjustments to reflect the Merger transaction;
- E. The consolidated pro forma data as of December 31, 2016 obtained by adding together the aggregate data and the pro forma adjustments.

Pro forma income statement and balance sheet of Snaitech S.p.A. for the year ended December 31, 2016 are represented hereinafter:

Snaitech S.p.A. – Statement of Comprehensive Income

| <i>Figures in thousand/Euro</i> | Full year 2017 | Full year 2016 | PF Year 2016 |
|--|---------------------------|---------------------------|-------------------------|
| Revenues from sales and services | 874,901 | 871,932 | 879,606 |
| Other revenues and income | 4,949 | 9,292 | 9,129 |
| Change in inventory of finished and semi-finished products | 0 | 1 | 1 |
| Raw materials and consumables | (737) | (489) | (658) |
| Cost of services and third party assets | (654,355) | (663,674) | (667,175) |
| Costs of personnel | (43,286) | (41,221) | (45,569) |
| Other operating costs | (49,882) | (53,148) | (53,482) |
| Capitalised costs | 765 | 1,825 | 1,825 |
| Earnings before interest, tax, depreciation and amortisation | 132,355 | 124,518 | 123,677 |
| Amortisation and depreciation | (49,058) | (55,566) | (55,969) |
| Other expenses related to provisions | (276) | (10,277) | (10,277) |
| Earnings before interest and taxes | 83,021 | 58,675 | 57,431 |
| Gains and expenses from shareholdings | (6,242) | (7,077) | (5,688) |
| Financial income | 1,090 | 1,446 | 863 |
| Financial costs | (41,450) | (87,802) | (87,842) |
| Total financial income and expenses | (46,602) | (93,433) | (92,667) |
| PROFIT/(LOSS) BEFORE TAXES | 36,419 | (34,758) | (35,236) |
| Income tax | (14,688) | 16,290 | 16,766 |
| Profit/(Loss) for the period | 21,731 | (18,468) | (18,470) |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | 65 | (180) | (179) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 65 | (180) | (179) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 0 | 0 | 0 |
| Total profit/(loss) in comprehensive income statement, after taxes | 65 | (180) | (179) |
| Comprehensive profit (loss) for the period | 21,796 | (18,648) | (18,649) |

Snaitech S.p.A. – Statement of Financial Position

| <i>Figures in thousand/Euro</i> | 31.12.17 | 31.12.16 | PF 31.12.16 |
|--|-----------------|-----------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 129,472 | 130,537 | 131,672 |
| Assets held under financial leases | 281 | 420 | 420 |
| Total property, plant and equipment | 129,753 | 130,957 | 132,092 |
| Goodwill | 306,365 | 302,809 | 302,809 |
| Other intangible assets | 116,566 | 140,846 | 140,862 |
| Total intangible assets | 422,931 | 443,655 | 443,671 |
| Investments measured using the equity method | 13,671 | 20,072 | 17,954 |
| Investments in other companies | 232 | 46 | 46 |
| Total investments | 13,903 | 20,118 | 18,000 |
| Deferred tax assets | 38,887 | 49,660 | 50,395 |
| Non-current trade receivables | 8,622 | 2,314 | 2,314 |
| Other non-financial assets | 549 | 624 | 642 |
| Non-current financial assets | 3,386 | 2,009 | 2,009 |
| Total non-current assets | 618,031 | 649,337 | 649,123 |
| Current assets | | | |
| Inventories | 205 | 170 | 199 |
| Trade receivables | 111,676 | 111,450 | 113,010 |
| Other assets | 54,166 | 54,189 | 54,318 |
| Current financial assets | 24,771 | 26,378 | 20,519 |
| Cash and cash equivalents | 136,363 | 77,397 | 79,007 |
| Total current assets | 327,181 | 269,584 | 267,053 |
| TOTAL ASSETS | 945,212 | 918,921 | 916,176 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Shareholders' equity attributable to equity holders of the Parent Company | | | |
| Share capital | 97,982 | 97,982 | 97,982 |
| Reserves | 21,604 | 40,190 | 40,009 |
| Profit (Loss) for the period | 21,731 | (18,468) | (18,470) |
| Total shareholders' equity attributable to equity holders of the Parent Company | 141,317 | 119,704 | 119,521 |
| Non-current liabilities | | | |
| Employee termination indemnities | 5,717 | 4,831 | 6,397 |
| Non-current financial liabilities | 560,244 | 557,414 | 557,414 |
| Provisions for risks and charges | 12,211 | 26,177 | 26,402 |
| Other non-current liabilities | 4,023 | 3,577 | 3,586 |
| Total non-current liabilities | 582,195 | 591,999 | 593,799 |
| Current liabilities | | | |
| Trade payables | 37,448 | 31,061 | 32,326 |
| Other liabilities | 162,483 | 157,795 | 152,168 |
| Current financial liabilities | 21,290 | 18,362 | 18,362 |
| Current portion of long-term loans | 479 | 0 | 0 |
| Total current financial liabilities | 21,769 | 18,362 | 18,362 |
| Total current liabilities | 221,700 | 207,218 | 202,856 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 945,212 | 918,921 | 916,176 |

Snaitech S.p.A. – Cash Flow Statement

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit (loss) for the period attributable to equity holders of the Parent Company | 21,731 | (18,468) |
| Financial expenses | 41,450 | 87,802 |
| Amortisation and depreciation | 49,058 | 55,566 |
| Impairments and losses on shareholdings | 6,242 | 13,815 |
| Net change in deferred tax assets and liabilities | 11,487 | (21,581) |
| Change in provision for risks and charges | (14,192) | (4,109) |
| (Gains)/loss on disposal of non-current assets (including shareholdings) | 184 | 513 |
| Net change in employee termination indemnities | (595) | (216) |
| Net change in non-current assets and liabilities | (5,777) | (1,813) |
| Net change in current trade assets and liabilities and other changes | 18,473 | (2,414) |
| Cash and cash equivalents generated by operations | 128,061 | 109,095 |
| Taxes paid | (2,787) | (1,944) |
| Interest paid | (36,470) | (52,168) |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | 88,804 | 54,983 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in property, plant and equipment | (15,172) | (9,641) |
| Investments in intangible assets | (5,848) | (10,452) |
| Acquisition of business units | (4,228) | 0 |
| Payments to cover losses incurred on shareholdings | (2,135) | (14,481) |
| Purchase of shareholdings | (10) | 0 |
| Proceeds from the sale of property, plant and equipment, intangible and other non-current assets | 316 | 323 |
| CASH FLOW USED IN INVESTING ACTIVITIES (B) | (27,077) | (34,251) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Change in financial receivables and other financial assets | (6,804) | 3,707 |
| Change in financial liabilities | 1,257 | (14,137) |
| Repayment of bonds | 0 | (590,000) |
| Issuance of bonds | 0 | 557,115 |
| Proceeds from bank loans | 1,450 | 0 |
| Repayment of bank loans | (275) | 0 |
| Cash and cash equivalents from merger | 1,611 | 46,002 |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | (2,761) | 2,687 |
| D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D) | 0 | 0 |
| E. TOTAL CASH FLOW (A+B+C+D) | 58,966 | 23,419 |
| F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | 77,397 | 53,978 |
| G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | 0 | 0 |
| H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | 136,363 | 77,397 |

Snaitech S.p.A. - Net financial indebtedness

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| A. Cash | 315 | 368 |
| B. Other cash and cash equivalents | 136,048 | 77,029 |
| – Bank accounts | 134,884 | 75,014 |
| – Postal accounts | 1,164 | 2,015 |
| C. C. Securities held for trading | 1 | 1 |
| D. Liquidity (A) + (B) + (C) | 136,364 | 77,398 |
| E. Current financial receivables | 7,932 | 9,592 |
| – Current account with subsidiaries | 7,932 | 9,592 |
| F. Current bank debts | 136 | 136 |
| G. Current portion of non-current indebtedness | 479 | 0 |
| H. Other current financial payables | 21,154 | 18,227 |
| – Interest on bond loans | 5,352 | 5,352 |
| – Current accounts with subsidiaries | 15,623 | 12,533 |
| – Payables to other lenders | 179 | 342 |
| I. Current financial indebtedness (F) + (G) + (H) | 21,769 | 18,363 |
| J. Net current financial indebtedness (I) - (E) -(D) | (122,527) | (68,627) |
| K. Non-current bank debts | 696 | 0 |
| L. Bonds issued | 559,385 | 557,115 |
| M. Other non-current payables | 163 | 299 |
| – Payables to other lenders | 163 | 299 |
| N. Non-current financial indebtedness (K) +(L) + (M) | 560,244 | 557,414 |
| O. Net financial indebtedness (J)+(N) | 437,717 | 488,787 |

Net financial indebtedness does not include restricted bank accounts of Euro 16,838 thousand (included in the item “Current financial assets”) and other non-current financial assets of Euro 3,386 thousand.

B.6 Group Financial Position and Income Statement
Snaitech Group –Consolidated Statement of Comprehensive Income

| <i>Figures in thousand/Euro</i> | Full year | |
|--|------------------|-----------------|
| | 2017 | 2016 |
| Revenues from sales and services | 884,213 | 889,064 |
| Other revenues and income | 5,395 | 9,433 |
| Change in inventory of finished and semi-finished products | 0 | 1 |
| Raw materials and consumables | (761) | (683) |
| Cost of services and third party assets | (654,911) | (666,390) |
| Costs of personnel | (51,311) | (59,311) |
| Other operating costs | (50,719) | (54,779) |
| Capitalised costs | 765 | 1,825 |
| Earnings before interest, tax, depreciation and amortisation | 132,671 | 119,160 |
| Amortisation and depreciation | (50,533) | (57,400) |
| Other expenses related to provisions | (44) | (11,036) |
| Earnings before interest and taxes | 82,094 | 50,724 |
| Gains and expenses from shareholdings | (586) | 4 |
| Financial income | 784 | 686 |
| Financial costs | (40,716) | (87,057) |
| Total financial income and expenses | (40,518) | (86,367) |
| PROFIT/(LOSS) BEFORE TAXES | 41,576 | (35,643) |
| Income tax | (14,566) | 18,689 |
| Profit/(Loss) for the period | 27,010 | (16,954) |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | 69 | (178) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 69 | (178) |
| Profit/(Loss) from available-for-sale financial assets | 0 | 17 |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 0 | 17 |
| Total profit/(loss) in comprehensive income statement, after taxes | 69 | (161) |
| Comprehensive profit (loss) for the period | 27,079 | (17,115) |
| <i>Attributable to:</i> | | |
| Profit (loss) for the period pertaining to the Group | 27,010 | (16,954) |
| Profit (loss) for the period pertaining to Third parties | 0 | 0 |
| Total profit (loss) for the period pertaining to the Group | 27,079 | (17,115) |
| Total profit (loss) for the period pertaining to Third Parties | 0 | 0 |
| Basic earnings (loss) per share in Euro | 0.14 | (0.09) |
| Diluted earnings (loss) per share in Euro | 0.14 | (0.09) |

Snaitech Group –Consolidated Statement of Financial Position

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 132,086 | 135,273 |
| Assets held under financial leases | 281 | 420 |
| Total property, plant and equipment | 132,367 | 135,693 |
| Goodwill | 310,027 | 306,472 |
| Other intangible assets | 116,592 | 140,920 |
| Total intangible assets | 426,619 | 447,392 |
| Investments measured using the equity method | 1,477 | 2,515 |
| Investments in other companies | 443 | 46 |
| Total investments | 1,920 | 2,561 |
| Deferred tax assets | 39,251 | 51,288 |
| Non-current trade receivables | 8,622 | 2,314 |
| Other non-financial assets | 1,473 | 1,216 |
| Non-current financial assets | 3,386 | 2,009 |
| Total non-current assets | 613,638 | 642,473 |
| Current assets | | |
| Inventories | 205 | 199 |
| Trade receivables | 113,297 | 114,548 |
| Other assets | 52,965 | 53,326 |
| Current financial assets | 16,970 | 16,858 |
| Cash and cash equivalents | 137,591 | 82,337 |
| Total current assets | 321,028 | 267,268 |
| TOTAL ASSETS | 934,666 | 909,741 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Shareholders' equity attributable to equity holders of the Parent Company | | |
| Share capital | 97,982 | 97,982 |
| Reserves | 20,597 | 37,482 |
| Profit (loss) for the period | 27,010 | (16,954) |
| Total shareholders' equity attributable to equity holders of the Parent Company | 145,589 | 118,510 |
| Shareholders' equity attributable to non-controlling interests | | |
| Total shareholders' equity | 145,589 | 118,510 |
| Non-current liabilities | | |
| Employee termination indemnities | 6,762 | 8,089 |
| Non-current financial liabilities | 560,244 | 557,414 |
| Provisions for risks and charges | 13,711 | 30,171 |
| Other non-current liabilities | 4,023 | 4,291 |
| Total non-current liabilities | 584,740 | 599,965 |
| Current liabilities | | |
| Trade payables | 39,155 | 34,276 |
| Other liabilities | 159,036 | 151,156 |
| Current financial liabilities | 5,667 | 5,834 |
| Current portion of long-term loans | 479 | 0 |
| Total current financial liabilities | 6,146 | 5,834 |
| Total current liabilities | 204,337 | 191,266 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 934,666 | 909,741 |

Snaitech Group - Consolidated Cash Flow Statement

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit (loss) for the period attributable to equity holders of the Parent Company | 27,010 | (16,954) |
| Financial expenses | 40,716 | 87,057 |
| Amortisation and depreciation | 50,533 | 57,400 |
| Net change in deferred tax assets and liabilities | 12,015 | (21,896) |
| Change in provision for risks and charges | (16,460) | 3,054 |
| (Gains)/loss on disposal of non-current assets (including shareholdings) | (680) | 560 |
| Share of profit/(losses) of associates measured using the equity method | 641 | (4) |
| Net change in employee termination indemnities | (1,236) | (797) |
| Net change in non-current assets and liabilities | (6,453) | (2,199) |
| Net change in current trade assets and liabilities and other changes | 16,357 | (12,005) |
| Cash and cash equivalents generated by operations | 122,443 | 94,216 |
| Taxes paid | (2,831) | (1,946) |
| Interest paid | (35,658) | (51,275) |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | 83,954 | 40,995 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in property, plant and equipment | (15,856) | (11,400) |
| Investments in intangible assets | (5,848) | (10,452) |
| Acquisition of business units | (4,228) | 0 |
| Proceeds from the sale of property, plant and equipment, intangible and other non-current assets | 637 | 450 |
| CASH FLOW USED IN INVESTING ACTIVITIES (B) | (25,295) | (21,402) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Change in financial receivables and other financial assets | (1,489) | 4,355 |
| Change in financial liabilities | (3,091) | (16,314) |
| Repayment of bonds | 0 | (590,000) |
| Issuance of bonds | 0 | 557,115 |
| Proceeds from bank loans | 1,450 | 0 |
| Repayment of bank loans | (275) | 0 |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | (3,405) | (44,844) |
| D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D) | | |
| E. TOTAL CASH FLOW (A+B+C+D) | 55,254 | (25,251) |
| F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | 82,337 | 107,588 |
| G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | | |
| H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | 137,591 | 82,337 |

Snaitech Group - Net financial indebtedness

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| A. Cash | 568 | 1,226 |
| B. Other cash and cash equivalents | 137,023 | 81,111 |
| – Bank accounts | 135,859 | 79,095 |
| – Postal accounts | 1,164 | 2,016 |
| C. Securities held for trading | 1 | 1 |
| D. Liquidity (A) + (B) + (C) | 137,592 | 82,338 |
| E. Current financial receivables | 0 | 0 |
| F. Current bank debts | 136 | 141 |
| G. Current portion of non-current indebtedness | 479 | 0 |
| H. Other current financial payables | 5,531 | 5,693 |
| – Interest on bond loans | 5,352 | 5,352 |
| – Payables to other lenders | 179 | 341 |
| I. Current financial indebtedness (F) + (G) + (H) | 6,146 | 5,834 |
| J. Net current financial indebtedness (I) - (E) -(D) | (131,446) | (76,504) |
| K. Non-current bank debts | 696 | 0 |
| L. Bonds issued | 559,385 | 557,115 |
| M. Other non-current payables | 163 | 299 |
| – Payables to other lenders | 163 | 299 |
| N. Non-current financial indebtedness (K) +(L) + (M) | 560,244 | 557,414 |
| O. Net financial indebtedness (J)+(N) | 428,798 | 480,910 |

Net financial indebtedness does not include restricted bank accounts and deposits of Euro 16,838 thousand (included in the item “Current financial assets”), the dedicated bank account of Euro 131 thousand and other non-current financial assets of Euro 3,386 thousand.

The net financial indebtedness decreased by Euro 52,112 thousand compared to the level as of December 31, 2016. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 55,254 thousand, owing to the economic results achieved and the net working capital movements. Conversely, the gross financial indebtedness (current and non-current) increased by Euro 3,142 thousand due to the amortised cost method applied to bonds and the new bank loan of Euro 1,450 thousand.

B.7 Covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions on dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment in whole or in part of the loans.

According to the Senior Revolving loan facility, Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate for the annual report, in addition the above statements, includes also the Guarantor Coverage Test to reinsure that the total EBITDA of all the guarantor companies is equal or above the 80% of the consolidated EBITDA. As of 31 December 2017, such Guarantor Coverage Test is matched. As of 31 December 2017, the Compliance Certificate includes also the Total Net Leverage indicator representing the ratio needed to fix the margin of the facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

B.8 Reconciliation of the Profit (Loss) for 2017 and the Shareholder's Equity of the Group

| <i>Figures in thousand/Euro</i> | Shareholder's Equity 31.12.2017 | Profit (Loss) for 2017 |
|--|--|-----------------------------------|
| Shareholder's Equity and Profit (Loss) of the parent company | 141,317 | 21,731 |
| Reversal of book value of investments in subsidiaries | (12,382) | 6,242 |
| Portion of shareholder' equity and profit/loss of the subsidiaries | 13,151 | (3,550) |
| Adjustment related to affiliated companies measured with the equity method | 400 | (586) |
| Reversal of the impairment of SRI goodwill not applicable to the consolidated financial statements | 3,219 | 3,219 |
| Other | (116) | (46) |
| Total consolidation entries | 4,272 | 5,279 |
| Shareholders' Equity pertaining to the Group | 145,589 | 27,010 |
| Shareholders' Equity attributable to non-controlling interests | 0 | 0 |
| Total Shareholders' Equity | 145,589 | 27,010 |

C MARKET AND BUSINESS PERFORMANCE
C.1 National Gambling Market

The gambling sector and its activities run under concessions released by AAMS (now ADM following the AAMD incorporation into ADM as per the D.L. no. 95 of 6 July 2012, AAMS) and awarded with several European tender notices held in previous years.

Based on the available data (ADM official data, press release and sectorial studies) the estimated total wagers from gambling grew approximately by 5.9% compared to the same period in 2016, to settle at Euro 102 billion.

In 2017, the amount spent by Italian on gambling, net of winnings, decreased approximately by 3% compared to 2016, down to ca. Euro 18.9 billion. The amount of taxes collected by the Central State decreased as well by 2%, down to Euro 10.3 billion.

| Figures in million/Euro | | Market | | |
|---|------------------|-----------------|--------------|--|
| Breakdown by business segment | 2017 | 2016 | Change % | |
| AWPs (par. 6A) | 25,416.4 | 26,324.2 | -3.4% | |
| VLTs (par. 6B) | 23,531.7 | 23,101.1 | 1.9% | |
| Par. 7 | 233.1 | 236.2 | -1.3% | |
| Gaming Machines | 49,181.1 | 49,661.5 | -1.0% | |
| Sports Betting | 4,309.5 | 3,426.9 | 25.8% | |
| Betting Pool | 17.2 | 24.2 | -28.9% | |
| Horse racing Betting | 479.1 | 538.0 | -10.9% | |
| Virtual Events | 1,444.1 | 1,096.9 | 31.7% | |
| Retail Betting | 6,250.0 | 5,085.9 | 22.9% | |
| Sports Betting | 5,648.5 | 4,052.9 | 39.37% | |
| Betting Pool | 0.8 | 1.0 | -21.2% | |
| Horse racing Betting | 74.0 | 69.7 | 6.0% | |
| Virtual Events | 72.5 | 69.0 | 5.2% | |
| Online Games (Skill Games, Casino Games and Bingo) | 19,870.5 | 16,262.1 | 22.2% | |
| Online | 25,666.3 | 20,454.7 | 25.5% | |
| Total addressable market | 81,097.4 | 75,202.1 | 7.8% | |
| Betting Exchange | 1,130.0 | 784.3 | 44.1% | |
| Retail Bingo | 1,502.8 | 1,501.8 | 0.1% | |
| GNTN | 1,527.0 | 1,580.2 | -3.4% | |
| Lotteries | 9,109.6 | 8,980.6 | 1.4% | |
| Lotto | 7,481.3 | 8,093.3 | -7.6% | |
| Total Gambling Market | 101,848.1 | 96,142.4 | 5.9% | |

In particular, gross overall wagers for Snaitch Group's addressable market (Gaming Machines, Betting and Online both on Retail and Online channel) grew by 7.8%, compared to 2016, to reach Euro 81.1 billion: wagers from Gaming Machines decreased by 1% (down to Euro 49.2 billion, compared to 2016) while wagers from Betting both on Retail and Online channels grew respectively by 22.9% and 25.5% compared to 2016, to settle respectively at Euro 6.3 billion and Euro 25.7 billion. Out of Snaitch Group's addressable market, Lotteries and Betting Exchange increased, Lotto and National Totalizer Games decreased while Bingo on Retail channel was unchanged.

The reduction of wagers from Gaming Machines is mainly due to the decrease of AWP's wagers (-3.4% versus 2016 down to Euro 25.4 billion) partially offset by the small growth recorded in VLT's wagers (up by 1.9% to Euro 23.5 billion). The AWP's wagers reductions were caused by the lower payout introduced in 2016 and tighter local regulations on distance from sensible places and opening hours (for example in the Piedmont region, such local regulations caused wagers suspension in almost all non-dedicated points of sales). Furthermore, from April 2017, the PREU tax rate increased both on AWP's (from 17.5% to 19% on wagers) and on VLT's (from 5.5% to 6% on wagers).

The growth of the **Retail Betting** segment (Euro 6.3 billion in 2017, up by 22.9% compared to 2016) is mainly ascribable to the entrance of new concessioners occurred last year (from the grey market to the regulated market) notwithstanding a lower payout in 2017 compared to 2016 (Sports payout 81.9% vs. 83.2%) and the European football championship played in France in 2016.

Wagers from Sports betting in 2017 grew to Euro 4.3 billion compared to Euro 3.4 billion in 2016, owing to the shift of new concessioners from grey market to the regulated market as well as the increased weight of other games with higher payout such as Live bets, now weighting 19.2% of the overall wagers.

Wagers from Horse racing declined to Euro 0.48 billion compared to Euro 0.54 billion in 2016.

Wagers from Virtual Events collected Euro 1.4 billion in 2017 compared to Euro 1.1 billion in 2016, owing mainly to the shift of new concessioners from grey market to the regulated market.

The **Online** segment was the one with highest growth rate in 2017, owing to: wider Internet and mobile devices use, the shift of new concessioners from grey market to regulated market, the entrance of new competitors (also international players) and the gradual increase of product offering by different websites (several concessioners have increased their products offering by including other types of bets).

The overall level of wagers for the Online segment grew by 25.5%, up to Euro 25.7 billion compared to 2016: Sports Betting grew by 39.4%, Horse Racing Betting grew by 6%, Virtual Events grew by 5.2% and Online games grew by 22.2%.

Wagers from Sports Betting in 2017 totalled Euro 5.6 billion compared to Euro 4.1 billion in 2016, owing to the shift of new concessioners from grey market to the regulated market as well as the popularity of Live bets (weighting 61% of the overall wagers). Finally, it must also be considered the wider Internet and mobile devices use.

Wagers from Online games (Bingo, Tournament and cash skill games, Casino) totalled Euro 19.9 billion, up by 22.2% compared to Euro 16.3 billion in 2016: such growth is mainly ascribable to the shift of new concessioners from grey market to the regulated market.

Casino, Roulette and Online Slot grew by 28.3%, Bingo grew by 16.4%, Tournament skill games grew by 15.8% and Cash skill games (and specifically Poker) decreased by 5%.

C.2 Snaitech performance

The following sections present Snaitech market performances.

Snaitech Group, by collecting total wagers of approximately Euro 10 billion, is the leading operator on the Retail Betting segment, second operator on the Gaming Machines segment and fourth operator on the Online segment (Betting and Games).

The past year 2017 was also characterized by the following events: (i) increased number of events covered; (ii) increased number of live events covered (193 thousand vs. 115 thousand in 2016); (iii) inclusion of online games on mobile portfolio offering; (iv) new and more effective communication and customers acquisition campaigns with specific reference to online customers and brand campaigns; (v) new version of soccer for virtual events and a new fantasy game (Fantaking!).

In the Retail Betting segment, the Group provides specialised services to other concessioners ("Concessioner clients"), for a total number of 548 point of sales (many of them exposing Snai logo) and Euro 0.44 billion wagers collected in 2017 (0.5% market share), down by 7.3% compared to 2016.

Finally, the Group was able to collect top-up and payments, through the Paymat brand, for an amount equal to Euro 0.8 million in 2017.

C.3 Market shares

The Group has an overall market share of 12.3% of the addressable market, lower than 2016 due to the entrance of new operators in the Online segment and in the Retail Betting segment (the latter with migration of operators from grey market to regulated market).

| Figures in million/Euro Breakdown by business segment | 2017 | | 2016 | |
|--|----------------|--------------|----------------|--------------|
| | Wagers | Market share | Wagers | Market share |
| AWPs (par. 6A) | 3,700.2 | 14.6% | 3,915.9 | 14.9% |
| VLTs (par. 6B) | 3,447.3 | 14.6% | 3,560.0 | 15.4% |
| Par. 7 | . | 0.0% | . | 0.0% |
| Gaming Machines | 7,147.6 | 14.5% | 7,475.9 | 15.1% |
| Sports Betting | 744.8 | 17.3% | 730.3 | 21.3% |
| Betting Pool | 1.6 | 9.5% | 2.1 | 8.8% |
| Horse racing Betting | 184.0 | 38.4% | 213.1 | 39.6% |
| Virtual Events | 258.4 | 17.9% | 276.5 | 25.2% |
| Retail Betting | 1,188.8 | 19.0% | 1,222.0 | 24.0% |
| Sports Betting | 387.9 | 6.9% | 278.2 | 6.9% |
| Betting Pool | . | 0.0% | 0.1 | 8.5% |
| Horse racing Betting | 25.7 | 34.8% | 22.7 | 32.6% |
| Virtual Events | 20.2 | 27.9% | 22.0 | 31.9% |
| Online Games (Skill Games, Casino Games and Bingo) | 1,180.0 | 5.9% | 919.8 | 5.7% |
| Online | 1,613.9 | 6.3% | 1,242.8 | 6.1% |
| Total - Snaitech Group | 9,950.3 | 12.3% | 9,940.7 | 13.2% |

Source: Internal analysis. Market shares calculated on ADM official data, press release and management estimate

C.3.1 Gaming Machines segment

Snaitech Group is the second most important market operator with a market share of 14.5%, slightly declining compared to 2016.

At the end of the period, the Group owns 54,132 AWP licences deployed in approximately 13,949 points of sales and 10,378 VLT licences, of which 9,929 are linked to working VLTs deployed in 1,202 points of sales. In December the Group started its downsizing plan for AWP as requested by the Stability Law, which imposed a 35% reduction by April 30, 2018.

Group wagers from Gaming Machines decreased compared to last year, down to Euro 7.1 billion from Euro 7.5 billion (down by -4.4%). Such negative performance is mainly due to AWP (Euro 3.7 billion, down by 5.5% compared to 2016) and to a less extent to VLTs (Euro 3.5 billion, down 3.2% compared to 2016). The main reasons are the tighter local regulations on distance from sensible places and opening hours and the lowering of AWP payout (from 74% to 70%) implemented in 2016. With reference to latter, the second half of the year saw the stabilization of AWP wagers, almost in line with 2016.

C.3.2 Retail Betting segment

The distribution network of the Retail Betting business relies on 1,638 points of sales divided between 715 shops and 923 corners.

Furthermore, as scheduled by the rejuvenation program of the distribution network, in 2017 several points of sales were gradually provided with the new generation self-service betting terminals.

Snaitech Group is the leading concessioner in the Retail betting segment (Horse racing, Sports and Virtual Events) with a market share of 19%, slightly lower than 2016, owing to entrance of new competitors in the market. Snaitech Group is the market leader in Sports betting (17.3%) and Horse racing betting (38.4%) and the second player in Virtual Events (17.9%).

C.3.2.1. Events other than Horse racing (“Sports Betting”)

Bets on events other than Horse racing usually refer to football matches, tennis, basket and other Olympics sports, racing (F1, MotoGP, Superbike), other events (Academy Awards, Sanremo festival, TV reality show, etc.) plus any additional events proposed directly by the concessioner (palinsesto complementare).

In 2017, total wagers for the Snaitech Group grew by 2%, moving up from Euro 0.73 billion in 2016 to Euro 0.74 billion in 2017, despite the European Football Championship played in France in 2016.

Sports payout in 2017 was 81.5% compared to 83.5% in 2016.

C.3.2.2. Horse Racing Betting

Bets on horse racing events collected on retail network in 2017 totalled Euro 0.184 billion, down 13,7% compared to 2016.

C.3.2.3. Virtual Events

Virtual Events are fixed-odd games with predetermined winnings. Different virtual events are offered to customers including football matches, car racing, cycling, Speedwat, greyhound racing, trot and gallop horse racing, tennis. All the events are customized and specifically the horse racing are virtually performed in the company's horse racing located in Milan and Montecatini. Typically, the most common bets are offered and the odds reflect the probability of the underlying event. Since 2017, customers are also able to bet on the whole football matches performed in a day (Match day).

Wagers for the Snaitech Group totalled Euro 0.26 billion, down by 6.6% compared to 2016.

C.3.3 Online segment

In the Online segment (Bets, Bingo, Tournament and cash skill games, Casino games and slot), wagers of the Group grew by 29.9%, up to Euro 1.6 billion in 2017 from Euro 1.2 billion in 2016. Market share increased from 6.1% in 2016 to 6.3%, notwithstanding a higher competitive pressure and the entrance of new competitors.

Wagers from Sports Betting totalled Euro 0.39 billion (+39.4% vs. 2016) while from Online games were Euro 1.2 billion (+ 28.3% vs. 2016).

Market shares of Online games and Horse Racing grew respectively to 5.9% and 34.8%; market share of Virtual Events declined to 27.9%; Sports Betting market share was stable at 6.9% despite the entrance of new competitors.

D SIGNIFICANT EVENTS

D.1 Negotiations with Trade Unions

On February 2016, the negotiations with trade unions started, at the national and local level, in order to determine the post-merger corporate structure (following the merger by incorporation into Snaitech S.p.A. of Cogemat group) both in terms of overall headcounts and geographical distribution of divisions and functions between Milan, Rome and Porcari. The procedure started on March 21, 2017 affecting 70 employees (2 executives and 68 employers/middle managers/workers) and the final agreement for employers/middle managers/workers was reached on May 26, 2017 before the Ministry of Labour. The main points were:

- 1) Use of the Wage Guarantee Fund (for a period of 26 weeks worked at zero hours, starting from July 3 to December 31, 2017 for a maximum number of 66 employees).
- 2) Voluntary redundancy schemes to employees, starting from the execution of the agreement before the Ministry and the termination of usage of the Wage Guarantee Fund.

On October 30, 2017 the Company started the second redundancy procedure involving 14 employees residual from previous procedure. In the joint-analysis period, pursuant to art. 4 of Law no. 2223 of 23 July 1991, a deeper analysis on redundancy reasons was conducted and it was also assessed the unavailability to re-employ the redundant staff at the end of the termination of usage of the Wage Guarantee Fund, as agreed with unions on May 16, 2017 and subsequently ratified before the Ministry of Labour on May 26, 2017. The procedure terminated on January 24, 2018, following the acceptance by the unions of the agreement, signed on January 10, 2018 and submitted to the employees' assembly. Such agreement envisages the transfer and relocation of the last 2 redundant employees. At the same time, the parties have agreed to kick off the renewal of the second level contracts, in line with the post-merger scenarios and new

regulatory developments. The first meeting is scheduled on March 6, 2018 and, meanwhile, they have agreed to extend the current contracts to March 31, 2018.

On March 21, 2017 it has started the layoff procedure for 17 employees of Società Trenno S.r.l. (both in Milan and Montecatini premises). The union representatives requested to the Company to extend the terms in order to carry out some analyses and identify possible solutions. In this extension period, the same representatives froze any union initiatives. The procedure terminated on October 30, 2017 with an agreement reached before the Ministry of Labour. The main topics are:

- 1) The Company, on November 1, 2017, began the collective redundancies of those employees selected according to the criteria of non-opposition, in derogation of art. 5, par. 1 of Law n. 223/91.
- 2) Those employees rejecting the redundancy notification were reassigned with a new job description, in line with the agreement reached with trade unions.
- 3) In order to minimize the social impact of such redundancy procedure, the Company compensated those employees accepting the redundancy notice with a leaving incentive, previously agreed with unions.

In 2016, SNAI Rete Italia has undergone a revision of its organizational structure, which establishes indirect management of the point of sales. As a consequence, a reduction of the directly owned point of sales was carried out either by shutting down the low performance business along with the redundancy procedures or by transfer of business units. The downsizing process is still running and should be concluded by 2018, subject to the release of local licences.

D.2 Transfers of Business Units

In 2017 the plan to rationalise directly owned shops was substantially achieved: as of December 31, 2017 the network includes 17 directly owned shops, of which 8 are under sale and subject to the relevant authorizations.

During the year, 34 shops were closed and 2 more shops shall close soon, as detailed below.

Sale of directly owned shops

In 2017, the transfer of the following business units were finalized: Milan via Brunelleschi, Novate Milanese, Bresso, Bologna via Panigale, Bologna via Saffi, Bologna via Amaseo, Palermo Bersagliere, Palermo Strega, Palermo via Petrarca, Bagheria, Gorgonzola, Cesano Maderno, Corsico, Paderno Dugnano, Sesto San Giovanni, Rome via dei Giardinetti, Pavia via Partigiani, Legnano, Casorate, Rome Dei Meli, Avola, Bastia Umbra, Rome via De Andreis, Milan Famagosta, Bologna via Polo, Rome via Alessandrini, Rome via Aspertini, Catania via Firenze, Catania via del Bosco, Milan via Romeo, Bollate, Opera, Milan via Pastorelli and Rome via Delle Rose. Details of the assets transferred are included in the annexes of the relevant deeds of sale signed before the notary Mrs. Elena Terrenghi in Milan.

Furthermore, in 2017 additional deeds of sale were signed before the notary Mrs. Elena Terrenghi in relation to the following business units: Bologna San Lazzaro, Fiumicino, Anzio, Milan via Rembrandt, Milan via Novara, Pavia via Vittorio Emanuele, Reggio Emilia via Gramsci and Reggio Emilia via Martiri della Bettola. Deeds were subject to the condition precedent related to the issuance of licenses (former art. 88 of TULPS) in favour of the transferee within 180 days from the signing. Details of the assets transferred are included in the annexes of the relevant deeds of sale.

For any update occurred after December 31, 2017 please refer to paragraph N.2 "Events after the reporting period".

Closure of directly owned shops

In 2017, Snaitech Group decided to close 2 shops (Brugherio and Rome via Mazzoni) owing to unsatisfactory profitability and low growth potential.

D.3 Rejection of the motion challenging the resolution issued by the shareholders' meeting of Snaitech S.p.A. dated June 9, 2016

On January 13, 2017, Snaitech S.p.A. publicly stated that, the motion challenging the resolution issued by the shareholders' meeting of Snaitech dated June 9, 2016, concerning the third item of the agenda (appointment of the members of the Board of directors of the Company) and promoted by some shareholders of Snaitech (where such action was already notified to the market on September 12, 2016), on January 11, 2017 the Court of Florence rejected the interim motion aimed at obtaining the suspension of the implementation of the above resolution, thus accepting the arguments of the Company and ruling as

unsubstantiated both the so called “*fumus boni iuris*”, i.e. the alleged validity of the claims of the petitioners, and the *periculum in mora*, i.e. the reasons for urgency brought up by the petitioners.

More specifically, the Judge confirmed the correctness of the actions taken by the Chairman of the Shareholders' Meeting in ensuring a fair ratio of the list submitted by the petitioner to the list submitted by the majority shareholder of Snaitech, Global Games S.p.A.

The Judge confirmed the legitimacy of the actions undertaken by the Company and by the Chairman in managing the Shareholders' Meeting of June 9, 2016.

On January 25, 2017, the petitioners filed a complaint against the Court of Florence order; the related appeal and the decree scheduling the hearing were notified on February 27, 2017. The hearing was held on April 03, 2017 and finally the court of Florence, after the initial reserve period, rejected the appeal.

The hearing on merit has been scheduled on May 14, 2019.

The parties ultimately entered into a settlement agreement and waived any further legal proceeding.

D.4 Merger by incorporation of Società Trenno S.r.l. (wholly owned subsidiary) into Snaitech S.p.A.

The Board of directors of Snaitech S.p.A., on February 7, 2017, resolved, by means of a public deed, pursuant to article 15 of the Articles of Association and ex-article 2505, paragraph 2, of the Italian Civil Code, on the merger by incorporation into Snaitech S.p.A. of the wholly owned subsidiary Società Trenno S.r.l. (the “Absorbed Company”), as described in the plan of merger approved by the board of each company boards and made available on December 16, 2016.

On the same date, the shareholders' meeting of the Absorbed Company has also approved the transaction.

Following both resolutions, on November 20, the deed of merger was executed with legal effects starting from December 1, 2017 and backdated accounting and fiscal effects to January 1, 2017.

The transaction is part of a broader process of the Group restructuring, aimed at simplifying its structure and better exploiting current operating, administrative and corporate synergies.

It must be noted that since the requirements for the so-called “simplified” merger were met, pursuant to Art. 2505 of the Italian Civil Code, no share exchange ratio or method for share assignment needed to be decided upon. Snaitech did not amend its own share capital due to the merger, did not issue new shares and therefore there were no impact on the Company's shareholders base. With the execution of the merger agreement, the share representing 100% of the capital of the Absorbed Company were written off, with no substitution. Finally, this merger transaction did not recognise any right to withdraw for the shareholders.

For a more detailed description of the terms and conditions of the transaction, see the press releases and the other documents filed and made publicly available at the Company's premises, on its web site and at Borsa Italiana premises respectively on December 16 and 19, 2016 and November 20 and 22, 2017.

D.5 Shareholders' Meeting held on March 13, 2017

The Shareholders' Meeting of SNAITECH S.p.A. met on March 13, 2017 in Milan, in an ordinary and extraordinary session, under the chairmanship of Ms Mara Caverni.

In the extraordinary session, the Shareholders' Meeting approved, along with some formal changes to the corporate bylaws, i.e. aimed at guaranteeing a better functioning of the corporate bodies and of the Company's governance, the change of the name of the Company from “SNAI S.p.A.” into “SNAITECH S.p.A.”. Such change, as proposed initially by the Board of directors, was conceived to ensure continuity (also from a merely lexical perspective) of the wealth of know-how, expertise and skills of the SNAI Group (now Snaitech) and the Cogemat/Cogetech Group now fully integrated following the merger of November 2016.

The change in name did not affect the trademarks, therefore the Company will continue to operate in the market under the following trademarks: SNAI, iZiplay, Vincenzo and Paymat.

The new corporate name, preserving both the historical legacy of the SNAI Group and the recent addition of the Cogemat/Cogetech Group, aims to highlight and leverage with all the stakeholders on the important growth of the Group and its business, following the corporate merger and the consolidation carried out in recent months, which has included, inter alia, the finalisation of additional extraordinary transactions aimed establishing a single concessioner able to concentrate all competencies and activities previously carried out by different entities; the objective is the creation of a market leading operator capable of competing with the main players of the industry.

In the ordinary session, the Shareholders' Meeting confirmed Mr Maurizio Leo as a member of the Company's Board of directors. Mr Leo was co-opted to replace Mr Del Torchio, who resigned. The newly appointed Director shall remain in office, as with the other members of the Board, until the approval of the financial statements of Snaitech S.p.A. as of December 31, 2018.

In the same ordinary session, the Shareholders Meeting approved two incentive plans for the Managing Director and other executives of the Snaitech Group and mandated the Board of directors with broadest powers to manage and implement the above-mentioned plans. Further details thereof are provided in Note

9.1 of Consolidated Financial Statements. The information documents of the incentive plans are available on the Company web site at www.snaitech.it.

The change of the corporate name and the additional amendments to the corporate bylaws approved by the Shareholders' Meeting became effective on March 15, 2017 with the filing of the resolution issued by the Shareholders' Meeting with the Companies Registry of Milan. Given the above, the new corporate name "Snaitech S.p.A." has also become effective.

D.6 Ordinary inspection by UIF (Financial Intelligence Unit)

On March 21, 2016, the Bank of Italy - UIF (Financial Intelligence Unit) launched an ordinary investigation on the Company pursuant to articles 47 and 53, par. 4, of the Legislative Decree 231/07.

The inspection mainly focussed on those activities related to suspicious transactions reports and more precisely, the reports produced for year 2014 - 2015 - 2016 (the latter with reference to the first three months of the year).

With reference to the transactions under scrutiny, those ones higher than Euro 1,000 were recorded in the Single Computer Archive of the Company, in compliance with relevant legislation, and accompanied by relevant documentation (identifying data of the Customer, transaction date, transaction value and payment means used).

The investigation was performed on those transactions requiring specific due diligence pursuant to article 24 of Legislative Decree 231/07 and recorded in the Single Computer Archive pursuant to article 37 of Legislative Decree 231/07.

On February 14, 2017, the Company received from UIF official notification of the completion of the assessment.

It was challenged one alleged omission on 1 transaction related to a win by Euro 123 thousand on VLT.

The potential penalty ranges between 1 and 40% of the challenged amount.

On March 16, 2017, a defence to request a hearing was filed with the Ministry of Finance, according of the administrative procedure L 689/81. Following such request, the Ministry of Finance has fixed the hearing date for September 26, 2017.

At the hearing held on September 26, 2017, the Company restated before the Ministry of Finance all its arguments to support the filing of allegation. Further documentation was also provided to support Snaitech S.p.A.'s conduct when assessing identify of the winning customer. A detailed report was produced (including also such additional documents produced by Snaitech).

It is now pending the Ministry of Finance decision (not early than spring 2018) on filing or sanctioning the proceeding.

D.7 Proceedings to withdraw no. 27 Betting licenses

On March 14, 2017 ADM notified the Company of the withdrawal 27 licenses of Horserace and Sports betting caused by the interruption of bets collection for a number of days exceeding the maximum number set forth in the concession agreement. The interruption was a consequence of the illegal termination exercised by the owners of points of sales and subsequent reopening with a new concessioner. The Company appealed before the Regional Court and the State Council to probe the legitimate interruption, as recognised also by the Lucca Court.

On June 14 and 19 ADM issued the orders to interrupt the withdrawal of licences.

After December 31, 2017, on the basis of the settlement agreement signed between parties in October 2017 and the relevant cancellation orders issued by the Regional Court, ADM issued a note on January 11, 2018, which revoked previous enforcements and recognised Snaitech rights to be valid and fully replaceable.

D.8 Purchase of VLT licenses

On February 22, 2017, Snaitech S.p.A. paid Euro 1,500 thousand to purchase 100 VLT licences, out of the 312 ones to be assigned.

D.9 Extension of the guarantees provided to ADM

As the tender to renew the betting licences was not called, ADM in June 2016 requested concessioners, should they wish to participate in the tender, to extend the guarantees until June 30, 2017 plus an additional year necessary for any recovery activities (June 30, 2018).

Given the missed agreement between central Government and Local Authorities on Conferenza Unificata and the impending expiry of the current guarantees, ADM, with a note dated March 28, 2017, requested the Company to extend the outstanding guarantees by 12 months within June 30, 2017. Snaitech S.p.A., as per

the ADM request, presented on June 26, 2017 its extension of the guarantees to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019).

D.10 Restitution of the security deposit by ADM on gaming machines

In March, ADM informed Snaitech S.p.A. about the percentage threshold reached on services and needed to determine the security deposit to be returned for the full year 2016. On May 17, 2017 the Company was refunded with 37,117 thousands of Euro as security deposit.

D.11 SNAITECH/Omniludo S.r.l. Lawsuit

As regards the claim filed by Omniludo S.r.l. seeking compensations for damages due to the breach of the exclusivity right set forth in the agreement executed by the parties, Snaitech S.p.A. chose an out-of-court settlement: the appeal proceeding filed with RG 1029/2015 was extinguished by the Court of Appeal of Florence on February 17, 2017.

D.12 Tax assessment report – PVC

In June 2015, the Tax Authority Director of Tuscany region started a general tax assessment on Snaitech for the years 2011, 2012 and 2013 and on October 14, 2016 the Tax Director issued assessment report. On December 29, 2016, the Company was served with a notice of assessment concerning both the value-added taxes for the year 2011 and the corporate taxes for the year 2011.

Following the afore-mentioned assessment notices, on January 11, 2017, the Company submitted a tax settlement proposal for a final *inter-partes* resolution. These activities led to the definition of the amounts assessed for the year 2011 extending them also to the year 2012 and 2013.

On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

D.13 Approval of Budget and Business Plan for the period 2017 – 2019

In April 2017, directors approved the Budget for the year 2017 and the three-year Plan for the period 2017-2019.

D.14 Corrective measure of public accounts

On April 24, 2017 the decree n. 50 titled "*Urgent financial measures, initiatives in favour of local and regional authorities and additional measures on development and areas affected by earthquakes*" was published in the Official Journal.

More specifically, article 6 of the decree increases the PREU (tax rate) by:

- 1.5% for AWP's up to 19% on wagers;
- 0.5% for VLT's up to 6% on wagers.

The tax increase is effective starting from the publication date of the decree in the Official Journal.

Additionally, the same article sets forth the following provisions, effective from October 1, 2017:

- Doubling the tax rate (from 6% to 12%) on winnings higher than Euro 500 earned on instant lotteries, VLT, Superenalotto and Win for Life;
- Tax rate increase from 6% to 8% on Lotto winnings.

The decree n.50 dated April 24, 2017 and subsequent amendments were converted into law n. 96 of June 21, 2017. It was published in the Official Journal on June 23 and came into force on June 24.

For further information, please see par. M.2 "Additional consolidation measures to the Budget law for 2017".

D.15 Conferenza Unificata (Joint Congress of central and local governments)

For further information, please see par. M.3 "Joint Congress of central and local governments)

D.16 Payments of uncollected tickets and financial interest accrued on dedicated bank account

ADM issued a note on May 17, 2017 requesting concessioners to provide, by May 30, 2017, proofs of the amounts specified in the note for the period 2010 up to March 19, 2013 (related to the concessioner statements on key gaming figures already submitted for the relevant periods).

Snaitech with a note dated May 30, 2017 requested ADM to establish a negotiation table also with the other concessioners. Following the meeting, ADM issued a note n. 66912 on June 26, 2017 to provide further clarifications and extend the payment deadline up to July 15, 2017. On July 17, 2017, the Company paid Euro 1,138 thousand and has informed ADM that such payment is subject to further clarifications.

Contextually, on the same date, the Company notified ADM with a motion filed before the civil court of Rome to appear on November 20, 2017 with the aim to obtain:

- First of all, the inexistence of ADM credit on winnings for the period between October 2010 and March 19, 2013 and the refund of payment made;
- The expiration of ADM's right to claim credits on winnings for the period between October 2010 and March 19, 2013 and the refund of payment made;
- Finally, the inexistence of ADM credit on wagers collected from October 2010 up until the notification date of ADM.

The hearing is scheduled on May 9, 2018.

On September 26, 2017, following indications from ADM, the Company paid under reserve the uncollected tickets related to Barcrest platform for a total amount of Euro 69 thousand and sent relevant receipts to ADM. The Company, advised by a legal firm, is currently waiting the final outcome of the lawsuit started in July 2017 before filing a new appeal.

D.17 Shareholders' Meeting held on May 26, 2017 / Events related to the Board of directors**Shareholders' Meeting held on May 26, 2017**

On May 26, 2017 the Shareholders' Meeting of Snaitech S.p.A.:

- Approved the annual Financial Statements as of December 31, 2016 and resolved for a loss carry forward;
- Approved the first section of the Remuneration Report;
- Appointed the Board of Statutory Auditors, which is represented by Mr Angelo Miglietta (chairman), Mr Massimo Gallina (regular auditor), Mrs. Mariateresa Salerno (regular auditor), Mrs. Elena Alberoni (substitute auditor) and Mrs. Raffaella Guatri (substitute auditor). The total annual compensation is fixed in Euro 120,000 of which Euro 50,000 remunerates the chairman and Euro 35,000 for each regular auditor.

Appointment by co-option of a member of the Board of directors

On June 26, 2017 the Board of directors appointed, pursuant to art. 2386 c.c., Mr Roberto Maestroni as non-executive Board member to replace Mr Angelo Giovannone, who resigned on June 22, 2017 due to further professional commitments.

Mr Roberto Maestroni, whose appointment will be effective until the next Shareholders' Meeting, fulfils all the conditions required by law and applicable to board members of listed companies.

D.18 Extraordinary Shareholders' meetings of Hippogroup Roma Capannelle S.r.l. held on Jul 10 and October 10, 2017

The Shareholders' meeting held on July 10, 2017 resolved the followings:

- The conversion of the bond and subsequent extinction. Therefore, following the conversion of the bond, the new share capital of Hippogroup Roma Capannelle amounts to Euro 1,726 thousand;
- To change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows "Hippogroup Roma Capannele S.r.l."

Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannele S.r.l..

On October 31, 2017 the shareholder' meeting approved the merger by incorporation of Lexorfin S.r.l. into Hippogroup Roma Capannelle S.r.l. pursuant to art. 2505-bis of civil code, given the 90% share in Lexorfin S.r.l.. Snaitech held 2.44% of Lexorfin S.r.l..

After the merger, on December 19, 2017 the undertaking Lexorfin was removed from the company register. Therefore, Snaitech shareholding of Hippogroup Roma Capannelle S.r.l. increased from 15.20% to 15.46%.

D.19 Teseo S.r.l. in liquidation – minutes of the Shareholders' meeting held on July 31, 2017

On July 31, 2017 the Shareholders' meeting of Teseo S.r.l., in liquidation, approved the last financial statement as of July 31, 2017 and the distribution plan, which includes the attribution of a VAT receivable for Euro 57 thousand to the sole shareholder Snaitech S.p.A. Following the approval of such distribution plan, the liquidation is terminated. Snaitech S.p.A., as sole shareholder, delegated the commissioner in charge of the liquidation process to cancel the undertaking from the company register. On October 12, 2017 Teseo S.r.l. in liquidation was deleted from the company register.

D.20 Solar S.A. shareholding

On July 31, 2017 Snaitech S.p.A. sold its participation in the associate company Solar s.a..

D.21 Incorporation of Snaitech Smart Technologies S.r.l.

On December 1, 2017, Snaitech Smart Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech S.p.A. wholly owns the undertaking with a share capital of Euro 10 thousand. For further information, please refer to par. F.3.2.

D.22 Disputes related to the betting business: Guaranteed minimum amount/services.

On December 5, 2017, with the aim to interrupt any limitation period, ADM issued an order to claim a payment of Euro 3,188 thousand for the period 2006-2013 (related to the former Cogetech Gaming S.r.l. concessions). The Company promptly replied back by stating the illegitimacy of the claim.

D.23 Acquisition of business units

Snaitech S.p.A. signed three different purchase agreements related to business units on May 30, November 29 and 30, 2017. Each business unit performs activities related to gaming machines and specifically linked to providing AWP's and wagers collection activities to different points of sales ("Business Unit"). Each Business Unit includes the following assets and liabilities: (a) fixed-asset, furniture, equipment and machinery; (b) sale agreement with points of sales. For further information, please see Note no. 4 "Business Combination" of Consolidated Financial Statements and Note no. 3 of Snaitech S.p.A. Financial Statements.

D.24 Research and development

Different research, development and innovation activities carried out in 2017 were subject to fiscal incentives, pursuant to Law 190/2014. In particular, following the certification by an auditor, an R&D tax credit of Euro 123 thousand was recognised (to be claimed only by F24 model submission). All activities were related to the project (and sub-projects) labelled "Digital Transformation v/s Robotic Process Automation –2017".

E DIRECTORS' GOING CONCERN ASSESSMENT

The economical and financial health of the Snaitech Group has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the great achievement of Group's net profit of Euro 27 million in 2017 is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million; (ii) improvement of financial ratios; (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments; (iv) rationalization of the corporate structure and the improvement of operational effectiveness; (v) synergies plan on operating, corporate and concession expenses, which produced a positive impact of approximately Euro 18 million at year-end.

As per the uncertainties reported in previous years and related to the ability of the Group to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on December 2017, has 4,197 corners and 5,533 shops (including 2,450 CTD "grey" operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 now fully authorised by ADM as of December 31, 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

The Group is able to fund with its own cash (more than Euro 137 million at year-end) the whole expenditure related to the betting tender renewal, without drawing the undrawn Euro 85 million RCF.

Finally, according to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

On this basis, directors deem any risk of non-renewal to be minimal with limited, if none, impact on the company's ability to produce sufficient cash flows to run its business.

Given the refinancing transaction executed, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2018-2020, directors do not foresee any uncertainty on going concern, notwithstanding the uncertainty related to future events and specific features of the industry.

F PERFORMANCE OF SNAITECH S.P.A. AND ITS SUBSIDIARIES

Set forth below is a summary of the activities and main events which characterised the Group undertakings over the course of 2017.

F.1 Snaitech S.p.A

The Company is one of the leading operators on the Italian gaming market and operates by means of concessions issued by the Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency); in detail, as of December 31, 2017 the Company held the following concessions:

- 1 Monti horse race and sports concession (350 shop rights and 11 points of sales);
- 1 Bersani sports concession (407 shops and 959 corners);
- 1 Bersani horse race concession (96 shops and 12 corners);
- 1 Giorgetti horse race concession (215 horse race shop rights);
- 1 online concession for remote gaming;
- 1 concession to manage digital network of gaming machines (54,132 AWP rights and 10,378 VLT rights).

In addition to the role of concessioner for public gaming, the Company carries out the following activities:

- it supplies an on-line system which links, via cable and via satellite, to the national wager collection system (held by Sogei S.p.A.) the over 1,600 points of sale which it holds concessions for and the approximately 550 betting points. It provides these points of sale with technical and IT support for checking the performance of the gaming and provides the odds, alongside the technology necessary for the management of the bets and the related assistance services;
- it offers - via a widespread distribution network - a platform for providing payment services (bills, fines, etc.) and commercial services such as telephone top-ups, TV card and gift card recharges;
- it promotes the commercial brands owned by the Group for the purpose of encouraging the development of Snaitech's market and enhancing its image with the public.

In conclusion, mention is made of the constant commitments made by the Company in furthering and protecting legal gaming by means of communication and information campaigns on responsible gaming and the risks of gaming addiction. Specifically, the Company organises specific training courses for the operators of points of sale on responsible gaming and distributes information material, as required by the Balduzzi Law, to the entire distribution network of the Group.

With regard to the economic performance of the Company, please see section B.4.2, whilst with regard to the performances registered in the various business lines, see section C.2.

F.2 Subsidiaries

F.2.1 Teleippica S.r.l.

Teleippica S.r.l. ("Teleippica") provides video and audio signal transfer, processing and broadcasting services for video and audio originating from Italian and foreign racetracks on behalf of the Mipaaf (former ASSI-UNIRE).

On behalf of the parent company Snaitech, it provides the broadcasting service for the three television channels on Virtual Sports, the television channels known as SNAI LIVE 1 and SNAI LIVE 2, the production of the "WEB Radio" audio channel (former Radio SNAI) and the co-ordination of the television productions of the Events of Snaitech.

On January 29, 2013 an Agreement was entered into between Teleippica and ASSI under Temporary Management (absorbed respectively by MIPAAF and by the Agenzia delle Dogane e dei Monopoli for the portion related to betting), pertaining to the new service for horse racing TV and, subsequently, the "additional agreement" dated May 22, 2013; this agreement became effective on May 29, 2013 with a duration of six years.

On February 26, 2016 a new "Additional agreement" was signed which revised the matters established in the additional agreement dated May 29, 2013 and defines the definitive set up of the Contract. In short, said Contract envisages the realisation and broadcast of both the Green, Grey Sat and Blue video channels and the services relating to the "Streaming Video" of the emission channels (Ch. Grey, Green) and signal clean-feeds related to seven racetracks, in addition to signals for the Web Radio, the VOD (Video On Demand) and the WEB TV (Unire SAT).

Teleippica also activated an integrated service defined in the tender as "promotion of the agri-food sector", upon request of the Ministry itself, which consists of shooting and on-line transmission of videos and images selected by the Communication Office and Press Office of MIPAAF as well as measures of the Minister's Press Office.

After having completed the technological restructuring of the Director Office and Teleport unit of the Tuscany B.U. and added a new "virtual set" installation studio both for MIPAAF and Snaitech, in 2016 Teleippica completed the realisation of the new technological structure in Rome which allows to host Director office, as indicated in the "additional agreement" dated February 26, 2016 to the ASSI agreement. The "Director Office" function is carried out by means of the simultaneous use of the two directions (Regia 1 and Regia 2) respectively in Rome and Porcari which working in an integrated and complementary manner, guarantee the provision of the services required contractually.

In 2017, there were also several quality interventions by setting up HD cameras, updating operating systems to increase virus protection and the implementation of spare parts for both units in Tuscany and Rome (for recovery plan and minimize any impact from disruption of activities).

The financial statements as of December 31, 2017 show a net profit of Euro 952 thousand (Euro 1,671 thousand in the previous year) after amortisation/depreciation and provisions of Euro 1,225 thousand (Euro 1,147 thousand in the previous year).

The cash flow generated by the business was Euro 2,789 thousand. The revenues amounted to Euro 11,640 thousand (Euro 12,178 thousand in 2016) of which Euro 2,499 thousand (Euro 3,032 thousand in 2016) were intercompany.

In 2017, most of the Teleippica's revenues were through the contract with MIPAAF. The company was awarded this contract on December 5, 2012, after winning the relative European call for tenders for a duration of six years from the activation date and a value for the entire period of Euro 53,874 thousand.

F.2.2 SNAI Rete Italia S.r.l.

SNAI Rete Italia S.r.l. (hereinafter "SNAI Rete Italia" or "SRI") was established on April 3, 2015 with share capital of Euro 10 thousand, registered offices in Via Boccherini 39, Porcari and is owned by the sole shareholders Snaitech S.p.A.. By means of shareholders' resolution dated December 21, 2016 (recorded care of the Companies' Register on December 28, 2016), the registered offices were changed transferring them from Porcari (LU) to Milan.

SRI carries out activities for collecting wagers and bets care of 51 gaming points throughout Italy. Specifically, these points are functional for the legal gaming wagers by means of bets on sporting events other than horse racing, National Racing and legal gaming wagers by means of gaming machines, so-called "AWPs" and "VLTs".

SNAI Rete Italia runs its business after having purchased in 2016 no. 55 points of sales from SIS S.r.l. (acquired 2015) and 8 points of sales from Finscom S.r.l..

During 2016 and 2017, in consideration of both their negative profitability and low growth expectations, 48 shops were closed and/or sold to third parties. Again in 2017, the deeds of sale for 8 business units were signed and the sale was subordinated to the condition precedent that concessioners would be awarded with the relevant licenses, as per art. 88 of TULPS, within 180 days of the date of signing.

During the first quarter of 2018, the above condition precedent was satisfied in 7 cases thus permitting the transfer to third parties.

Furthermore, on March 8, 2018, following the insolvency of the shops owner of Bologna Saffi and Panigale, the relative deed of sale was terminated. Such termination would be effective upon receipts of relevant authorizations and other conditions.

During 2017, numerous activities were launched aimed at reducing costs, among which mention is made of:

- Reorganisation of the work shifts in the shops with the consequent possibility of not renewing the temporary contracts expiring;
- Renegotiation of a several supply and rental contract (e.g. electricity, cleaning, rentals, etc.).
- Reduction of the head office staff owing to synergies with the parent company Snaitech;

As of December 31, 2017, SNAI Rete Italia reported a net loss of Euro 4,419 thousand, improved with respect to the loss of Euro 5,885 thousand in 2016.

F.2.3 Snaitech Smart Technologies S.r.l.

On December 1, 2017, Snaitech Smart Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech S.p.A. wholly owns the undertaking with a share capital of Euro 10 thousand. The activities related to the corporate purposes include: design, plan, implementation, production, assembly, promotion, sale, rental and assistance on computers, electronic and informatics technologies, hardware and software.

The first fiscal year of company will end on December 31, 2018.

F.2.4 Izilove Foundation

Izilove Foundation is a non-profit making concern, whose mission involves social solidarity and charitable activities. The foundation has Euro 60 thousand of restricted fund.

The annual report for 2017, in accordance with Italian standards, show a net loss of Euro 76 thousand.

G DIRECTLY AFFILIATED COMPANIES

G.1 Alfea S.p.A. – Società Pisana per le Corse dei Cavalli

Snaitech S.p.A. directly holds a shareholding of 30.70% of Alfea S.p.A., which manages Pisa horse racing track.

The financial statements as of December 31, 2016 drawn up using the Italian standards show a net profit of Euro 75 thousand (compared with a net profit of Euro 247 thousand in 2015) after amortisation/depreciation of Euro 220 thousand (Euro 434 thousand as of December 31, 2015). The value of production totals Euro 2,796 thousand (Euro 3,906 thousand as of December 31, 2015) and production costs amount to Euro 2,746 thousand (Euro 3,479 thousand as of December 31, 2015), leaving a net margin (EBIT) of Euro 49 thousand (Euro 427 thousand as of December 31, 2015).

G.2 Connex S.r.l. in liquidation

The company holds a total of 25% in the company's share capital, which totals Euro 81.6 thousand.

The financial statements as of December 31, 2014 drawn up using the Italian standards showed a net loss of Euro 23 thousand (loss of Euro 50 thousand as of 31 December 2013) after amortisation/depreciation of Euro 49 thousand (Euro 45 thousand as of 31 December 2013). The value of production totals Euro 724 thousand (Euro 780 thousand as of 31 December 2013) and production costs amount to Euro 730 thousand (Euro 822 thousand as of 31 December 2013), leaving a net margin (EBIT) of Euro -6 thousand (Euro -43 thousand as of 31 December 2013).

On February 4, 2015 the shareholders' meeting of Connex S.r.l. resolved to wind up the company. The insolvency practitioner filed the insolvency procedure, now terminated following the distribution of residual assets.

H MAIN RISKS AND UNCERTAINTIES OF THE COMPANY AND OTHER UNDERTAKINGS INCLUDED IN THE BASIS OF CONSOLIDATION

H.1 Main risks

Pursuant to the provisions of article 154 *ter* of Decree 58/98, a description of the Group's exposure to risks and uncertainties is provided below. It should be noted how the Group has always paid great attention to prevent any type of risk, which could impair profitability and asset value. On this basis, an Enterprise Risk Management project has been implemented on January 2017 and a Risk Manager has been identified.

Snaitech group operates in the gaming and betting industry, which includes Sports and Horserace betting, AWP, VLTs and Online games such as Skill games, Casino games and Bingo. The market is regulated by the State through concessions. Therefore, the related risk refers to renewals of the concessions and more generally to the heavy regulation of the sectors where the Group runs its business along with complexity and frequent changes of regulatory framework.

Concession and Regulatory-related risks

The Italian betting and gaming sectors are highly regulated by the government and ADM, which establish (i) games to be introduced in Italy and fixes also the costs to be charged on wagers by the operators, (ii) the payout level for the winners, (iii) for specific activities, the level of remuneration for concessioners, including Snaitech S.p.A. (iv) the maximum number of point of sales and whether a concession is assigned to single or multiple operators and (v) the minimum service levels.

The ability of the SNAITECH group to continue to carry out its activities in the gaming sector depends, to a large extent, on the ability to retain the concessions awarded. The 2016 Stability Law envisaged the renewal of the concessions on Betting due in June 2016 with the consequence that the Group would be exposed to: (i) the risk of non-renewal of the concessions with consequent cash inflows losses, decrease of profitability and inability to bear the financial debt, (ii) the financial risk of a high amount to be paid under the tender to renew concessions with consequent inability to bear the financial debt. In order to ensure continuity of the gaming business, ADM with measure dated June 9, 2016 extended the concessions expired on June 30, 2016 until the tender is launched. ADM, with the note R.U. 34580 dated March 28, 2017, requested concessioners to extend, within June 30, 2017, the outstanding guarantees by 12 months in order to cover

any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019). Snaitech S.p.A. provided the requested extension of guarantees with the terms and conditions set forth by ADM.

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, paf. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horse racing licenses, mainly related to corners inactive or with limited business and low profitability.

The non-renewal of the concessions due on June 30, 2016 (at least for the same number of rights currently being extended) could have negative impact on the cash flows from operating activities functional to the indebtedness, on the maintenance of the outstanding credit facilities, as well as on the maintenance of the goodwill recorded in the financial statements.

It is also mentioned here that the betting tender, as enforced by the Stability Law 2018, is subject to the adjustment of regional laws on points of sales, following the agreement reached on September 7, 2017 at the joint-congress between central and local governments. Without such adjustment of regional laws, all concessioners, including Snaitech, may not exercise the rights awarded by the tender, as they may be strongly limited by tight local regulations on minimum distance from sensible places (schools, sports centre, hospitals, etc.).

Exchange rate risk

As for the fluctuation of exchange rates, the Group is not subject to exchange rate risks since it operates domestically.

For a further description of financial risks, please see the notes to the financial statements.

Notwithstanding the non-strategic nature of such risk, given the domestic boundaries of the business, Snaitech Group deems fundamental to have a system of well-defined policies, processes and controls to effectively manage the following risks:

Market Risk

Market risk is the risk that changes in interest rates might adversely affect the value of assets and liabilities. A portion of the Snaitech Group's financial debts is exposed to market interest rate fluctuations. Changes in interest rates do not generally impact significantly the fair market value of the indebtedness, although could have significant impact on the Group's results from operating activities, business, financial conditions and prospects.

Credit Risk

Credit risk is the risk of financial loss deriving from a client or counterpart that does not fulfil its contractual obligations. Collecting wagers from betting and gaming activities performed on national point of sales may expose the group to credit risk, since its revenues originate from the concessions released by ADM.

This is due to the fact that bankruptcy and losses, incurred by one or more members of the distribution network, or the interruption of relationships with one of the latter for any reason, may negatively impact the Group's result from operating activities, business, financial conditions and prospects.

The management believes that going forward a significant portion of its business and profitability will still rely on ADM concessions and third-parties distribution network. In detail, management believes that any eventual provision on different gaming taxation introduced by the government (as occurred over the last years) could have immediate repercussions on the credit risk since it affects the profitability of the gaming industry.

Liquidity Risk

Liquidity risk is the risk of unavailability of proper sources of funding for the Group business. The Group's ability to renew its existing agreements and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments. To purchase and renew concessions, as well as maintain and invest to rejuvenate technologically the distribution network, typically requires significant cash outflows, and the eventuality of not having enough liquidity at the right moment may negatively impact the Group's result from operating activities, business, financial conditions and prospects.

The Group's exposure to such risk was significantly mitigated by the refinancing transaction executed on November 2016 with the issuance of bonds and the subscription of a revolving credit facility, undrawn as of December 31, 2017.

Country Risk

Country risk is the risk that changes in regulations or laws, or in the economy of a country where the Group run its business may have negative impact on expected profitability. The Group currently operates a domestic business and generates all its revenues in Italy.

Risks related to the Snaitech Group's transactions derive mainly from a heavier regulation of the gaming and betting (both retail and online) sectors, restrictions on cash and online transactions and possible political instability. Other economic risks for the Group's business may include inflation, high interest rates, defaults, capital markets and restrictions on direct investments and changes in the interpretation or application of tax laws. Political risks include changes in leadership, changes in government policies, new controls currency circulation within the country, the inability of the government to honour existing agreements, changes in tax law, corruption as well as risk aversion.

Operating Risk

Operating risk is the risk that external events or internal factors may produce losses. The sector where the Group run its business is highly regulated and any failure to comply with the laws and regulations, or changes to them, may negatively impact the Group's result from operating activities, business, financial conditions and prospects. A significant portion of the revenues and results is related to business run under government concession, which has a deadline and may be subject to revocation, thereby negatively affecting the Group's results. Because it operates through government concessions, the Snaitech Group may also be subject to the application of important penalties in the event of ascertained contractual violations.

With regard to the Group concessions, certain agreements and various service contracts often require direct or indirect guarantees in order to guarantee the performance of such agreements and may force the Group to pay indemnities for damages that may arise from contractual breaches. The exposure from guarantees and the compensation for material damages, as well as any eventual penalties, could have negative effects on the Group's result from operating activities, business, financial conditions and prospects. Changes in the law or regulations could reduce the margins applicable to concessioners or reduce the number of concessions available, impacting negatively on the Group performance.

The business related to fixed-odd betting may be characterised, in the short term, by uncertainty over the results due to the volatility of the payout.

The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected costs and legal damages that could negatively affect the company's brand and the reputation, which is key to achieve the target results. Based on the recent news on cyber attacks affecting large corporations, directors decided to analyse in deep detail the issue and monitor it, with the support of IT and external advisors.

The horse racing area of Milan presents some asbestos roof tiles, especially in the former trot area. Removal plans have already been implemented according to current laws and supported by relevant analysis and specific monitoring. There has been also some residual land contamination in some of the aforementioned areas and the relative decontamination plans are already being implemented. Such actions have been taken to preserve safety as well as the environment and the corporate image.

Finally, bad press on betting business promoted by national or local authorities, media or private organisations may damage the reputation of the Snaitech brand and other Group brands and consequently have a negative effects on the Group's result from operating activities, business, financial conditions and prospects. Analogously, the Group business may be negatively impacted by the illegal gaming and betting.

Risk of customers leaving

A high competitive pressure by new and existing players characterizes the Italian regulated gambling market; in addition, the higher tax burden and management cost faced by customers (PoS) may induce them to reconsider offers from other competitors. Such risks, if not managed properly, may impact the Group wagers and profitability. Also, the relevant technological innovation wave affecting the gaming sector and allowed by regulation (D.M. no. 111 on Online) may cause a loss of market share if not properly addressed by prompt strategic actions.

H.2 Main uncertainties

Legal proceedings

Given the nature of its business, the Group is involved in a series of legal, regulatory and arbitration proceedings, which relates to, among other things, potential assets and liabilities, as well as injunctions asked by third parties and related to regular business activities. The outcomes of these proceedings or similar proceedings cannot be predicted with certainty. Unfavourable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group's business, financial condition and results. For a description of the main legal proceedings and potential liabilities, please see paragraph 29 "Funds for risks and future charges, litigation and potential liabilities" of the Explanatory Notes to the consolidated financial statements.

Relations with the Government

The Group's activities are subject to a broad and complex regulatory framework, which imposes rules on individual suitability for directors, executives, main shareholders and key employees. The Group is of the view that it has developed procedures, which ensure compliance with the regulatory requirements. However, any failure for the Group to comply with or match suitability requirements could lead the regulators to limit the Group's business.

The failure of a company of the Group, or the malfunctioning of any system or machine, in order to obtain or maintain a concession or request an authorisation may have an adverse effect on the Group's ability to obtain or maintain the concessions requested or the approvals. Possible adverse events may have negative impacts on the Group's results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, different types of audits performed by the authorities on possible wrongful/unlawful acts related to tenders or tender awards. Such verifications are generally conducted secretly, and therefore the Group is not necessarily aware of its involvement. The Group's reputation on integrity is an important factor in relation to the activities run under concessions: any suspicion or prosecution of wrongful or unlawful conduct attributable to the Group or a broad inspection could have material adverse effects on the Group's operating, economic and financial results, and on its capacity to maintain existing concessions and contracts or obtain new contracts or renewals. Moreover, bad press on such proceedings could have material negative effects on the Group's result from operating activities, business, financial conditions and prospects.

RELATED PARTY TRANSACTIONS

I.1 Relationships with subsidiaries, affiliates, parent companies and undertakings subject to parent companies control

The relationships between the parent company Snaitech S.p.A. and its subsidiaries and affiliates consist in managerial and financial assistance and the supply of services, as well as the leasing of properties instrumental for the business operations, including related services.

The specific services provided to the subsidiaries have been charged by the parent company on the basis of costs of production and services, plus a margin proportional to required structure and related general costs associated.

The amount charged is considered to be fair and in any case is no higher than the cost which the individual undertakings of the Group would have had to incur in order to purchase services of the same quality, quantity and delivery timing by third parties.

The other administrative and technical services produced, supplied and used by the Group's undertakings are charged to the subsidiaries and affiliates based on their actual use, taking into account the cost of acquisition or production of the relevant services.

Specific services provided by third parties in the overall interest of the entire group and related in particular to financial, legal, tax and other technical expertise have been recharged proportionately in line with the specific interest of each undertaking.

Reference is made to note 34 of the Explanatory Notes to the Consolidated Financial Statements and to note 31 of the annual financial statements for details on all of the transactions between Snaitech S.p.A. and its subsidiaries, affiliates and the parent company or companies subject to parent companies control over the course of 2017.

I.2 Related party transactions

The Board of directors is in charge of the Report on corporate governance and ownership structures pursuant to art. 123-bis of the TUF, which, moreover, provides disclosure on the related party transaction procedure ("Procedure").

Such Procedure was approved by the Board of directors on November 29, 2010 in compliance with the provisions of the Related Party Transactions Regulation issued by Consob through resolution no. 17221 of March 12, 2010, subsequently amended by resolution no. 17389 of June 23, 2010.

On March 27, 2014 and subsequently on April 6, 2017 the Board of directors, with pre-approval by the Related Parties Committee, reviewed the Procedure.

Such revision was performed in compliance with Consob memorandum DEM/10078683 of September 24, 2010, which recommends companies to assess, at least every three years, the opportunity to carry out a revision of the procedure, taking also into account any changes to corporate shareholders occurred in the meanwhile as well as the effectiveness of the procedures in practice. The Procedure, available on the Company website (www.snaitech.it), ensures that transactions with related parties are transparent and carried out in compliance with criteria of procedural and substantial fairness.

Note no. 34 of the Consolidated Financial Statements and Note no. 32 of Snaitech S.p.A. Financial Statements report all the activities of Snaitech S.p.A. with related parties including subsidiaries, affiliated and parent company.

J HUMAN RESOURCES

As of December 31, 2017, the Snaitech Group had 848 employees, reduced by 283 employees from year-end 2016.

The reduction was mainly due to the outsourcing of the point of sales directly owned by SNAI Rete Italia S.r.l. along with the downsizing of Snaitech structure, which included the non-renewal of fixed-term contracts and suspension of employee turnover.

The table below shows a breakdown by employees grading:

| Snaitech Group | 31.12.2017 | 31.12.2016 |
|------------------------------------|-------------------|-------------------|
| Executives | 27 | 28 |
| Office workers and middle managers | 776 | 1,049 |
| Blue-collar workers | 45 | 54 |
| Total Employees | 848 (*) | 1,131 (**) |

(*) 155 part-time and 17 on maternity leave

(**) 258 part-time and 19 on maternity leave

Snaitech S.p.A. employees increased by 9 units, from 680 at year-end 2016 to 689 as of December 31, 2017. Such increase is driven by the following two factors: the merger by incorporation of the undertaking Società Trenno S.r.l., finalized on November 20, 2017, effective from December 1, 2017 with backdated accounting and fiscal effects to January 1, 2017; the downsizing of group structure, which included the non-renewal of fixed-term contracts and suspension of employee turnover.

The table below shows a breakdown by employees grading:

| Snaitech S.p.A. | 31.12.2017 | 31.12.2016 |
|------------------------------------|-------------------|-------------------|
| Executives | 26 | 26 |
| Office workers and middle managers | 618 | 649 |
| Blue-collar workers | 45 | 5 |
| Total Employees | 689 (*) | 680 (**) |

(*) 109 part-time and 11 on maternity leave

(**) 86 part-time and 13 on maternity leave

The parent company Snaitech S.p.A. adopts several collective agreements for its employees: executives employed in the industrial sector; executives employed in the trade and service sector; workers employed in the private metals and mechanical industry and the installation of equipment; workers employed in the service sector.

On February 2017, following an assessment conducted by the INPS on the appropriateness of the collective agreements adopted by the Company, the agreements of the industrial sectors were changed in favour of the trade and service sectors.

Teleippica S.r.l. adopts two collective agreements for its employees: executives employed in the manufacturing sectors; private radio and television employees.

SNAI Rete Italia S.r.l. adopts the collective agreement of workers employed in the service sector and complies with additional protocol on staff employed in betting agencies or alternatively with the unions agreement reached on July 20, 2015.

The organisational structure adopted relies on the following documents: code of ethics, organisational model, job descriptions and management procedures.

K HEALTH AND SAFETY (ART. 2428 OF THE ITALIAN CIVIL CODE)

Compliance with Decree 81/08 and subsequent amendments

During 2017, the following initiatives were implemented in line with D.lgs. 81/08., with specific focus on first aid and fire officers.

Training has been providing on the following topics:

- Executives
- Supervisors
- Information and training pursuant to Decree 81/08
- First aid
- Fire alarm
- Protection and prevention officers
- Electric shock risk
- Safety drive
- Certification on excavator usage

for a total of 2,329 training hours per employee including also the hours dispensed to Società Trenno S.r.l., merged by incorporation into Snaitech on December 1, 2017.

During 2017, the health and safety organization chart was updated and relevant supervisors were appointed and provided with ad hoc training.

The new internal health and safety protocol was issued in order to plan and manage properly occupational medical examinations, according to the relevant law.

Following the incorporation of Società Trenno S.r.l. into Snaitech S.p.A., a new project was introduced with the aim to merge and assess risks within the new organization by confirming the Protection and prevention manager role to an third party company and appointing both leading practitioner and related practitioners.

Snai Rete Italia S.r.l. has provided the following training courses on:

- Information and training pursuant to Decree 81/08;
- Electric shock risk

for a total of 268 training hours per employee.

As regards Teleippica S.r.l., the health and safety organization chart was produced along with the appointment of relevant Protection and prevention managers.

Training has been providing on the following topics:

- Supervisors
- Information and training pursuant to Decree 81/08
- First aid
- Fire alarm
- Electric shock risk

for a total of 145 training hours per employee.

Following the revision of the Health and Safety Risk Appraisal Document (DVR), which identified those health risks related to be monitored, a new health protocol has been implemented.

Leading practitioner and related practitioners have also been appointed. Protection and prevention manager role is mandated to a third party.

Medical examinations for all the employees of the group are regularly performed.

L TRAINING OF OWNERS AND SUPERVISORS OF ARCADES PURSUANT TO DECREE NO. 231

L.1 Training pursuant to Decree 231/01 and anti-money laundering Decree 231/07

In the first six months of the year, **Snaitech S.p.A.** has concluded its training process on the Corporate Organisational and Control Model pursuant to Decree 231/01 and on the anti-money laundering Decree 231/07.

Snaitech has furthermore started a new training session on anti-money laundering with the aim to update on regulatory news introduced by D.Lgs. no. 90/17, which substituted the D.Lgs. no. 231/07, with specific focus on suspicious transaction reporting. Training was mainly dispensed to top management and Service centre staff.

As regards **Teleippica S.r.l.**, several training sessions were dispensed on Corporate Organisational and Control Model pursuant to Decree 231/01 and on the anti-money laundering Decree 231/07, with the aim to educate on principles and duties arising from counteract of money laundering and terrorism financing.

L.2 Market Abuse

In the second half of 2017, Snaitech S.p.A. updated its top management on Regulation 596/2014 on market abuses ("Market Abuse regulation") and related implementation rules, Consob guidelines on sensitive information as well as internal procedures implemented by the Board of Directors and related to privileged information and insider register.

L.3 Training of owners and of supervisors of points of sales

During 2017, **Snaitech S.p.A.** dispensed new training sessions to its Service centre staff aimed at inform on Italian gambling regulation and foster responsible gambling culture. In particular, several tools were provided to help identify and handle pathological gamblers, with specific focus on communication and relationship aspects as well as the relevant social impact of problem gambling.

Finally, new personnel was involved on the training program "Gambling in Italy: training for operators" sponsored by ISS along with ADM.

SNAI Rete Italia S.r.l., pursuant to several regional regulations, continued its training of direct points of sales in full compliance with ADM and Balduzzi decree guidelines as well as regional provisions,

The total of training hours per employee was 434.

M REGULATORY FRAMEWORK

M.1 Budget Law for 2018 (AKA "Stability Law 2018")

Law no. 205 of December 27, 2017 was published in the official journal on December 29, 2017 and titled "*Budgetary Plan for 2018 and three-year Budget Plan 2018-2020*".

It includes several provisions on gambling aimed at regulate concessions by balancing the need to preserve competitive principles with a rightful geographical distribution.

The main provisions included the following:

- Extension of rights related to betting against the payment of Euro 6,000 for each shop and Euro 3,500 for each corner, with the betting tender to be held not later than September 30, 2016;
- Interventions on horse racing betting including the change of taxable income (43% on margin of bets collected on retail network and 47% on margin of online bets), introduction of palinsesto complementare for fixed-odds betting and the review of betting pools;
- Launch of a tender held by the Ministry of Agriculture (MIPAAF) to identify the relevant authority in charge of the whole horse racing sector;
- Request to Regions to review and adjust their regulations on geographical distribution of points of sales, following the agreement reached by Conferenza Unificata last September 7, 2017, in order to held the aforementioned tenders;
- Implementation of ADM proceeding to dematerialize and store gambling receipts;

- Measures to dispose AWP dismissed;
- Creation of a digital register of entities offering gambling products and services to the public, with restricted access plus read-only access to public authorities (UIF, Ministry of internal affairs, Financial police, etc.);
- Postponement to December 31, 2018 to release paper-based licences of old AWPs (pending new rules on technical standards of the remote-AWPs).

ADM provided guidance on the timing of communication of the number of rights to be extended and payment of related amounts; ADM has furthermore provided additional information on the guarantees to be provided by concessioners.

Snaitech decided not to renew 2,514 rights of which 2,362 related to horse racing betting performed in corners.

M.2 Additional consolidation measures to the Budget law for 2017

Law n. 96 dated June 21, 2017 and titled "*Conversion of the decree n. 50 of April 24, 2017 and subsequent amendments on urgent financial measures, initiatives in favour of local and regional authorities and additional measures on development and areas affected by earthquakes*". The law was published in the Official Journal on June 23 and came into force on June 24, 2017.

The key measures on gaming are included in the following articles:

- Art. 6 "Provisions on Gaming". Such article increases PREU (tax rate) up to 19% on AWPs and 6% on VLTs, increases the tax rate up to 8% on Lotto winnings and up to 12% on those winnings higher than Euro 500 achieved on totalizer number games (Superenalotto and related games), instant lotteries and VLTs as starting from October 1, 2017 (former tax rate set at 6%);
- Art. 6-bis "Reduction of AWPs". Such article schedules the timing of reduction by 30% of AWPs rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

ADM decree dated July 25, 2017 set the AWPs reduction at 35% of outstanding machines at December 31, 2016 and provided guidelines of a two-round reduction: within December 31, 2017 and April 30, 2018.

Currently the first round was concluded according to the list of AWPs provided by each concessioner to ADM.

M.3 Joint-congress of central and local governments

The Conferenza Unificata on September 7, 2017 reached an agreement between Central State, Regions and Local Authorities on the main characteristics of points of sales and deferred to the Ministry of Finance the issuance of a decree, by October 31, 2017. To date no decree is issued.

In principle, the agreement should have resolved the conflict between Central State and Regions/Local Authorities by promoting a unique regulatory framework for the whole country to prevent problem gambling. However, in practice it has stimulated the regulatory autonomy of Regions/Local Authorities by enabling them to set criteria of geographical distribution of gaming points of sales (since the only indications provided by the agreement were to: consider the existing points of sales; prevent concentration of gambling in specific areas).

The main topics of the framework agreements are the following:

- The number of AWPs to be reduced in each region as well as the general criteria to implement it.
- It forecast a reduction by half of the points of sales hosting AWPs within three years. The 55 thousand shops survivor at the end of the reduction period will be certified.
- Criteria to award the certification include: identification of player, certain standard of the premise, traceability of winnings and direct link to police and/or ADM. At the end of the three-year period AWPs may be hosted only by certified points of sales.
- Guidelines for Regions and Local Authorities to set, through zoning plans and regulations, criteria to achieve a balanced distribution of the gaming offering on the territory (not to have excessive concentration or absence).
- Enables Local Authorities to choose the closing time, for each gaming type, up to 6 hours per day. Such schedule is drafted along with ADM.

The agreement also increase the level of control against illegal gambling as well as supporting the administrative and police control.

Budget Law for 2018, as previously mentioned, requested Regions to review and adjust their regulations on geographical distribution of points of sales, following the agreement reached by Conferenza Unificata last September 7, 2017, in order to held the aforementioned tenders

M.4 Piedmont Region case

On November 20, 2017 it come into force the regional law issued by Piedmont on problem gambling prevention. In particular, the proceeding set the removal of AWP's from those points of sales whose business is substantially different from gambling. With reference to our AWP's, following the enforcement of such regulation, we forecasted approximately 2,281 machines switched off out of 3,500 affected by this regional regulation.

On November 24, 2017 it was sent a warning letter to regional government members and parliament as well as several Municipalities, which, in previous days, warned points of sales to interrupt their gambling offering. Such restriction has severe impacts on legal gambling network and may stimulate the rise of illegal gambling.

M.5 Emilia Romagna Region

Following the issuance of the new regional law on problem gambling, several municipalities (Reggio Emilia, Parma, Forlì, Rimini, Sassuolo, Modena, Cesena, etc.) have mapped all sensible public places and identified those points of sales in breach of minimum distance (500 meters) whose gambling activities should be terminated or transferred within 6 months.

The law enforces municipalities, after mapping sensible places, to inform all points of sales in breach of minimum distance (500 metres) of incoming closing proceedings to be issued in the next six months. Those points of sales offering AWP's and falling within the 500 metres perimeter (from sensible public places) would be instead denied to install new AWP's as well as to renew existing licenses.

Such restrictions, which include also existing businesses, may severely impact Snaitech points of sales dislocated in the territory.

M.6 Implementation of IV Directive on Anti-Money Laundering

Decree n. 90 dated May 25, 2017 titled "*Implementation of EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing repealing Directive 2005/60/EC and 2006/70/EC and implementation of EU regulation n. 2015/847 on information related to money transfer repealing EC regulation n. 1781/2006*".

The measure, published in the Official Journal on June 19, 2017 came into force on July 4, 2017, includes several provisions on gaming and more specifically on Online games, VLTs, Bingo and any type of bets. The main news are the listed below:

- New betting threshold on customer due diligence: providers and owners of betting shops must proceed with customer identification and verification should the amount of games purchased exceed Euro 2,000. In the event of suspicious of money laundering or terrorist financing, operators are obliged to run due diligence independently from the amount of games purchased.
- New VLT threshold on customer due diligence: providers and owners of point of sales with VLTs should comply with the provisions stated in the decree whenever the nominal amount of ticket exceeds Euro 500. Concessioners must provide both owners and providers with specific tools to monitor tickets exceeding Euro 500 and any other ticket, independent from its notional amount, which embeds zero payout or a very low level.

ADM circular letter issued on June 30, 2017 provided initial guidelines on the new thresholds and the commencement from July 4, 2017 for concessioners to perform due diligence and reputational controls on providers and owners of point of sales.

Systems should be updated with technical adjustments, to reflect the new provisions on anti money laundering, and should be submitted to relevant authority for certification process within July 4, 2018. New systems should be up and running to later than April 1, 2019. Last December, ADM issued new guidelines to obtain certification, in line with the new provisions.

M.7 New classification of horse racing tracks

On February 1, 2018 the Ministry of Agricultural policies issued the implementation decree of the new classification of horse racing tracks envisaged in the D.M. 681/2016. According to the new classification, national horse racing tracks may be identified as follow: “strategic”, “institutional”, “commercial” and “promotional”.

Furthermore, in the same proceeding, the Ministry revoked 11 horse racing tracks no longer compliant with the minimum standard required by the aforementioned classification.

Milan gallop track was classified as strategic; Milan trot track was classified as commercial; Montecatini Terme trot track was classified as promotional. The latter is acknowledged by the Ministry, both in the assessment report and the decree premises, to satisfy criteria for commercial classification.

N BUSINESS OUTLOOK AND EVENTS AFTER THE REPORTING PERIOD

N.1 Business outlook and updates on Business Plans

On March 9, 2018, Snaitech’s Board of directors approved the update of the Business Plan 2017-2019 by extending the maturity to year 2020, to reflect the new regulations introduced in the past few months affecting the gambling sector: increased tax rates on Gaming Machines, AWP’s reduction by 35% in 2018 and a further postponement by one year of the betting tender.

The strategic goal of the Group is to consolidate its market leadership in the Retail Betting segment and to improve market share in the Online segment. Following the merger with Cogemat Group and the relevant synergies achieved, the Group may now rely on a product portfolio, technological platforms and relevant skills needed to cover a leading position also in the Gaming Machines business.

In line with Business Plan 2017-2019, the guidelines of new Business Plan 2018-2020 still uphold the following drivers:

- Online business development by introducing new products, improving services and strengthening cross-selling activities performed on the retail channel;
- Renewal of betting licences for the retail network as well as technological rejuvenation of the points of sales, by the introduction of new self-service betting terminals;
- Evolution of the VLT platforms currently provided to the distribution network in the Gaming Machines segment as well as a more focused selection of gaming contents and local partners for AWP’s;
- Finalization by the first half 2018 of the cost synergies plan implemented after the merger with Cogemat.

With reference to the additional drivers provided in the Business Plan 2017-2019, it is confirmed that:

- The outsourcing of the points of sales owned by SNAI Rete Italia (SRI) is now completed;
- Based on 2017 results, the break-even on Net Profit is now achieved.

Among the new regulations included in the Business Plan 2018-20, it is worth mentioning the following:

- The corrective measure on public account contained on D.L. of 24 April 2017 and subsequently converted into Law no. 96 of 21 June 2017, envisaged the increase of PREU tax rates for AWP’s (from 17.5% to 19%) and VLTs (from 5.5% to 6%);
- Law no. 96 of 21 June 2017 restated all the measures of D.L. of 24 April 2017 and set additional provisions on timing of the AWP’s reduction by 35%, as already enforced by the Stability Law 2016. Specifically, by 31 December 2017 the numbers of paper-based licenses should be lower than 345 thousand and by 30 April 2018 they should be lower than 265 thousand;
- The agreement reached at the Joint-Congress between Central State and Regions (Conferenza Unificata) set several guidelines to promote a single national legal framework to rule points of sales. However, several regional laws approved thereafter (Piedmont region was the first one) threatened the agreement signed as they effectively took an opposite direction. Directors will constantly monitor the evolution of the regional regulations to assess any impact on the assumptions of the plan;
- According to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

The Business Plan 2018-2020 still confirms the ca. 3% annual growth of wagers and the Leverage ratio reduction (Net Financial Position/EBITDA) down to 2.4x by 2019, and furthermore includes a target EBITDA above Euro 160 million in year 2020. The annual average level of capital expenditures (without the renewal of the betting licences) is forecasted in the range of Euro 25 – 30 million.

N.2 Events after the reporting period

As regards the other events occurred after the period, reference is made to Note 41 of the explanatory notes.

N.2.1 Renew/Waive of betting rights

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, par. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horse racing licenses, mainly related to corners inactive or with limited business and low profitability. The overall capital expenditure to renew such rights, including those waived, until December 31, 2018 is expected to be slightly lower than Euro 10 million.

N.2.2 Ainvest Private Equity S.r.l./Snaitech

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.

The lawsuit proceeded and after the appointment of a Court expert (to translate the documents produced by the counterparty) and the excussion of the texts, the Court rescheduled the hearing on December 6, 2017 and subsequently on February 7, 2018. After December 31, 2017 and precisely at the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

N.2.3 Employment lawsuits

After December 31, 2017 the Company was served with the following: (i) appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Company to be void and null. The Company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on March 8, 2018 the court, proposed a reconciliation procedure and postponed the hearing on April 4, 2018, when the availability of both parties to transact would be assessed; (ii) appeals, pursuant to art. 1, par. 51 of Law 92.2012, served by former advisors (same plaintiffs who served the Company with different appeals pursuant to art. 414 c.p.c.). Following the hearings of February 22 and 27, 2018, the court accepted the arguments of the Company and declared the appeals to be inadmissible, owing to late filing.

N.2.4 Incorporation of SNAITECH IBERIA S.A.

On January 26, 2018 Snaitech Iberia S.A. was incorporated in Madrid, calle Miguel Angel no.11. The undertaking, with a share capital of Euro 60,000, is fully owned by Snaitech S.p.A. and its main business is related to organization and promotion of games.

N.2.5 Transfer of business units

At the time of drafting the financial statements, the condition precedents related to several deeds of sale executed in 2017 were satisfied. The business units include: Bologna San Lazzaro, Milano via Rembrandt, di Anzio, di Milano via Novara, di Reggio Emilia via Gramsci, Reggio Emilia via Martiri della Bettola and di Fiumicino.

Furthermore, on March 8, 2018, following the insolvency of the shops owner of Bologna Saffi and Panigale, the relative deed of sale was terminated. Such termination would be effective upon receipts of relevant authorizations and other conditions.

N.2.6 Reduction of AWP

The additional consolidation measures to the Budget law for 2017 scheduled the timing of reduction of AWP rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

At the time of drafting the financial statements, Snaitech S.p.A. completed the first round cut. For further information, please refer to par. M.2.

N.2.7 New classification of horse racing tracks

D.M. 681/2016 set forth a new classification of national horse racing tracks, which identifies tracks as follow: "strategic", "institutional", "commercial" and "promotional".

The Ministry of Agricultural policies, with a proceeding dated January 31, 2018, assigned the following classification to Snaitech horse racing tracks:

- Milan gallop track as strategic;
- Milan trot track as commercial;
- Montecatini Terme trot track as promotional/commercial.

Furthermore, in the same proceeding, the Ministry revoked 11 horse racing tracks, which were not compliant with the minimum standard required by the aforementioned classification.

The new classification would determine for each track, after the implementation decree to be issued yet, different levels of public grants and the relevant number of races and jackpot (with subsequent impact on wagers). Snaitech, along with other management companies, requested for an anticipation of the public grant for 2018.

As soon as the implementation decree will be issued, there is reasonable ground to believe that Milan trot track and Montecatini Terme track would be fairly penalised.

It is currently under analysis with legal advisor the possibility to appeal such proceeding.

ADM with an order dated February 28, 2018 invited all companies to comment on the proceeding. The Company, on March 9, 2018 filed its observations including the request to reclassify Montecatini Terme track, according to its characteristics, as a commercial track and therefore to amend the proceeding of January 31, 2018.

N.2.8 Approval of the update of Business Plan 2017-2019 including extension to 2020

On March 9, 2018 the Board of directors approved the update of the Business Plan 2017-2019, which now is extended to 2020 and includes the regulatory news introduced in the gambling industry in the last months. For further information, please see par. N.1 "Business outlook and updates on Business Plans".

O OTHER INFORMATION

O.1 Other information pursuant to article 2428 of the Italian civil code and article 40 of D.lgs. 127 (2428 of the Italian civil code)

The subsidiary SNAI Rete Italia S.r.l. owns 70,624 Snaitech shares for a nominal value of Euro 36,724.48. Neither Snaitech S.p.A. nor other undertakings of the Group have ever granted any loan or guarantees, either directly or indirectly, to purchase or trade shares of Snaitech S.p.A. or its parent company. Snaitech S.p.A. and the Group undertakings are not subject to particular risks related to the fluctuation of exchange rates.

The Snaitech Group manages internally the commercial risks from its customers.

O.2 Report on Corporate Governance

The Report on Corporate Governance for 2017 was approved by the Board of directors on March 16, 2018 and published thereafter on the company website www.snaitech.it under Governance section.

O.3 Consolidated Non Financial Statement

The Consolidated non-financial Statement for 2017 was approved by the Board of directors on March 16, 2018 and published thereafter on the company website www.snaitech.it.

O.4 Option to take advantage of national tax consolidation

The administrative bodies of Snaitech S.p.A., Teleippica S.r.l. and SNAI Rete Italia S.r.l. agreed to benefit from the national tax consolidation.

P BOARD OF DIRECTORS' PROPOSALS TO SHAREHOLDERS' MEETING

Dear Shareholders,

Trusting in your agreement with the criteria and structure followed when drafting the Directors' report as of December 31, 2017, as a whole and in each single session, we invite to resolve upon:

- *Approval of the report, financial statements and related notes*
Board of directors proposes to approve the directors' report along with the financial statements as of December 31, 2017 with a net profit of Euro 21,731,160.42.
- *Allocation of the net profit*

The Board of directors proposes to allocate the net profit as follows:

| | |
|-------------------------|--------------------|
| Net Profit to allocate: | Euro 21,731,160.42 |
| Legal Reserve | Euro 1,086,558.02 |
| Profit Carried Forward | Euro 20,644,602.40 |

Approved by the Board of directors and signed on its behalf by:

Fabio Schiavolin
(Chief Executive Officer)

Milan, March 16, 2018



**SNAITECH S.p.A.
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

Approved by the Board of Director of Snaitech S.p.A.

Snaitech S.p.A. – Statement of Comprehensive Income

| <i>Figures in thousand/Euro</i> | Note | 2017 | o/w Related Party transactio n Note no. 32 | o/w Non recurring transactio n Note no. 34 | 2016 | o/w Related Party transactio n Note no. 32 | o/w Non recurring transactio n Note no. 34 |
|--|------|---------------------|---|--|---------------------|--|---|
| Revenues from sales and services | 4 | 874,901,216 | 123,112 | | 871,932,034 | 491,312 | |
| Other revenues and income | 5 | 4,949,172 | 709,325 | 2,798,565 | 9,292,321 | 1,134,434 | 6,059,594 |
| Change in inventory of finished and semi-finished products | | 0 | | | 1,276 | | |
| Raw materials and consumables | 6 | (737,394) | | | (489,284) | | |
| Cost of services and third party assets | 7 | (654,355,229) | (9,649,793) | 1,923,381 | (663,673,878) | (14,761,211) | (1,040,963) |
| Costs of personnel | 8 | (43,285,984) | (20,486) | (92,454) | (41,220,807) | | (890,792) |
| Other operating costs | 9 | (49,881,889) | (41,925) | (1,876,684) | (53,148,100) | (17,957) | (6,076,836) |
| Capitalised costs | 10 | 765,252 | | | 1,825,118 | | |
| Earnings before interest, tax, depreciation and amortisation | | 132,355,144 | | | 124,518,680 | | |
| Amortisation and depreciation | 11 | (49,057,650) | | | (55,566,289) | | |
| Other expenses related to provisions | 27 | (276,215) | | (390,000) | (10,276,915) | | (6,955,000) |
| Earnings before interest and taxes | | 83,021,279 | | | 58,675,476 | | |
| Gains and expenses from shareholdings | | (6,241,785) | | | (7,076,974) | | |
| Financial income | | 1,089,613 | 315,163 | | 1,445,654 | 774,527 | |
| Financial costs | | (41,450,160) | (812,167) | | (87,801,972) | (893,451) | (31,677,480) |
| Total financial income and expenses | 12 | (46,602,332) | | | (93,433,292) | | |
| PROFIT/(LOSS) BEFORE TAXES | | 36,418,947 | | | (34,757,816) | | |
| Income tax | 13 | (14,687,787) | | | 16,289,564 | | |
| Profit/(Loss) for the period | | 21,731,160 | | | (18,468,252) | | |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | | 65,070 | | | (179,774) | | |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | 65,070 | | | (179,774) | | |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | 0 | | | 0 | | |
| Total profit/(loss) in comprehensive income statement, after taxes | 24 | 65,070 | | | (179,774) | | |
| Comprehensive profit (loss) for the period | | 21,796,230 | | | (18,648,026) | | |

Snaitech S.p.A. – Statement of Financial Position

| <i>Figures in thousand/Euro</i> | Note | 31.12.2017 | o/w Related Party Transaction Note no. 32 | 31.12.2016 | o/w Related Party Transaction Note no. 32 |
|---|------|--------------------|--|--------------------|--|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | 129,472,380 | | 130,536,911 | |
| Assets held under financial leases | | 280,571 | | 419,570 | |
| Total property, plant and equipment | 14 | 129,752,951 | | 130,956,481 | |
| Goodwill | | 306,364,781 | | 302,809,448 | |
| Other intangible assets | | 116,566,052 | | 140,846,275 | |
| Total intangible assets | 15 | 422,930,833 | | 443,655,723 | |
| Subsidiaries and affiliates | | 13,671,105 | | 20,072,401 | |
| Investments in other companies | | 232,188 | | 45,848 | |
| Total investments | 16 | 13,903,293 | | 20,118,249 | |
| Deferred tax assets | 17 | 38,887,350 | | 49,660,401 | |
| Non-current trade receivables | 19 | 8,621,845 | | 2,313,984 | |
| Other non-financial assets | 20 | 548,539 | | 624,233 | |
| Non current financial assets | 21 | 3,385,922 | | 2,009,169 | |
| Total non-current assets | | 618,030,733 | | 649,338,240 | |
| Current assets | | | | | |
| Inventories | 18 | 205,265 | | 169,768 | |
| Trade receivables | 19 | 111,675,537 | 75,246 | 111,449,298 | 276,126 |
| Other assets | 20 | 54,165,973 | 2,621,251 | 54,189,485 | 2,567,620 |
| Current financial assets | 21 | 24,771,218 | 7,932,368 | 26,377,834 | 9,591,696 |
| Cash and cash equivalents | 22 | 136,363,287 | | 77,396,691 | |
| Total current assets | | 327,181,280 | | 269,583,076 | |
| TOTAL ASSETS | | 945,212,013 | | 918,921,316 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Shareholders' equity | | | | | |
| Share capital | | 97,982,245 | | 97,982,245 | |
| Reserves | | 21,603,518 | | 40,190,240 | |
| Profit (loss) for the period | | 21,731,160 | | (18,468,252) | |
| Total shareholders' equity | 23 | 141,316,923 | | 119,704,233 | |
| Non-current liabilities | | | | | |
| Employee termination indemnities | 25 | 5,717,212 | | 4,831,345 | |
| Non-current financial liabilities | 26 | 560,243,795 | | 557,413,787 | |
| Provisions for risks and charges | 27 | 12,210,528 | | 26,177,330 | |
| Other non-current liabilities | 28 | 4,023,064 | | 3,576,698 | |
| Total non-current liabilities | | 582,194,599 | | 591,999,160 | |
| Current liabilities | | | | | |
| Trade payables | 29 | 37,447,705 | 381,823 | 31,060,723 | 764,989 |
| Other liabilities | 28 | 162,483,110 | 4,763,340 | 157,794,830 | 11,015,698 |
| Current financial liabilities | | 21,290,189 | 15,623,266 | 18,362,370 | 12,532,825 |
| Current portion of long-term loans | | 479,487 | | 0 | |
| Total current financial liabilities | 26 | 21,769,676 | | 18,362,370 | |
| Total current liabilities | | 221,700,491 | | 207,217,923 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 945,212,013 | | 918,921,316 | |

Snaitech S.p.A. –Statement of Changes in Shareholders' Equity

Figures in thousands/Euro

| | Note | Share capital | Legal Reserve | Share premium reserve | Reserve from merger | Cash Flow Hedge Reserve | Reserve for the remeasurement of employee termination indemnities (IAS 19) | Profit (Loss) carried forward | Profit (loss) for the year | Total shareholders' equity |
|---|------|---------------|---------------|-----------------------|---------------------|-------------------------|--|-------------------------------|----------------------------|----------------------------|
| Balance as of 31.12.2015 | | 97,982 | | 102,627 | 2,326 | 0 | (211) | (12,644) | (48,002) | 142,078 |
| Loss for 2015 | | | | (45,676) | (2,326) | | | | 48,002 | |
| Merger by incorporation of Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. e Azzurro Gaming S.r.l. into Snaitech S.p.A. | | | | | (3,725) | | | | | (3,725) |
| Profit/(Loss) for the period | | | | | | | | | (18,468) | (18,468) |
| Other comprehensive income/(loss) | 24 | | | | | | (180) | | | (180) |
| Total comprehensive income/(loss) as of 31.12.2016 | | | | | | | (180) | | (18,468) | (18,648) |
| Balance as of 31.12.2016 | | 97,982 | 0 | 56,951 | (3,725) | 0 | (391) | (12,644) | (18,468) | 119,705 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | Note | Share capital | Legal Reserve | Share premium reserve | Reserve from merger | Cash Flow Hedge Reserve | Reserve for the remeasurement of employee termination indemnities (IAS 19) | Profit (Loss) carried forward | Profit (loss) for the year | Total shareholders' equity |
| Balance as of 31.12.2016 | | 97,982 | | 56,951 | (3,725) | | (391) | (12,644) | (18,468) | 119,705 |
| Loss for 2016 | 23 | | | | | | | (18,468) | 18,468 | |
| Merger of Società Trenno S.r.l. into Snaitech S.p.A. | 23 | | | | (184) | | | | | (184) |
| Profit/(Loss) for the period | | | | | | | | | 21,731 | 21,731 |
| Other comprehensive income/(loss) | 24 | | | | | | 65 | | | 65 |
| Total comprehensive income/(loss) as of 31.12.2017 | | | | | | | 65 | 0 | 21,731 | 21,796 |
| Balance as of 31.12.2017 | | 97,982 | 0 | 56,951 | (3,909) | 0 | (326) | (31,112) | 21,731 | 141,317 |

Snaitech S.p.A. – Cash Flow Statement

| <i>Figures is thousand/Euro</i> | Note | 31.12.2017 | o/w Related Party Transaction Note no. 32 | 31.12.2016 | o/w Related Party Transactio n Note no. 32 |
|--|--------------------|---------------------|--|---------------------|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Profit (loss) for the period attributable to equity holders of the Parent Company | | 21,731,160 | | (18,468,252) | |
| Financial expenses | 12 | 41,450,160 | | 87,801,972 | |
| Amortisation and depreciation | 11 | 49,057,650 | | 55,566,289 | |
| Impairment and losses on investments | 12 | 6,241,785 | | 13,814,926 | |
| Net change in deferred tax assets and liabilities | 17 | 11,486,987 | | (21,581,194) | |
| Change in provision for risks and charges | 27 | (14,191,802) | | (4,108,922) | |
| (Gains)/loss on disposal of non-current assets | 5-9 | 184,317 | | 513,344 | |
| Net change in employee termination indemnities | 25 | (594,390) | | (216,475) | |
| Net change in non-current assets and liabilities | 20-28 | (5,777,091) | | (1,812,789) | |
| Net change in current trade assets and liabilities and other changes | 18-19-20-28- 29 | 18,473,705 | 694,373 | (2,413,855) | 3,259,587 |
| Cash and cash equivalents generated by operations | | 128,062,480 | | 109,095,044 | |
| Taxes paid | | (2,787,154) | | (1,944,368) | |
| Interest paid | | (36,470,354) | | (52,167,536) | |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | | 88,804,972 | | 54,983,140 | |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Investments in property, plant and equipment | 14 | (15,171,989) | | (9,640,977) | |
| Investments in intangible assets | 15 | (5,848,479) | | (10,451,501) | |
| Acquisition of business units | 3 | (4,228,240) | | 0 | |
| Payment to | 16 | (2,135,000) | | (14,481,125) | |
| Acquisition of investments | 16 | (10,000) | | 0 | |
| Disposal of investments | 16 | 1 | | 0 | |
| Proceeds from the sale of property, plant and equipment, intangible and other non-current assets | | 316,449 | | 322,737 | |
| CASH FLOW USED IN INVESTING ACTIVITIES (B) | | (27,077,258) | | (34,250,866) | |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Change in financial receivables and other financial assets | 21 | (6,803,831) | (4,199,807) | 3,706,774 | (702,650) |
| Change in financial liabilities | 26 | 1,257,508 | 3,090,441 | (14,136,738) | 2,028,749 |
| Repayment of bond | 26 | 0 | | (590,000,000) | |
| Issuance of bond | 26 | 0 | | 557,114,534 | |
| Proceeds from bank loans | 26 | 1,450,000 | | 0 | |
| Repayment of bank loans | 26 | (275,441) | | 0 | |
| Cash and cash equivalents generated by merger | 22 | 1,610,646 | | 46,002,098 | |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | | (2,761,118) | | 2,686,668 | |
| CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D) | | 0 | | 0 | |
| E. TOTAL CASH FLOW (A+B+C+D) | | 58,966,596 | | 23,418,942 | |
| INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | | 77,396,691 | | 53,977,749 | |
| F. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | | 0 | | 0 | |
| G. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | | 136,363,287 | | 77,396,691 | |

1 RELEVANT ACCOUNTING STANDARDS

Snaitech S.p.A. (“Company” or “Snaitech”) has its registered offices in Piazza della Repubblica 32, Milan, Italy.

On November 20, 2017 it was executed the deed of merger by incorporation of the undertaking, directly owned, Società Trenno S.r.l. into Snaitech S.p.A., following the resolutions taken by relevant shareholders’ meeting on February 7, 2017. The deed of merger was executed with legal effects starting from December 1, 2017 and backdated accounting and fiscal effects to January 1, 2017. Snaitech did not amend neither its own share capital due to the merger nor its corporate bylaws.

As indicated above, the merger relates to the incorporation of a wholly owned undertaking. Therefore, there is neither share exchanges nor cash payment of outstanding balance. Furthermore, given the economical nature and the information disclosed above, such merger may be considered to be a restructuring or reorganisation of existing undertakings (so-called “corporate restructuring”).

The IFRS accounting treatment on mergers in the annual financial statements is ruled by OPI No. 2 (revised) (Assirevi Preliminary Stances regarding IFRS).

Given the merger by incorporation of subsidiary into parent company, the transaction cannot be classified as a business combination, since it does not involve any exchange with third party business and combined activities, nor an acquisition in an economic sense. The only change with respect to the pre-merger situation pertains to control over assets and liabilities of the absorbed company, which, from indirect, become direct. These characteristics are fully reflected in the merger by incorporation of wholly owned subsidiary into parent company. Therefore, for the above-mentioned reasons, mergers of this kind are not subject to IFRS 3, which overseas recognition of business combinations.

IAS 8.10 envisages that, in the absence of an accounting standard or an IFRS interpretation which applies specifically to a transaction, event or circumstance, company management shall make its own judgement in developing and applying an accounting standard “which is: (a) significant for the purposes of the economic decisions made by the users; and (b) reliable, so that the financial statements: (i) faithfully represent the financial position, the economic results and cash flows; (ii) reflect the economic essence of the transactions, events and circumstances, and not merely the legal form; (iii) are neutral; (iv) are prudent; and (v) are fully reflect all significant aspects.”

Since these kind of mergers have usually very low influence on the cash flows of the undertakings affected by the merger, the choice of the accounting practices must therefore favour standards suitable for ensuring the continuity of the data.

Therefore, the values of the assets and liabilities of the Società Trenno S.r.l. are reflected in the continuity of values, since directors assessed that the transaction has not had any significant influence on the cash flows of the undertakings affected by the merger.

1.1 Directors’ going concern assessments

The economical and financial health of Snaitech has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the great achievement of Company net profit of Euro 21.7 million in 2017 is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million; (ii) improvement of financial ratios; (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments; (iv) rationalization of the corporate structure and the improvement of operational effectiveness; (v) synergies plan on operating, corporate and concession expenses, which produced a positive impact of approximately Euro 18 million at year-end.

As per the uncertainties reported in previous years and related to the ability of the Company to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a

floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Company may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on December 2017, has 4,197 corners and 5,533 shops (including 2,450 CTD “grey” operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 now fully authorised by ADM as of December 31, 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Company indebtedness.

The Company is able to fund with its own cash (more than Euro 136 million at year-end) the whole expenditure related to the betting tender renewal, without drawing the undrawn Euro 85 million RCF.

Finally, according to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

On this basis, directors deem any risk of non-renewal to be minimal with limited, if none, impact on the company’s ability to produce sufficient cash flows to run its business.

Given the refinancing transaction executed, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2018-2020, directors do not foresee any uncertainty on going concern, notwithstanding the uncertainly related to future events and specific features of the industry.

1.2 Accounting standards

a) General principles

The financial statements of the Snaitech as at December 31, 2017 were drawn up in compliance with the International Accounting Standards (IAS/IFRS), in force as at that date, issued by the International Accounting Standards Board and endorsed by the European Union, as well as in compliance with the provisions issued in accordance with Article 9 of Italian Legislative Decree No. 38/2005 (Consob Resolution No. 15519 dated July 27, 2006 containing “Provisions regarding financial statement schedules”, Consob Regulation No. 15520 dated July 27, 2006 containing “Amendments and additions to the Issuers’ Regulation adopted by means of Resolution No. 11971/99”, Consob Communication No. 6064293 dated July 28, 2006 containing “Corporate disclosure required as per Article 114.5 of Italian Legislative Decree No. 58/98”). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

Statement of Comprehensive Income and Statement of Financial Position report a comparison between 2016 and 2017 figures, expressed in thousand Euro unless stated differently.

The accounting standards used in the preparation of the financial statement are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The adoption of these amendments and interpretations had no significant impact upon Company’s financial position and economic performance.

IFRS refers to the revised international financial reporting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) adopted by the European Union.

New and revised standards and interpretations effective from January 1, 2017

Since January 1, 2017 several adjustments were implemented, following the change of international accounting standards and interpretations. None of these adjustments however impacted significantly the Company financial statements. The main changes are the following:

- In January 2016, IASB published amendments to IAS 12 "Income taxes". Such changes clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.
- In January 2016, IASB published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.
- In December 2016, IASB published amendments to IFRS Standards 2014–2016. The change relates to IFRS 12 "Disclosure of Interests in Other Entities" (effective from January 1, 2017). It clarifies that the disclosure requirements, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale, other than those in paragraphs B12.

New standards and interpretations transposed by the EU

To date, the relevant EU bodies have concluded the homologation process needed to issue the following accounting standards and amendments:

- In May 2014, IASB issued the IFRS 15 "Revenues from agreements with the customers" (hereinafter IFRS 15). The new standard is effective for accounting periods commencing on or after January 1, 2018 and is applicable retrospectively. This standard intends to improve disclosures on revenues and their comparability among the different financial statements. In particular, IFRS 15 provides that the recognition of revenues should be based on the following five steps:
 - 1) Identification of the agreement with the customer;
 - 2) Identification of the contractual obligations of transferring goods and/or services to a customer ("performance obligation");
 - 3) Determination of the transaction price;
 - 4) Allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service; and
 - 5) Identification of the revenue when the related performance obligation is met.

Furthermore, IFRS 15 supplements the information provided in the financial statements with reference to the nature, amount, timing and uncertainties of the revenue and related cash flows. The Company, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of January 1, 2018, arising from the implementation of the new standard.
- On July 24, 2014, IASB finalised the revision of this accounting standard regarding financial instruments and issued the complete version of IFRS 9 "Financial instruments". More specifically, the new IFRS 9: (i) changes classification and measurement of financial assets; (ii) introduce a new method for financial assets impairment, which takes into account the expected credit losses; (iii) change guidance on hedge accounting; (iv) introduce new criteria to account for changes in financial liabilities. The IFRS 9 shall be effective for accounting periods commencing on or after January 1, 2018. Early application is allowed. The Group, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of January 1, 2018, arising from the implementation of the new standard.
- In September 2016, IASB published amendments to IFRS 4 "Insurance contracts" in relation to the implementation of IFRS 9 "Financial Instruments". The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); an optional temporary exemption (until 2021) from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). In this case IAS 39 shall apply. Such amendments are effective from January 1, 2018.

- In January 2016, IASB published IFRS 16 “Leases” (hereinafter “IFRS 16”). This new standard replaced IAS 17 “Leasing”. IFRS 16 removes the distinction between operating and financial leasing in the preparation of the financial statements of the lessees; for all leasing agreements the identification of an asset is required as representative of the right of use, and the recognition of a liability as representative of the obligation to make the payments as set forth in the agreement. The leasing agreements with short duration and the leasing of goods with a low value, may be excluded from IFRS 16. The new standard is effective as of January 1, 2019. Early adoption is permitted, but only if IFRS 15 is also adopted. The Company is setting up a working group to assess potential impacts.

New standards and interpretations yet to be transposed by the EU

To date, the relevant EU bodies have not concluded yet the homologation process needed to issue the following accounting standards and amendments:

- In June 2016, IASB published amendments to IFRS 2 “Share-based payments”. These amendments clarify the recognition of share-based payments and shall be effective from January 1, 2018.
- In December 2016, IASB published amendments to IAS 40 “Transfer of investment properties”. These amendments clarify of property to, or from, investment property and shall be effective from January 1, 2018.
- In December 2016, IASB published the following annual amendments to IFRS standards 2014-2016:
 - IFRS 1 “First-time Adoption of International Financial Reporting Standards” (applicable from January 1, 2018;
 - IAS 28 “Investments in associates and joint ventures” (applicable from January 1, 2018).

The amendments clarify, amend or remove any redundancy in the related IFRS and no significant impact is expected on disclosure and financial statements.

- In December 2016, IASB published IFRIC interpretation 22 “Foreign Currency Transactions and Advance Consideration”. It clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The effective date would be from January 1, 2018.
- In May 2017, IASB published new accounting standard IFRS 17 “Insurance contracts”. The new standard will replace IFRS 4 and would be applicable from January 1, 2021.
- In June 2017, IASB published IFRIC interpretation 23 “Uncertainty over in income tax treatments” which clarifies the accounting for uncertainties in income taxes. The effective date would be from January 1, 2019.

As soon as the EU will conclude the homologation process for these standards, amendments and interpretations, the Group will implement them all, according to the effective date of application, and will proceed to assess any impact.

The format of the financial statements adopted by Snaitech for the fiscal year ended December 31, 2017 did not change with respect to those adopted as of December 31, 2016 with the exception of the item “Non-current trade receivables” included in the Statement of Financial Position. Therefore, the item has been reclassified with respect December 31, 2016 for an amount of Euro 2,314 thousand related to receivables from clients for Euro 1,400 thousand and bills receivables for Euro 914 thousand.

The Company has not opted for an early implementation of any standard, interpretation or revision issued but not yet effective.

Format of the financial statements

The format adopted by the Company is the following:

- Statement of Financial Position
The statement of financial position is based on the distinction between current and non-current assets and current and non-current liabilities.
- Statement of Comprehensive Income
The statement of comprehensive income presents different types of items, as this is considered the most detailed statement.
Furthermore, as requested by Consob resolution no. 15519 of July 27, 2006, any income and expense related to non-recurring transaction shall be separately reported within the statement.
The same Consob resolution also envisages reporting separately, in the financial statements, all the amounts associated to related party transactions.

- Statement of Changes in Shareholders' Equity

The Statement of changes in shareholders' equity shows the net results for the year and the effects of changes, on each item, to accounting standards as well as amendments as required by IAS 8. In addition, it shows the balance of retained earnings and losses at the beginning of the year, the movements during the year and at the end of the year.

- Cash Flow Statement

The cash flow statement presents the cash flows of the year resulting from operating, investing and financing activities. The cash flows from operating activities of the year are presented using the indirect method, whereby the net result for the year is adjusted for the effects of operations of non-monetary nature, for any deferral of accrual of previous or future operating cash collections or payments, and for elements of revenues, or costs, related to cash flows deriving from investing or financing activities.

Furthermore and differently from financial statements of 2016, a reclassification of Euro 44 thousand was made from "Trade receivables" to "Other current liabilities", aiming to allow better comparison of data.

In order to allow a better comparison between years and to better understand explanatory notes, it is herein reminded that the merger by incorporation of Società Trenno S.r.l. is effective from January 1, 2017.

b) Basis of preparation (to read)

These financial statements, the amounts of which are expressed in Euro (unless indicated otherwise), have been prepared on the basis of the general historic cost criterion, with the exception of certain real estate properties, plants and machinery assessed at the cost replacement value ("deemed cost") as defined below, as for derivatives (fixed quota and reference betting) and shareholdings in other companies registered at fair value.

Uncertainty of estimates

In applying the Company's accounting standards, the Directors have made decisions based upon a number of key assumptions concerning the future and other important sources of uncertainty in the estimates as at the closing date of the financial statement, which could give rise to adjustments in the carrying amounts of assets and liabilities. In particular, goodwill should be checked at least once a year for possible value impairments, which requires estimating the value in use of the cash generating units to which the goodwill is attributed, which in turn is based on the estimation of the expected cash flows from the units and their discounting based on an appropriate discount rate. The assumptions formulated for the purposes of determining the value in use of the individual cash generating units, in support of such asset values, involve a certain amount of uncertainty related to all the predictions. Therefore, in the future, they may give rise to corrections in accounting values due to the actual realization of assumptions based upon the estimates and, more specifically, the Company's capacity to achieve its 2017-2019 budget objectives.

Use of estimates

To draw up the financial statements in accordance with the IFRS, the company's management must make evaluations, estimates and hypotheses according to the accounting principles that influence the amounts of assets, liabilities, costs and income recorded in the financial statements. The estimates and the related assumptions are based upon the previous experiences and other factors considered reasonable in the circumstances, and have been adopted in order to estimate the accounting value of assets and liabilities, which is not easily inferable from other sources.

Such estimates and assumptions are regularly reviewed. Any changes resulting from the adjustment of the accounting estimates are recognised in the year in which the adjustment is made.

We shall now present some of the key hypotheses regarding the future and other important sources of uncertainty in the estimates as at the closing date of the financial statements, which might result in making significant corrections of the carrying amounts of the assets and liabilities in the next year.

Impairment of non-financial assets

The Company verifies, on each reporting date, whether there are indicators for reductions in value for all non-financial assets. The goodwill and the other intangible assets having an indefinite useful life are verified on an annual basis in order to identify possible write-downs and over the course of the year only if such impairment indicators exist. The other non-financial assets are tested annually for impairment if there are indications that the carrying amount might not be recovered.

When the value in use has been calculated in advance, the directors must estimate the expected cash flows from the activity or cash-generating units and select an appropriate discount rate in order to calculate the

current value of such cash flows. Further details and a sensitivity analysis for the key hypotheses are indicated below.

Deferred tax assets

Deferred tax assets are recognised with respect to tax loss carryovers and other significant temporary differences, to the extent that there is likely to be sufficient future taxable income against which such losses and temporary differences may be deducted in future periods. Directors are required to make a significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The directors need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes.

Pension plans and other post-employment benefits

The provisions for employee benefits and the net financial expenses are valued using an actuarial method which requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and the growth rates of the remuneration and considers the probability of occurrence of potential future events by means of the use of demographic parameters such as for example the rates relating to mortality and resignations or the retirement of the employees. The hypotheses used for the valuation are detailed in the note "Post-employment benefits".

Provision for bad or doubtful debts

The provision for doubtful receivables reflects management's estimate of the expected losses associated with the receivables portfolio. On the basis of past experience, provisions are made for the expected losses on receivables. Management carefully monitors the quality of the receivables portfolio and the current and forecast conditions of the economy and the reference market. The estimates and the assumptions are periodically reviewed and the effects of each change are reflected in the income statement in the pertinent year.

Provisions for risks and charges and potential liabilities

The Company ascertains a liability in the presence of legal disputes or lawsuits underway when it believes it is probable that a financial outlay will take place and when the amount of the losses, which derive therefrom, can be reasonably estimated. In the event that financial outlay becomes possible but the amounts cannot be determined, this fact is indicated in the explanatory notes to the financial statements. The Company is subject to lawsuits regarding complex legal problems, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary further to future developments in the proceedings underway. The Company monitors the status of the disputes underway and consults with its legal advisors and experts on legal and tax-related matters.

Amortisation and depreciation

The cost of the fixed assets is amortised/depreciated on a straight-line basis over the estimated useful life of the same. The economic useful life of the Company's fixed assets is determined by the Directors at the moment of acquisition; it is based on the past experience acquired over the years of activities and on the awareness regarding any technological innovations which may render the fixed assets obsolete and no longer economical.

The Company periodically assesses the technological and sector changes to up-date the residual useful life. The periodic up-date could involve a change in the amortisation/depreciation period and therefore also the amortisation/depreciation charge for future years.

Income tax

The calculation of the Company's tax liabilities requires the use of valuations by management with reference to transactions whose tax implications are not known as of the year-end date. The Company recognises the liabilities which could derive from future inspections by the tax authorities, on the basis of the estimate of the taxes which will be due. If the result of the inspections mentioned above should be different from that estimated by management, significant effects on the current and deferred taxes could come about.

c) Valuation and consolidation criteria

Subsidiaries and affiliates

Subsidiaries are companies in which the controlling shareholder has the authority to determine, directly or indirectly, the financial or management policies in order to obtain benefits deriving from its operations.

Affiliates are entities in which the Company has no authority but significant influence over financial and management policies.

IAS 27, par. 37, allows companies required to produce consolidated financial statements, to value the shareholdings in subsidiaries and affiliates, not available for sale, at fair value (in accordance with IAS 39) or at acquisition cost.

The Company opted for the acquisition cost method. Such investments are subject to impairment tests as soon as there is reasonable ground to believe that investments may have incurred losses. In this case, the impairment is recognised in the Income statement. The original book value is restored once the assumptions beneath impairments are removed.

Transactions in foreign currency

Transactions in foreign currency are converted at the exchange rate in effect on the transaction date.

Monetary assets in foreign currency on the reporting date of the financial statements are converted into Euros at the closing exchange rate. Any gains or losses resulting from the conversion are recognised in the income statement, among interest income or charges.

The non-monetary assets valued at historic cost in foreign currency are converted using the exchange rate in effect on the date of the initial recognition of the transaction. The non-monetary assets carried at fair value in foreign currency are converted using the exchange rate of the date on which their value was determined.

d) Property, Plant and Equipment

Owned assets

Property, plant and equipment are carried at cost or deemed cost, less accumulated depreciation and impairment (see standard f). The cost comprises directly attributable ancillary charges and the initial estimate, if any, of costs of disassembly and removal of the asset and site remediation and, finally, an appropriate share of the production costs of in-house built assets up to the time at which the asset is in the necessary condition to generate income.

That cost includes the costs of replacing parts of the machinery and equipment, when incurred, if they meet the criteria for recognition.

If the individual components of a tangible asset are characterised by a different useful life, they are recognised separately so as to be depreciated on a consistent basis with their duration ("component approach").

Costs incurred after acquisition are capitalised only if they increase the future economic benefits attributable to the assets in question. All other costs are recognised when incurred in the income statement. Tangible fixed assets under construction are recognised at cost and are depreciated as from the period they enter into service. Maintenance costs of an ordinary nature are booked in full to the income statement. The maintenance costs of an incremental nature are booked to the assets to which they refer and depreciated in relation to the residual possibility of use of the same.

If events or changes in situations indicate that the carrying amounts may not be recovered, they are tested for impairment and, if the carrying amount exceeds their estimated realisable value (consisting in the greater as between the fair value after deducting costs of sale and the value of use), the asset is written-down accordingly.

Depreciation

The depreciation of property, plant and equipment is systematically reported in the income statement at constant rates according to the useful technical-economic life of the relevant assets, which is defined as the residual useful life.

Land is non-depreciable.

The annual depreciation rates used are as follows:

- Buildings: between 3% and 3.33%
- Plant and equipment; between 15% and 20% with the exception of motherboard (66.67%);

- Industrial and commercial equipment: between 10% and 15.5%
- Other assets: between 12% and 25%.

The residual value of the assets, the useful economic life and the methods applied are reviewed annually and adjusted, when necessary, at the end of each year.

The assets for which transfer to the entity granting the concession is envisaged, since they do not fall within the scope of application of IFRIC 12, are depreciated at the lower term as between the useful life of the asset and the term of the concession.

Derecognition

Property, plant and equipment are derecognised from the financial statements when sold, or when no future economic benefits are expected for their use or retirement. Any gains or losses (calculated as the difference between the net proceeds from the sale and the carrying amount) are included in the income statement in the year of derecognition.

e) Intangible assets

Goodwill

Goodwill is initially measured at cost, which is calculated as the excess between the sum of the purchase price paid and the amount paid for minority quotas with respect to identifiable net assets acquired and liabilities undertaken by the Company. If the purchase price is lower than the fair value of the net assets of the subsidiary purchased, the difference is stated in the income statement.

Goodwill is considered to be an asset of an indefinite life and is not amortised but rather tested for impairment each year or more frequently (if specific events or changes of circumstances occur that suggest an impairment). Such tests consist of checking the cash generating unit to which the company's management attributes the goodwill for possible impairment, in accordance with the provisions of IAS 36 - Impairment of Assets. Impairment adjustments cannot be subsequently reversed.

Other intangible assets

Other intangible assets that are purchased or self-created are carried in the assets in accordance with the provisions of IAS 38 - Intangible Assets, if it is likely that using the asset will generate future economic benefits and if the cost of the asset may be determined reliably.

Such assets are initially measured at acquisition or production cost and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful life.

Research expenses are recognised at cost when incurred.

The other intangible assets consist of capitalised costs of software developed in-house. In this sense, see the matters set forth under "Development costs".

The expenses related to internally generated goodwill are recognised in the income statement in the year in which they are incurred.

The subsequent expenses related to intangible assets are capitalised only if they increase the future expected economic benefits attributable to the assets in question. All other subsequent expenses are charged to the income statement in the year in which they are incurred.

Concessions, licences, trademarks and similar rights are capitalised only if they increase the future expected economic benefits attributable to the assets in question.

All other subsequent expenses are charged to the income statement in the year in which they are incurred.

Development costs

Development costs are recorded under the assets only if all the following conditions are observed: the costs can be determined reliably and the technical feasibility of the project, the volumes and the expected prices indicate that the costs incurred in the development phase will generate future economic benefits. The capitalised development costs include just the expenses incurred which can be assigned directly to the development process.

The capitalised development costs are amortised on the basis of a systematic approach.

All other development costs are recognised when incurred in the income statement.

Depreciation

Amortisation of intangible fixed assets is charged to the income statement on the basis of constant quotas throughout the useful lifetime of the same, with the exception of goodwill, which is not amortized, but is regularly tested for impairment by the Company. Such testing is performed on each financial reporting date. Intangible assets with a definite useful life are amortised from the time at which the asset becomes available for use.

The annual amortisation rates applied are as follows, broken down by category:

- Patent rights and rights to use original works: between 10% and 20%;
- Concessions, licences, trademarks and similar rights: between 10% and 20% with the exception of AWP's paper-based licences (AKA "nulla osta") at 66.67%;
- Concessions for wagers: on the duration of the concessions expiring between June 2017 and March 2022;
- Other assets:
 - Commercial network: 6.67%;
 - Development costs: 20%;
 - Multi-annual costs: between 20% and 33.33%.

f) Impairment of non-financial assets

The Company verifies on an annual basis the carrying amounts of its assets, in order to identify any impairment. If, on the basis of such impairment testing, it is found that the assets have effectively incurred a loss of value, the Company estimates the recoverable value of the asset.

The recoverable value of goodwill, of assets with an indefinite lifetime and intangible assets not yet available for use, is estimated on each reporting date of the financial statements.

The recoverable amount is the greater of the fair value of the asset and cash-generating unit, less the cost of sale, and its value in use. The recoverable amount is determined for each individual asset except when the asset generates cash flows that are not largely independent from the cash flows generated by other assets or groups of assets.

Any impairment of cash generating units is first applied towards reducing the carrying amount of any goodwill attributed to the cash-generating unit and, thereafter, to reducing any other assets of the unit in proportion to the carrying amount of each asset that makes up the unit.

To determine an asset's value in use, the accounting standard requires calculating the present value of estimated future cash flows, including taxes, applying a discount rate that reflects the current market valuations of the time value of money and the specific risks of the asset. Impairment is recognised if the recoverable amount is less than the carrying amount. If the impairment of the asset is subsequently eliminated or reduced, the carrying amount of the asset or cash-generating unit is reinstated (except in the case of goodwill).

g) Reinstatement of values

It is not permitted to reverse impairment of goodwill.

Except for goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or a change has occurred in the valuations used to determine the recoverable amount.

The carrying amount resulting from the reinstatement of the value of an impaired asset must not exceed the carrying amount that would have been determined (less amortisation/depreciation) if the impairment of the asset had never been recognised.

h) Inventories

The inventories are measured at the (acquisition or production) cost or net realisable value, whichever is less, calculated using the FIFO (First-In, First Out) method. The valuation of the warehouse inventories includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Provisions for impairment are calculated for products considered to be obsolete or "slow movers", taking their expected future use and realisable value into account. To that purpose, the realisable values are periodically recalculated and the impairment is recognised on the income statement at the same time as the impairment occurs.

i) Trade receivables

Trade receivables are recognised on the basis of the amortised cost method. The losses on receivables are measured as the difference between the book value of the receivable, equal to the fair value inclusive of the transaction costs, and the current value of the estimate future cash flows, discount back at the effective interest rate calculated as of the date of recognition of the receivable.

The value of the receivables is stated net of the related write-down allowance so as to reflect the effective recoverability. The losses on receivables are recognised in the statement of comprehensive income within the item "Other operating costs", along with any amounts collected on receivables written off.

j) Shareholdings and other financial assets

IAS 39 provides for the following classifications of financial instruments: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments, and available-for-sale financial assets. Initially, all financial assets are recorded at fair value, increased by ancillary costs, in the case of assets other than those at fair value, with changes to the income statement. The Company determines the classification of its financial assets at the moment of their initial registration.

Shareholdings in other companies and available-for-sale financial assets

Shareholdings in other companies (with a percentage of ownership less 20%) are measured at fair value and their effects are recognised in Shareholders' Equity. If their fair value cannot be reliably determined, the shareholdings are measured at cost and adjusted for impairment, which is recognised in profit or loss. The original value is reinstated if the conditions giving rise to the impairment cease to exist, with the effects recognised in Shareholders' Equity.

The risk of possible impairment losses exceeding the shareholders' equity is recognised in a corresponding provision for risks, to the extent to which the investor is committed to fulfilling statutory or implied obligations on behalf to the investee.

Shareholdings in other companies currently held by the Company, are measured at cost rather than at fair value since the latter cannot be reliably estimated.

Impairment of shareholdings in other companies and available-for-sale financial assets

The Company verifies on each financial statement date whether the shareholdings in other companies have incurred a loss in value. If the fair value cannot be reliably determined, the impairment is calculated based on appropriate valuations resulting from the investee's financial statements.

The objective evidence of an impairment would involve a significant or durable reduction in fair value of the instrument below its cost. The term "significant" is valued with respect to the original cost of the instrument and the term "durable" with respect to the period in which the fair value remained lower than the original cost. Whenever an impairment occurs, the cumulative loss - measured based on the difference between purchase cost and current fair value, deducted impairment losses of that financial asset previously recognised in the income statement for the year - is reversed from the statement of other comprehensive income and is recognised in the income statement for the year.

Other financial assets

Other current financial assets include the balances on financial bank accounts held by subsidiaries.

k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active exchange. After the initial recognition, such assets are measured according to the criterion of amortised cost, using the effective discount rate method less any provision for impairment. Short-term receivables are not discounted since the effect of discounting the cash flows is immaterial. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or show signs of impairment.

Fair value

Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date.

In the case of securities negotiated on the regulated markets, the fair value is determined with reference to the stock market price reported at the end of trading on the closing date of the year/period. In the case of investments for which there is no active market, the fair value is determined using a valuation method based on the following: the price of recent arm's length transactions; the fair market value of a substantially similar instrument; the analysis of discounted cash flows; option pricing models.

Fair value measurement

Assets and liabilities accounted at fair value are classified according to a "fair value hierarchy" in order to increase consistency and comparability in fair value measurements and related disclosures.

The hierarchy envisages the following three levels:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability and fall outside Level 2.

Amortised cost

Amortized cost is an investment classification category and accounting method which requires financial assets and liabilities classified under this method to be reported on balance sheet at their amortized cost which equals their initial amount less principal repayment plus/minus amortization of discount/premium (with the effective interest rate method) plus/minus foreign exchange differences (if any) less impairment losses (if any). The effective interest rate corresponds to the rate that allows matching the present value of all future contractual (or expected) cash flows with the asset or liability's book value at the beginning of the accounting period. The amortized cost calculations should also include external costs and income recognised when accounting for the asset or liability.

Impairment of loans and receivables

The Company verifies on each financial statement date whether a financial asset or group of financial assets has incurred impairments.

If there is objective evidence that a financial instrument carried at amortised cost has undergone impairment, the amount of impairment is measured as the difference between the carrying amount of the asset and the estimated present value of future cash flows (excluding any future loss on receivables that has not yet been incurred) discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate calculated on the date of initial recognition). The carrying amount of the asset is reduced through a provision for impairment.

The amount of impairment is not recognised in the future accounting period if the impairment assumptions are no longer valid. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

The amount of receivables is reduced through specific provisions. Receivables are cancelled when there is no longer recovery value.

l) Cash and cash equivalents

Cash and cash equivalents include cash, deposits repayable on demand, short-term financial investments and other liquid assets that can be converted into cash on short notice and are subject to negligible risks of value fluctuations, whose maturity is equal to or less than three months as from the acquisition date.

m) Treasury shares

Treasury shares are booked to reduce the shareholders' equity. The original costs of the treasury shares and the revenues deriving from any subsequent sales are recognised as changes in shareholders' equity.

n) Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs. After the initial recording, they are assessed at amortised cost, registering any differences between cost and reimbursement value in the income statement for the duration of the liability, in accordance with the actual interest rate method.

Short term liabilities are not discounted given the irrelevance of discounting effect on cash flows.

All earnings or losses are recorded in the income statement when the liability is repaid, and also through the amortization process.

Financial liabilities at fair value with changes recognised in the income statement

Held-for-trading liabilities are those purchased for the purpose of resale in the near future. Derivatives are classified as held- for-trading financial instruments unless they are designated as effective hedge instruments. Gains or losses on held-for- trading liabilities are recognised in the income statement.

Derecognition of financial assets and liabilities

A financial asset (or, as the case may be, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements whenever:

- The rights to receive cash flows from the asset are extinguished;
- The Company retains the right to receive cash flows from the asset but has assumed the contractual obligation to transfer the entirety of those cash flows to a third party;

- The Company has assigned the right to receive cash flows the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not substantially transferred all the risks and benefits of ownership of the asset but has transferred the control over it.

A financial liability is derecognised from the financial statements when the underlying obligation of the liability is extinguished, voided or fulfilled.

Netting of financial instruments

Financial assets and liabilities are offset with indication in the financial statements of the net balance, when a legal right to make this offsetting exists and the intention to settlement the transaction at net or realise the asset and settle the liability at the same time exists.

o) Financial derivatives and hedge accounting

Initial recognition and subsequent valuation

The Company uses derivative financial instruments such as swaps on interest rates in order to hedge its interest rate risks. Such financial derivatives are initially recognised at fair value on the date of signature of the derivative contract and measured at fair value again thereafter. Derivatives are accounted for as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are recognised directly in the income statement, except for the effective part of cash flow hedge, which is recognised in Shareholders' Equity.

For the purposes of hedge accounting, hedges are classified as follows:

- Fair value hedges for the risk of changes in the fair value of the underlying asset or liability or an unrecognised irrevocable commitment;
- Cash-flow hedges for exposure to variability in cash flows attributable to a specific risk associated with a recognised asset or liability or a highly probable planned transaction or a value or a foreign currency risk related to an unrecognised irrevocable commitment;
- Hedges for a net investment in foreign operations.

At the inception of a hedging transaction, the Company delineates and formally documents the hedging relationship to which it intends to apply the hedge accounting, its objectives in the management of risk and the strategy pursued. The documentation includes identification of the hedge instruments, the hedged item and transaction, the nature of the risk and of the methods by which the company intends to evaluate the effectiveness of the hedge in offsetting the exposure to variations in fair value of the hedged asset or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the exposure of the hedged asset to variations in fair value or of the cash flows attributable to the hedged risk; the evaluation as to whether such hedges are actually effective is performed on an ongoing basis throughout the accounting years for which they have been designated.

Transactions meeting the criteria for hedge accounting are recognised as follows:

Cash flow hedges

The portion of profits or losses of the hedged instrument, with respect to the effective part of the hedge, is recognised among the other comprehensive income in the "cash flow hedge" reserve, while the ineffective part is recorded directly in the income statement among other operating costs.

To hedge its foreign currency exposure, the Company uses forward exchange contracts based on the expected transactions and firm commitments; similarly, the Company uses forward commodity contracts to hedge against commodity price volatility.

The amounts recognised among other comprehensive income are transferred to the income statement in the period in which the hedged transaction affects the income statement, for example when the Financial expense or proceeds are recognised or when an expected sale is made. When the element covered by the hedging is the cost of a non-financial asset or liability, amounts recognized among other total earnings are transferred to the initial carrying amount of the asset or liability.

If it is believed that the expected transaction will not occur or the firm commitment will not be honoured, the cumulative gains or losses recognised in the cash flow hedge reserve are transferred to the income statement. If the hedge instrument matures or is sold, cancelled or exercised without replacement, or if its designation as a hedge is revoked, the amounts previously recognised in the cash flow hedge reserve will remain in that reserve until the expected transaction flows to the income statement.

Classification as current/non-current

The derivatives that are classified as effective hedge instruments, are classified consistently with the hedged underlying element. The derivative is divided into a current portion and non-current portion only if the allocation is expected to be realised.

The derivatives that are not classifiable as “effective hedge instruments” are classified as current or non-current or divided into a current portion and non-current portion, based on the assessment of the facts and circumstances (e.g., the negotiated underlying cash flows):

- When the Company holds the derivative as economic hedging (and does not apply the hedge accounting) for a period exceeding 12 months after the date of the financial statement, the derivative is classified as non-current (or divided between current and non-current) on the basis of the underlying element;
- Implicit derivatives which are not strictly related to the main contract are classified in line with the cash flows of the main contract.

p) Termination-employment benefits

Termination-employment benefits (TFR) are considered to be a defined-benefit plan according to IAS 19.

The defined-benefit obligation, less any plan assets, is determined on the basis of actuarial hypotheses and recognised on an accrual basis consistently with the amount of service required to earn the benefits. The obligation is measured by an independent actuary based on hypotheses concerning discount rates, future wage increases, the mortality rate and pension increases. Such assumptions are reviewed on each financial statement date.

Starting from 1 January 2007, the Finance Act [Legge Finanziaria] of 2007 and the related implementing decrees introduced amendments on the subject of the post-employment benefits, including the worker's right to choose the intended use of his or her own post-employment benefits maturing in the supplementary pension fund or the “Treasury Fund” managed by the INPS (Italian national institute of social insurance). In accordance with IAS 19 “Employee Benefits”, the obligation representing the post-employment benefits accrued as at 31 December 2006, which remains registered even after 1 January 2007 on the liabilities side of the balance sheet in the financial statements, constitutes a defined benefits plan, while the obligation vis-à-vis INPS and the contributions to supplementary pension panels became “defined contribution plans”.

Thus, the obligation to the INPS and supplementary pension contributions is of the “Defined-Contribution Plan” type, as defined by IAS 19, whereas the portion recognised in the post-employment benefits remains classified as a “Defined-Benefit Plan”.

Profits or losses deriving from the actuarial calculation are applied to shareholders' equity and consequently in the other components of the comprehensive income statement.

These actuarial profits or losses are not restated to income statements in the following years.

Interest on liabilities for defined-benefit plans should be calculated by multiplying liabilities by the discount rate. The Company recognises the following change in net liabilities for defined-benefit plans in the income statement:

- Costs for work services, inclusive of current and past work, profit and losses on non-routine profit and losses;
- Interest expenses.

q) Provisions for risks and charges

The Company recognises a provision whenever it assumes an obligation (statutory or implied) resulting from a past event and it is likely to be necessary to use resources, which can be forecasted. The amount of provisions include also best estimate of legal expenses at each reporting date.

r) Trade payables

Trade payables are obligations to pay in relation to goods or services purchased from suppliers within the sphere of core business activities. Payables to suppliers are classified as current liabilities of the payment will take place within 12 months of the balance sheet date. Otherwise, these payables are classified as non-current liabilities.

Trade payables and the other payables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method.

s) Assets held under financial or operating leases

Whether or not a contractual agreement is defined as a leasing operation (or containing a leasing operation) depends on the substance of the agreement and requires evaluating whether performance of the agreement depends on using one or more specific assets or whether the agreement transfers the right to use those assets.

The leases where the lessor essentially maintains all the risks and benefits linked to the ownership of the assets are classified as operating leases.

Operating lease instalments are recorded as costs in the statement of comprehensive income, in constant quotas allocated over the term of the lease agreement.

Financial lease agreements which substantially transfer to the Company all risks and benefits deriving from ownership of the asset leased, are capitalized on the date of commencement of the lease at the fair value of the leased asset or, if lower, the present value of the instalments. The payments are divided into principal and interest in such a way as to apply a constant interest rate to the outstanding balance of the debt. The financial expenses are allocated directly to the statement of comprehensive income.

Leased assets that are capitalized are amortized over the shorter term as between the estimated useful lifetime of the asset and the term of the lease agreement, if there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the agreement.

t) Revenues and expenses

Revenues are recorded to the extent that it is likely that the Company will attain economic benefits and their amount is determinable in a reliable manner. Revenue is presented net of any discounts, rebates and returns.

In particular, revenue from the sale of assets is recognised when the risks and benefits connected with ownership of the assets are transferred to the purchaser, the price of sale has been agreed or can be determined, and collection is planned: this moment generally coincides with the date of delivery or shipment of the asset.

Revenue from services is recognised on an accrual basis as the services are performed.

In particular, revenues from gambling are accounted as follows:

- Revenues from concessions related to the gaming machines under subsection 6a (AWP) are recognised less the flat-rate gaming tax (PREU) and winnings paid out but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the ADM.
- Revenue from the gaming machines under subsection 6b (VLT) is expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the ADM.
- Revenue from Online gaming (games of skill/casino/bingo) is expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of the cost of the platform and concession fees.
- Based on IAS 32 and 39 the collection of fixed-odds bets and "reference-based bets" generates a financial liability that is measured at fair value. Therefore, the wagers related to the acceptance of fixed quota and reference bets (or bets for which the Group bears a risk deriving from winnings) are stated in the financial statements under "Revenues from sales of goods and services" net of costs for the single tax, the ex ASSI withholding, winnings and refunds paid to bettors.
- The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the year in which the bets are placed.
- Revenues and costs related to bets are recognised at the time of the event for which the bet is accepted.

The costs of services are recognised on an accrual basis at the time of receipt of the services.

It is worth noting that, in application of Law Decree No. 95 of July 6, 2012. On December 1, 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency, hereinafter "AAMS" or "ADM").

It is also worth noting that the former ASSI Entity was transferred to the Minister of Forestry Agriculture and Food Policy by a decree of that Minister, in accordance with the Ministry of the Economy and Finance, on January 31, 2013 (hereinafter "former ASSI" or "MIPAAF").

State Grants

Contributions from the state and other public entities consist of the grants to MIPAAF investments fund, as well as contributions to fees for services supplied by the Company that operates the racetracks for the benefit of the Public Entity known as MIPAAF, which is the owner of proceeds deriving from the collection of bets on horse races at the same racetracks. They are recorded at their fair value the moment in which there

is reasonable certainty that they will be granted and in which the Company has fulfilled all conditions necessary in order to obtain them. The grants obtained to offset the costs incurred are applied to the income statement systematically over the same periods in which the related costs are registered. The contributions obtained to offset an asset registered in the balance sheet are applied to the income statement under the item "other operating revenues" systematically based upon the useful lifetime of the related asset.

u) Financial income and expenses

The financial income and expenses are recorded on an accrual basis on the basis of interest accrued using the actual interest rate.

v) Income tax (current and deferred)

The income taxes include current and deferred taxes calculate don the taxable income the Company. The income tax is recognised in the income statement, except for income related to transactions directly recognised in Shareholders' Equity, which is accounted for in equity.

The current taxes represent the estimated amount of income tax calculated on the basis of the taxable income for the year.

Deferred taxes are provided on the timing differences between the book values of assets and liabilities recorded in the financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are not recognised in the event of timing differences recognised at the time of the initial recognition of goodwill and differences related to shareholdings in subsidiaries for which the timing difference will probably not reverse in the foreseeable future. The prepaid tax assets and deferred tax liabilities are measured using the tax rate that it is estimated will be applicable in the year in which the relevant asset will be realised or the relevant liability will be extinguished; that estimate is based on the enacted or substantially enacted tax rate at the end of the reporting period.

Prepaid tax assets are recognised to the extent that it is probable that there will be future taxable income to which such assets can be applied. The carrying amount of the prepaid tax assets is reduced if it is unlikely that the corresponding tax benefit can be put to use.

The tax assets and liabilities for taxation are offset, separately for the current taxes and for the deferred taxes, when the income taxes are applied by the same tax authority and when there is a legal right to offsetting.

Management periodically assess the choice made at the time of calculation of the taxes with reference to situations in which the tax legislation in force lends itself to interpretations and, in the case it deems is appropriate, records risk provisions determined on the basis of the taxes which it is expected it will pay to the tax authorities.

w) Business combination

The business combinations are recorded using the acquisition method. In particular, the acquisition cost was determined as the sum of the amounts transferred in a business combination (measured at fair value) at the acquisition date, and the amount of any minority shares acquired. Ancillary costs related to the transaction are recognised in the income statement, when incurred.

The goodwill acquired in a business combination is initially measured at cost, which is represented by the surplus between the sum of the amount transferred in a business combination, and identifiable net assets acquired and liabilities undertaken. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, this surplus is accounted for as income from the transaction and recognised in the income statement. After the initial recognition, the goodwill is measured at cost, net of accumulated impairment losses. In order to check the presence of impairment losses, the goodwill acquired in a business combination is allocated, at the acquisition date, to the single cash generating units or to the groups of cash generating units which should take benefit from the synergies of the combination, regardless of the fact that other assets or liabilities of the acquired company are assigned to these units or groups of units. When the goodwill is part of a cash generating unit (group of cash generating unit) and part of the asset internal to the transferred unit, the goodwill associated to the transferred asset is included in the carrying amount of the asset in order to determine the gain or loss resulting from the disposal. The goodwill associated with the disposed assets must be determined based on the related values of both the disposed activity and the portion kept within the cash generating unit. Within the 12 months following the acquisition date, the differences resulting from this transaction are allocated, while recognising, at fair value and at the acquisition date, the identifiable assets acquired and the liabilities undertaken. If the initial recognition of a business combination can only be determined on a provisional basis by the end of the year in which the combination is achieved, the recognition of the combination takes

place on the basis of the provisional values. The adjustment of these provisional values further to the completion of the initial recognition are recognised within 12 months of the acquisition date.

x) Dividends

Dividends are usually accounted whenever the related right is recognised (usually corresponding to the Shareholders' meeting resolving dividend distribution).

2 CONCESSION AGREEMENTS

Snaitech runs its business in the gambling market, which includes Sports and Horserace Betting, AWP's and VLTs, as well as Skill Games, Bingo and Casino Games. The government through concession agreements regulates the entire gambling market.

Snaitech owns the following concessions:

| Owner | Quantity | Subject | Maturity |
|-----------------|-------------------------|--|------------|
| Snaitech S.p.A. | 1 Concession | Implementation and management of gaming machines network (in accordance with Art. 110 (6) of TULPS as per RD no. 773 of June 18, 1931 and following amendments and supplements) as well as any related activities | March 2022 |
| Snaitech S.p.A. | 1 Concession Code 4311 | Horserace gambling collected through distribution network (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 4028 | Gambling on public gaming other than horse races collected through distribution networks (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 4801 | Horserace gambling collected through distribution network (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 15215 | Online gambling on the following games: a) Sports Betting; b) Horserace Betting; c) Horserace and Sports betting pools; d) National horserace totalisator game; e) Skill games, including tournament-type games; f) Bingo. | Oct. 2020 |
| Snaitech S.p.A. | 1 Concession Code 4501 | Gambling on horseraces and sports events as per Art. 10, par. 9-octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012. | June 2016 |

As regards the aforesaid concessions on gambling expired in June 2016, the 2016 Stability Law set out the renewal as per the following procedures described in par. 932.

Paragraph 932 sets out that on May 1, it should start the tender procedure for Sports and Horserace Betting nine-year concessions (expired on June 30, 2016 and extended until the execution of the new concession agreements) for 15,000 rights divided as follows:

- 10,000 shops (minimum price of Euro 32,000);
- 5,000 corners, of which 1,000 for shops selling food and drinks (minimum price of Euro 18,000).

Since the tender to renew the betting concessions was not called, ADM (with the aim to preserve business continuity in the higher interest of public order, taxation and occupation) allowed concessioners to continue their Betting business until the launch of the new tender, as long as they provided formal commitment to bid along with the relevant guarantees (or by extending the existing ones), which cover any existing or future obligations arising until June 30, 2017 plus an extra year (up to June 30, 2018).

The Company promptly formalised its intention to continue with the Betting business by filing the relevant form along with requested guarantees.

ADM, with a note dated March 28, 2017 related to the Betting business continuity and guarantees extensions, requested concessioners to extend the outstanding guarantees by one year in order to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019).

Art. 1, par. 1048 of Law no. 205 of December 29, 2017 envisages the extension of betting licences to December 31, 2018 against the payment of a fee and has mandated ADM to tender, within September 30, 2018 the new betting rights.

On January 19 and 24, 2018, ADM has subsequently informed concessioners of the implementation measures of rights extension and set the deadline on January 30, 2018, in order to receive notices from concessioners. The Company has provided indications within the deadline.

3 BUSINESS COMBINATION

In 2017, Snaitech S.p.A. signed three different sale and purchase agreement of business unit related to gaming machines pursuant to art. 110, par. 6/a of T.U.L.P.S. from different points of sales. In particular:

- 1) On May 30, 2017 the Business Unit related to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Purchase price was equal to Euro 800 thousand.
- 2) On November 29, 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from December 1, 2017. Purchase price was equal to Euro 3,000 thousand with a maximum earn-out of Euro 300 thousand if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of December 31, 2017 purchase price is still provisional and amounts to Euro 3,300 thousand.
- 3) On November 30, 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from December 1, 2017. Purchase price was equal to Euro 1,170 thousand with a maximum earn-out of Euro 130 thousand if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of December 31, 2017 purchase price is still provisional and amounts to Euro 1,300 thousand.

The table below summarize the aforementioned values.

| <i>Figures in thousand/Euro</i> | BU of 30.05.2017 | BU of 29.11. 2017 | BU of 30.11.2017 | Total |
|---------------------------------|-----------------------------|------------------------------|-----------------------------|--------------|
| AWPs (motherboards included) | 390 | 846 | 331 | 2,577 |
| Money changing machines | 50 | 186 | 63 | 1,049 |
| Other assets | - | 30 | 7 | 37 |
| Assets value | 440 | 1,062 | 401 | 1,903 |
| Tax effect | 58 | - | - | 58 |
| Purchase price | 800 | 3,300 | 1,300 | 5,400 |
| Goodwill | 418 | 2,238 | 899 | 3,555 |

NOTES ON MAIN ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to December 31, 2016 figures. The comparison of data between 2017 and 2016 is affected by the merger of Società Trenno S.r.l.. The values of the absorbed undertaking are reflected only in 2017 data.

4 REVENUES FROM SALES AND SERVICES

The amount of revenues from sales of goods and services in 2017 is equal to Euro 874,901 thousand (Euro 871,932 thousand in 2016) and is detailed below:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|----------------|----------------|--------------|
| | 2017 | 2016 | Change |
| Revenues from Gaming Machines | 625,222 | 646,881 | (21,659) |
| Net revenues from fixed-odds Sports and Horserace betting | 150,757 | 125,594 | 25,163 |
| Revenues from Virtual Events | 34,601 | 38,886 | (4,285) |
| Net revenues from Online games (Skill, Casino and Bingo) | 27,499 | 22,878 | 4,621 |
| Revenues from Horserace totalisator, national forecast bets | 13,833 | 17,590 | (3,757) |
| Revenues from the operation of betting services at racecourses | 4,659 | - | 4,659 |
| Management of racecourse and real estate properties | 1,258 | - | 1,258 |
| Revenues from services provided on bets collection | 3,838 | 4,813 | (975) |
| Revenues from services provided on Virtual Events | 3,000 | 2,919 | 81 |
| Commissions income | 1,864 | 2,967 | (1,103) |
| Revenues from servicing and assistance agreements | 3,545 | 4,081 | (536) |
| Revenues from rental of horse racing tracks | - | 194 | (194) |
| Other sales and services provided to third parties | 4,825 | 5,129 | (304) |
| Total | 874,901 | 871,932 | 2,969 |

Revenues from Gaming Machines in 2017 totalled Euro 625,222 thousand: the decrease, compared to 2016, is mainly due to the combined effect of lower wagers and PREU tax rate increase as of April 2017. The following table shows detail of the items "Revenues from Gaming Machines"

| <i>Figures in thousand/Euro</i> | Full Year | |
|--|----------------|----------------|
| | 2017 | 2016 |
| Gaming Machines | 7,147,577 | 7,475,884 |
| Winning | (5,635,786) | (5,947,914) |
| PREU | (886,569) | (881,089) |
| Total revenues from Gaming Machines | 625,222 | 646,881 |

Revenues from Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. Such costs are shown on item "Costs for services and use of third party assets" in Note 8. Concessioners are required to pay a security deposit to ADM equal to 0.50% of the wagers played on each gaming machine with the aim to grant a pre-established service levels.

The Statement of Financial Position include such credit in the item "Security deposit related to Gaming Machines" by an amount equal to Euro 35,735 thousand paid in 2017 (see Note 20). The Security deposit is refunded to the concessioners each year once it has been verified the achievement of the pre-established service levels.

The item "Net revenue from fixed-odds Sports and Horserace betting" is equal to Euro 150,757 thousand and the following table shows a breakdown by winnings, reimbursements and taxation.

| <i>Figures in thousand/Euro</i> | Full Year | |
|--|------------------|----------------|
| | 2017 | 2016 |
| Sports Betting | 1,133,964 | 1,009,147 |
| Reimbursements | (1,243) | (597) |
| Winnings | (948,232) | (856,143) |
| Flat-rate tax | (36,394) | (29,590) |
| Net revenues from Sports Betting | 148,095 | 122,817 |
| Horse racing Betting | 51,618 | 41,064 |
| Reimbursements | (332) | (269) |
| Winnings | (42,287) | (32,916) |
| Flat-rate tax | (2,084) | (1,678) |
| Taxation | (4,253) | (3,424) |
| Net revenues from Horse racing Betting | 2,662 | 2,777 |
| Total Net Revenues from Sports and Horse racing Betting | 150,757 | 125,594 |

Net revenues from Sports betting increased compared to the previous year, owing to a lower payout and higher wagers. In 2017, the payout on Sports betting, including bonuses, settled approximately at 83.7% compared to 84.9% of the previous year.

Revenues from Virtual Events are equal to Euro 34,601 thousand in 2017 and are broken down as follows:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---|------------------|---------------|
| | 2017 | 2016 |
| Virtual Events | 278,631 | 298,552 |
| Winnings and reimbursements | (235,136) | (249,709) |
| Flat-rate tax | (8,894) | (9,957) |
| Total net revenues from Virtual Events | 34,601 | 38,886 |

The reduction of revenues from Virtual Events is due to lower wagers and slight increase of the winnings.

Revenues from Online are equal to Euro 27,499 thousand in 2017 and are broken down as follows:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---------------------------------------|------------------|---------------|
| | 2017 | 2016 |
| Online games | 1,180,012 | 919,781 |
| Winnings | (1,144,297) | (890,246) |
| Flat-rate tax | (8,216) | (6,657) |
| Net revenues from Online Games | 27,499 | 22,878 |

The increase in revenues from Online is due to the increased wagers for the period.

In addition, the item "Other services and sales provided to third parties" mainly includes: net revenues from mobiles top-ups of Euro 1,449 thousand; subsidies from MIPAFF (Ministry of Agriculture) related to broadcasting activities for Euro 796 thousand; net revenues from numerical games totalizer of Euro 309 thousand; net revenues from events and sponsorships of Euro 297 thousand; revenues related to payment services of Euro 209 thousand.

5 OTHER REVENUES AND INCOME

“Other Revenues and Income” item totalled Euro 4,949 thousand in 2017 (versus Euro 9,292 thousand in 2016). The table below shows a breakdown of the item:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|--------------|--------------|----------------|
| | 2017 | 2016 | Change |
| Compensatory damages | 2,334 | 80 | 2,254 |
| Income from lawsuit | 584 | 6,460 | (5,876) |
| Intragroup revenues | 507 | 657 | (150) |
| Rental income and chargeback of ancillary expenses | 314 | 507 | (193) |
| Revenues from arrangement and sales of technology | 112 | 147 | (35) |
| Gain on disposal of assets | 94 | 71 | 23 |
| Grants from UNIRE investments fund | 53 | - | 53 |
| Other revenues and income | 951 | 1,370 | (419) |
| Total | 4,949 | 9,292 | (4,343) |

The reduction of Euro 4,343 thousand is mainly due to the significant reduction of Income from lawsuit.

6 RAW MATERIALS AND CONSUMABLES

The cost of raw materials and consumables were Euro 737 thousand in the first nine months of 2017 (versus Euro 489 thousand in 2016) and mainly composed of materials used to collected wagers, technological support and furnishing installed in new points of sales.

7 COST OF SERVICES AND THIRD PARTY ASSETS

Cost of services and third party services totalled Euro 654,355 thousand in 2017 (Euro 663,674 thousand in 2016) and are broken down as follows:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|-----------|---------|----------|
| | 2017 | 2016 | Change |
| Services related to Gaming Machines | 489,065 | 501,113 | (12,048) |
| Bets acceptance | 71,898 | 74,795 | (2,897) |
| Costs associated with Virtual Events | 16,673 | 17,689 | (1,016) |
| Services related to Online Games | 14,056 | 10,692 | 3,364 |
| Television and radio services | 6,604 | 6,148 | 456 |
| Horse Racing track management | 1,273 | 5 | 1,268 |
| Paymat services | 1,132 | 1,577 | (445) |
| Equipment repair and maintenance | 8,764 | 7,037 | 1,727 |
| Advertising and promotion | 8,499 | 6,772 | 1,727 |
| Utilities and telephone bills | 6,663 | 7,374 | (711) |
| Advisory costs and reimbursements | 6,128 | 6,170 | (42) |
| Insurance and guarantees | 5,506 | 5,762 | (256) |
| Installations, logistics and design | 2,208 | 1,777 | 431 |
| Rental fees and ancillary charges | 2,129 | 2,489 | (360) |
| Information to produce posters with odds | 2,908 | 1,260 | 1,648 |
| Operating leases and other leasing | 2,094 | 2,069 | 25 |
| Banking costs | 2,094 | 1,554 | 540 |
| Third party providers (bet-related information and others) | 2,075 | 1,301 | 774 |
| R&D costs | 102 | - | 102 |
| Partnerships, collaboration and others | 27 | 161 | (134) |
| Market research | 89 | 189 | (100) |
| Intragroup services | 41 | 285 | (244) |
| Compensation of directors | 1,049 | 1,362 | (313) |

| | | | |
|--|----------------|----------------|----------------|
| Compensation of statutory auditors | 146 | 305 | (159) |
| Fee for Regulator and other committees | 133 | 178 | (45) |
| Others | 2,999 | 5,610 | (2,611) |
| Total | 654,355 | 663,674 | (9,319) |

In particular, the table shows:

- Costs of services related to Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms (totalling Euro 489,065 thousand compared to Euro 501,113 thousand in 2016). The decrease of Euro 12,048 thousand is mainly due to the reduction of wagers, the increase of PREU tax rate and the subsequent allocation of a lower net cash box to the different stakeholders of the Gaming Machines value-chain;
- Costs related to sports and horserace bets acceptance from points of sales amounted to Euro 71,898 thousand in 2017 (versus Euro 74,795 thousand in 2016);
- Costs associated with Virtual Events management, including remuneration of operator and cost of the platform, totalled Euro 16,673 thousand (compared to Euro 17,689 thousand in 2016);
- Costs of services related to Online games (online bets, skill and casino games, bingo, including remuneration of operator, cost of the platform and promotional expensed totalled Euro 14,056 thousand (versus Euro 10,692 thousand in 2016).

Several activities of research, development and innovation were carried out in 2017 for Euro 102 thousand subject to fiscal incentives, pursuant to Law 190/2014. In particular, following the certification by an auditor, an R&D tax credit of Euro 123 thousand was recognised (to be claimed only by F24 model submission). All activities were related to the project (and sub-projects) labelled “Digital Transformation v/s Robotic Process Automation –2017”.

“Others” item mainly comprises surveillance and money transfer services, cleaning services, postal and shipping expenses, costs for waste disposal and costs for the management of company vehicles.

8 COSTS OF PERSONNEL

Costs of personnel in 2017, totalled Euro 43,286 thousand compared to Euro 41,221 thousand in 2016, with an increase of Euro 2,065 thousand due primarily to: merger of Società Trenno S.r.l. and the redundancy program, which allowed to use the Wage Guaranteed Fund and a voluntary redundancy scheme.

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|---------------|---------------|--------------|
| | 2017 | 2016 | Change |
| Wages and salaries | 30,306 | 28,479 | 1,827 |
| Social security costs | 8,953 | 8,520 | 433 |
| Cost related to Defined benefit/Defined contribution schemes | 1,859 | 1,667 | 192 |
| Personnel training costs | 203 | 107 | 96 |
| Expense reimbursement to employees | 817 | 795 | 22 |
| Meal allowances | 792 | 805 | (13) |
| Share-based remuneration | 120 | - | 120 |
| Others | 236 | 848 | (612) |
| Total | 43,286 | 41,221 | 2,065 |

The item “Cost related to Defined benefit/Defined contribution schemes” includes also the impact arising from the actuarial re-measurement of the Employee Termination Indemnities (TFR) in accordance with the former IAS 19.

The table below shows a breakdown by employees grading as of December 31, 2017. The increase by 9 employees from year-end 2016 was mainly due to combined effect of the merger of Società Trenno S.r.l. along with the downsizing of Snaitech corporate structure and the redundancy program, which induced voluntary leaving of employees.

| | 31.12.16 | Merger of Società Trenno S.r.l. | Increases for the period | Of which related to career progression | Decreases for the period | Of which related to career progression | 31.12.17 | Average number in period |
|-------------------------------|------------|---------------------------------|--------------------------|--|--------------------------|--|------------|--------------------------|
| Executives | 26 | 1 | 1 | 1 | (3) | 0 | 26 | 27 |
| Employees and middle managers | 649 | 35 | 5 | 2 | (72) | (1) | 618 | 670 |
| Workers | 5 | 45 | 0 | 0 | (3) | (2) | 45 | 49 |
| Total employees | 680 | 81 | 6 | 3 | (78) | (3) | 689 | 746 |

8.1 Incentive schemes

On March 13, 2017, the Shareholders Meeting approved two incentive plans applicable to the Managing Director and other executives of the Company, thus conferring to the Board of directors all the broadest powers for the management and implementation of the above-mentioned plans.

The incentive plan proposals (phantom stock option) envisage, in favour of the Chief Executive Officer, General Manager and certain executives with key responsibilities of the Company and subsidiaries, a cash bonus equal to a given percentage of the company value (up to 4% for both plans). Furthermore, the incentive plan for certain executives with key responsibilities ("Phantom Stock Option 2017-2019") subordinates the potential benefits to the achievement of specific performance targets.

Both incentive plans for the Chief Executive Officer and certain executives are however subordinated to a "change of control" event following the sale of the Company at a share price substantially higher than current Snaitech share price.

Therefore, the incentive plan for the Chief Executive Officer and each selected executive is mainly related to the achievement of the Company targets, as it is strictly connected to increase the company value in the context of change of control transaction, with the aim to align shareholders interest with transaction beneficiaries.

The incentive plan for the Chief Executive Officer and General Manager is effective from March 13, 2017. With reference to the incentive plan for certain executives, in order to grant an increased level of retention, the payment of the incentive should occur after 12 months from the change of control date as long as the managers are still employed with the Company. On August 5, 2017 30, several executives were awarded with incentives.

8.1.1 Incentive scheme for the Managing Director and General Manager

The scheme provides for the attribution to the Managing Director and General Manager of a cash bonus equal to a given percentage of the Company value, measured on the basis of the share price at the time of the change in control of the Company, according to different and growing threshold levels based on change of control date.

In particular, the incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

| Incentive Scheme | Date of change of control | | | Incentive amount (in % based on the Snaitech value) |
|------------------|---------------------------|---------------|-------------------|---|
| | By 31.03.2018 | By 31.03.2019 | Beyond 31.03.2019 | |
| Share price | ≤ Euro 2.10 | ≤ Euro 2.31 | ≤ Euro 2.43 | 0.0% |
| | = Euro 2.25 | = Euro 2.48 | = Euro 2.60 | 0.5% |
| | = Euro 2.40 | = Euro 2.64 | = Euro 2.77 | 1.0% |
| | = Euro 2.55 | = Euro 2.81 | = Euro 2.95 | 1.5% |
| | > Euro 2.70 | > Euro 2.97 | > Euro 3.12 | 2.0% |

The plan has been accounted according to IFRS 2 (Share-based payments).

As per IFRS 2, such plans are part of the remuneration of the relevant beneficiary. The cost of such schemes is represented by the fair value and is accounted on the Statement of Comprehensive Income below the item "Cost of personnel" in the period between the assignment and vesting. The debit entry is recorded at fair value and is assessed at the end of each accounting period.

In particular, the scheme has been assessed cash-settled.

Measurement model

The measurement of the total fair value of the scheme was carried out based on the financial market conditions at the measurement time. The estimate was carried out using the stochastic simulation with the Monte Carlo Method which, based on specific assumptions, allowed to generate of a significant number of alternative scenarios within the time interval taken into consideration.

The Fair Value of the benefits assigned and subject to measurement, based on the assumption to achieve a change of control, amounted to Euro 652 thousand, of which Euro 99 thousand recognised in the Income Statement of 2017.

8.1.2 Incentive scheme for the Executives

The scheme provides for the attribution to Executives of the Company (or its subsidiaries) up to 3,768,546 options, which confer the right to receive cash bonus subject to specific conditions.

The scheme has three-year maturity and is divided into three subsequent periods. The options to be measured fall within the first period for 1,256,182, would be vested subject the achievement of target EBITDA for the period ending on December 31, 2017 and would be exercisable in the event of a change of control (as long as the Executive is still employed). The incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

| Incentive Scheme | Change of control within 31.03.2018 | Incentive amount (in % based on the Snaitech value) | Change of control between 1.04.2018 and 31.03.2019 | Incentive amount (in % based on the Snaitech value) | Change of control after 31.03.2019 | Incentive amount (in % based on the Snaitech value) |
|---|-------------------------------------|---|--|---|------------------------------------|---|
| Value of Liquidity event (per share) | ≤ Euro 2.30 | 0.00% | ≤ Euro 2.53 | 0.00% | ≤ Euro 2.66 | 0.00% |
| | = Euro 2.45 | 0.33% | = Euro 2.70 | 0.42% | = Euro 2.83 | 0.5% |
| | = Euro 2.60 | 0.67% | = Euro 2.86 | 0.83% | = Euro 3.00 | 1.0% |
| | = Euro 2.75 | 1.00% | = Euro 3.03 | 1.25% | = Euro 3.18 | 1.5% |
| | > Euro 2.90 | 1.33% | > Euro 3.19 | 1.67% | > Euro 3.35 | 2.00% |

Snaitech capitalization is meant as the product of the share price and the number of share issued and outstanding at the change of control date.

Measurement model

The measurement of the total fair value of the scheme was carried out based on the financial market conditions at the measurement time. The estimate was carried out using the stochastic simulation with the Monte Carlo Method which, based on specific assumptions, allowed to generate of a significant number of alternative scenarios within the time interval taken into consideration.

The Fair Value, under the assumption of change of control, equals Euro 254 thousand, of which Euro 21 thousand recorded on the Income statement of 2017.

9 OTHER OPERATING COSTS

Other operating costs totalled Euro 49,882 thousand in 2017 (versus Euro 53,148 thousand in 2016).

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|-----------|--------|--------|
| | 2017 | 2016 | Change |
| Concessions and licenses fees | 28,896 | 29,654 | (758) |
| Expenses related to bad or doubtful credits | 7,497 | 7,214 | 283 |
| Non deductible VAT | 5,525 | 4,693 | 832 |
| Losses on credits | 1,980 | 1,140 | 840 |
| Additional charged to related ADM agreements | 1,499 | - | 1,499 |
| IMU (real estate tax) | 979 | 1,061 | (82) |
| Other taxes | 904 | 492 | 412 |
| Expenses related to risks and charges | 931 | 702 | 229 |

| | | | |
|---|---------------|---------------|----------------|
| Release of provisions for technological renewal | (1,595) | (632) | (963) |
| Losses from lawsuits | 903 | 5,803 | (4,900) |
| Stationery, consumables and promotional materials | 463 | 583 | (120) |
| Membership fees | 300 | 304 | (4) |
| Losses on assets disposal | 278 | 584 | (306) |
| Costs of Environmental and health controls | 147 | 75 | 72 |
| Administration sanctions | 172 | 125 | 47 |
| Entertainment expenses | 156 | 137 | 19 |
| Other administrative and operating costs | 847 | 1,213 | (366) |
| Total | 49,882 | 53,148 | (3,266) |

“Concessions and licence fees” item includes, among other things:

- Concession fee for Gaming Machines for a total amount of Euro 21,449 thousand determined as 0.30% of wagers and paid to ADM on a bimonthly basis;
- Concession fees related to rights awarded through the 2006 tender (Bersani rights), 2008 tender (Giorgetti rights) and 2012 tender (Monti rights) and al equal to an overall amount of Euro 5,989 thousand;
- Concession fee related to the Online segment for a total amount of Euro 901 thousand.

In 2017, expenses related to bad or doubtful debts were set at Euro 7,497 thousand in order to realign their measurement with their recovery value. Such receivables arose in prior fiscal years in relation to the Company’s core business and experienced difficulties with regard to their collection.

“Non-deductible VAT” item is equal to Euro 5,525 thousand and arises mainly from different types of transactions executed by Snaitech S.p.A.. Such transactions originate VAT taxable and non-taxable revenues with subsequent impact on non-deductible VAT payable on purchases.

“Additional charges related to ADM agreements” item includes Euro 1,207 thousand claimed by ADM in 2017 on expired VLT tickets for the period between October 2010 and March 19, 2013.

In 2017, expenses related to risks were set at Euro 931 thousand to reflect several technological upgrades as allowed by the concession agreement for Gaming Machines pursuant to art. 110, par. 6, of the T.U.L.P.S. and the R.D. n. 773 of June 18, 1931 and subsequent amendments. In the third quarter of 2017, the provision for technological renewal, set in accordance with the concession, was released, under the authorization of ADM, for Euro 1,595 thousand.

10 CAPITALISED COSTS

In 2017, capital costs of Euro 765 thousand (compared to Euro 1,825 thousand of 2016) related to projects of in-house software development.

11 AMORTISATION AND DEPRECIATION

Amortisation and depreciation totalled Euro 49,058 thousand in 2017 (compared to Euro 55,566 thousand in 2016) and are detailed as follows:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|---|---------------|---------------|----------------|
| | 2017 | 2016 | Change |
| Amortisation of intangible assets | 30,145 | 34,188 | (4,043) |
| Depreciation of property, plant and equipment | 18,248 | 20,770 | (2,522) |
| Depreciations | 665 | 608 | 57 |
| Total | 49,058 | 55,566 | (6,508) |

Further information on amortisation and depreciation please see Notes 14 and 15 on “Property, plan and equipment” and Intangible assets”.

12 FINANCIAL INCOME AND COSTS

In 2017, net financial costs amounted to Euro 46,602 thousand, down by Euro 93,433 thousand from 2016, as detailed below:

| <i>Figures in thousand/Euro</i> | 2017 | Full Year 2016 | Change |
|--|-----------------|---------------------------|---------------|
| Expenses from shareholdings | 6,242 | 7,077 | (835) |
| Write off of Società Trenno S.r.l. . | - | 1,389 | (1,389) |
| Write off of Solar S.A. | - | 3 | (3) |
| Write off of Izilove Foundation | 104 | - | 104 |
| Write off of SNAI Rete Italia S.r.l. | 6,138 | 5,681 | 457 |
| Other write off | - | 4 | (4) |
| Financial income | 1,090 | 1,446 | (356) |
| Foreign exchange gains | 7 | 15 | (8) |
| Interest on cash and cash equivalent | 357 | 503 | (146) |
| Interest from subsidiaries | 315 | 775 | (460) |
| Other financial income | 411 | 153 | 258 |
| Financial costs | 41,450 | 87,802 | (46,352) |
| Interests on bonds | 37,881 | 71,659 | (33,778) |
| Interest to subsidiaries | 812 | 893 | (81) |
| Other interest costs | 110 | 71 | 39 |
| Interest payable on bank loans | 16 | - | 16 |
| Interest payable on bank overdraft | - | 1 | (1) |
| Foreign exchange losses | 12 | 14 | (2) |
| Interest and ancillary charges on lease | 59 | 216 | (157) |
| Interest on employee termination indemnities (TFR) | 81 | 94 | (13) |
| Other financial costs | 2,479 | 14,854 | (12,375) |
| Total financial income / (costs) | (46,602) | (93,433) | 46,831 |

Expenses from shareholdings includes mainly write off of subsidiaries of SNAI Rete Italia S.r.l. and Izilove Foundation.

Financial costs include the following:

- "Interest on bonds", subject to depreciation in accordance with effective interest rate method proposed by IAS 39, totalled Euro 37,881 thousand, of which Euro 2,270 thousand attributed to ancillary costs (see Note 26 for further details on bonds).
- "Other financial costs" for a total of Euro 2,479 thousand, which includes discounting of receivables due beyond one year (Euro 983 thousand), commitment fee (Euro 905 thousand) and arrangement fee (Euro 358 thousand) related to the Euro 85 million revolving credit facility executed on October 26, 2016 (see Note 26 for further details on revolving facility).

13 INCOME TAX

Current income taxes show a negative balance of Euro 14,688 thousand (compared to a positive figure of Euro 16,290 thousand in the previous year).

| <i>Figures in thousand/Euro</i> | Full Year | |
|--|---------------|-----------------|
| | 2017 | 2016 |
| IRAP | 3,324 | 3,157 |
| Charge related to Deferred tax liabilities | 4,678 | 4,613 |
| Reversal of Deferred tax liabilities | (1,075) | (2,215) |
| Deferred tax assets | (901) | (27,542) |
| Reversal of Deferred tax assets | 9,412 | 5,704 |
| Taxes related to prior years | (750) | (7) |
| Total | 14,688 | (16,290) |

The table below shows the reconciliation between actual amount of IRES and IRAP arising from the Financial Statements as of December 31, 2017 and the theoretical tax amount:

| <i>Figures in thousand/Euro</i> | | 31.12.2017 | | 31.12.2016 |
|--|---------------|---------------|---------------|-----------------|
| Profit before tax | | 36,419 | | (34,758) |
| Theoretical IRES tax charge | 24.00% | 8,741 | 27.50% | (9,558) |
| Fines, penalties and other taxes | | 230 | | 270 |
| Losses and impairments of shareholdings | | 1,498 | | 1,946 |
| Other permanent non-deductible costs | | 537 | | 15,053 |
| Recognition of Deferred tax assets from previous years carried forward | | 0 | | (26,178) |
| Other permanent tax deductions | | (331) | | (1,475) |
| Tax and duties for prior years | | (750) | | (7) |
| IRAP effect | | 1,866 | | (1,780) |
| Permanent differences for IRAP tax purposes | | 2,898 | | 5,439 |
| Actual tax expense | 40.33% | 14,688 | 46.87% | (16,290) |

For further information on fiscal effects see Note no. 17 "Deferred Taxes". The fiscal year 2012 is no longer subject to claim and/or assessment related to tax assets and liabilities.

See Note no. 27 on fiscal disputes.

NOTES ON MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to December 31, 2016 figures. When comparing data between 2016 and 2017, it should be noted that 2017 data were affected by the merger of the absorbed company Società Trenno S.r.l..

14 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as of December 31, 2017 amounted to Euro 129,753 thousand (compared to Euro 130,957 thousand as of December 31, 2016). Any changes are due to the combined effect of:

- Depreciation charged for the period of Euro 18,247 thousand;
- Additions of Euro 15,172 thousand plus additions via business combination of Euro 1,903 thousand;
- Additions from merger with Società Trenno S.r.l. of Euro 1,134 thousand;
- Disposals net of accumulated depreciation of Euro 501 thousand and re-measurements of the accumulated depreciations of Euro 665 thousand.

| <i>Figures in thousand/Euro</i> | Land and buildings | Plant and equipment | Other assets | Industrial and commercial fixtures | Capital WIP | Total |
|------------------------------------|---------------------------|----------------------------|---------------------|---|--------------------|----------------|
| Cost | | | | | | |
| At December 31, 2015 | 145,662 | 137,691 | 19,888 | 0 | 0 | 303,241 |
| Additions from merger | | 39,261 | 8,980 | | | 48,241 |
| Additions | 855 | 8,500 | 285 | | | 9,640 |
| Deletions | | (10,551) | (1,108) | | | (11,659) |
| At December 31, 2016 | 146,517 | 174,901 | 28,045 | 0 | 0 | 349,463 |
| Additions via business combination | | 1,865 | 38 | | | 1,903 |
| Additions from merger | 985 | 13,747 | 1,635 | 6,923 | | 23,290 |
| Additions | 937 | 12,988 | 1,102 | 145 | | 15,172 |
| Deletions | | (3,745) | (1,380) | (2) | | (5,127) |
| Re-measurements | | | (1,864) | 1,864 | | 0 |
| At December 31, 2017 | 148,439 | 199,756 | 27,576 | 8,930 | 0 | 384,701 |
| Accumulated depreciation | | | | | | |
| At December 31, 2015 | 39,773 | 117,499 | 14,126 | 0 | 0 | 171,398 |
| Additions from merger | | 29,478 | 7,494 | | | 36,972 |
| Charge for the period | 3,181 | 15,230 | 2,359 | | | 20,770 |
| Impairments | | 55 | 78 | | | 133 |
| Deletions | | (9,747) | (1,020) | | | (10,767) |
| Re-measurements | | 21 | (21) | | | 0 |
| At December 31, 2016 | 42,954 | 152,536 | 23,016 | 0 | 0 | 218,506 |
| Additions from merger | 454 | 13,413 | 1,568 | 6,721 | | 22,156 |
| Charge for the period | 3,226 | 13,416 | 1,521 | 84 | | 18,247 |
| Impairments | | 665 | | | | 665 |
| Deletions | | (3,324) | (1,300) | (2) | | (4,626) |
| Re-measurements | | | (1,817) | 1,817 | | 0 |
| At December 31, 2017 | 46,634 | 176,706 | 22,988 | 8,620 | 0 | 254,948 |
| Net book value | | | | | | |
| At December 31, 2015 | 105,889 | 20,192 | 5,762 | 0 | 0 | 131,843 |
| At December 31, 2016 | 103,563 | 22,365 | 5,029 | 0 | 0 | 130,957 |
| At December 31, 2017 | 101,805 | 23,050 | 4,588 | 310 | 0 | 129,753 |

"Plant and equipment" includes electrical systems, water supply systems, fire prevention and air conditioning systems, as well as any work carried out to comply with safety regulations, electronic equipment and networking technology.

"Additions via business combination" is equal to Euro 1,903 thousand and relates to the acquisition of business units, executed in 2017, and devoted to money change machines and AWP, motherboards and other assets (see Note 3 for further information).

Increases as of December 31, 2017 of Euro 15,172 thousand mainly relate to the following:

- "Land and Building" totalling Euro 937 thousand and composed as follows: Euro 894 thousand to consolidation activities and structural improvement of racetracks and Euro 43 thousand mainly due to remediation works;
- "Plant and equipment" totalling Euro 12,988 thousand and composed as follows: Euro 12,331 thousand for the free-lease technology provided to the points of sales, including AWP; Euro 53 thousand for electro thermal and electrical systems; for Euro 13 thousand for projectors and Euro 591 thousand for the acquisition cost of capital goods (server, printers, PCs and monitors) and other plant and equipment needed to the Company;
- "Other assets" amounting to Euro 1,102 and composed as follows: Euro 704 thousand for free-lease furnishing and fittings provided free the points of sales (including those ones directly owned), Euro 165 thousand for head offices furnishing, Euro 233 thousand for leasehold improvements.

No financial expenses have been capitalized since the Company does not have qualifying assets, as defined under IAS 23.

Financial lease agreements

The Company has entered into several lease agreements, related to certain plants, machinery and equipment, with different expiries until April 30, 2021. These agreements include redemption and/or option to purchase.

The following table shows the outstanding commitments for future minimum lease payments under lease agreements:

| <i>Figures in thousand/Euro</i> | |
|--|-----|
| Total outstanding commitments as of 31.12.2017 | 298 |
| of which | |
| Within one year | 125 |
| In the second to fifth years inclusive | 173 |
| After 5 years | 0 |
| Option to purchase | 0 |

The remaining payments related to operating leases do not present significant amounts.

15 INTANGIBLE ASSETS

Intangible assets as of December 31, 2017, amounted to Euro 422,931 thousand (compared to Euro 443,656 thousand as of December 31, 2016) and changes were mainly due to the combined effect of:

- Amortisation charged for the period of Euro 30,144 thousand;
- Additions of Euro 5,848 thousand plus additions via business combination of Euro 3,555 thousand;
- Additions from merger with Società Trenno S.r.l. of Euro 16 thousand.

| <i>Figures in thousand/Euro</i> | Goodwill | Concessions, licenses, brands and similar rights | Industrial patent rights and intellectual property | Capital WIP | Other | Total |
|------------------------------------|-----------------|---|---|--------------------|---------------|----------------|
| Cost | | | | | | |
| At December 31, 2015 | 254,246 | 258,012 | 16,646 | 340 | 17,776 | 547,020 |
| Additions from merger | 71,721 | 95,734 | 2,327 | | 54,003 | 223,785 |
| Additions | | 5,707 | 925 | 642 | 3,178 | 10,452 |
| Deletions | | | (1) | | (3) | (4) |
| Re-measurements | | 11 | | (164) | 153 | 0 |
| At December 31, 2016 | 325,967 | 359,464 | 19,897 | 818 | 75,107 | 781,253 |
| Additions via business combination | 3,555 | | | | | 3,555 |
| Additions from merger | | 8 | 123 | | 1,328 | 1,459 |
| Additions | | 3,144 | 168 | 662 | 1,874 | 5,848 |
| At December 31, 2017 | 329,522 | 362,616 | 20,188 | 1,480 | 78,309 | 792,115 |
| Accumulated depreciation | | | | | | |
| At December 31, 2015 | 23,158 | 198,120 | 13,970 | 0 | 12,140 | 247,388 |
| Additions from merger | | 47,723 | 1,615 | | 6,211 | 55,549 |
| Charge for the period | | 27,139 | 1,336 | | 5,713 | 34,188 |
| Impairments | | 474 | | | | 474 |
| Deletions | | | | | (2) | (2) |
| At December 31, 2016 | 23,158 | 273,456 | 16,921 | 0 | 24,062 | 337,597 |
| Additions from merger | | 8 | 123 | | 1,312 | 1,443 |
| Charge for the period | | 23,259 | 1,047 | | 5,838 | 30,144 |
| At December 31, 2017 | 23,158 | 296,723 | 18,091 | 0 | 31,212 | 369,184 |
| Net book value | | | | | | |
| At December 31, 2015 | 231,088 | 59,892 | 2,676 | 340 | 5,636 | 299,632 |
| At December 31, 2016 | 302,809 | 86,008 | 2,976 | 818 | 51,045 | 443,656 |
| At December 31, 2017 | 306,364 | 65,893 | 2,097 | 1,480 | 47,097 | 422,931 |

Additions from mergers relates to the merger by incorporation of Società Trenno S.r.l. effective from January 1, 2017.

“Additions via business combination” is equal to Euro 3,555 thousand and relates to the acquisition of the business units (see Note 3 for further information).

Additions of Euro 5,848 thousand relate primarily to the following items:

- “Concessions, licenses, brands and similar rights”, amounting to Euro 3,144 thousand, of which Euro 1,500 thousand for the purchase of 100 VLT licenses and Euro 1,644 thousand for the issuing of the AWP paper-based authorisation form (AKA “nullaosta”);
- “Other”, totalling Euro 1,874 thousand, including Euro 818 thousand for the development of paymat, AWP portal and and smart solution platform, Euro 284 thousand on VLT platform compliance, Euro 400 thousand related to financial management software, Euro 200 thousand related to bonuses finalized to exclusive agreements of VLT arcades, Euro 160 thousand for operation, logistic and CRM software development, Euro 12 thousand for development of portals.

- “Capital WIP”, amounting to Euro 662 thousand includes: Euro 407 thousand for in-house software, Euro 176 thousand for development of other software and Euro 79 thousand for development costs of the former Trotto area.
- “Industrial patent right and intellectual property” totalled Euro 168 thousand related to licenses of in-house developed software.

Goodwill amounted to Euro 306,364 thousand and was allocated to the following cash-generating units (CGU):

- Euro 11,137 thousand provided by SNAI Servizi Gioco S.r.l. allocated to CGU “Services”.
- Euro 149,775 thousand to the CGU “Gaming machines”. CGU is represented by activities related to the concessions for gaming machines (AWP and VLT) and any related activities; the increase of Euro 3,555 thousand compared to December 31, 2016 was due to the acquisition of business units (see Note no. 3).
- Euro 75,292 thousand to the “Retail Betting” CGU. This CGU includes the activities related to the concessions for Sports Betting, Horserace Betting and Virtual Events played on retail channel;
- Euro 70,160 thousand to the “Online” CGU. This CGU includes the activities related to the concession for Online games (Skill games, Casino and bingo) and Sports Betting, Horserace Betting and Virtual Events played on the online channel.

Following the merger by incorporation of Cogemat Group into Snaitech S.p.A., in December 2016 the segment information (as per Note no. 3) and the cash-generating units (CGU) were revised with the aim to reflect the new corporate structure and disclose results by business units, as usually adopted for the main stakeholders.

In detail, the Company describes the following CGUs, corresponding to each operating segment, including those that are not the object of a specific description:

- Gaming Machines
- Retail Betting
- Online
- Management of Horse Race racing tracks
- Services

The highest allowed aggregation of CGU matches with the operating sectors classification, as envisaged by IFRS 8.

In accordance with international accounting standards, and in particular IAS 36, goodwill is subject to impairment testing on an annual basis. Where there is an indication of impairment, the Company would account for it on the statement of financial position.

Such verification is based upon a comparison between the recoverable value of the CGUs for which the goodwill is recorded and the carrying amount of the same. In this particular case, the value used to determine the recoverable amount of the CGU, to which the goodwill allocated, is the value in use, estimated on the basis of expected cash flows discounted at an appropriate discount rate. In particular, the estimate of the value in use is made by discounting the operating financial flows of the CGUs at a rate equal to the Weighted Average Cost of Capital (WACC).

The analyses conducted to check the carrying amount of goodwill concerned the “Services” CGU, the “Gaming Machines” CGU, the “Retail Betting” CGU and the “Online” CGU.

The cash flows for the 2018-2020 financial years of the above-mentioned CGUs were developed based on the 2018 Budget and the 2018-2020 Business Plan, approved by the Board of Directors of Snaitech S.p.A. on March 9, 2018. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2019), to which an annual growth rate (“g”) of 0.5% was applied. The terminal value of “Gaming Machines” and “Retail Betting” CGU also takes into account any disbursements necessary on a periodic basis to renew the concessions.

The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 7.4% for Gaming Machines, Retail Betting, Online and Services CGU.

Moreover, the relevant parameters for estimates of value in use are shown hereunder:

| Relevant parameters for estimates of value in use | Gaming Machines | Retail Betting | Online | Services |
|---|-----------------|----------------|--------|----------|
| WACC | 7.4% | 7.4% | 7.4% | 7.4% |
| WACC before tax | 10.0% | 9.8% | 10.0% | 10.0% |
| Annual growth rate ("g") | 0.5% | 0.5% | 0.5% | 0.5% |
| Wagers (CAGR 2017 - 2020) | -0.2% | 7.1% | 12.1% | 1.6% |

The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount. Sensitivity analyses were also conducted to assess the effects of change in certain significant parameters on the impairment test results.

In particular, we note that the excess of the value in use in the "Gaming Machines" CGU, compared to the carrying amount (including the goodwill), equal to Euro 211.2 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 1,54% of the PREU on VLT for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 5.5% of the annual discount rate; (iii) a final nominal growth rate of -3.3%; iv) a reduction of EBITDA by 26.7% for all periods.

As regards the "Retail Betting" CGU, the excess of the value in use compared to the carrying amount (including the goodwill attributed to it), equal to Euro 195.5 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 4.11% of sports payout for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 10.4% of the annual discount rate; (iii) a final nominal growth rate of -8.5%; iv) a reduction in EBITDA by 43.7% for all periods.

As regards the "Online" CGU, the excess of the value in use compared to the carrying amount (including the goodwill attributed to it), equal to Euro 249.5 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 6.53% of sports payout for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 30.2% of the annual discount rate; (iii) a final nominal growth rate of -85.7%; iv) a reduction in EBITDA by 79.4% for all periods.

In relation to the "Services" CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 14.9 million, becomes nil with an 8.7% increase in the discount rate and a reduction of EBITDA by 51.7%.

With regard to the assessment of value in use of the CGUs above, the directors believe that there cannot reasonably be a change in the above key assumptions that could produce a recoverable amount of the unit below the its carrying amount.

Based upon the results of the impairment test, the Company has not applied any write-down to the above-mentioned value of goodwill, since no impairment was found.

16 INVESTMENTS

Investments of the Company are listed in Annex 1, 2 and 3 of the current explanatory notes. Annex 1 provides relevant information pursuant to disclosure DEM 6064294 of July 28, 2006.

All investments are valued with the cost method. The Company run the impairment tests of its subsidiaries to identify any potential impairment and/or permanent loss or the removal of assumptions beneath impaired values. In the event of impairment, the investment value was realigned with the relevant recoverable amount.

The impairment tests covered both subsidiaries of Teleippica S.r.l. and SNAI Rete Italia S.r.l..

The cash flows for the 2018-2020 financial years of the subsidiary Teleippica S.r.l. were developed based on the 2018 Budget and the 2018-2020 Business Plan. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was applied.

The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 10.4%.

The impairment test highlighted a recoverable value of cash generating units higher than the book value.

The cash flows for the 2018-2020 financial years of the subsidiary SNAI Rete Italia S.r.l. were developed based on the 2018 Budget and the 2018-2020 Business Plan. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was applied. The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 10.4%.

According to the impairment test, there was a difference of between the equity value and the book value. The latter was adjusted accordingly to reflect a loss of Euro 6,138 thousand.

On December 1, 017 Snaitech Smart Technologies S.r.l. was incorporated and its registered offices are in Milan, Piazza della Repubblica 32. The undertaking has a share capital of Euro 10 thousand and is wholly owned by Snaitech S.p.A.. The company's first annual report relates to 2018.

The Shareholders' meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows "Hippogroup Roma Capannelle S.r.l.". Following the bond conversion, the Company owned a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannelle S.r.l.. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 275 thousand equal to 15.46%. The participation was moved from investments in associates and subsidiaries to other financial participations.

On July 31, 2017 the Company sold the participation in its associate undertaking Solar s.a..

Shareholders' meeting of Teseo S.r.l., in liquidation, approved the last financial statement as of July 31, 2017 and the distribution plan, which includes the attribution of a VAT receivable for Euro 57 thousand to the sole shareholder Snaitech S.p.A. On October 12, 2017 Teseo S.r.l. in liquidation was deleted from the company register.

17 DEFERRED TAX

Deferred tax assets and tax were offset only when there was a legal enforceable right to set off, according to IAS 12.

Deferred tax assets and liabilities for the Company totalled a net amount of Euro 38,887 thousand of deferred tax asset (compared to Euro 49,660 thousand of deferred tax asset as of December 31, 2016).

For greater clarity in terms of disclosure, the total amount of timing differences and tax loss carryforward is presented separately for deferred tax assets and liabilities in the tables below.

Similarly, the theoretical amount of deferred tax assets and liabilities, as well as the amounts presented in the financial statements, are shown separately.

17.1 Deferred tax assets

| Temporary differences | Amount | Rate | Maximum Tax asset allowed | Tax asset recognised | Reversal period |
|--|----------------|-----------------|---------------------------|----------------------|-----------------|
| Provisions for bad or doubtful debts taxed | 52,518 | 24.00% | 12,604 | 12,604 | 2018 onwards |
| Provisions for risks and charges | 11,875 | 24.00% - 29.12% | 3,449 | 3,449 | 2018 onwards |
| Provision for obsolete inventory | 98 | 24.00% - 29.12% | 28 | 28 | 2018 onwards |
| Book value versus taxable value of fixed and intangible assets | 7,121 | 24.00% - 29.12% | 1,838 | 1,838 | 2018 onwards |
| Non-deductible interest costs as per art. 96 of Tuir | 201,362 | 24.00% | 48,327 | 24,344 | 2018 onwards |
| Other temporary differences | 1,754 | 24.00% - 29.12% | 453 | 453 | 2018 onwards |
| Total | 274,728 | | 66,699 | 42,716 | |

| Loss carryforward | Amount | Rate | Maximum Tax asset allowed | Tax asset recognised | Expiry |
|---|----------------|--------|---------------------------|----------------------|--------------|
| Snaitech S.p.A. Consolidated Statements | | | | | |
| Year 2008 | 19,766 | 24.00% | 4,744 | 4,744 | Indefinitely |
| Year 2009 | 10,198 | 24.00% | 2,448 | 2,448 | Indefinitely |
| Year 2010 | 29,018 | 24.00% | 6,964 | 6,964 | Indefinitely |
| Year 2011 | 19,351 | 24.00% | 4,644 | 4,644 | Indefinitely |
| Year 2012 | 28,720 | 24.00% | 6,893 | 6,893 | Indefinitely |
| Year 2013 | 57,931 | 24.00% | 13,903 | 13,903 | Indefinitely |
| Year 2014 | 11,315 | 24.00% | 2,716 | 2,716 | Indefinitely |
| Year 2015 | 3,909 | 24.00% | 938 | 938 | Indefinitely |
| Year 2016 | 8,578 | 24.00% | 2,059 | 2,059 | Indefinitely |
| Year 2017 | 3,287 | 24.00% | 789 | 789 | Indefinitely |
| Total Loss carryforward of Snaitech S.p.A. Consolidated Statements | 192,073 | | 46,098 | 46,098 | |
| Loss carryforward of Snaitech S.p.A.* | | | | | |
| Limited use | 86,917 | 24.00% | 20,860 | 20,860 | Indefinitely |
| Fully usable | 25,013 | 24.00% | 6,002 | 6,002 | Indefinitely |
| Total Loss carryforward of Snaitech S.p.A. | 111,930 | | 26,862 | 26,862 | |
| Total deferred tax assets | | | | 115,676 | |

* Loss carryforward transferred to Snaitech S.p.A. following the merger with Cogemat Group in 2016

The following are the deferred tax assets movements during the current period:

| <i>Figures in thousand/Euro</i> | 31.12.2016 | Additions from merger | Amount credited | Amount charged | 31.12.2017 |
|--|-------------------|------------------------------|------------------------|-----------------------|-------------------|
| Deferred tax assets | 122,657 | 866 | 1,586 | (9,433) | 115,676 |
| of which: | | | | | |
| Provisions for bad or doubtful debts | 14,297 | 116 | - | (1,809) | 12,604 |
| Provisions for risks and charges | 7,501 | 63 | - | (4,115) | 3,449 |
| Provision for obsolete inventory | 2 | 14 | 12 | - | 28 |
| Book value versus taxable value of fixed and intangible assets | 1,395 | 6 | 786 | (349) | 1,838 |
| Non-deductible interest costs as per art. 96 of Tuir | 23,621 | 434 | 289 | - | 24,344 |
| Other temporary differences | 204 | 233 | 47 | (31) | 453 |
| Loss carried forward | 75,637 | - | 452 | (3,129) | 72,960 |
| Total | 122,657 | 866 | 1,586 | (9,433) | 115,676 |

The Company has taken into account the following in order to measure the deferred tax assets:

1. The tax laws and their impact on temporary differences and benefits deriving from loss carryforward;
2. Taxable income estimated in the medium-long term and economic/tax impacts. Projections of the Company business plan have been used on this purpose.

On December 31, 2017, directors of the Company recognised deferred tax assets arising from temporary differences and loss carryforward, except as hereinafter set forth. The above-mentioned recognition is based on the business plan projections of future positive results.

It should be noted that the deferred tax assets arising from loss carryforward of Snaitech Financial Statements totalled Euro 46,098 thousand, while the loss carryforward amount of the Company, resulting from the merger by incorporation of the undertakings of Cogemat/Cogetech Group and therefore non recognisable in Consolidated Financial Statements, amounted to Euro 26,863 thousand.

It should be noted that, concerning the non-deductible interest costs pursuant to art. 96 of DPR 917/1986, accrued by the Company in 2013 and 2014, deferred tax assets were recognised respectively for Euro 9,658 thousand and Euro 2,652 thousand (given maximum tax asset allowed respectively of Euro 10,875 thousand and Euro 6,230 thousand). No deferred tax assets were instead recognised in 2015, 2016 and 2017 (given a maximum tax asset allowed of Euro 19,188 thousand).

The item "Book value versus taxable value of fixed and intangible assets" of Euro 7,121 thousand with a corresponding deferred tax asset value of Euro 1,838 thousand is mainly due to depreciations of fixed assets charged at a higher rate than maximum allowed (Euro 4,254 thousand with a corresponding tax asset of Euro 1,021 thousand).

17.2 Deferred tax liabilities

| Temporary differences | Amount | Rate | Maximum Tax liability allowed | Tax liability recognised |
|--|------------------|----------------|--------------------------------------|---------------------------------|
| Tax depreciation of goodwill | (10,769) | 24.00%- 29.12% | (2,950) | (2,950) |
| Tax depreciation of goodwill arising from business units | (179,669) | 24.00%- 29.12% | (51,241) | (51,241) |
| Depreciation of distribution network | (40,285) | 24.00%- 29.12% | (11,240) | (11,240) |
| Book value versus taxable value of fixed assets | (38,949) | 24.00%- 29.12% | (11,332) | (11,332) |
| Other temporary differences | (110) | 24.00% | (26) | (26) |
| Total deferred tax liabilities | (269,782) | | (76,789) | (76,789) |

The following are the deferred tax liabilities movements during the current period:

| <i>Figures in thousand/Euro</i> | 31.12.2016 | Addition from merger | Amount credited | Amount charged | 31.12.2017 |
|--|-------------------|-----------------------------|------------------------|-----------------------|-------------------|
| Deferred tax liabilities | 72,997 | 132 | 4,736 | (1,076) | 76,789 |
| Of which: | | | | | |
| Tax depreciation of goodwill | 2,950 | - | - | - | 2,950 |
| Tax depreciation of goodwill arising from business units | 46,568 | - | 4,673 | - | 51,241 |
| Depreciation of distribution network | 12,115 | - | - | (875) | 11,240 |
| Book value versus taxable value of fixed assets | 11,327 | 132 | 63 | (190) | 11,332 |
| Other temporary differences | 37 | - | - | (11) | 26 |
| Total | 72,997 | 132 | 4,736 | (1,076) | 76,789 |

Directors of the Company decided, in accordance with IAS 12, to recognise the deferred tax liabilities generated by all of the temporary differences. In particular, the business units acquired, considered as business combination, were accounted according to IFRS 3. Therefore, the Company accounted for the relevant assets and liabilities on the acquisition date at fair value and subsequently recognised goodwill in accordance with the acquisition method above-mentioned. Goodwill is not subject to depreciation and is annually assessed to determine any possible impairment: tax depreciation is governed by art. 103, par. 3 of DPR 917/1986, which rules deferred taxes liabilities.

Depreciation of distribution network equals to Euro 40,285 thousand (given a maximum tax liability allowed of Euro 11,240 thousand) and results from the merger by incorporation into Snaitech S.p.A. of the undertakings of the Cogemat/Cogetech Group. In particular, once accounted for the relevant assets and liabilities of the absorbed undertaking at fair value, a portion of the difference between purchase cost (made up by the share capital increase carried out by Snaitech S.p.A.) and transferred shareholders' equity was allocated, based on fair value, to the distribution network of the Cogemat/Cogetech group.

Difference between book value and taxable value of fixed assets totalled Euro 38,949 thousand (given a maximum tax liability allowed of Euro 11,332 thousand) and relates mainly to the real estate properties (former Trenno) in Milan - San Siro - and Montecatini (Euro 37,080 thousand, given a maximum tax liability allowed of Euro 10,798 thousand) as well as land and buildings (former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,290 thousand, given a maximum tax liability allowed of Euro 376 thousand).

18 INVENTORIES

Inventories increased by Euro 35 thousand when compared to December 31, 2016 level. The breakdown is shown below:

| <i>Figures in thousand/Euro</i> | 31.12. 2017 | 31.12 2016 | Change |
|---------------------------------|--------------------|-------------------|---------------|
| Raw materials | - | 1 | (1) |
| Finished products/goods | 205 | 169 | 36 |
| Total inventory | 205 | 170 | 35 |

The value of inventories is net of any provision, which amounts to Euro 98 thousand as of December 31, 2017 (Euro 7 thousand as of December 31, 2016).

19 TRADE RECEIVABLES (CURRENT AND NON-CURRENT)

A breakdown of non-current trade receivables is provided in the table below:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--------------------------------------|-------------------|-------------------|---------------|
| Non-current trade receivables | | | |
| - From clients | 7,028 | 1,400 | 5,628 |
| - Bills receivable | 1,594 | 914 | 680 |
| Total | 8,622 | 2,314 | 6,308 |

A breakdown of current trade receivables is provided in the table below:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|---------------|
| Current trade receivables | | | |
| - From clients | 158,244 | 166,075 | (7,831) |
| - From foreign clients | 384 | 480 | (96) |
| - From MIPAAF | 892 | - | 892 |
| - From stables, jockeys and bookmakers | 589 | - | 589 |
| - From subsidiaries | 43 | 552 | (509) |
| - From the Parent Company Global Games S.p.A. | 32 | 4 | 28 |
| - Bills receivables | 2,509 | 2,662 | (153) |
| - Provisions for bad or doubtful debts | (51,017) | (58,324) | 7,307 |
| Total | 111,676 | 111,449 | 227 |

Trade receivables from clients reflect balances as of December 31, 2017 from Betting and Gaming Machines operators net of their remunerations. The reduction is mainly due to the re-profiling of payment deadlines (beyond 12 months) for some clients and to the optimisation of the credit policies implemented. As regards the receivables from those clients arising by the Stability Law and related to the benefit reduction, it is hereby noted that the missing payment from those clients to the Group, which should have collected and paid ADM, forced the Company itself to miss the deadline of October 31, 2015 set forth by the same Stability Law. Based on the several opinions received, the Company does not see any obligation arising from such missing payments and therefore believes that no credit risk exists in relation to the missing payments. On this bases, the Company has fully offset such receivables with those payables to ADM, previously included in the "Other liabilities".

Trade receivables from clients also include the receivables subject to legal action for an amount equal to Euro 39,911 thousand (versus Euro 51,622 thousand as of December 31, 2016).

Receivables from MIPAAF (former ASSI now merged into by the Ministry of Agriculture) amounted to Euro 892 thousand and was related to subsidies for television broadcasts provided in the second half of 2017, subsidies related to plant for November and December and subsidy balance for horseraces in 2017.

Provisions for bad or doubtful debts were determined according to the amount of doubtful receivables, debtors' conditions, any guarantees provided to the Company, assessing the effective recovery of overdue receivables also given the legal opinions received on the dispute status. Based on the guarantees provided by debtors, Directors believe adequate the provisions to cover foreseeable future losses on receivables.

The following table shows the changes occurred in the provisions for bad or doubtful receivables:

| <i>Figures in thousand/Euro</i> | Receivables on a line-by-line basis |
|--|--|
| At January 1, 2016 | 54,823 |
| Balance from merger with Cogemat Group | 16,712 |
| Charge for the period | 6,891 |
| Reversal | (20,102) |
| At December 31, 2016 | 58,324 |
| Balance from merger with Società Trenno S.r.l. | 483 |
| Charge for the period | 7,111 |
| Reversal | (14,901) |

At December 31, 2017 51,017

On December 31, 2017 trade receivables due and not impaired yet were the following:

| <i>Figures in thousand/Euro</i> | Total | Not expired -in bonis | Due and not impaired | | |
|---------------------------------|--------------|------------------------------|-----------------------------|--------------------|---------------------|
| | | | 0-90 days | 90-180 days | >180 days |
| Total 2017 | 111,676 | 83,977 | 12,796 | 1,419 | 13,484 |
| Total 2016 | 111,449 | 70,291 | 17,659 | 6,467 | 17,032 |

As disclosed on par. "Other operating costs", the expense related to provisions for bad or doubtful debt as of December 31, 2017 is equal to Euro 7,497 thousand, including Euro 7,111 thousand of impairment of trade receivables and Euro 386 thousand related to receivables from others (see Note no. 20).

20 OTHER ASSETS (CURRENT AND NON-CURRENT)

"Other non-current assets" included in the "Other non-financial assets" item is equal to Euro 549 thousand (Euro 624 thousand as of December 31, 2016) and reflects security deposit amount.

Other current assets amounts are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|----------------|
| Other current assets | | | |
| <i>Tax receivables:</i> | | | |
| - From tax authority on IRES | 1,813 | 2,447 | (634) |
| - From tax authority on IRAP | 489 | 103 | 386 |
| - From tax authority on VAT | 452 | 1,578 | (1,126) |
| - From tax authority on other receivables | 3,608 | 1,231 | 2,377 |
| | <u>6,362</u> | <u>5,359</u> | <u>1,003</u> |
| <i>Receivables from subsidiaries</i> | 2,621 | 2,568 | 53 |
| <i>Receivables from others:</i> | | | |
| - Security deposit related to Gaming Machines | 35,735 | 37,392 | (1,657) |
| - Advance payment of concession fee and other receivables from ADM | 2,184 | 2,137 | 47 |
| - Receivables related to undue payment of interest/sanctions on PREU | 2,114 | 2,114 | - |
| - Receivables from regulators on prior positions | 327 | 327 | - |
| - Receivables from Bluline digital payment portfolio | 226 | 226 | - |
| - Receivable for the advance payment to ADM of the second instalment of Stability Law | 182 | 182 | - |
| - Security deposit related to Online Games (Skill/Bingo) | 124 | 131 | (7) |
| - Pension funds | 118 | 122 | (4) |
| - Receivables related to Skill Games | 100 | 14 | 86 |
| - Receivables from ADM related to winnings on Betting Pool and national horse racing | 41 | 34 | 7 |
| - Other receivables | 2,726 | 2,807 | (81) |
| - Provision for bad or doubtful debts | (3,009) | (2,898) | (111) |
| | <u>40,868</u> | <u>42,588</u> | <u>(1,720)</u> |
| <i>Accrued income and deferred expenses</i> | | | |
| - Deferred expenses | 4,315 | 3,674 | 641 |
| | <u>4,315</u> | <u>3,674</u> | <u>641</u> |
| Total Other current assets | 54,166 | 54,189 | (23) |

Other receivables from tax authority mainly relate to VAT credit from previous years for Euro 2,118 thousand and Euro 123 thousand of R&D tax credit related to the project labelled “Digital Transformation v/s Robotic Process Automation – 2017” (see Notes no. 5 and 7).

The item “Security deposit related to Gaming Machines” of Euro 35,735 thousand (versus Euro 37,392 thousand as of December 31, 2016) relates to 0.5% on wagers collected from gaming machines (AWP and VLT), as described in greater detail in Note no. 5, “Revenues from sales and services”. In May 2017, Snaitech received a payment of Euro 37,117 thousand related to security deposit for 2016.

The item “Advance payment of concession fees and other receivables from ADM” equals to Euro 2,184 thousand and refers to the fixed part of the concession fee (for Betting and Online) paid in advance to ADM for both semesters of 2017 and net of any amount for the relevant period (See Note no. 9 for further details).

The item “Other receivables” includes: receivables from suppliers (Euro 745 thousand), credit from transfer of business units (Euro 472 thousand) and credit related to gaming account amounts due but not paid on bank accounts (Euro 979 thousand).

The following table shows the changes occurred in the provisions for bad or doubtful receivables:

| <i>Figures in thousand/Euro</i> | Receivables on a line-by-line basis |
|---------------------------------|--|
| At January 1, 2016 | 1,043 |
| Charge for the period | 322 |
| Re-measurements | 1,708 |
| Reversal | (175) |
| At December 31, 2016 | 2,898 |
| Charge for the period | 386 |
| Reversal | (275) |
| At December 31, 2017 | 3,009 |

“Deferred expenses” item include:

- Euro 1,393 thousand (compared to Euro 1,141 thousand as of December 31, 2016) for advanced payments of guarantee fees and insurance premiums, mainly related to those guarantees provided under the concessions agreements;
- Euro 1,289 thousand (compared to Euro 1,649 thousand as of December 31, 2016) related to the arrangement fee on the senior revolving facility (see Note no. 26);
- Euro 1,632 thousand (compared to Euro 883 thousand as of December 31, 2016), primarily related to deferred costs of maintenance, assistance, lease payments and utilities.

21 FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Non-current financial assets totalled Euro 3,386 thousand (compared to Euro 2,009 thousand as of December 31, 2016) and relate to deposits paid under AWP agreements executed with operators.

The current financial assets consist of the following:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|----------------|
| Escrow accounts | 16,838 | 16,785 | 53 |
| Dedicated bank account with SNAI Rete Italia S.r.l. | 7,876 | 3,733 | 4,143 |
| Dedicated bank account with Snaitech Smart Technologies S.r.l. | 56 | 0 | 56 |
| Dedicated bank account with Società Trenno S.r.l. | 0 | 5,859 | (5,859) |
| Società Fiorentina Corse Cavalli share exchange | 1 | 1 | 0 |
| Total Current financial assets | 24,771 | 26,378 | (1,607) |

Escrow accounts, totalling Euro 16,838 thousand, were opened by the Company to set-off the receivables from ADM due under “Di Maio” arbitral award and payables related to horserace bets collections due fortnight (the so-called “former ASSI fifteen-days payments”). Such escrow accounts are held pending

ADM's decisions following the judgement of the Milan Court of Appeal of November 21, 2013, which declared void the "Di Maio" arbitral award, issued on May 26, 2003.

Non-current financial assets, dedicated bank account, escrow accounts and restricted deposits were not included in the Net Financial Position (see Note no. 36).

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--------------------------------------|-------------------|-------------------|---------------|
| Bank and Postal accounts | 136,048 | 77,029 | 59,019 |
| Cash | 315 | 368 | (53) |
| Net cash and cash equivalents | 136,363 | 77,397 | 58,966 |

The increase in cash and cash equivalents for Euro 58,966 thousand is mainly due to the positive operating performance achieved in 2017 and to changes in working capital (see Note no. 36 for further details).

23 SHAREHOLDERS' EQUITY

Shareholders' equity of the Company as of December 31, 2017 settled at Euro 141,317 thousand and includes a profit for the period of Euro 21,731 thousand.

In particular, the following items compose shareholders' equity:

Share capital

The allotted and fully paid share capital at December 31, 2017 of the company amounted to Euro 97,982,245.40 (same level as of December 31, 2016), and is comprised of 188,427,395 ordinary shares (188,427,395 as of December 31, 2016).

Shareholders are entitled to receive dividend payments, where approved from time to time, and to exercise one voting right per share at the Shareholders' Meeting.

| | |
|--|-------------|
| Number of shares authorised | 188,427,395 |
| Number of shares allotted and fully paid | 188,427,395 |
| Nominal value per share (in Euro) | 0.52 |

All the shares issued are ordinary shares.

Reserves

Share premium account

The share premium account amounts to Euro 56,951 thousand and was credited by Euro 102.6 million (deducted any ancillary costs net of any tax effect) on November 19, 2015, following the acquisition of the Cogemat group for Euro 140 million. In 2016, it was used for Euro 45,676 thousand to reduce a portion of loss for 2015.

Reserve for actuarial re-measurement in employee termination indemnities TFR (IAS 19)

The TFR reserve (in compliance with IAS 19) is considered an item with negative value of Euro 326 thousand and relates to actuarial profit or loss.

Reserve from merger

The reserve from merger is considered an item with negative value of Euro 3,909 and was increased by Euro 184 thousand owing to the merger by incorporation of Società Trenno S.r.l..

Retained earnings/loss carryforward

Retained loss carryforward amounted to Euro 31,112 thousand and included Euro 18,468 thousand the loss recorded in 2016.

24 OTHER COMPREHENSIVE INCOME/(COST)

Other items of the Statement of Comprehensive Income relate to the entry of actuarial re-measurements in Employee Termination Indemnities (AKA "TFR") (IAS 19).

| <i>Figures in thousand/Euro</i> | Full Year | |
|---|-----------|--------------|
| | 2017 | 2016 |
| Actuarial re-measurements in defined benefit pension scheme (IAS 19) | | |
| Actuarial Gain (loss) | 86 | (247) |
| Tax on re-measurements | (21) | 68 |
| Total comprehensive income (loss) for the period | 65 | (179) |

25 EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities as of December 31, 2017 amounted to Euro 5,717 thousand against Euro 4,831 thousand as of December 31, 2016.

Movements in the current period were as follows:

| <i>Figures in thousand/Euro</i> | |
|--|-------|
| Balance as of 01.01.2017 | 4,831 |
| Balance from merger | 1,566 |
| Accruals | (11) |
| Utilizations | (664) |
| Financial expenses | 81 |
| <i>Experience actuarial loss/(gain)</i> | (86) |
| <i>Actuarial loss/(gain) arising from changes in demographic assumptions</i> | - |
| <i>Actuarial loss/(gain) arising from changes in financial assumptions</i> | - |
| Total actuarial loss/(gain) | (86) |
| Balance as of 31.12.2017 | 5,717 |

Employee termination indemnities are defined-benefit plans to be accounted for in accordance with IAS 19 – Employees benefits, applying the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures (using actuarial methods) each unit separately in building up the final obligation.

The main assumptions adopted are summarized in the following table:

| <i>Summary of technical bases – financial assumptions</i> | |
|---|--------|
| Financial assumptions | |
| Annual discount rate | 1.30% |
| Annual inflation rate | 1.50% |
| Growth Rate of employment termination indemnities (TFR) | 2.625% |
| Annual rate of salary increase | 1% |

Summary of technical basis – demographic assumptions
Demographic assumptions

| | |
|------------|---|
| Death | RG48 mortality tables published by the General Accounting Office of the State |
| Disability | INPS tables by age and gender |
| Retirement | 100% achievement of requirements of the General Compulsory Insurance (AGO) |

Table of annual frequency of turnover and advanced payment of termination indemnities

| Advances | Turnover |
|-----------------|-----------------|
| 2.50% | 4.00% |

The estimation of discount rate used for Company relied on the iBoxx Eurozone Corporate AA duration 10+ index. Duration was set equal to the average of employment for the Company.

The sensitivity analysis for each actuarial assumption at year-end is given hereunder while highlighting the effects (in absolute terms), which would have occurred upon reasonable possible changes in actuarial assumptions on that date:

Sensitivity analysis of the main evaluation parameters
Figures in thousands/Euro

| Change in assumptions | 31.12.2017 |
|------------------------------|-------------------|
| +1% on turnover rate | 5,677 |
| -1% on turnover rate | 5,763 |
| +1/4% on inflation rate | 5,808 |
| -1/4% on inflation rate | 5,628 |
| +1/4% on discount rate | 5,575 |
| -1/4% on discount rate | 5,866 |

The average duration of the defined-benefit plans as at December 31, 2017 is approximately 11 years. The following table shows expected disbursements related to the plan:

| <i>Figures in thousand/Euro</i> | |
|---------------------------------|-------------------------------|
| Years | Expected disbursements |
| 1 | 362 |
| 2 | 408 |
| 3 | 459 |
| 4 | 364 |
| 5 | 392 |

26 FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|---------------|
| Non-current financial liabilities | | | |
| Bond loan | 559,385 | 557,115 | 2,270 |
| Secured bank loans | 696 | - | 696 |
| Obligations under finance leases | 163 | 299 | (136) |
| Total non-current liabilities | 560,244 | 557,414 | 2,830 |
| Current financial liabilities | | | |
| Bank account with Teleippica S.r.l. | 15,624 | 12,533 | 3,091 |
| Interest on bonds | 5,352 | 5,352 | - |
| Current portion of secured bank loans | 479 | - | 479 |
| Obligation under finance leases | 147 | 309 | (162) |
| Due to banks | 136 | 136 | - |
| Due to points of sales and related to purchase of business units and Sports/Horserace betting concessions | 32 | 32 | - |
| Total current financial liabilities | 21,770 | 18,362 | 3,408 |

The financial liabilities include:

- Bonds issued on November 7, 2016 (described in the following paragraphs) are accounted with the amortised cost method for a total of Euro 559,385 thousand (notional value of Euro 570,000 thousand) net of any direct ancillary costs. Such ancillary costs included the transaction fees and the listing costs in addition to the original issue discount. The amount recognised in the Consolidated Income Statement as of December 31, 2017 was Euro 2,270 thousand.
- Bank loans reported in the item “non-current liabilities” and the current portion of long-term loans totalled Euro 1,175 thousand relate to a loan offered by Banca Popolare di Milano originally for Euro 1,450 thousand.
- Obligations under finance leases, totalling Euro 310 thousand, mainly relate to technology deployed in point of sales and to the disaster recovery plan, as described in greater detail in Note no. 14 “Property, plant and equipment”.

There are no non-current financial liabilities being due after 5 years.

Current bonds embed also early payment options. This type of option may be treated as embedded derivatives and as such, must be presented on a stand-alone basis in the financial statements unless it can be classified as “closely related” to the debt itself. The Company determined the fair value of such options on a stand-alone basis, which presented no value as of December 31, 2017.

Finally, on May 11, 2017 Snaitech executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of Euro 1,450 thousand to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor (floored at 0%) plus a spread of 1.9% per annum.

A summary of bonds and credit facility of Euro 85,000 thousand (undrawn as of December 31, 2017) are shown in the following table:

| Bonds | Notional (000/Euro) | Issue date | Term | Interest rate | Interest period | Maturity | Redemption | Debt as of 31.12.2017 |
|------------------------------------|---------------------|------------|---------|--|------------------|-----------|--|-----------------------|
| Senior Secured Notes | 320,000 | 7.11.2016 | 5 years | 6.375% | 6 months | 7.11.2021 | Bullet | 320,000 |
| Senior Secured Floating Rate Notes | 250,000 | 7.11.2016 | 5 years | 6% + Euribor (floor 0%) | 3 months | 7.11.2021 | Bullet | 250,000 |
| Senior Revolving Facility | 85,000 | 26.10.2016 | | 3.5% ⁽¹⁾ + Euribor (floor 0%) | 1, 3 or 6 months | 7.8.2021 | Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused. | - |
| Bank loan | 1,450 | 11.05.2017 | 3 years | 1.9% + Euribor (floor 0%) | 1 month | 31.5.2020 | Straight-line depreciation | 1,175 |
| Total | 656,450 | | | | | | | 571,175 |

(1) it can be reduced down to 2.75% depending on the value of the Total Net Leverage

Please refer to Note no. 36.1 for information on covenants.

27 PROVISIONS FOR RISKS AND CHARGES

The Company is involved in proceedings before civil and administrative courts, and other legal actions related to the regular course of business. On the basis of the information currently available, and taking into the existing provisions for risks, the Company considers that such proceedings and actions will not result in any material adverse effects upon the Financial Statements.

All the provisions were subject to a review and estimate by the Board of directors based on the information available at the date of preparation of these financial statements and supported by updated legal opinions from independent professionals. These provisions are believed, as a whole, to be adequate to the risks and charges that the Company is reasonably expected to effectively address.

As of December 31, 2017, the provisions for risks and charges amounted to Euro 12,211 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

| | Provisions for technological renewal | Expenses on Investments | Provisions for tax disputes, litigations, contractual risks and other | Total |
|---------------------------------|--------------------------------------|-------------------------|---|---------------|
| <i>Figures in thousand/Euro</i> | | | | |
| Balance as of 31.12.2016 | 2,297 | 330 | 23,550 | 26,177 |
| Balance from merger | - | - | 225 | 225 |
| Accruals for the period | 931 | - | 837 | 1,768 |
| Reclassifications to debit | - | - | (2,940) | (2,940) |
| Reclassifications | - | (283) | 283 | - |
| Releases for the period | (1,595) | (47) | (11,377) | (13,019) |
| Balance as of 31.12.2017 | 1,633 | 0 | 10,578 | 12,211 |

Provisions for technological renewal

The provision for technological renewals consists of periodical accruals for technological upgrading, as provided for by the concession agreement for the implementation of the Gaming Machines network, in accordance with Art. 110, par. 6, of the T.U.L.P.S., as per the R.D. no. 773 of June 18, 1931 as amended and supplemented. In the third quarter of 2017, the provision for technological renewal, set in accordance with the concession, was released, under the authorization of ADM, for Euro 1,595 thousand.

Provisions for tax disputes, litigations and contractual risks

The provision for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 10,578 thousand.

The accruals for the period, amounting to Euro 837 thousand, of which Euro 390 thousand related to employment lawsuits (employees, advisors etc.) and Euro 430 thousand related to other disputes. Furthermore, additional accrual of Euro 17 thousand related to AWP's disposal following the reduction imposed by law.

Releases amount to Euro 11,377 thousand, of which Euro 10,692 thousand related to settlement agreements on a civil dispute and employment lawsuits (including legal costs) and Euro 685 to other releases.

Reclassification of Euro 2,940 refers to the tax assessment report – PVC for the period 2011-2012-2013 (for further information see Note no. 30).

The following section will provide a summary of the most significant proceedings. The following proceedings relates only to Snaitech S.p.A., following the merger by incorporation into Snaitech S.p.A. of the former Cogetech S.p.A., Cogetech Gaming S.r.l. and Cogemat S.p.A. For those proceedings started before the merger, the corporate name of SNAI has been kept although it refers exclusively to Snaitech S.p.A. only.

Administrative disputes**1) Ruling on reporting procedures and accounting-related judgement****a. Regularity of judicial accounts for the years 2004/2009**

The object of the judgement is the audit on the correct contents of the accounts submitted by concession holders of legal gaming through AWP's and VLT's.

In addition to the Ruling on reporting procedures, in 2012, the Accounting-related Judgement proceeding was initiated to verify the regularity of the accounts submitted by the concession holders, including Snaitech and Cogetech (merged by incorporation on November 1, 2016). The judgement, still pending before the Court of Auditors, concerns the alleged non-endorsement of judicial accounts for the years 2004/2009 (the endorsement is made by the Court of Auditors through the reporting subject, and consists in an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration).

In first instance, the Lazio Court of Auditors' Jurisdictional Section, with the respective decisions stated that the accounts-related judgement was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administrative liabilities.

Snaitech and Cogetech have both appealed the judgements rendered by the Court of Auditors.

The Appeal section of the Court of Auditors, with the respective judgements no. 304/2015 and 373/2015, cancelled the previous objected decisions deeming that the case could not be concluded with an accounting-related judgement indicating the impossibility of bringing further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the Section of Appeal of the Court of Auditors, with appropriate judgement, ordered the Lazio Regional Section to review the audit in order to reach a final decision whether to discharge or not from the accounts the items that were not equivalent (the related amount is unavailable). Upon order of the Section of Appeal of the Court, all documents related to judicial reporting, already returned to ADM, were retransmitted to the Lazio Regional Section.

The appeals being exhausted, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the Public Prosecutor.

For this reason, the risk of a negative outcome, already deemed as remote by the respective concession holders' legal advisers, can be described as clearly remote, at the moment. In keeping with that conclusion, the Directors have recognised a provision only for the estimated legal costs of the technical defence.

b. Judgement on merit of judicial accounts for the years 2013/2014

ADM notified Snaitech on July 12, 2017 with the communication issued by the chairmen of the Court of Auditors – Lazio jurisdiction – which set the hearing on the competent section to assess the judicial

accounts for the years 2013/2014 of the Company, following the disagreement between the Tuscany and Lazio jurisdictions.

The Company attended the hearing and required to postpone it since it was notified on July 12, 2017. The Court scheduled the new hearing on November 16, 2017 when the decision was upheld.

On December 31, 2017 the Court of Auditors recognized the competence of the Tuscany jurisdiction and notified the court order on 14 February 2018.

2) Proceedings to withdraw no. 27 betting licenses

On March 14, 2017 ADM notified the Company of the withdrawal 27 licenses of Horserace and Sports betting caused by the interruption of bets collection for a number of days exceeding the maximum number set forth in the concession agreement. The interruption was a consequence of the illegal termination exercised by the owners of points of sales and subsequent reopening with a new concessioner. The Company appealed before the Regional Court and the State Council to probe the legitimate interruption, as recognised also by the Lucca Court.

On June 14 and 19 ADM issued the orders to interrupt the withdrawal of licences.

After December 31, 2017, on the basis of the settlement agreement signed between parties in October 2017 and the relevant cancellation orders issued by the Regional Court, ADM issued a note on January 11, 2018, which revoked previous enforcements and recognised SNAITECH rights to be valid and fully replaceable.

3) Disputes related to the betting business: Guaranteed minimum amount/services.

It should be noted that Snaitech, Cogetech S.p.A. and Cogetech Gaming s.r.l. (merged by incorporation into Snaitech) have received from ADM several notices for reduced activities by some horse racing and sports concession holders in the period 2007-2013. In particular, the amounts required, in order to supplement the annual minimum guaranteed, amounted to Euro 25,529 thousand to Snaitech, Euro 59 thousand to former Cogetech S.p.A. and Euro 2,988 thousand to former Cogetech Gaming s.r.l.

The Companies, through their consultants, have promptly challenged the acts received annually and have obtained their suspension.

Through judgement no. 1054, filed on January 30, 2013, the Lazio Court's second section accepted the Companies' arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered to uphold the judgement, and passed the matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012, for lack of standing in the lawsuit.

For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continued to stand, to the benefit of Snaitech, preventing ADM from enforcing the objected requests.

With judgement no. 275 of November 20, 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012 as regards the wording "not higher than 5 per cent".

The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "not higher than 5 per cent".

On June 6, 2013, Snaitech was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, Snaitech objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.

With judgements no. 7323/14 and no. 7324/14 of July 10, 2014 and no. 8144/14 of July 24, 2014 - featuring the same content - the competent Court, while acknowledging the unconstitutionality of Art. 10, paragraph 5, letter b) of the Law Decree no. 16/2012, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable "fair discount" of only 5%.

ADM filed no appeal. At the same time the Company challenged the minimum guarantee requests claimed for 2012 and related to the former undertaking Cogetech Gaming S.r.l., which were notified on June 14, 2013 (totalling 300 thousand). As of today, the hearing has to be scheduled yet.

On December 5, 2017, with the aim to interrupt any limitation period, ADM issued an order to claim a payment of Euro 3,187,590.13 for the period 2006-2013 (related to the former Cogetech Gaming S.r.l. concessions). The Company promptly replied back by stating the illegitimacy of the claim.

Snaitech, supported by the opinion of its legal advisor, deems remote the risk of negative outcome for the Company.

4) 2015 Stability Law

The 2015 Stability Law included the obligation of the Company to pay, on a proportional basis, the Stability Tax, the proportional share of which was quantified by the directorial execution order implementing the

Stability law 2015 issued by ADM (the “ADM decree”). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless of the fact that these machines are managed directly by the concession holder.

Pursuant to the ADM Decree, the amount of the Stability Tax due by the former SNAI Group for 2015 was determined, on a pro-rata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% of the total by April 30, 2015 and the remaining 60% by October 31, 2015, whereas for the former Cogetech Euro 47.04 million is also to be paid according to the above described methods applicable to Snai. Pursuant to the requirements set out by the 2015 Stability Law and the ADM Decree, (i) both companies have required their partners to pay their share of the Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses and (ii) have tried to renegotiate the terms and conditions of the agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

In February 2015 (jointly with the other concession holders of VLTs and AWP) both companies appealed against the ADM Decree before the Lazio Regional Administrative Court with a concurrent request for suspension and referral to the judgement of the Constitutional Court.

With separate Court Orders, dated October 22, 2015, the precautionary motions were rejected and the judgement on the case was upheld.

Both rejection orders were appealed with the State Council which, on its part, rejected the proposed precautionary motions.

With separate court order dated December 16, 2015, the Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014., with respect to Art. 3 and 41, par. 1 of the Constitution, while accepting the defence objections that highlighted the lack of proportion and reasonableness of the reduction in remunerations, thought to guarantee the Inland Tax Office a fixed amount from profits made by the segment of legal gaming through gaming machines, regardless of the actual performance of wagers. Both companies appeared and filed their defence deeds.

The public hearing, after several postponements, is scheduled on May 8, 2018. In the meantime any judgement rendered by the Lazio Regional Administrative Court are suspended.

The related risk of a possible negative outcome can be deemed as possible, with a possible confirmation of the structure set out by the regulation in force.

The 2016 Stability Law provided further clarity on the reduction of payment of Euro 500 million introduced by the 2015 Stability Law and its redistribution between all the interested stakeholders of the value-chain. In particular, the distribution should have been proportional to the revenues of each stakeholder for the relevant period in 2015. Such interpretation set the independence of debts of each stakeholder.

Based on several opinions issued by advisors, the Company deems not to be liable for those amounts unpaid by the different stakeholders of the value-chain. The Company has therefore paid its own contribution and those amounts received by the stakeholders.

The Company has therefore notified ADM those operators with missing payments.

As of December 31, 2017 the amounts missing from its own value-chain and due to ADM total Euro 28,181 thousand (please refer to note 19 “Trade receivables”).

5) 2015 Stability Law: Snaitech – other party - vs. A.G.C.A.I, and others

With 6 separate claims, the A.G.C.A.I. association, – representative of the AWP concession holders – has summoned before the Lazio Regional Administrative Court and the President of the Republic, both Snai and former Cogetech (Now Snaitech).

The plaintiffs claim that notes should be declared null and void, while suspending their enforceability pending the final decision. With the aforesaid notes, Concession holders of the on-line network of gaming machines with winnings in money ordered the Operators of AWP gaming machines to pay the related contribution to the additional charge, introduced by Art. 1, par. 649, Law no. 190/2014 for the reduction of the fees of the gaming machine industry.

The competent authority rendered a judgement declaring the appeals to be late and non-admissible for contested jurisdiction.

The judgements are now res. For the motions notified subsequently, the scheduling of the hearings is pending.

6) 2011 quotes – Head office - Shared premises

With notice dated June 21, 2012, ADM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of Euro 300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding in number with respect to the law on applicable quotas. ADM has quantified and informed

Cogetech about the total amount to pay, i.e. approximately Euro 2 million, whereas former SNAI must pay approximately Euro 1.835 million.

After the access to records and out of Court correspondence with the Administration, the latter expressed its requests once again with notice dated August 5, 2013. The above-mentioned deed was challenged by both companies before the Lazio Regional Administrative Court and we are awaiting the dates to be set for the hearing.

The risk of an unfavourable outcome can be deemed as merely possible, taking account of the investigation performed by ADM and the novelty of the issue.

7) 2011 quotes – Regional offices - Excess of gaming machines installed

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011 and that with the ADM notice of July 11, 2014, the Lombardy Local Directory required the payment, by Cogetech, of Euro 273,000 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of Law 220/2010, always in relation to the period from January to August 2011. Against the above ADM judgement, an appeal was filed, pending scheduling of the hearing.

Several ADM regional offices notified additional 171 notices arguing that the number of gaming machines installed was above the threshold set forth by the Decree 2011/30011/giochi/US. Snaitech, after the assessment of each notice, decided either to pay lower penalty or appealing ADM (some have been accepted or still pending decision).

The risk of an unfavourable outcome can be deemed as possible.

8) Lodo di Majo (Di Majo award)

a) At the end of the 1990's, a dispute arose between various betting acceptance points and the Finance and Agriculture Ministries, regarding supposed delays and breaches by those Ministries.

The matter was first concluded in 2003, with the "Di Majo Award", in 2003, under which an Arbitration Panel, chaired by Prof Di Majo, and called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.

The compensation awarded to Snaitech by June 30, 2006, would be on the order of Euro 2,498 thousand.

The compensation for the following years has not yet been determined in its entirety.

The defeated Ministries filed an appeal against that decision before the Rome Court of Appeal.

In addition to those legal events, on June 22, 2010 AssoSNAI (Association of the category of concessionaires) sent ADM a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to ADM (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.

ADM addressed a formal legal query to the State Attorney General regarding the memoranda sent by AssoSNAI and informed AssoSNAI that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.

To date, the settlement agreement has not yet been signed.

In 2011 ADM issued a decree, which authorized the Company to offset the accounts receivable from the Di Majo Award with the amount already due. The Company offset Euro 2,498 thousand regarding the receivables directly attributable to Snaitech as concession holder.

Based on the aforementioned ADM decree, some subjects who are no longer concession holders, assigned their receivables resulting from the Di Majo Award to SNAI which provided for the offsetting of the entire amount of receivables acquired, in the amount of Euro 19,065 thousand. The consideration paid for these receivables has been temporarily put into escrow accounts awaiting the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision.

The Court of Appeal in Rome declared that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence. Snaitech appealed to the Supreme Court (Cassazione) and the judgement is still pending waiting for the date of hearing to be set.

In the event that the Supreme Court should ratify the verdict of the Court of Appeal, Snaitech, without any settlement agreement, should correspond ADM with the amount already offset (Euro 21,563 thousand). Under such circumstances, the Company may retaliate on the seller of the receivable (Refer to Note 21).

b) Once the verdict of the Court of Appeal was declared void and null, ADM claimed the payment of Euro 3,702 thousand, being such amount already offset with the receivable arising from Lodo Di Majo.

The Company filed a motion to request either the dismissal or the interruption of the procedure.

9) Allegations issued by ADM regional offices

Regional offices of ADM issued 60 allegations, which reported a different reading of the AWP's meters (now seized) compared to the reading used by the concessioner to calculate the payment for each machine.

The overall amount requested, as PREU and penalties, totals approximately Euro 1,200 thousand plus interest.

The Company appealed with the relevant Tax Commission against the allegations to obtain: i) cancellation order, ii) rejection of the appeal contested by ADM, iii) acceptance of the appeal by ADM.

To date, there are still proceedings pending before the Tax Commission and Supreme Council.

According to legal advisors, the risk of an unfavourable outcome can be deemed as possible whenever judgements in the first and second instance and Cassation are pending.

10) Late payment of weekly balance of horseracing Bersani concessions

ADM has requested Cogetech S.p.A. and Cogetech Gaming S.r.l. (now Snaitech) a total amount, including interests and fines, of Euro 444 thousand related to late payment of weekly balance under horseracing Bersani concessions. The Company filed an appeal to cancel/recall the request and at the same time filed appeal to the Regional Court.

According to legal advisors the risk of unfavourable outcome is possible although amount is limited.

After December 31, 2017 ADM claimed again the amounts related to late payments. The Company filed its statement of defence.

Civil lawsuits

1) Malfunctioning of the Barcrest VLT platform (April 16, 2012)

On April 16, 2012, an anomalous peak of "jackpot" payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets which were only apparently winners, for various sums both within and even well beyond the legal limit of Euro 500,000.00.

As a result of that episode – and also following the ADM order to block the system – Snaitech immediately blocked access to the Barcrest System in order to perform the necessary verifications and inspections. Since the aforementioned date, the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of April 16, 2012.

This event entailed that some holders of "apparently winning" tickets initiated ordinary proceedings/injunction proceedings/summary proceedings seeking payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage sustained.

To this purpose, it should be noted that, following the event, no. 100 proceedings were initiated (including mediation procedures) of which, at December 31, 2017, more than 60% were concluded with favourable judgements (some of them *res judicata*), that have recognised the non-existence of the Jackpot win of the day April 16, 2012, with a settlement, because of inactivity of the players who have not appealed the judgement or have not resubmitted the judgement before the jurisdictionally competent judge.

To date, 33 proceedings were pending.

In addition to the above, it should be noted that, subsequent to December 31, 2017 and until the date of these Notes to the Financial Statements, 5 additional proceedings were concluded either with settlement agreements or with positive judgements for Snaitech or with the cancellation of the proceedings, owing to delay of the counterparty.

In all of the above proceedings, Snaitech has appeared before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no "jackpot" was validly obtained at any time during the day of April 16, 2012.

In light of the legal advice received and the favourable judgements - also on the merits - issued by the Court, in general the risk of the Group losing the cases entered by players can be deemed as no longer possible.

2) Civil claim filed against Snaitech by Prestige Potenza S.r.l.s. and Prestige Barbera S.r.l.s.

They refer to two civil claims filed by Prestige Potenza and Prestige Barbera against Cogetech Gaming (now Snaitech) in order to have ensured, declared and sentenced: i) the breach by Snaitech regarding the individual transfers of business units; ii) the cancellation of such transfers due to the actions and default of Snaitech; iii) payment of damage compensation totalling approximately Euro 30 million.

The Company duly appeared before the Court for both claims, submitted a cross-claim and asked for the intervention of a third party.

Both judgements ended with judgement no. 895/2017 of January 25, 2017 and judgement no. 7697/2017 of July 7, 2017 with which the Court of Milan accepted the defence of Snaitech, rejecting the request to reimburse damages and rejecting also the counter-claim by Snaitech, since erroneously considering the Company in breach, and consequently, ordering it to pay all legal fees.

The Company has challenged – at different times – both judgements as well as the counterparties filed an appeal.

After December 31, 2017, following the hearings on both judgements, the court decided to merge both hearings into a single one and postponed it on June 6, 2018.

According to legal advisors, the risk of unfavourable outcome is deemed to be possible.

3) Ainvest Private Equity S.r.l./Snaitech S.p.A.

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.

The lawsuit proceeded and after the appointment of an expert by the Court (for the translation of the documents produced by the counterparty), the excussion of the texts, the Court rescheduled the hearing initially on December 6, 2017 and subsequently on February 7, 2018.

After December 31, 2017 and precisely at the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

4) FILEFLOW s.a.s. of Testa Tatiana

Civil lawsuit started by Fileflow s.a.s. against Snaitech before the Court of Lucca in order to obtain compensation for damage, quantified in Euro 620 thousand, due to the default of Snaitech as regards the requested transfer of the sports game premise managed by the plaintiff company. The lawsuit was reviewed and adjourned to be presented at the hearing of January 26, 2018.

After December 31, 2017 and precisely at the hearing held on January 26, 2018 the judgement was upheld.

The assessment of a risk with unfavourable outcome is deemed, to date, possible.

5) 2015 Stability Law: Acilia Games S.r.l. and other operators

With writ of summons notified pursuant to Law no. 53 of 1994, on December 17, 2015, Acilia Games S.r.l. (together with other 435 operators of the legal gaming segment) sued Snai and Cogetech (together with other concession holders of legal gaming) with the following conclusions:

(a) assessing that managers are not bound to pay the share of remuneration as per the 2015 Stability Law to the extent indicated by the concession holders;

(b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10 thousand for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure;

(c) assessing that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;

(d) to complete item (c), assessing that agreements between the parties are valid and effective as they were in force on the effective date of the Stability Law;

(e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, the concession holders should be ordered to pay the amount of Euro 10 thousand for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Proceedings.

Both companies appeared in Court for the first hearing, which was rescheduled on March 27, 2018.

In the opinion of the legal advisors, given the fact that the plaintiff's claims are groundless, and have already been rejected during the appeal filed by the same as per Art. 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

6) 2015 Stability Law: R.A. Elettronica (PoS owners)

These are proceedings that started in July 2016 against SNAI and Cogetech and therefore still pending before the Courts of Lucca and Milan, by the company R.A. Elettronica in order to obtain:

- i. The assessment and declaration that all the amounts requested by the above companies are not due;
- ii. The assessment and the declaration of the absence of any breach by R.A. Elettronica of its contract obligations and regulations in force and, in particular, to provisions set forth in Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015;

iii. Sentencing the appearing companies to repay any amount unduly received or to be received as reduction of premiums and remunerations, pursuant to articles 649, Law 190/2014 and 1, par. 920 and 921 of Law no. 208/2015, in addition to interest and revaluation.

At the first hearing, where the companies insisted on the acceptance of the exception for lack of jurisdiction, and, secondarily, the issuing of an order, ex article 186 of the Civil Code, to R.A. Elettronica:

- a) The Judge of the Court of Lucca who has requested information also concerning the current situation of the Regional Administrative Court judgements and about the judgement by the Constitutional Court, also keeping into account that the hearing before the latter has not been scheduled yet, has adjourned the case for the clarification of the conclusions to a hearing scheduled for March 16, 2018.
- b) The Judge of Milan has instead deemed unnecessary to adopt any measure about which it would have no jurisdiction, given that the question of constitutional legitimacy of the legislative and regulatory provisions of which the claimant asks for the non-application, has already been submitted to the Constitutional Court. The Judge has decided that:
 - i) The amount requested, based on the above, is due by SNAI S.p.A. also in consideration of the fact that the same is not subject to the objections other than those filed by the claimant, versus the one already stated as regards the unconstitutionality of the reference regulations;
 - ii) Judged the requested injunction although believing appropriate not to make it provisionally enforceable pending the judgement of the Constitutional Court;
 - iii) Rescheduled the hearing on July 4, 2018.

According to the advisor, the risk of an unfavourable outcome is possible.

7) ZENIT 2012 S.r.l.

With a writ of summons, the company ZENIT requested Snaitech and Intralot Gaming Machine to appear before the Court of Florence, stating an alleged breach, by the defendant companies, of the obligations arising from the current concession agreement and requesting the issuing of a court order for a joint payment of approximately Euro 823 thousand.

Snaitech shall appear in compliance with the law, pleading the lack of grounds in fact and in law of the opposing claims.

At the hearing of September 20, 2017 the Court has rescheduled the hearing on May 16, 2018 allowing each party to file summons according to art. 183, par. 6 c.p.c..

According to the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

8) Cecca Celestina S.r.l.

This civil lawsuit was started pursuant to article 702-bis of the Code of Civil Proceedings by Cecca Celestina, before the Court of Lucca, requesting the assessment of a breach, committed by Snaitech, of the restrictions set forth in a competition agreement (in terms of the distance among gaming points) executed jointly with an agreement on the provision of connectivity, and the consequent sentencing to the payment of Euro 360 thousand as the penalty set forth in the case of a breach of the agreement. Snaitech appeared in court stating to have complied with the distances requirements set out in the agreement. The Court ordered the appointment of an expert and the hearing was adjourned to June 9, 2017, when the expert was appointed. The hearing initially rescheduled on November 17, 2017 was then subsequently rescheduled on March 20, 2018.

The assessment of risk of an unfavourable outcome, currently, i.e. not having available reliable data on the distances among the game premises, is possible.

9) Agenzia Ippica di Benito Monti e C. S.n.C. under bankruptcy proceedings

With an appeal pursuant to ex article 702 bis of the Code of Civil Proceedings, this Company requested Benito Monti & C Snc, under bankruptcy proceedings, to ascertain its right about the restitution of Euro 399 thousand plus interests (such amount was assigned to Snaitech following garnishment of assets by third parties to SNAI Servizi). Snaitech appeared before the Court within the required term challenging the adverse claims. At the first instance of the hearing on March 23, 2017, based on the ever-changing case law, the Judge invited the parties to settle out of court with a payment by Snaitech of Euro 80 thousand adjourning to the hearing of May 29, 2017 for the attempt of reconciliation pursuant to ex article 185 of the Code of Civil Proceedings. The Company accepted the proposal of the Judge and has requested the adviser to proceed with the settlement. On the hearing held on May 29, the defence obtained the rescheduling on July 10, 2017 in order to assess the settlement agreement proposed by the court for an amount not lower than Euro 100 thousand. Following the signing of a settlement agreement, on December 21, 2017 the Company paid the amount set by the Judge.

Employment lawsuit

To date, there are three pending appeals, pursuant to art. 414 c.p.c., served by Snaitech former advisors, who claimed the recognition of employment relationship and the damages suffered as well as any salary

integration due (including holidays and employment termination indemnities). Additionally, there is still a pending appeal, pursuant to art. 414 c.p.c., served by a former Snaitech advisor, who claimed: (i) the recognition of employment relationship; (ii) the termination of the agreement and the subsequent reinstatement of the employee; (iii) the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). The next hearings are scheduled on March 21, 2019 for two appeals and on May 14, 2018 for another appeal.

After December 31, 2017 the Company opposed the three aforementioned appeals served by the former Snaitech advisors and claimed the groundless requests and the rejection of the appeals. Following the hearings of February 22 and 27, 2018, the court accepted the arguments of the Company and declared the appeals to be inadmissible, owing to late filing.

After December 31, 2017 the Company was served with an appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Company to be void and null. The Company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on March 8, 2018 the court, proposed a reconciliation procedure and postponed the hearing on April 4, 2018, when the availability of both parties to transact would be assessed.

28 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

Other non-current liabilities are broken down as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--|--------------|--------------|------------|
| Other non-current liabilities | | | |
| <i>Tax liabilities</i> | | | |
| - Liabilities from tax assessment report | 1,693 | - | 1,693 |
| - Instalments on flat-rate tax | - | 139 | (139) |
| | 1,693 | 139 | 1,554 |
| <i>Other liabilities</i> | | | |
| - Deferral of PREU from prior years | - | 371 | (371) |
| - Security deposits | 2,330 | 3,067 | (737) |
| | 2,330 | 3,438 | (1,108) |
| Total other non-current liabilities | 4,023 | 3,577 | 446 |

Other current liabilities are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|---------------|---------------|----------------|
| Other current liabilities | | | |
| <i>Tax liabilities</i> | | | |
| - Flat-rate tax | 7,554 | 3,613 | 3,941 |
| - Instalments on flat-rate tax | 147 | 145 | 2 |
| - Instalments on tax assessment notice | 753 | - | 753 |
| - VAT | 713 | 1,244 | (531) |
| - Other tax liabilities | 1,125 | 1,266 | (141) |
| | 10,292 | 6,268 | 4,024 |
| <i>Due to social security institutions</i> | | | |
| - Social security institutions | 3,398 | 3,250 | 148 |
| <i>Due to subsidiaries</i> | | | |
| - Subsidiaries | 4,719 | 11,012 | (6,293) |
| <i>Other liabilities</i> | | | |
| - Due to ADM and related to balance due on PREU | 53,779 | 49,161 | 4,618 |
| - Due to ADM | 21,611 | 21,749 | (138) |
| - Due to winners and VLT jackpot reserve | 13,349 | 14,649 | (1,300) |
| - Online gaming accounts balances | 8,835 | 7,631 | 1,204 |
| - Due to ADM and related to security deposit on Gaming Machines | 6,319 | 6,495 | (176) |
| - Due to ADM and related to concession fees | 3,792 | 3,915 | (123) |

| | | | |
|--|----------------|----------------|--------------|
| - Due to players for ante post bets | 2,688 | 2,475 | 213 |
| - Due to players for winnings/refunds on betting/IPN/CPS | 2,135 | 3,617 | (1,482) |
| - Due to ADM and related to CPS/IPN | 1,088 | 1,045 | 43 |
| - Due to ADM and related to balance due on horseracing | 825 | 893 | (68) |
| - Due to ADM for expired tickets | 593 | 551 | 42 |
| - Deferral of PREU from prior years | 394 | 791 | (397) |
| - Due to players for winnings on Virtual Events | 279 | 210 | 69 |
| - On restricted deposits | 10,369 | 10,330 | 39 |
| - Due to employees and partners | 6,507 | 5,691 | 816 |
| - Due to acquisition of business units | 1,230 | - | 1,230 |
| - Due to Directors | 248 | 200 | 48 |
| - due to Statutory Auditors | 128 | 177 | (49) |
| - Due to suppliers of Parent Companies | - | 4 | (4) |
| - Due to others | 8,541 | 7,137 | 1,404 |
| | 142,710 | 136,721 | 5,989 |
| <i>Accrued liabilities and deferred income</i> | | | |
| - Accrued expenses | 641 | 522 | 119 |
| - Deferred income | 723 | 22 | 701 |
| | 1,364 | 544 | 820 |
| Total Other current liabilities | 162,483 | 157,795 | 4,688 |

Liabilities arising from the tax assessment report totalled Euro 2,446 thousand (already included in the provision for risks and charges for 2016), of which Euro 1,693 thousand due after one year and Euro 753 thousand due within one year, all related to the amounts assessed in 2011, 2012 and 2013. On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

Liabilities related to the deferred flat-rate tax amounts to Euro 147 thousand and comprise residual fines and interest associated with the late payment of the flat-rate tax for the fiscal periods 2009 and 2010.

Debt to ADM related to balance on PREU for a total amount of Euro 53,779 thousand and is determined on volumes recorded with Gaming Machines.

Other liabilities due to ADM, totalling Euro 21,611 thousand, relate to certain payments, initially offset with credits (acquired or original) arising from the Di Majo award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled for Euro 21,581 thousand. When ADM requires the payment, Sanitech will be entitled to dispose of the amounts on the escrow accounts jointly with Agisco. For further details, see Note no. 21.

Deferral of PREU from prior years amounts to Euro 394 thousand and relates to interest and fines associated with the late payment of PREU for 2010.

Liabilities arising from purchasing of business unit amount to Euro 1,230 thousand and relate to three acquisition of business units (for further information see Note no. 3 "Business combination").

Accrued expenses of Euro 641 thousand include additional monthly salaries and related social security payments.

Deferred income totals Euro 723 thousand, of which Euro 654 thousand related to payment due to MIPAAF (former ASSI) investment fund.

29 TRADE PAYABLES

The trade payables are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---------------------------------|-------------------|-------------------|---------------|
| Trade payables | | | |
| - To suppliers | 35,418 | 28,855 | 6,563 |

| | | | |
|------------------------------------|---------------|---------------|--------------|
| - To foreign-based suppliers | 1,719 | 1,858 | (139) |
| - Credit memorandum to be received | 311 | 348 | (37) |
| Total trade payables | 37,448 | 31,061 | 6,387 |

30 OVERDUE PAYABLES

As required by Consob notice ref. 10084105 of October 13, 2010, the following table sets forth payables, grouped by type, with a specific indication of the amounts overdue.

| Current liabilities | Balance as of 31.12.2017 | of which due on 31.12.2017 |
|-------------------------------------|-------------------------------------|---------------------------------------|
| Financial liabilities | 21,770 | |
| Trade payables | 37,448 | 8,789 |
| Tax payables | 10,292 | |
| Due to social security institutions | 3,398 | |
| Other liabilities | 148,793 | |
| | 221,701 | 8,789 |

Figures in thousand/Euro

As of 31 December 2017 the amounts past due are Euro 8,789 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after 31 December 2017. In certain cases, new payment dates have been agreed. To the present date, there is no claim raised by suppliers.

31 GUARANTEES

In addition to the Financial Liabilities described in Note no. 26, the Company entered into several bank guarantees for a total amount of Euro 203,165 thousand as of December 31, 2017 (Euro 196,034 thousand as of December 31, 2016), as disclosed in the following table:

| Bank | Beneficiary | Company | Purpose | Amount as of 31.12.2017 (1,000/Euro) | Amount as of 31.12.2016 (1,000/Euro) |
|-----------------------|-----------------------------------|--------------------------------|--|---|---|
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 35,688 | 35,688 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech) | Timely payment of PREU, concessions fees and security deposit | 24,668 | 34,668 |
| AXA ASSICURAZIONI SPA | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Timely payment of PREU, concessions fees and security deposit | 10,000 | - |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Timely payment of PREU, concessions fees and security deposit | 41,085 | 25,911 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Opening of horse racing betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Horseracing) | 16,818 | 16,818 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Business under concession conducted regularly, timely and | - | 14,810 |

| | | | | | |
|---------------------|-----------------------------------|---------------------------------------|---|--------|--------|
| | | | precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | | |
| ALPHA INSURANCE A/S | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 14,023 | - |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Horseracing bets acceptance tender (Giorgietti). | 11,391 | 11,391 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech) | Set up and functioning of the gaming machines network (AWPs and VLTs) | - | 6,000 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Set up and functioning of the gaming machines network (AWPs and VLTs) | 6,000 | 6,000 |
| UNICREDIT | Ministry of agriculture | SNAITECH SPA | Broadcasting of audio/video from Italian and foreign horseracing tracks | - | 5,387 |
| BANCO BPM | Ministry of agriculture | SNAITECH SPA | Broadcasting of audio/video from Italian and foreign horseracing tracks | 5,387 | - |
| AM TRUST EUROPE | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech Gaming) | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 4,701 | 4,701 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Horseracing bets acceptance tender (Giorgietti). | 4,262 | 4,262 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech Gaming) | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 4,184 | 4,184 |
| BANCA CAMBIANO | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 3,029 | 3,029 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech) | Timely payment of PREU, concessions fees and security deposit | 2,619 | 2,619 |

| | | | | | |
|------------------------------------|-----------------------------------|---------------------------------------|---|-------|-------|
| BANCO BPM | Ministry of agriculture | SNAITECH SPA | Subsidy to horse racing held in Milan gallop track in 2016 | 2,464 | 2,464 |
| CREDITO VALTELLINESE | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 1,960 | 1,960 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA | Online gaming | 1,805 | 1,805 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | SNAITECH SPA (ex Cogetech Gaming) | Horseracing bets acceptance tender (Giorgietti). | 1,738 | 1,738 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech Gaming) | Opening of horse racing betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Horseracing) | 1,653 | 1,653 |
| BANCO BPM | Mediocredito | SNAITECH SPA | TIM mobile top-ups | 1,500 | 1,500 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech) | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 1,447 | 1,447 |
| CASSA DI RISPARMIO DI RAVENNA | HIPPOGROUP ROMA CAPANNELLE | SNAITECH SPA | Hippogroup Roma Capannelle as beneficiary to open a bank overdraft and bank guarantee in favour of EEPP | 1,389 | 1,389 |
| BANCO BPM | Ministry of agriculture | SNAITECH SPA | Subsidy to horse racing held in Milan trot track in 2016 | 1,041 | 1,041 |
| UBI BANCA | SPIELO | SNAITECH SPA (former Cogetech) | Spiel VLT contract | 1,000 | 1,000 |
| UBI BANCA | GOITO SRL | SNAITECH SPA (former Cogetech) | Rental of offices | 698 | 698 |
| UNICREDIT | AGENZIA DELLE ENTRATE | SNAITECH SPA | VAT reimbursement for 2014 | 512 | 512 |
| BANCA POPOLARE DELL'EMILIA ROMAGNA | TIM/IFITALIA | SNAITECH SPA (former Cogetech) | TIM mobile top-ups | - | 500 |
| BANCO BPM | TIM/IFITALIA | SNAITECH SPA (former Cogetech) | TIM mobile top-ups | - | 400 |
| BANCO BPM | Ministry of agriculture | SNAITECH SPA | Subsidy to horse racing held in Montecatini track in 2017 | 356 | 356 |
| BANCO BPM | Ministry of agriculture | SNAITECH SPA | Subsidy to horse racing held in Milan track in 2017 | 337 | - |
| BANCO BPM | ADM (Customs and Monopoly Agency) | SNAITECH SPA (former Cogetech) | Online games | 197 | 315 |
| Other | Other | OTHERS | Other (guarantees lower than Euro | 1,213 | 1,788 |

| | | | | | |
|--------------|--|--|----------|----------------|----------------|
| | | | 200,000) | | |
| TOTAL | | | | 203,165 | 196,034 |

32 RELATED PARTY TRANSACTIONS

Consob note n. 6064293 dated 28 July 2006 requires, in addition to the provisions of the international accounting standard "Related Party Disclosures" (IAS 24), to disclose information on any transaction or position held with related parties, following IAS 24 classification, which may affect income and financial position.

The table hereinafter shows a summary of such transactions and positions. The impact of any transaction on the income and cash flows of the Company and/or the Group must be read bearing in mind that any dealing with related parties is similar to other dealing currently in place with third parties.

The Company has relationships with Banca Monte dei Paschi di Siena S.p.A., Intesa San Paolo S.p.A., Poste Italiane, Unicredit S.p.A. and Banco BPM S.p.A, all of them potentially classifiable as related parties. However, such transactions were executed in the course of regular business, in the only interest of the Company and settled at market conditions.

Senior Secured Notes and Senior Revolving Facility are also backed by a pledge on Snaitech S.p.A. shares, issued by the majority shareholder of the Company. The pledge between Snaitech S.p.A. and the shareholder was approved with the favourable binding opinion of Snaitech Related Party Committee.

The following table sets forth a summary of dealings between the Company and related parties.

| <i>Figures in thousand/Euro</i> | 31.12.2017 | % Impact | 31.12.2016 | % Impact |
|---|-------------------|-----------------|-------------------|-----------------|
| Trade Receivables | | | | |
| - From Global Games S.p.A. | 32 | 0.03% | 4 | 0.00% |
| - From Società Trenno S.r.l. | - | 0.00% | 207 | 0.19% |
| - From Teleippica S.r.l. | 43 | 0.04% | 65 | 0.06% |
| Total Trade Receivables | 75 | 0.07% | 276 | 0.25% |
| Other Current Assets | | | | |
| - From Teleippica S.r.l. | 2,602 | 4.80% | 2,380 | 4.39% |
| - From SNAI Rete Italia S.r.l. | 19 | 0.04% | 18 | 0.03% |
| - From Teseo S.r.l. in liquidation | - | 0.00% | 170 | 0.31% |
| Total Other Current Assets | 2,621 | 4.84% | 2,568 | 4.73% |
| Current Financial Receivables | | | | |
| - From Società Trenno S.r.l. | - | 0.00% | 5,859 | 22.21% |
| - From SNAI Rete Italia S.r.l. | 7,876 | 31.80% | 3,733 | 14.15% |
| - From Snaitech Smart Technologies S.r.l. | 56 | 0.23% | - | 0.00% |
| Total Current Financial receivables | 7,932 | 32.03% | 9,592 | 36.36% |
| Total Assets | 10,628 | 1.12% | 12,436 | 1.35% |
| Trade Payables | | | | |
| - To undertakings related to directors | 2 | 0.01% | 323 | 1.04% |
| - To Società Trenno S.r.l. | - | 0.00% | 134 | 0.43% |
| - To SNAI Rete Italia S.r.l. | 44 | 0.12% | 97 | 0.31% |
| - To Teleippica S.r.l. | 306 | 0.82% | 212 | 0.68% |
| - To undertakings related to statutory auditors | 30 | 0.08% | - | 0.00% |
| - To undertakings related to shareholders | - | 0.00% | (1) | 0.00% |
| Total Trade Payables | 382 | 1.03% | 765 | 2.46% |
| Other Current Liabilities | | | | |
| - To Global Games S.p.A. | 16 | 0.01% | - | 0.00% |
| - To Società Trenno S.r.l. | - | 0.00% | 7,256 | 4.60% |
| - To SNAI Rete Italia S.r.l. | 4,716 | 2.90% | 3,350 | 2.12% |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| - To Teleippica S.r.l. | 24 | 0.01% | 23 | 0,01% |
| - To Hippogroup Roma Capannelle S.r.l. | 7 | 0.00% | - | 0,00% |
| - To Teseo S.r.l. in liquidation | - | 0.00% | 383 | 0,24% |
| - To undertakings related to shareholders | - | 0.00% | 4 | 0,00% |
| Total Other Current Liabilities | 4,763 | 2.92% | 11,016 | 6,97% |
| Current Financial Payables | | | | |
| - To Teleippica S.r.l. | 15,623 | 71.76% | 12,533 | 68,26% |
| Total Current Financial Payables | 15,623 | 71.76% | 12,533 | 68,26% |
| Total Liabilities | 20,768 | 2.58% | 24,314 | 3,04% |

The following table shows the impact of related party transactions on the statement of comprehensive income:

| <i>Figures in thousand/Euro</i> | 2017 | % Impact | 2016 | % Impact |
|--|---------------|-----------------|---------------|-----------------|
| Revenues from Services and Chargebacks | | | | |
| - From undertakings related to directors | 57 | 0.01% | 93 | 0.01% |
| - From Società Trenno S.r.l. | - | 0.00% | 267 | 0.03% |
| - From SNAI Rete Italia S.r.l. | 66 | 0.01% | 131 | 0.02% |
| Total Revenues from Services and Chargebacks | 123 | 0.02% | 491 | 0.06% |
| Other Revenues | | | | |
| - From Global Games S.p.A. | 13 | 0.26% | 4 | 0.04% |
| - From Società Trenno S.r.l. | - | 0.00% | 547 | 5.89% |
| - From SNAI Rete Italia S.r.l. | 274 | 5.54% | 50 | 0.54% |
| - From Teleippica S.r.l. | 422 | 8.53% | 533 | 5.74% |
| Total Other Revenues | 709 | 14.33% | 1,134 | 12.21% |
| Interest Income | | | | |
| - From Società Trenno S.r.l. | - | 0.00% | 589 | 40.73% |
| - From SNAI Rete Italia S.r.l. | 315 | 28.90% | 186 | 12.86% |
| Total Interest Income | 315 | 28.90% | 775 | 53.59% |
| Total Revenues | 1,147 | 0.13% | 2,400 | 0.27% |
| Costs for Services and Chargebacks | | | | |
| - From undertakings related to directors | 6 | 0.00% | 6 | 0.00% |
| - From Società Trenno S.r.l. | - | 0.00% | 366 | 0.06% |
| - From SNAI Rete Italia S.r.l. | 7,036 | 1.08% | 11,310 | 1.70% |
| - From Teleippica S.r.l. | 2,525 | 0.39% | 3,051 | 0.46% |
| - From undertakings related to statutory auditors of companies incorporated into Snaitech S.p.A. | - | 0.00% | 27 | 0.00% |
| - From undertakings related to statutory auditors | 82 | 0.01% | 1 | 0.00% |
| - From undertakings related to shareholders | 1 | 0.00% | - | 0.00% |
| Total Costs for Services and Chargebacks | 9,650 | 1.48% | 14,761 | 2.22% |
| Costs of Seconded Personnel | | | | |
| - From undertakings related to directors | 7 | 0.02% | - | 0.00% |
| - From SNAI Rete Italia S.r.l. | 13 | 0.03% | - | 0.00% |
| Total Costs of Seconded Personnel | 20 | 0.05% | - | 0.00% |
| Other Operating Costs | | | | |
| - From undertakings related to directors | 12 | 0.02% | 14 | 0.03% |
| - From undertakings related to statutory auditors of companies incorporated into Snaitech S.p.A. | - | | 2 | 0.00% |
| - From iZilove Foundation | 30 | 0.06% | - | 0.00% |
| - From Società Trenno S.r.l. | - | 0.00% | 2 | 0.00% |
| Total Other Operating Costs | 42 | 0.08% | 18 | 0.03% |
| Interest Costs and Fees | | | | |
| - Interest costs to SNAI Rete Italia S.r.l. | - | 0.00% | 14 | 0.02% |
| - Interest costs to Teleippica S.r.l. | 812 | 1.96% | 879 | 1.00% |
| Total Costs and Fees | 812 | 1.96% | 893 | 1.02% |
| Total Costs | 10,524 | 1.33% | 15,672 | 1.85% |

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.63% in 2017 (vs. 1.31% in 2016) while total revenues weighted on Profit (Loss) for 2017 by 5.28% (vs. -13% in 2016).

Cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 7.34% in 2017 (vs. 11.87% in 2016) while total costs weighted on Profit (loss) by 48.43% (vs. -84.86% in 2016).

As of December 31, 2017 remuneration to executives with strategic roles was Euro 1,620 thousands, of which Euro 660 thousand related to base salary, Euro 200 thousand to the Chief Executive Officer and Euro 100 thousand related to extraordinary bonus and Euro 660 thousand related to variable compensation.

33 FINANCIAL RISK MANAGEMENT

Snaitech financial liabilities are mainly centred on high yield bonds, bank loan and financial leases. Such contracts have medium to long-term maturity.

On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving Facility") to substitute the existing facility of Euro 55 million.

The New Bonds, which represent the main financial indebtedness of the Company as of December 31, 2017, are secured (as well as the New Revolving Facility) on a first-ranking basis by (i) a pledge over 50.00% plus one share of the share capital of the Company, (provided by Global Games S.p.A.) (ii) a pledge over 100.00% of the quotas of Teleippica S.r.l. (provided by Snaitech S.p.A.) and (iii) a pledge over certain intellectual property rights owned by Snaitech S.p.A..

Finally, on May 11, 2017 Snaitech S.p.A. executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of Euro 1,450 thousand to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor plus a spread of 1.9% per annum.

The Company's policy is focused on reducing commercial financing, shortening the Days Sales Outstanding, schedule the extension of trade payables as well as plan different payment schedules for fixed assets.

Financial derivatives

As of December 31, 2017, the Company has no derivative instruments outstanding.

Liquidity Risk

Liquidity risk is defined as the possibility that Snaitech would be unable to settle its payment obligations as a result of the inability to obtain new funding (funding liquidity risk), to sell its own assets (asset liquidity risk), or to incur higher funding costs. Snaitech's exposure to such risk is mainly linked primarily to the commitments of new bonds issued in 2016 and the New Revolving Facility, undrawn as of December 31, 2017. For further information see par. H of the Directors' report.

The following table shows an analysis of maturity terms based on contract redemption obligations which are not discounted and relate to bond loans (for Fixed Rate Guaranteed Senior Bonds the rate considered was the one applied in the current interest period), to outstanding lease agreements as at December 31, 2017, and to other liabilities. The cash flows are entered in the first timeframe where they may occur.

Figures in thousands/Euro

| | Total cash flow | < 6M | 6M < CF < 1Y | 1Y < CF < 2Y | 2Y < CF < 5Y |
|-----------------------------------|-----------------|--------|--------------|--------------|--------------|
| Senior Secured Fixed Rate Note | 401,613 | 10,202 | 10,202 | 20,403 | 360,806 |
| Senior Secured Floating Rate Note | 310,913 | 7,540 | 7,665 | 15,205 | 280,503 |

| | | | | | |
|-------------------------|---------|---------|--------|-------|-------|
| Unsecured loan from BPM | 1,203 | 249 | 249 | 498 | 207 |
| Leasing | 305 | 69 | 62 | 125 | 49 |
| Other liabilities | 165,772 | 128,776 | 32,973 | 1,499 | 2,524 |

Interest rate risk

Snaitech is exposed to interest rate risk associated with the financing/investment activities performed in the course of regular business. Such risk may be defined as the possibility that a loss may occur in its financial management, in terms of a lower return of investment or an increased cost of liability (existing or potential), as a result of fluctuations in interest rates. The interest rate risk therefore represents the uncertainty associated with the interest rates changes. For further information see par. H of the Directors' report.

The Company, on December 31, 2017, is only partially exposed to interest rate risk arising from the coupons of floating rate bond, linked to three-month Euribor (floored at 0%), as well as from the bank loan with a variable interest rate linked to three-month Euribor. Interest rate risk management objective is to hedge the Snaitech's financial income and expenses from possible changes in market rates, by monitoring rates volatility as well as balancing the risk-return profile of financial assets and liabilities.

Floating rate financial instruments expose the Company to changes in cash flows, while fixed rate financial instruments expose the Company to changes in its fair value.

Credit risk

In order to reduce and monitor credit risk, Snaitech has implemented ad hoc policies and instruments. Potential relationships with debtors are always subjected, on a preliminary basis, to reliability analysis based on the information received from specialised companies. Results are supplemented with other information internal to Snaitech, in order to obtain a reliability assessment. This assessment is reviewed on a regular basis or, where appropriate, whenever new information comes out.

Debtors (customers, point of sales owners, AWP and VLT owners, etc.) are usually known to the Company, based on the long lasting experience matured in all the segments of the addressable markets, which is also characterised by a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the Company on the basis of reliability assessments. The relationships are monitored on a regular basis by a dedicated department, which liaises with the several other departments.

Receivables are regularly subject to in-depth assessments. In particular, receivables are presented net of the relevant provisions. Expenses related to bad or doubtful debts are accounted for in the objective event of difficult recovery of the credit. Receivables considered to be no longer recoverable are fully written off.

In relation to the above-mentioned receivables, the maximum exposure to credit risk, without taking into account any guarantee or other credit risk mitigants, is represented by fair value. The risk related to other financial assets of the Company is in line with market conditions.

Exchange rate risk

None of the Group's operations constitute any significant exposure to exchange rate risk.

Capital management

The capital management of the Company aims at guaranteeing a solid credit rating and adequate capital ratios to finance core operations and future investment plans, while continuing to fulfil its contractual obligations with lenders.

The Company is subject to restrictive covenants on dividends payment and issuance of new share as specified in the bonds and bank loan agreements.

The Group has analysed its equity in terms of debt/equity ratio, i.e. the ratio of net debt to shareholders' equity plus net debt. It is the Snaitech Group's policy to maintain a ratio of between 0.3 and 1.0.

34 NON-RECURRING INCOME AND COSTS

The table below presents the summary of non-recurrent income and cost accounted for in the first nine months of 2017, pursuant to Consob Resolution No. 15519 of July 27, 2006, (which defines such items as “positive and/or negative items of Statement of Income arising from non-recurring events or operations occurred of out the ordinary course of business”). A breakdown of non-recurring income and costs is shown below:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---------------------------------|------------------|-----------------|
| | 2017 | 2016 |
| Other revenues and income | 2,799 | 6,060 |
| Costs of services | 1,923 | (1,041) |
| Other operating costs | (1,877) | (6,077) |
| Cost of personnel | (92) | (891) |
| Other accruals | (390) | (6,955) |
| Financial expenses | - | (31,677) |
| Total | 2,363 | (40,581) |

The value of Euro 2,363 thousand accounted in 2017 is mainly due to the following items:

- Euro 2,799 thousand from “Other revenues and income”, of which Euro 499 thousand related to Income from lawsuits and Euro 2,300 thousand from repayment of damages;
- Euro 1,923 thousand for “Cost of services and third party assets”, of which Euro 2,978 thousand related to non-deductible VAT from prior years and Euro -1,055 thousand for advisory on non-recurring corporate transactions, lawsuits and other non-recurring events;
- Euro -1,877 thousand for “Other operating costs”, of which Euro -1,207 thousand related to ADM request on past due VLT winning tickets for the periods between 2010 to March 19, 2013, Euro -325 thousand for costs related to the aforementioned Income from lawsuits, Euro -324 thousand of losses from lawsuits and Euro -21 thousand related to other items;
- Euro -92 thousand for “Cost of personnel” related to voluntary redundancy schemes;
- Euro -390 thousand for “Other accruals” related to employment lawsuits.

35 ATYPICAL/UNUSUAL TRANSACTIONS

No atypical and/or unusual transactions were recorded in 2017.

36 NET FINANCIAL POSITION

In accordance with the requirements of CONSOB’s Notice of July 28, 2006, and in accordance with the Recommendation from CESR of February 10, 2005, “CESR’s recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the Company’s net financial position disclosed hereinafter is negative by Euro 559,385 thousand.

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|------------------------------------|-------------------|-------------------|
| A. Cash | 315 | 368 |
| B. Other cash equivalents | 136,048 | 77,029 |
| - Bank accounts | 134,884 | 75,014 |
| - Postal accounts | 1,164 | 2,015 |
| C. Securities held for trading | 1 | 1 |
| D. Liquidity (A)+(B)+(C) | 136,364 | 77,398 |
| E. Current financial assets | 7,932 | 9,592 |
| - Bank account with subsidiaries | 7,932 | 9,592 |

| | | |
|--|------------------|-----------------|
| F. Current bank debts | 136 | 136 |
| G. Current portion of non-current indebtedness | 479 | 0 |
| H. Other current financial debt: | 21,154 | 18,227 |
| - For interest on bonds | 5,352 | 5,352 |
| - Bank account with subsidiaries | 15,623 | 12,533 |
| - Due to other lenders | 179 | 342 |
| I. Current financial indebtedness (F)+(G)+(H) | 21,769 | 18,363 |
| J. Net current financial indebtedness (I)-(E)-(D) | (122,527) | (68,627) |
| K. Non-current bank loans | 696 | 0 |
| L. Bonds issued | 559,385 | 557,115 |
| M. Other non-current loans: | 163 | 299 |
| - Due to other lenders | 163 | 299 |
| N. Non-current financial indebtedness (K)+(L)+(M) | 560,244 | 557,414 |
| O. Net financial indebtedness (J)+(N) | 437,717 | 488,787 |

Net financial position does not include restricted bank accounts and deposits of Euro 16,838 thousand (included in the item "Current financial assets") and other non-current financial assets of Euro 3,386 thousand (see Note no. 21).

The net financial indebtedness decreased by Euro 51,070 thousand compared to the level as of December 31, 2016. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 58,966 thousand, caused by the refund of the security deposit related to Gaming Machines. Conversely, the gross financial indebtedness (current and non-current) increased by Euro 6,236 thousand due to the amortised cost method applied to bonds, the new unsecured bank loan of Euro 1,450 thousand and the increase of intragroup liability to the subsidiary Teleippica S.r.l..

36.1 Covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions on dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment in whole or in part of the loans.

According to the Super Senior Revolving loan facility, Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate for the annual report, in addition the above statements, includes also the Guarantor Coverage Test to reinsure that the total EBITDA of all the guarantor companies (Guarantor) is equal or above the 80% of the consolidated EBITDA. As of 31 December 2017, such Guarantor Coverage Test is matched. As of 31 December 2017, the Compliance Certificate includes also the Total Net Leverage indicator representing the ratio needed to fix the margin of the facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Super Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

37 FINANCIAL INSTRUMENTS AND FAIR VALUE

The following table shows a break down of all financial instruments according to the fair value hierarchy.

| Description | Level 1 | Level 2 | Level 3 | Balance as of 31.12.2017 |
|--|-------------|---------|---------|-----------------------------|
| Current financial assets (LaR) | | 24,771 | | 24,771 |
| Non-current financial assets (LaR) | | 3,386 | | 3,386 |
| Non-current financial liabilities (FLAC) | 559,385 (*) | 859 | | 560,244 |
| Current financial liabilities (FLAC) | | 21,770 | | 21,770 |
| Other non-financial non-current assets (LaR) | | 549 | | 549 |

* Market value from Bloomberg on the last trading day related to the bond is equal to Euro 599,157 thousand.

IAS 39 categories key

| | |
|---|------|
| Loans and receivables | LaR |
| Financial Liabilities at amortised cost | FLAC |

According to IFRS 7, the financial instruments accounted at fair value in the Statement of Financial Positions are classified according to a “fair value hierarchy” in order to increase consistency and comparability in fair value measurements and related disclosures. The hierarchy envisages the following three levels:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability and fall outside Level 2.

On December 30, 2017 and December 31, 2016, there are no financial assets and liabilities designated at fair value in the Income Statement as well as no financial assets Available-For-Sale or derivatives held for hedging purposes.

In 2017, no transfers occurred between fair value levels of the aforementioned hierarchy.

38 EVENTS AFTER THE REPORTING PERIOD

38.1 Renew/Waive of betting rights

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, paf. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horse racing licenses, mainly related to corners inactive or with limited business and low profitability. The overall capital expenditure to renew such rights, including those waived, until December 31, 2018 is expected to be slightly lower than Euro 10 million.

38.2 Ainvest Private Equity S.r.l./Snaitech S.p.A.

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.

The lawsuit proceeded and after the appointment of a Court expert (to translate the documents produced by the counterparty) and the excussion of the texts, the Court rescheduled the hearing on December 6, 2017 and subsequently on February 7, 2018. After December 31, 2017 and precisely at the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

38.3 Employment lawsuits

After December 31, 2017 the company was served with the following: (i) appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Company to be void and null. The company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on March 8, 2018 the court, proposed a reconciliation procedure and postponed the hearing on April 4, 2018, when the availability of both parties to transact would be assessed; (ii) appeals, pursuant to art. 1, par. 51 of Law 92.2012, served by former advisors (same plaintiffs who served the Company with different appeals pursuant to art. 414 c.p.c.). Following the hearings of February 22 and 27, 2018, the court accepted the arguments of the Company and declared the appeals to be inadmissible, owing to late filing.

38.4 Incorporation of SNAITECH IBERIA S.A.

On January 26, 2018 Snaitech Iberia S.A. was incorporated in Madrid, calle Miguel Angel no.11. The undertaking, with a share capital of Euro 60,000, is fully owned by Snaitech S.p.A. and its main business is related to organization and promotion of games.

38.5 Reduction of AWP

The additional consolidation measures to the Budget law for 2017 scheduled the timing of reduction of AWP rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

At the time of drafting the financial statements, Snaitech S.p.A. completed the first round cut. For further information, please refer to par. M.2.

38.6 New classification of horse racing tracks

D.M. 681/2016 set forth a new classification of national horse racing tracks, which identifies tracks as follow: "strategic", "institutional", "commercial" and "promotional".

The Ministry of Agricultural policies, with a proceeding dated January 31, 2018, assigned the following classification to Snaitech horse racing tracks:

- Milan gallop track as strategic;
- Milan trot track as commercial;
- Montecatini Terme trot track as promotional/commercial.

Furthermore, in the same proceeding, the Ministry revoked 11 horse racing tracks, which were not compliant with the minimum standard required by the aforementioned classification.

The new classification would determine for each track, after the implementation decree to be issued yet, different levels of public grants and the relevant number of races and jackpot (with subsequent impact on wagers). Snaitech, along with other management companies, requested for an anticipation of the public grant for 2018.

As soon as the implementation decree will be issued, there is reasonable ground to believe that Milan trot track and Montecatini Terme track would be fairly penalised.

It is currently under analysis with legal advisor the possibility to appeal such proceeding.

ADM with an order dated February 28, 2018 invited all companies to comment on the proceeding. The Company, on March 9, 2018 filed its observations including the request to reclassify Montecatini Terme track, according to its characteristics, as a commercial track and therefore to amend the proceeding of January 31, 2018.

38.7 Approval of the update of Business Plan 2017-2019 including extension to 2020

On March 9, 2018 the Board of directors approved the update of the Business Plan 2017-2019, which now is extended to 2020 and includes the regulatory news introduced in the gambling industry in the last months. For further information, please Directors' report at par. N.1 "Business outlook and updates on Business Plans".

39 FEE FOR STATUTORY AUDITORS AND SERVICES OTHER THAN AUDITING

The following table sets forth the amounts corresponded in the 2017 (net of pocket expenses) for services provided by the Auditing Company.

Figures in thousand/Euro

| Type of service | Service provider | Fee for 2017 |
|---|---------------------|--------------|
| Auditing services: | | |
| Audit of annual financial statement | PWC S.p.A. | 409 |
| Audit of annual consolidated financial statement | PWC S.p.A. | 108 |
| Audit of consolidated financial statement as of June 30, 2017 | PWC S.p.A. | 71 |
| Other services | PWC Advisory S.p.A. | 51 |
| Total | | 639 |

Other Disclosures

The above notes supplement the information included in the following schedules:

- Schedule 1: List of Shareholdings and relevant changes
- Schedule 2: List of Subsidiaries
- Schedule 3: List of Affiliates and other investments
- Schedule 4: List of Available Reserves
- Schedule 5: Information on the Snaitech Group's real estate assets

Schedules are part of the notes and provide additional details and explanations of the relevant items in the financial statements.

The financial statements give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the year.

On behalf of the Board of Directors

Fabio Schiavolin
(Chief Executive Officer)

Milan, March 16, 2018

SCHEDULE 1
List of Shareholdings and relevant changes

Figures in thousands/Euro

| | Amounts as of 31.12.2016 | | | | | Merger by incorporation | Changes in the year | | | Net value as of 31.12.2017 | % owned |
|--|--------------------------|----------|----------|-----------------|---------------|-------------------------|-------------------------------|-----------------|----------------|----------------------------|---------|
| | Historical cost | Write-up | Notes | Write-down | Net Value | | Acquisition / Cover of losses | Disposal / Sale | Write-down | | |
| SHAREHOLDINGS | | | | | | | | | | | |
| SUBSIDIARIES & AFFILIATES: | | | | | | | | | | | |
| - Societ  Treneo S.r.l. | 15,818 | | (1) | (13,700) | 2,118 | (2,118) | | | | 0 | - |
| - Teleippica S.r.l. | 12,241 | | | | 12,241 | | | | | 12,241 | 100 |
| - Snai Rete Italia S.r.l. | 13,105 | | (2) | (8,967) | 4,138 | | 2,000 | | (6,138) | 0 | 100 |
| - Snaitech Smart Technologies S.r.l. | 0 | | (3) | | 0 | | 10 | | | 10 | 100 |
| - Fondazione Izi Love | 100 | | (4) | | 100 | | 135 | | (104) | 131 | 100 |
| - Teseo S.r.l. in liquidation | 724 | | (5) | (724) | 0 | | | | | 0 | - |
| - Solar S.A. | 9 | | (6) | (9) | 0 | | | | | 0 | - |
| - Alfea S.p.A. | 1,331 | | | (42) | 1,289 | | | | | 1,289 | 30.70 |
| - Connex S.r.l. in liquidation | 77 | | (8) | (77) | 0 | | | | | 0 | 25 |
| TOTAL SUBSIDIARIES AND AFFILIATES: | 43,405 | - | | (23,519) | 19,886 | (2,118) | 2,145 | 0 | (6,242) | 13,671 | |
| OTHER COMPANIES: | | | | | | | | | | | |
| - Hippogroup Roma Capannelle S.r.l. | 649 | | (7) | (463) | 186 | | 46 | | | 232 | 15.46 |
| - Lexorfin S.r.l. | 46 | | (7) | | 46 | | | (46) | | 0 | |
| TOTAL SHAREHOLDINGS IN OTHER COMPANIES: | 695 | 0 | 0 | (463) | 232 | 0 | 46 | (46) | 0 | 232 | |
| TOTAL | 44,100 | - | | (23,982) | 20,118 | (2,118) | 2,191 | (46) | (6,242) | 13,903 | |

Notes:

(1) On November 20, 2017 it was executed the deed of merger by incorporation of the undertaking, directly owned, Societ  Treneo S.r.l. into Snaitech S.p.A., following the resolutions taken by relevant shareholders' meeting on February 7, 2017. The deed of merger was executed with legal effects starting from December 1, 2017 and backdated accounting and fiscal effects to January 1, 2017. Snaitech did not amend neither its own share capital due to the merger nor its corporate bylaws. The merger did not impact on the consolidated financial statement of Snaitech S.p.A. since the absorbed company was already fully

(2) On April 3, 2015 SNAI Rete Italia S.r.l. was incorporated with a share capital of Euro 10,000 (wholly owned by Snaitech S.p.A.). In 2016 Snaitech corresponded Euro 8.2 million to cover losses (of which Euro 6,378 thousand related to losses incurred in 2015) and waived debts for Euro 3,916 thousand; as of December 31, 2016 the shareholding value of SNAI Rete Italia S.r.l. was aligned to its equity value. On March 22, 2017 Snaitech waived additional Euro 2 million to cover current losses. On December 31, 2017 according to the impairment tests it emerged a difference between the equity value and the book value of the shareholding. The latter was adjusted and a loss of Euro 6,138 thousand was recognised.

(3) On December 1, 2017, Snaitech Smart Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech S.p.A. wholly owns the undertaking with a share capital of Euro 10 thousand. The first fiscal year of company will end on December 31, 2018.

(4) The shareholding IZI Love Fondazione, wholly-owned by Cogetech S.p.A., was acquired by SNAITECH further to the merger via incorporation transaction dated October 18, 2016.

(5) On July 31, 2017 the Shareholders' meeting of Teseo S.r.l., in liquidation, approved the last financial statement as of July 31, 2017 and the distribution plan, which includes the attribution of a VAT receivable for Euro 57 thousand to the sole shareholder Snaitech S.p.A. On October 12, 2017 Teseo S.r.l. in liquidation was deleted from the company register.

(6) On July 31, 2017 Snaitech S.p.A. sold the participation in its associate undertaking Solar s.a..

(7) The Shareholders' meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows "Hippogroup Roma Capannelle S.r.l.". Following the bond conversion, Snaitech S.p.A. owned a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannelle S.r.l.. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 275 thousand equal to 15.46%. The participation was moved from investments in associates and subsidiaries to other financial participations.

(8) On February 4, 2015 the shareholders' meeting of Connex S.r.l. resolved to wind up the company; the company has been insolvent since October 2015. The value of the equity investment was written down in full.

SCHEDULE 2
List of Subsidiaries

| Net Profit/(Loss) as of 31.12.2017 | Pro-quota Profit/(Loss) | Share Value/Share owned | Share Capital | Shareholdings | Reg. Office | Shares Owned | Acquisition value | Adjusted reserve | Direct | Indirect | Total | Shareholder's Equity value as of 31.12.2017 | Pro-quota share capital | Notes |
|------------------------------------|-------------------------|-------------------------------|-------------------|--|-------------------------|---------------|-----------------------|------------------|-------------------|----------|-------------------|---|-------------------------|-------------------|
| <i>Euro/000</i> | <i>Euro/000</i> | <i>Euro</i> | <i>Euro/000</i> | | | <i>Number</i> | <i>Euro/000</i> | <i>Euro/000</i> | <i>%</i> | <i>%</i> | <i>%</i> | <i>Euro/000</i> | <i>Euro/000</i> | |
| 952 (4,419) | 952 (4,419) | 2,540,000 10,000 10,000 | 2,540 10 10 | Teleippica S.r.l. Snai Rete Italia S.r.l. Snaitech Smart Technologies S. | Milan Milan Milan | 1 1 1 | 12,241 6,138 10 | - (6,138) | 100 100 100 | | 100 100 100 | 15,360 (2,344) 10 | 15,360 (2,344) 10 | (1) (1) (2) |
| (3,467) | (3,467) | | 2,560 | | | | 18,389 | (6,138) | | | | 13,026 | 13,026 | |

Notes:

(1) Financial statements of Società Teleippica S.r.l. and SNAI Rete Italia S.r.l. were produced according to IFRS standards

(2) 2018 is the first fiscal year of Snaitech Smart Technologies S.r.l.

SCHEDULE 3
List of Affiliates and other investments

List of Affiliates and other investments

| Year | Net Profit/(Loss) as of 31.12.2017 | Pro-quota Profit/(Loss) | Share Value/Share owned | Share Capital | Shareholdings | Reg. Office | Shares Owned | Acquisition value | Adjusted reserve | Direct | Indirect | Total | Shareholder's Equity value as of 31.12.2017 | Pro-quota share capital |
|------|------------------------------------|-------------------------|-------------------------|---------------|-------------------------------|-------------|--------------|-------------------|------------------|--------|----------|-------|---|-------------------------|
| | Euro/000 | Euro/000 | Euro | Euro/000 | | | Number | Euro/000 | Euro/000 | % | % | % | Euro/000 | Euro/000 |
| 2016 | (1,948) | (301) | 275,000.00 | 945 | Hippogroup Capannelle S.r.l. | Roma | 1 | 695 | (463) | 15.46 | | 15.46 | 1,778 | 274.88 |
| 2016 | 75 | 23 | 1.00 | 1,006 | Alfea S.p.A. | Pisa | 305,840 | 1,331 | (42) | 30.70 | | 30.70 | 4,810 | 1,476.67 |
| 2014 | (24) | (6) | 0.51 | 82 | Connex S.r.l. in liquidazione | Porcari | 40,000 | 77 | (77) | 25.00 | | 25.00 | 177 | 44.25 |
| | (1,897) | (284.13) | | | | | | 2,103 | (582) | | | | 6,765 | 1,795.80 |

(*) Financial statements of affiliates and other investments are produced according to national accounting standards

(**) Pro-quota share capital is a proxy of the equity method

SCHEDULE 4
List of Available Reserves

Figures in Euro

| | Amount | Possible allocation (1) | Amount available | Summary of allocations in the last 3 years | | |
|---------------------------------------|------------|-------------------------|-------------------|--|---------------|--|
| | | | | Cover of losses | Other reasons | |
| Share capital | 97,982,245 | | - | | | |
| <i>Capital reserves:</i> | | | | | | |
| Share premium reserve | 56,364,476 | A, B | 56,364,476 | 59,622,444 | (2) (4) | |
| Reserve from merger | - | A, B, C | - | 188,071 | (2) | |
| <i>Revenues reserves:</i> | | | | | | |
| Reserve from merger | - | A, B, C | - | 2,018,211 | (2) | |
| <i>Reserves not taxed</i> | | | | | | |
| Reserve from merger | - | A, B, C | - | 119,345 | (2) | |
| Total | | | 56,364,476 | | | |
| Non-distributable portion (3) | | | 56,364,476 | | | |
| Residual distributable portion | | | - | | | |

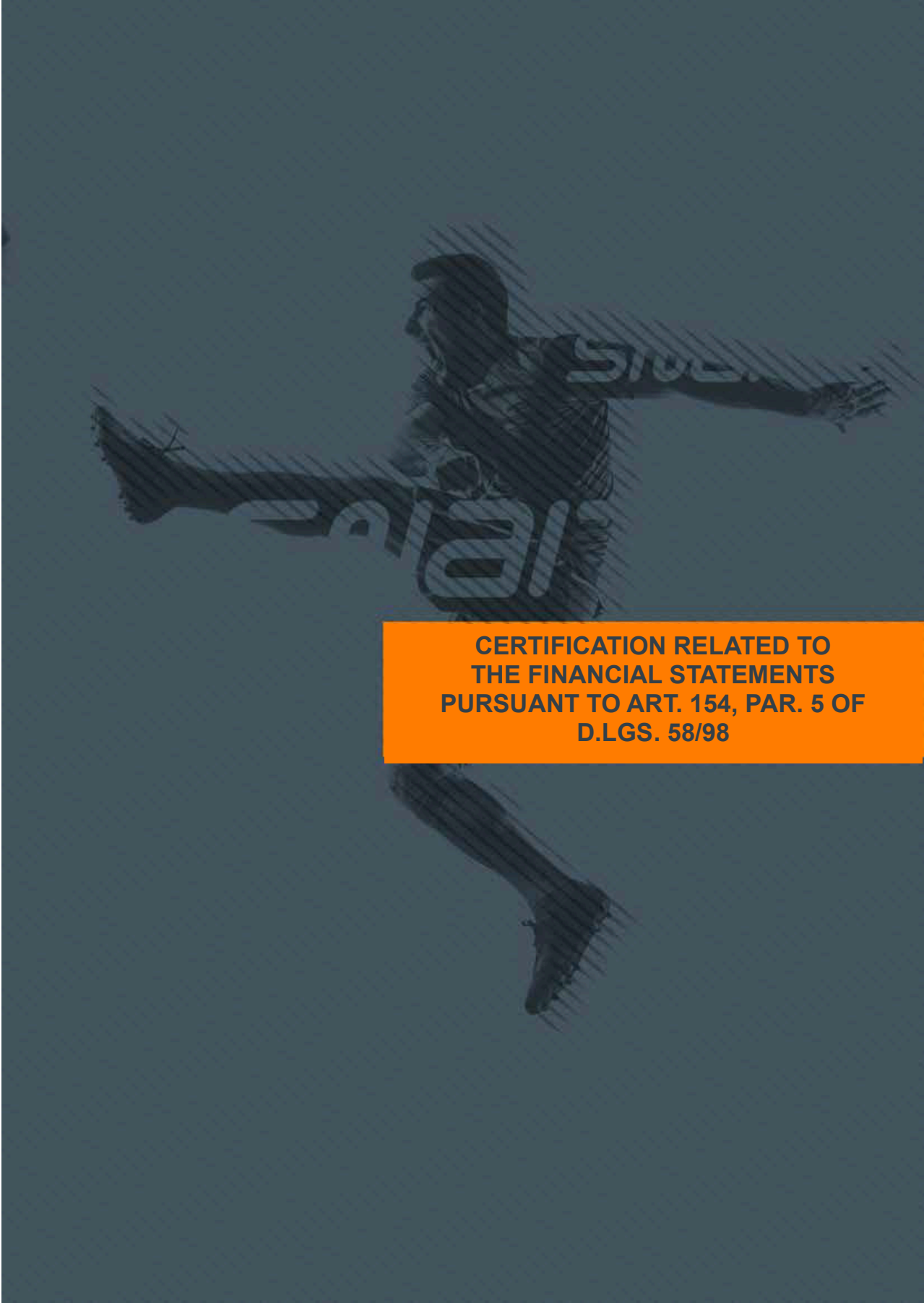
A: Share capital increase
 B: Cover of losses
 C: Distribution to shareholders

Note:

- 1) Subject to further restrictions imposed by statutory provisions, to be made explicit where applicable.
- 2) Used to cover losses from 2013, 2014 and 2015.
- 3) Including the non-distributable portion restricted and allocated to cover the residual value of the development costs, losses carried forward, reserves to be re-established and the portion of the share premium reserve required by Article 2431 of the Italian Civil Code.
- 4) The share premium reserve is posted net of the reserves resulting from application of the IAS/IFRS accounting principles

SCHEDULE 5
Information on the Snaitech Group's real estate assets

| Horse racing tracks Milano e Montecatini | Uom | SAN SIRO Gallop | Gallop training centre | La Maura Trot | MONTECATINI Trot | SAN SIRO former Trot | Former Trot training centre | Total sq.m |
|---|--------------|---|---|-----------------------------|---|-------------------------|--------------------------------|------------------------|
| Horse racing area | sq. m | 608,820 | 582,662 | 171,400 | 154,142 | 131,480 | 17,806 | 1,666,310 |
| Tracks | lm - sq. m | 2,805 lm - 178,000 sq. m | - 050lm - 35,872 sq. m | 805.30 lm - 16,941 sq. m | - | - | - | - |
| Internal training tracks | lm | - | TRENNO track 2,503 lm MAURA track 1,520 lm | 910 lm | 588.87 lm | - | - | - |
| Training roundabout | | 3,130 sq. m - No. 4 STAND - WEIGHT 808 GRANDSTAND 2,408 UNCOVERED STAND - ARTIERI IPPICI | 6,401 sq. m - No. 5 | - | 675 sq. m - No. 1 | - | - | - |
| Stands and part. | No. of seats | 50 2nd STAND - FINISH 150 3rd STAND - FINISH 150 PARTERRE 6,434 | - | STAND 400 PARTERRE 2,000 | STANDS - SEATS 1,620 STANDING PLACES AND PARTERRE 7,980 | - | - | - |
| Horse boxes | No. | 304 | 551 | 143 | 474 | 305 | 280 | - |
| Parking lots | No. | 1,243 | 465 | 75 | 1,039 | 631 | - | - |
| Reg. Offices and headquarters | Uom | BUILDINGS | FIELDS AND ROADS | | | | | TOTAL sq. m |
| VIA BOCCHERINI n. 39 | sq. m | 1,300 | 2,000 | | | | | 3,300 |
| VIA BOCCHERINI n. 57 | sq. m | 1,569 | 2,371 | | | | | 3,940 |
| VIA LAZZARESCHI n. 7 | sq. m | | 3,440 | | | | | 3,440 |
| TOTAL PROPERTY | | | | | | | | 1,676,990 |



**CERTIFICATION RELATED TO
THE FINANCIAL STATEMENTS
PURSUANT TO ART. 154, PAR. 5 OF
D.LGS. 58/98**

**Certification related to the Financial Statements
pursuant to art. 154 bis, par. 5 of D. Lgs. 58/98**

1. The undersigned, Fabio Schiavolin, as Chief Executive Officer and Managing Director of Snaitech S.p.A., and Chiaffredo Rinaudo as the executive in charge of the preparation of the accounting and corporate documentation of Snaitech S.p.A. hereby certify, also pursuant to the provisions set forth in art. 154 – bis, paragraphs 3 and 4 of Legislative Decree 58, 24 February 1998:

- The adequacy of the company characteristics and
- The effective application

of the administrative and accounting procedures for the preparation of the Financial Statements ending on December 31, 2017.

2. In such regard, no noteworthy matters have emerged.

3. It has also been certified that:

3.1 The Financial Statements:

- a) Is prepared in compliance with the applicable International Accounting Standards, which are recognized by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) Corresponds to the accounting books and records;
- c) Provides a true and accurate representation of the Financial Position of the issuer as well as of the undertakings included in the basis of consolidation.

3.2 Directors' report includes a reliable analysis on the performance and results of operations, as well as the financial condition of the issuer and the companies included within the consolidation perimeter, as well as a description of the main risks and uncertainties to which they are exposed.

The certification is also issued pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations.

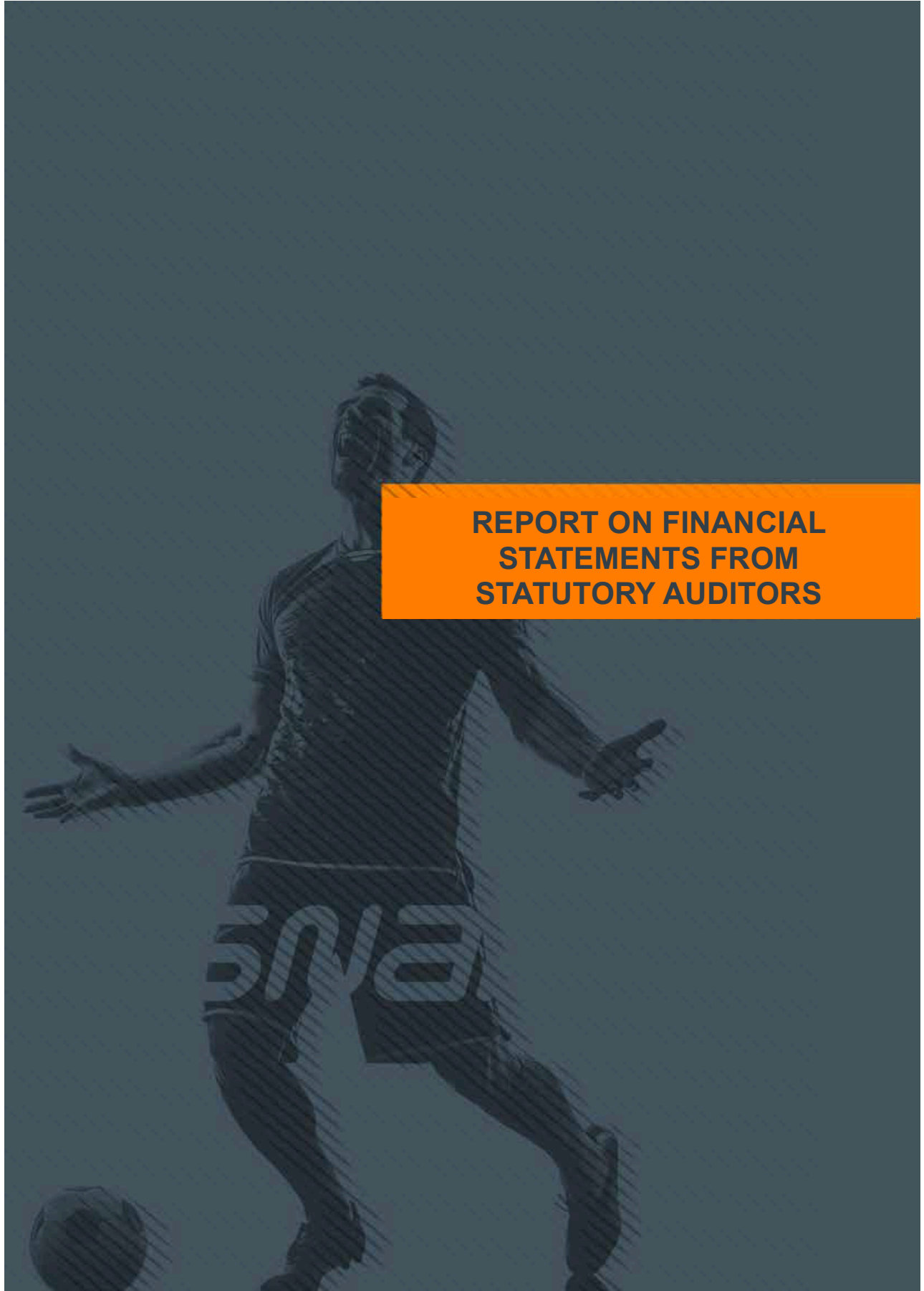
Milan, March 16, 2018

Chief Executive Officer

(Fabio Schiavolin)

**The executive responsible for the
preparation of the corporate and
accounting documents**

(Chiaffredo Rinaudo)



**REPORT ON FINANCIAL
STATEMENTS FROM
STATUTORY AUDITORS**

Relazione del Collegio Sindacale all'Assemblea degli Azionisti di Snaitech S.p.A., sul bilancio di esercizio 2017

emessa ai sensi dell'articolo 153 del D.Lgs. 24 febbraio 1998,
n. 58 e dell'art. 2429, comma 3 del codice civile,
relativamente al bilancio chiuso al 31 dicembre 2017.

Signori Azionisti,

ai sensi dell'articolo 153 del D.Lgs. 24 febbraio 1998, n. 58 e nel rispetto delle norme vigenti, il Collegio Sindacale riferisce all'Assemblea circa l'attività svolta, sulle omissioni e sui fatti censurabili eventualmente rilevati.

In via preliminare si ricorda che l'Assemblea degli Azionisti del 26 maggio 2017, ha nominato l'Organo di controllo, nella odierna costituzione.

Nel corso dell'esercizio chiuso al 31 dicembre 2017, il Collegio Sindacale ha assolto il compito di vigilanza previsto dalla legge ed in particolare dall'articolo 149 del D.Lgs. n. 58/1998, nonché dalle norme di comportamento emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e dalle raccomandazioni Co.N.So.B. in materia di controlli societari ed attività di verifica del Collegio Sindacale, integrate con le disposizioni stabilite nell'articolo 8, del Codice di autodisciplina edito dalla Commissione per la Corporate Governance.

* * *

I componenti del Collegio Sindacale hanno rispettato il limite degli incarichi sancito dall'articolo 148 bis del D.Lgs. 58/98, del regolamento emittenti, come modificato dalla delibera Co.N.So.B. n. 18671, del 8 dicembre 2013, adempiendo nel corso dell'anno ai relativi obblighi di informativa.

Per quanto concerne i compiti di revisione legale, l'Assemblea degli Azionisti del 9 giugno 2016 ha conferito l'incarico alla Società di revisione PricewaterhouseCoopers S.p.A., a norma del D.Lgs. 58/1998 "Testo Unico della Finanza" e del D.Lgs. 39/2010, alla cui Relazione si rimanda.

La presente Relazione è stata redatta in conformità della normativa vigente in materia di Società quotate in Borsa, in ossequio alla Comunicazione Co.N.So.B. n. DEM/1025564 del 6 aprile 2001, poiché le azioni di Snaitech S.p.A., sono trattate nel mercato telematico azionario gestito da Borsa Italiana.

I principi contabili adottati per la redazione del bilancio 2017 sono quelli internazionali (I.A.S./I.F.R.S.), in ossequio all'articolo 2 del D.Lgs. 38/2005.

* * *

In relazione alle modalità di svolgimento della attività di vigilanza cui il Collegio Sindacale è preposto, si dà atto di avere, tra l'altro:

- ✓ partecipato alle Assemblee degli Azionisti ed alle adunanze del Consiglio di Amministrazione, tenutesi nel corso dell'esercizio, ottenendo dagli Amministratori, in ossequio all' art. 150, primo comma, del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto Sociale, tempestive ed idonee informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per dimensioni e caratteristiche, effettuate dalla Società e sue controllate;
- ✓ acquisito gli elementi di conoscenza necessari per svolgere l'attività di propria competenza sull'osservanza della legge e dello Statuto, sul rispetto dei principi di corretta amministrazione e sul grado di adeguatezza della struttura organizzativa della Società, mediante indagini dirette, raccolta di informazioni dai responsabili delle funzioni interessate, periodici scambi di informazione con la Società incaricata della revisione legale dei conti annuali e consolidati, con l'Organismo di Vigilanza e la partecipazione alle riunioni del Comitato di Controllo Interno e Rischi;
- ✓ verificato il funzionamento e l'efficacia dei sistemi di controllo interno, essendosi intrattenuto periodicamente con il Responsabile dell'*internal audit*, puntando l'attenzione sull'adeguatezza del sistema amministrativo e contabile, sotto il profilo, in particolare, dell'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione ed estendendo la propria attività alla verifica di talune procedure interne;
- ✓ svolto le funzioni di competenza del Collegio Sindacale, di cui all'art. 19 del D.Lgs. n. 39/2010. In tale contesto ha: i) recepito quanto riferito in relazione alle verifiche trimestrali sulla corretta tenuta della contabilità sociale svolte dalla Società incaricata della revisione legale dei conti; ii) ricevuto dalla medesima Società la Relazione prevista dall'art. 14 del D.Lgs. n. 39/2010 e dall'articolo 10 del Regolamento U.E. n. 537/2014, nonché la Relazione aggiuntiva di cui all'art. 11 del Regolamento U.E. n.537/2014 iii) ricevuto dalla Società di revisione, la "Conferma annuale dell'indipendenza" ai sensi degli articoli 10 e 17, del D.Lgs. n. 39/2010; iv) preso visione della relazione di trasparenza per l'anno 2017, pubblicata sul sito internet istituzionale;
- ✓ monitorato la funzionalità del sistema di controllo sulle Società del Gruppo e l'adeguatezza delle disposizioni ad esse impartite, anche ai sensi dell'art. 114, comma 2, del D.Lgs. n. 58/1998;
- ✓ preso atto della avvenuta predisposizione della Relazione sulla Remunerazione ex art. 123 ter del D.lgs. 24 febbraio 1998, n. 58 ed ex art. 84 quater del Regolamento Co.N.So.B 11971/1999 ("Regolamento Emittenti"), senza particolari osservazioni da segnalare;
- ✓ monitorato le concrete modalità di attuazione delle regole di governo societario previste dal Codice di autodisciplina delle società quotate promosso da Borsa Italiana SpA, che con le modifiche introdotte lo scorso 9 luglio 2015, ha appreso la Raccomandazione UE n. 208/2014, nonché la comunicazione Co.N.So.B. n. DCG/DSR/0051400 del 19 giugno 2014, volte essenzialmente a recepire principi e orientamenti in materia di *corporate social responsibility* emersi nel contesto internazionale ed europeo, anche al fine di adeguare il Codice al quadro normativo internazionale di riferimento, rafforzando i controlli sulle strutture aziendali, in una prospettiva di maggiore effettività dei principi di legalità e di trasparenza;
- ✓ vigilato sulla conformità della procedura interna riguardante le Operazioni con Parti Correlate ai principi indicati nel Regolamento approvato dalla Co.N.So.B con delibera n. 17221 del 12

marzo 2010 e successive modifiche, nonché sulla sua osservanza, ai sensi dell'art. 4, comma 6, del medesimo regolamento;

- ✓ verificato l'osservanza delle norme di legge e regolamentari inerenti la formazione e l'impostazione degli schemi del bilancio della Società e del bilancio consolidato, nonché dei relativi documenti di corredo;
- ✓ verificato che il bilancio della Società e quello consolidato, siano accompagnati dalle prescritte dichiarazioni di conformità sottoscritte dal Dirigente preposto alla redazione dei documenti contabili societari, giusta disposizione della Legge 28 dicembre 2005, numero 262;
- ✓ verificato che la Relazione degli Amministratori sulla gestione per l'esercizio 2017 risulti conforme alle leggi e ai regolamenti vigenti, coerente con le deliberazioni adottate dal Consiglio di Amministrazione e con i fatti rappresentati dal bilancio della Società e da quello consolidato, dando atto che la Relazione semestrale consolidata non ha richiesto osservazioni da parte del Collegio Sindacale e precisando che tanto le Relazioni trimestrali, quanto la Relazione semestrale, hanno avuto la pubblicità prevista dalla legge e dai regolamenti vigenti;
- ✓ vigilato sul processo di predisposizione dell'informativa finanziaria della Società, nonché sul processo di rendicontazione non finanziaria, applicato nella Relazione redatta dagli Amministratori, nel rispetto di quanto previsto dalla Direttiva 2014/95/UE recepita nell'ordinamento italiano con D.Lgs. n. 254/2016, e verificata nel contenuto, rispetto alle norme di riferimento, da parte della Società di revisione legale PricewaterhouseCoopers S.p.A.

* * *

Le specifiche indicazioni da fornire con la presente Relazione vengono elencate nel seguito, secondo quanto previsto dalla Comunicazione Co.N.So.B del 6 aprile 2001 n. DEM/1025564 e successivi aggiornamenti.

1. Dalle informazioni ricevute e dalle analisi condotte dal Collegio Sindacale, non sono state rilevate operazioni di particolare rilievo economico, finanziario e patrimoniale poste in essere, anche per il tramite di Società controllate, approvate dal Consiglio d'Amministrazione.

Per ciò che riguarda ulteriori operazioni avulse dal contesto economico, finanziario e patrimoniale, si rinvia alla Relazione sulla Gestione predisposta dagli Amministratori.

2. Nella Relazione sulla gestione degli Amministratori, viene evidenziato che, giusta comunicazione Co.N.So.B. n. DEM/6064293, la Società non ha posto in essere operazioni atipiche e/o inusuali, comprese quelle infragruppo e con parti correlate e o terzi, né sono state altre operazioni rilevanti sotto il profilo economico, finanziario e patrimoniale.

3. Le caratteristiche delle operazioni infragruppo e con parti correlate poste in essere nel corso del 2017, dai soggetti coinvolti ed i relativi effetti economici sono adeguatamente indicati nella sezione "Operazioni infragruppo", della relazione sulla gestione. Ulteriori informazioni sulle operazioni infragruppo sono contenute nel Bilancio Consolidato 2017, a cui il Collegio Sindacale rinvia.

Ai sensi dell'articolo 4, comma 6 del regolamento Co.N.So.B. approvato con la citata delibera n. 17221/2010, il Collegio Sindacale conferma di aver vigilato sulla conformità della procedura

adottata dalla Società ai principi indicati nel "Regolamento delle operazioni con parti correlate" e sulla sua osservanza.

4. La Società di revisione PricewaterhouseCoopers S.p.A, all'esito delle verifiche e dei controlli effettuati, in data odierna, ha rilasciato le Relazioni sul bilancio al 31 dicembre 2017, ai sensi dell'articolo 14 del D.Lgs. n. 39, del 27 gennaio 2010 e dell'articolo 10 del Regolamento UE n. 537/2014, attestanti che: i) i bilanci della Società - ordinario e consolidato - al 31 dicembre 2017, sono redatti con chiarezza e rappresentano in modo veritiero e corretto: la situazione patrimoniale e finanziaria, il risultato economico e le altre componenti di conto economico complessivo ed i flussi di cassa della Società e del Gruppo; ii) la Relazione sulla Gestione e le informazioni di cui all'art. 123 bis, comma 4 del D.Lgs. n. 58/1998 contenute nella Relazione sul Governo Societario e sugli Assetti Proprietari, sono coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.

Nella Relazione al bilancio d'esercizio 2017 rilasciata dalla Società di revisione legale, non emergono osservazioni e/o rilievi, né, tantomeno, richiami di informativa.

5. Nel corso dell'esercizio 2017 il Collegio Sindacale non ha ricevuto denunce ai sensi dell'art. 2408 c.c.
6. Non sono pervenuti al Collegio Sindacale esposti da parte di terzi.
7. Nel corso del 2017 non sono stati conferiti alla Società di revisione PricewaterhouseCoopers S.p.A, da parte della Società, ulteriori incarichi oltre quello della revisione legale la seguente tabella sintetizza i corrispettivi dell'esercizio 2017 per i servizi resi dalla Società di Revisione e dalla sua rete.

(valori in migliaia di euro)

| Servizi di revisione: | | |
|---|---------------------|------------|
| revisione legale del bilancio separato | PWC S.p.A. | 355 |
| revisione legale del bilancio consolidato | PWC S.p.A. | 34 |
| revisione legale del bilancio consolidato semestrale abbreviato | PWC S.p.A. | 73 |
| Altri servizi | PWC ADVISORY S.p.A. | 116 |
| Totale | | 578 |

8. Il Collegio Sindacale ha vigilato sull'indipendenza della Società di revisione, anche ai sensi dell'articolo 19 lettera e) del D.Lgs. n. 39/2010, accertando il rispetto delle disposizioni normative in materia, nonché la compatibilità con le limitazioni previste dalla legge per i servizi diversi dalla revisione legale prestati alla Società ed alle sue controllate, rilevando che nel corso dell'esercizio sono stati conferiti incarichi ai soggetti appartenenti alla medesima rete della Società di revisione.
9. Nel corso del 2017 il Collegio Sindacale non ha rilasciato pareri ai sensi di legge.

10. Nell'esercizio delle proprie funzioni, al fine di acquisire le informazioni strumentali allo svolgimento dei propri compiti di vigilanza, il Collegio Sindacale:

- ✓ si è riunito con frequenza regolare e ha redatto n. 12 verbali relativi attività effettuata, dei quali n. 5 stilati dall'Organo di controllo, nella nuova composizione;
- ✓ ha partecipato a tutte le riunioni del Consiglio d'Amministrazione ottenendo dagli Amministratori in via continuativa informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle Società controllate;
- ✓ ha partecipato, tramite il Presidente del Collegio Sindacale, o membro delegato, a tutte le riunioni del Comitato di Controllo Interno, nonché al Comitato per la Remunerazione;
- ✓ ha partecipato, nella sua precedente composizione, all'Assemblea della Società del 26 maggio 2017 e all'Assemblea della Società del 13 marzo 2017;
- ✓ ha avuto rapporti con gli omologhi Organi collegiali delle Società controllate, ai sensi dell'art. 151 del D.Lgs. n. 58/1998, con periodiche consultazioni e attraverso una riunione congiunta con i corrispondenti Organi;

11. Il Collegio Sindacale ha acquisito conoscenza e vigilato sull'osservanza della legge e dello Statuto e sul rispetto dei principi di corretta amministrazione, assicurandosi che le operazioni deliberate e poste in essere dagli Amministratori fossero conformi alla legge ed allo Statuto Sociale, fossero ispirate a principi di razionalità economica e non fossero manifestamente imprudenti od azzardate, in conflitto d'interessi con la Società, in contrasto con le delibere assunte dall'Assemblea o tali da compromettere l'integrità del patrimonio aziendale, ritenendo che gli strumenti e gli istituti di *governance* adottati dalla Società, rappresentino un valido presidio rispetto ai principi di corretta amministrazione nella prassi operativa.

12. In merito all'adeguatezza della struttura organizzativa della Società e del Gruppo, la vigilanza del Collegio Sindacale si è svolta attraverso la conoscenza della struttura organizzativa e mediante raccolta di informazioni dai vari centri di competenza preposti; incontri con i Responsabili delle diverse funzioni aziendali; incontri con il Responsabile del Controllo Interno; periodici incontri con la Società di revisione, ai fini del reciproco scambio di dati ed informazioni.

13. Con riferimento alla vigilanza sull'adeguatezza ed efficacia del sistema di controllo interno, anche ai sensi dell'art. 19 del D.Lgs. n. 39/2010, come in precedenza accennato, il Collegio Sindacale ha avuto incontri periodici con il preposto all'*internal audit* e delle altre funzioni aziendali, anche tramite la partecipazione dei propri membri alle relative riunioni, con il Comitato Controllo Interno e Rischi e l'Organismo di Vigilanza del Modello 231/2001.

Il Collegio Sindacale ha valutato adeguato il sistema di controllo interno della Società, il quale è costituito da un insieme strutturato e organico di regole e procedure organizzative che interessa tutta la Società, con la finalità di prevenire o limitare le conseguenze di risultati inattesi e di consentire il raggiungimento degli obiettivi strategici ed operativi, ovvero di coerenza delle attività con gli obiettivi, di efficacia ed efficienza delle attività e di salvaguardia

del patrimonio aziendale, di conformità alle leggi e ai regolamenti applicabili e di corretta e trasparente informativa interna e verso il mercato.

Spetta al Consiglio di Amministrazione, con l'assistenza del Comitato Controllo Interno e Rischi: *i)* definire le linee guida del sistema di controllo interno; *ii)* esaminare periodicamente i principali rischi aziendali identificati e *iii)* valutare l'adeguatezza, l'efficacia e l'effettivo funzionamento del sistema di controllo interno.

Nell'ambito del sistema dei controlli è prevista la funzione di *internal audit* finalizzata ad assistere il Consiglio di Amministrazione ed il Comitato di Controllo Interno e Rischi, nonché il *management* aziendale. Al Responsabile di tale funzione il Consiglio di Amministrazione ha assegnato il compito di valutare l'adeguatezza e l'efficacia del complessivo sistema dei controlli interni. L'attività di tale Direzione si esplica principalmente attraverso un piano annuale di interventi di *audit* e di *compliance*, nonché di monitoraggio della effettiva esecuzione delle raccomandazioni emesse negli interventi di verifica (*follow up*).

Il Gruppo si avvale inoltre di altri strumenti a presidio degli obiettivi: operativi e di *compliance*, tra i quali un sistema strutturato e periodico di pianificazione, controllo di gestione e *reporting* e una struttura di *governance* dei rischi finanziari.

La Società ha approvato il modello organizzativo previsto dal decreto legislativo 231/2001 (di seguito: "Modello 231"), finalizzato a prevenire la possibilità di commissione degli illeciti rilevanti ai sensi del richiamato decreto e, conseguentemente, attenuare, ove non elidere, la responsabilità amministrativa della Società. Il Modello 231 adottato, partendo dall'analisi delle attività aziendali, volto ad individuare le attività potenzialmente a rischio, è un insieme di principi generali, regole di condotta, strumenti di controllo, procedure organizzative, attività formativa ed informativa e sistema disciplinare, finalizzato ad assicurare, per quanto possibile, la prevenzione della commissione di reati penalmente rilevanti.

Il Consiglio di Amministrazione ha nominato un Organismo di Vigilanza ("OdV"), cui è stato affidato il compito di vigilare sul corretto funzionamento del Modello 231 e di curarne l'aggiornamento.

Il Collegio Sindacale ha ricevuto ed analizzato le relazioni periodiche redatte dal Comitato Controllo Interno e Rischi e quelle dell'Organismo di Vigilanza, indirizzate al Consiglio d'Amministrazione, circa le quali non ha da segnalare alcun rilievo.

14. Il Consiglio di Amministrazione ha nominato, ai sensi di legge e previo parere del Collegio Sindacale, il Dirigente preposto alla redazione dei documenti contabili societari, al quale sono stati attribuiti i poteri e le funzioni stabilite dalla legge e forniti adeguati poteri e mezzi per l'esercizio dei relativi compiti.
15. Il Collegio Sindacale ha vigilato sull'adeguatezza delle disposizioni impartite dalla Società alle Società controllate, ai sensi dell'art. 114, comma 2 del D.Lgs. n. 58/98, affinché le stesse forniscano le informazioni necessarie per adempiere gli obblighi di comunicazione previsti dalla Legge, senza rilevare eccezioni in merito alla propria adeguatezza.
16. Nel corso delle periodiche riunioni tenute dal Collegio Sindacale con la Società incaricata della revisione legale dei conti, ai sensi dell'art. 150, comma 3, del D.Lgs. n. 58/1998, non sono

emersi aspetti che si ritiene debbano essere evidenziati nella presente Relazione; così come anche dalla Relazione Aggiuntiva al Comitato per il Controllo Interno e la Revisione Contabile di cui all'art. 11 del Regolamento U.E. n 537/2017

17. Per quanto concerne la verifica sulle modalità di concreta attuazione delle regole di governo societario, previste dal Codice di autodisciplina della Borsa Italiana nell'edizione in vigore, il Collegio ha svolto tale attività di verifica con l'assistenza del responsabile dell'Ufficio *Affari Legali e Societari*.

Il Consiglio d'Amministrazione della Società in carica dal 9 giugno 2016, è composto da 14 membri, di cui 5 qualificati come indipendenti dal Consiglio stesso, sulla base delle rispettive dichiarazioni e come monitorato dal Consiglio di Amministrazione, in ossequio all'articolo del Codice di autodisciplina.

Nella nomina, tanto dei Consiglieri, quanto dei membri del Collegio Sindacale, è stato rispettato l'obbligo di inserire all'interno degli Organi societari le c.d. prescrizioni di genere.

Il Collegio Sindacale ha proceduto alle valutazioni di propria competenza, constatando la corretta applicazione dei criteri e delle procedure di accertamento dei requisiti di indipendenza adottati dal Consiglio d'Amministrazione nei confronti dei propri membri ed il rispetto dei requisiti di composizione dell'Organo Amministrativo nella sua collegialità.

Inoltre, il Collegio ha verificato il possesso, da parte dei propri membri effettivi, dei medesimi requisiti di indipendenza richiesti per gli Amministratori.

Si rinvia alla specifica Relazione sul Governo Societario e sugli Assetti Proprietari per ulteriori approfondimenti sulla *corporate governance* della Società, in merito alla quale il Collegio non ha rilievi da formulare all'Assemblea.

18. Infine il Collegio Sindacale ha svolto verifiche sull'osservanza delle norme di legge inerenti la formazione del progetto di bilancio della Società e di bilancio consolidato di Gruppo al 31 dicembre 2017, delle rispettive Note Illustrative e della Relazione degli Amministratori a corredo degli stessi, in via diretta e con l'assistenza dei Responsabili di funzione ed attraverso le informazioni ottenute dalla Società di revisione.

In ordine all'attività di vigilanza svolta, il Collegio non ha rilevato omissioni, fatti censurabili o irregolarità poste in essere da parte degli Organi societari.

Si dà atto che i principi contabili applicati, tanto al bilancio della Società, quanto al consolidato di Gruppo al 31 dicembre 2017, sono quelli internazionali dell'IFRS (*International Financial Reporting Standards*) emessi dall'*International Accounting Standards Board*.

19. In relazione al secondo comma dell'articolo 153, del D.Lgs. 58/98, il Collegio Sindacale non ha particolari proposte da sottoporre all'Assemblea degli Azionisti.

L'attività di vigilanza e controllo svolta dal Collegio Sindacale, come descritta in precedenza, non ha fatto emergere fatti significativi meritevoli di essere menzionati nella Relazione all'Assemblea, ovvero da segnalare agli Organi di vigilanza e controllo.

Sulla base di quanto sopra riportato, a compendio dell'attività di vigilanza svolta nell'esercizio, il Collegio Sindacale non ha osservazioni da formulare, ai sensi dell'art. 153 del D. Lgs. n. 58/1998,

su quanto di propria competenza, in ordine al bilancio e relative Note Illustrative ed alla adeguatezza informativa della Relazione sulla gestione, concordando con la proposta del Consiglio di Amministrazione all'Assemblea, in merito al trattamento del risultato d'esercizio.

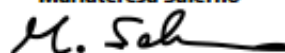
Milano, 30 marzo 2018

Il Collegio Sindacale

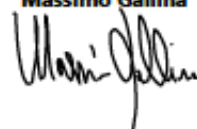
Angelo Miglietta



Mariateresa Salerno



Massimo Gallina





**REPORT ON FINANCIAL
STATEMENTS FROM
INDEPENDENT AUDITORS**



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of SNAITECH SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SNAITECH SpA, (the Company), which comprise the statement of financial position as of 31 December 2017, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277831 Fax 027783240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Ror. Tron. Milano 11070980122 Iscritta al n° 110644 del Registro dei Razionali Locali - Altri Uffici: Ancona 60101 Via Sandro Tatti 1 Tel.



| Key Audit Matters | Auditing procedures performed in response to key audit matters |
|--|---|
| <p>Recognition of revenues subject to complex regulations</p> <p><i>Note H to the directors' report and note 4 of the notes to the financial statements.</i></p> <p>The recognition of revenues (equal to Euro 875 million as of 31 December 2017) represents an area of particular attention, both for the number of transactions and for the complex and changing regulatory framework to which they are subject. The Company operates in a market that is strongly regulated by government authorities through the release of concessions.</p> | <p>We analysed and understood the internal control system related to the revenue recognition and evaluated the degree of reliability of this system. We verified the effective operativeness of the internal control system on revenues through verifications on relevant controls, both manual and automatic, identified within the related process.</p> <p>We performed validity tests on the various types of revenues by obtaining and analysing the supporting documentation related to transactions selected on a sample basis.</p> <p>Moreover, we also sent letters requesting confirmation of balances to third clients on a sample basis.</p> <p>Finally, we held discussions with the Manager in charge of Legal and Institutional Affairs of the Company and with the governance bodies in order to understand and evaluate the procedures adopted for the verification of the compliance with the sector laws and regulations, with particular reference to the fact that revenues from gambling, specifically from gaming machines, betting and "on-line games" derive from activities carried out in compliance with the specific regulations under concession agreements.</p> <p>Experts of the PwC network were involved in the performance of some tests to verify the effective operation of the relevant automatic controls identified within the revenue process .</p> |
| <p>Evaluation of intangible assets and goodwill</p> <p><i>Note 15 to the financial statements.</i></p> | <p>We understood and evaluated the procedures adopted by management in</p> |



Goodwill, generated by past business combinations, at 31 December 2017 is equal to Euro 306 million, while other intangible assets amount to Euro 117 million.

Goodwill represents 32% of the Company's assets, thus constituting an extremely important financial statement item.

The annual evaluation of the recoverability of such intangible assets is linked to the occurrence of the assumptions underlying the corporate plans. Such evaluation involves a degree of subjectivity of the forecasts made by management and some uncertainty in relation to the regulatory framework and to the possibility of concession renewal.

The impairment test requires management to make complex estimates, with particular reference to future cash flows, the determination of the discount rate to be used to discount future cash flows (WACC) and to determine the growth rate to use for the estimate of the terminal value after the explicit forecast period of the cash flows.

order to verify the compliance with the provisions of "IAS 36 – Impairment of assets" adopted by the European Union, verifying the reasonableness of the assumptions, of the discounting rate components and, more in general, evaluating the management forecasting capability in order to estimate the cash flows expected over the relevant time period and resulting from the long-term Business Plan approved by the Board of Directors, also controlling the mathematical accuracy of the calculations prepared by management and verifying that the changes in the sector regulations were correctly reflected in these analyses. Furthermore, as part of our audit activities, we verified that cash generating units (CGU) were consistent with those of the prior year and in line with the organisational, managerial and operating structure of the Company.

In order to carry out some procedures to verify any impairment loss of goodwill (impairment test) we involved the PwC network experts in evaluation.

A complex and evolving regulatory framework

Notes H and M to the directors' report and note 2 of the notes to the financial statements.

The Company operates in the gaming and betting industry regulated through concessions granted by ADM (*Agenzia delle Dogane e dei Monopoli*, Customs and Monopoly Agency). The non-compliance with laws and regulations or any changes in them that are not regularly monitored can have significant impacts on the Company's operations, financial position and outlook and, accordingly, on the results and on the most significant items of the financial statements. The evaluation of the impacts of changes in regulations requires the use of a high degree of professional judgement.

Revenues and results mainly derive from governmental concessions that have, due to their nature, a definite duration and can be revoked. The outcome of the tenders for the concession renewal

We analysed and understood the internal control system put in place by the Company for the purpose of verifying the compliance with the sector laws and regulations, holding discussions and periodical meetings with management (Manager in charge of Legal and Institutional Affairs and the Manager in charge of the Administration, Finance And Control) and the governance bodies.

As part of our audit activities, we also sent letters for the confirmation of information to the Company's external legal advisors analysing the replies obtained. Finally, we acquired and analysed the opinions of external experts that the Company required on specific regulatory matters regarding the sector.



and the related terms for awarding them can have significant impacts on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of



- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 9 June 2016, the shareholders of SNAITECH SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of SNAITECH SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of SNAITECH SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of SNAITECH SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of SNAITECH SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 30 March 2018

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report

**SNAITECH GROUP CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

Approved by the Board of Director of Snaitech S.p.A.



Snaitech Group – Consolidated Statement of Comprehensive Income

| <i>Figures in thousands/ Euro</i> | Note | 2017 | O/w Related Party Transaction Note no. 34 | O/w non recurring Note no. 36 | 2016 | O/w Related Party Transaction Note no. 34 | O/w non recurring Note no. 36 |
|--|------|-----------------|--|-------------------------------------|-----------------|--|-------------------------------------|
| Revenues from sales and services | 5 | 884,213 | 57 | | 889,064 | 93 | |
| Other revenues and income | 6 | 5,395 | 13 | 3,712 | 9,433 | 4 | 6,082 |
| Change in inventory of finished and semi-finished products | | 0 | | | 1 | | |
| Raw materials and consumables | 7 | (761) | | | (683) | | |
| Cost of services and third party assets | 8 | (654,911) | (93) | 1,702 | (666,390) | (106) | (1,207) |
| Costs of personnel | 9 | (51,311) | (7) | (108) | (59,311) | | (1,857) |
| Other operating costs | 10 | (50,719) | (12) | (1,910) | (54,779) | (16) | (6,077) |
| Capitalised costs | 11 | 765 | | | 1,825 | | |
| Earnings before interest, tax, depreciation and amortisation | | 132,671 | | | 119,160 | | |
| Amortisation and depreciation | 12 | (50,533) | | | (57,400) | | |
| Other expenses related to provisions | 29 | (44) | | (390) | (11,036) | | (7,598) |
| Earnings before interest and taxes | | 82,094 | | | 50,724 | | |
| Gains and expenses from shareholdings | | (586) | | | 4 | | |
| Financial income | | 784 | | | 686 | | |
| Financial costs | | (40,716) | | | (87,057) | | (31,677) |
| Total financial income and expenses | 13 | (40,518) | | | (86,367) | | |
| PROFIT/(LOSS) BEFORE TAXES | | 41,576 | | | (35,643) | | |
| Income tax | 14 | (14,566) | | | 18,689 | | |
| Profit/(Loss) for the period | | 27,010 | | | (16,954) | | |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | | 69 | | | (178) | | |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | 69 | | | (178) | | |
| Profit/(Loss) from available-for-sale financial assets | | 0 | | | 17 | | |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | 0 | | | 17 | | |
| Total profit/(loss) in comprehensive income statement, after taxes | 25 | 69 | | | (161) | | |
| Comprehensive profit (loss) for the period | | 27,079 | | | (17,115) | | |
| <i>Attributable to:</i> | | | | | | | |
| Profit (loss) for the period pertaining to the Group | | 27,010 | | | (16,954) | | |
| Profit (loss) for the period pertaining to Third parties | | 0 | | | 0 | | |
| Total profit (loss) for the period pertaining to the Group | | 27,079 | | | (17,115) | | |
| Total profit (loss) for the period pertaining to Third Parties | | 0 | | | 0 | | |
| Basic earnings (loss) per share in Euro | 26 | 0.14 | | | (0.09) | | |
| Diluted earnings (loss) per share in Euro | 26 | 0.14 | | | (0.09) | | |

Snaitech Group – Consolidated Statement of Financial Position

| <i>Figures in thousands/Euro</i> | Note | 31.12.2017 | O/w Related Party transaction Note no. 34 | 31.12.2016 | O/w Related Party transaction Note no. 34 |
|--|------|----------------|---|----------------|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | 132,086 | | 135,273 | |
| Assets held under financial leases | | 281 | | 420 | |
| Total property, plant and equipment | 15 | 132,367 | | 135,693 | |
| Goodwill | | 310,027 | | 306,472 | |
| Other intangible assets | | 116,592 | | 140,920 | |
| Total intangible assets | 16 | 426,619 | | 447,392 | |
| Investments measured using the equity method | | 1,477 | | 2,515 | |
| Investments in other companies | | 443 | | 46 | |
| Total investments | 17 | 1,920 | | 2,561 | |
| Deferred tax assets | 18 | 39,251 | | 51,288 | |
| Non-current trade receivables | 20 | 8,622 | | 2,314 | |
| Other non-financial assets | 21 | 1,473 | | 1,216 | |
| Non-current financial assets | 22 | 3,386 | | 2,009 | |
| Total non-current assets | | 613,638 | | 642,473 | |
| Current assets | | | | | |
| Inventories | 19 | 205 | | 199 | |
| Trade receivables | 20 | 113,297 | 32 | 114,548 | 5 |
| Other assets | 21 | 52,965 | | 53,326 | 170 |
| Current financial assets | 22 | 16,970 | | 16,858 | |
| Cash and cash equivalents | 23 | 137,591 | | 82,337 | |
| Total current assets | | 321,028 | | 267,268 | |
| TOTAL ASSETS | | 934,666 | | 909,741 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Shareholders' equity attributable to equity holders of the Parent Company | | | | | |
| Share capital | | 97,982 | | 97,982 | |
| Reserves | | 20,597 | | 37,482 | |
| Profit (Loss) for the period | | 27,010 | | (16,954) | |
| Total shareholders' equity attributable to equity holders of the Parent Company | | 145,589 | | 118,510 | |
| Shareholders' equity attributable to non-controlling interests | | | | | |
| Total shareholders' equity | 24 | 145,589 | | 118,510 | |
| Non-current liabilities | | | | | |
| Employee termination indemnities | 27 | 6,762 | | 8,089 | |
| Non-current financial liabilities | 28 | 560,244 | | 557,414 | |
| Provisions for risks and charges | 29 | 13,711 | | 30,171 | |
| Other non-current liabilities | 30 | 4,023 | | 4,291 | |
| Total non-current liabilities | | 584,740 | | 599,965 | |
| Current liabilities | | | | | |
| Trade payables | 31 | 39,155 | 32 | 34,276 | 322 |
| Other liabilities | 30 | 159,036 | 23 | 151,102 | 387 |
| Current financial liabilities | | 5,667 | | 5,834 | |
| Current portion of long-term loans | | 479 | | 0 | |
| Total current financial liabilities | 28 | 6,146 | | 5,834 | |
| Total current liabilities | | 204,337 | | 191,266 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 934,666 | | 909,741 | |

Snaitech Group – Consolidated Statement of Changes in shareholders' Equity
Figures in thousands/Euro

| | Note | Share capital | Share premium reserve | Reserve for the remeasurement of employee termination indemnities (IAS 19) | Treasury share reserve | Profit (loss) carried forward | Profit (loss) for the year | Shareholders' equity attributable to equity holders of the Parent Company | Shareholders' equity attributable to non-controlling interests | Total shareholders' equity |
|--|------|---------------|-----------------------|--|------------------------|-------------------------------|----------------------------|---|--|----------------------------|
| Balance as of 31.12.2015 | | 97,982 | 102,627 | (849) | (111) | (9,793) | (54,231) | 135,625 | 0 | 135,625 |
| Share capital increase | | | | | | | | 0 | | 0 |
| Loss for the year 2015 | | | (45,677) | | | (8,554) | 54,231 | 0 | | 0 |
| Profit/(loss) for the period | | | | | | | (16,954) | (16,954) | | (16,954) |
| Other comprehensive income/(loss) | 25 | | | (178) | 0 | 17 | | (161) | | (161) |
| Total comprehensive Profit/(Loss) as of 31.12.2016 | | 0 | 0 | (178) | 0 | 17 | (16,954) | (17,115) | 0 | (17,115) |
| Balance as of 31.12.2016 | | 97,982 | 56,950 | (1,027) | (111) | (18,330) | (16,954) | 118,510 | 0 | 118,510 |
| Loss for the year 2016 | 24 | | 0 | | | (16,954) | 16,954 | 0 | | 0 |
| Profit/(Loss) for the period | | | | | | | 27,010 | 27,010 | | 27,010 |
| Other comprehensive profit/(loss) | 25 | | | 69 | | 0 | | 69 | | 69 |
| Total comprehensive Profit/(Loss) as of 31.12.2017 | | 0 | 0 | 69 | 0 | 0 | 27,010 | 27,079 | | 27,079 |
| Balance as of 31.12.2017 | | 97,982 | 56,950 | (958) | (111) | (35,284) | 27,010 | 145,589 | 0 | 145,589 |

Snaitech Group – Consolidated Cash Flow Statement

| <i>Figures in thousands/Euro</i> | Note | 31.12.2017 | O/w Related Party Transactio n Note no. 34 | 31.12.2016 | O/w Related Party Transactio n Note no. 34 |
|--|-------------------|-----------------|---|-----------------|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Profit (loss) for the period attributable to equity holders of the Parent Company | | 27,010 | | (16,954) | |
| Financial expenses | 13 | 40,716 | | 87,057 | |
| Amortisation and depreciation | 12 | 50,533 | | 57,400 | |
| Net change in deferred tax assets and liabilities | 18 | 12,015 | | (21,896) | |
| Change in provision for risks and charges | 29 | (16,460) | | 3,054 | |
| (Gains)/loss on disposal of non-current assets | | (680) | | 560 | |
| Share of profit/(losses) of associates measured using the equity method | 13 | 641 | | (4) | |
| Net change in employee termination indemnities | 27 | (1,236) | | (797) | |
| Net change in non-current assets and liabilities | 20-21-30 | (6,453) | | (2,199) | |
| Net change in current trade assets and liabilities and other changes | 19-20-21 31-30 | 16,357 | (511) | (12,005) | 121 |
| Cash and cash equivalents generated by operations | | 122,443 | | 94,216 | |
| Taxes paid | | (2,831) | | (1,946) | |
| Interest paid | | (35,658) | | (51,275) | |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | | 83,954 | | 40,995 | |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Investments in property, plant and equipment | 15 | (15,856) | | (11,400) | |
| Investments in intangible assets | 16 | (5,848) | | (10,452) | |
| Acquisition of business units | 4 | (4,228) | | 0 | |
| Proceeds from the sale of property, plant and equipment, intangible and other non-current assets | | 637 | | 450 | |
| CASH FLOW USED IN INVESTING ACTIVITIES (B) | | (25,295) | | (21,402) | |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Change in financial receivables and other financial assets | 22 | (1,489) | | 4,355 | |
| Change in financial liabilities | 28 | (3,091) | | (16,314) | |
| Repayment of bond | 28 | 0 | | (590,000) | |
| Issuance of bond | | 0 | | 557,115 | |
| Proceeds from bank loans | 28 | 1,450 | | 0 | |
| Repayment of bank loans | 28 | (275) | | 0 | |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | | (3,405) | | (44,844) | |
| D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D) | | | | | |
| E. TOTAL CASH FLOW (A+B+C+D) | | | | | |
| | | 55,254 | | (25,251) | |
| F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | | | | | |
| | | 82,337 | | 107,588 | |
| G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | | | | | |
| H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | | | | | |
| | 23 | 137,591 | | 82,337 | |

1 RELEVANT ACCOUNTING STANDARDS

Basis of consolidation

Snaitech S.p.A. (hereinafter also referred to as the “Company” or “Snaitech”) has its registered office at Piazza della Repubblica, 32 - Milan, Italy.

Schedule 1 sets forth the composition of the Snaitech Group.

The consolidated financial statements of the Snaitech Group as of December 31, 2017 incorporate the financial statements of the Snaitech S.p.A. and the following undertakings controlled by the Company (its subsidiaries), consolidated on a line-by-line basis:

- Teleippica S.r.l.;
- SNAI Rete Italia S.r.l.;
- Snaitech Smart Technologies S.r.l.;
- IziLove Foundation.

The basis of consolidation changed, with respect to December 31, 2016, in so far as:

- The Shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows “Hippogroup Roma Capannele S.r.l.”. Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannele S.r.l.. As a consequence of the reduction of its share down to 15.20% from 27.78%, Snaitech has no longer a relevant shareholder position and therefore it applied, according to accounting standards, the fair value method rather the equity method. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 275 thousand equal to 15.46%. The participation was moved from item participation in affiliates to other financial participations.
- On July 31, 2017 Snaitech sold its participation in its associated undertaking Solar s.a., previously measured with the equity method.
- On November 20, 2017 it was executed the deed of merger by incorporation of the undertaking, directly owned, Società Trenno S.r.l. into Snaitech S.p.A., following the resolutions taken by relevant shareholders’ meeting on February 7, 2017. The deed of merger was executed with legal effects starting from December 1, 2017 and backdated accounting and fiscal effects to January 1, 2017. Snaitech did not amend neither its own share capital due to the merger nor its corporate bylaws. The merger did not impact on the consolidated financial statement of Snaitech S.p.A. since the absorbed company was already fully consolidated.
- On December 1, 2017, Snaitech Smart Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech S.p.A. wholly owns the undertaking with a share capital of Euro 10 thousand. The first fiscal year of company will end on December 31, 2018.

The financial statements of the undertakings included in consolidation are duly reclassified and adjusted in accordance with IFRSs adopted by the parent Company (reporting package) and the related administrative bodies have approved them.

The Consolidated Interim Financial Statements as of December 31, 2017 were approved by the Board of directors of the parent Company on March 16, 2018 and then authorized for publication in accordance with law.

1.3 Directors’ going concern assessments

The economical and financial health of the Snaitech Group has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the great achievement of Group’s net profit of Euro 27 million in 2017 is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million; (ii) improvement of financial ratios; (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments; (iv) rationalization of the corporate structure and the improvement of operational effectiveness; (v) synergies plan on operating, corporate and concession expenses, which produced a positive impact of approximately Euro 18 million at year-end.

As per the uncertainties reported in previous years and related to the ability of the Group to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on December 2017, has 4,197 corners and 5,533 shops (including 2,450 CTD “grey” operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 now fully authorised by ADM as of December 31, 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

The Group is able to fund with its own cash (more than Euro 137 million at year-end) the whole expenditure related to the betting tender renewal, without drawing the undrawn Euro 85 million RCF.

Finally, according to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

On this basis, directors deem any risk of non-renewal to be minimal with limited, if none, impact on the company’s ability to produce sufficient cash flows to run its business.

Given the refinancing transaction executed, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2018-2020, directors do not foresee any uncertainty on going concern, notwithstanding the uncertainly related to future events and specific features of the industry.

1.4 Accounting standards

a) General principles

The consolidated financial statements of the Snaitech Group as at December 31, 2017 were drawn up in compliance with the International Accounting Standards (IAS/IFRS), in force as at that date, issued by the International Accounting Standards Board and endorsed by the European Union, as well as in compliance with the provisions issued in accordance with Article 9 of Italian Legislative Decree No. 38/2005 (Consob Resolution No. 15519 dated July 27, 2006 containing “Provisions regarding financial statement schedules”, Consob Regulation No. 15520 dated July 27, 2006 containing “Amendments and additions to the Issuers’ Regulation adopted by means of Resolution No. 11971/99”, Consob Communication No. 6064293 dated July 28, 2006 containing “Corporate disclosure required as per Article 114.5 of Italian Legislative Decree No. 58/98”). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

The international accounting standards have also been applied consistently for all of the Group companies.

Statement of Comprehensive Income and Statement of Financial Position report a comparison between 2016 and 2017 figures, expressed in thousand Euro unless stated differently.

The drafting, measurement and consolidation criteria, as well as the accounting standards used in the preparation of the consolidated financial statement are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

IFRS refers to the revised international financial reporting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) adopted by the European Union.

New and revised standards and interpretations effective after January 1, 2017

Since January 1, 2017 several adjustments were implemented, following the change of international accounting standards and interpretations. None of these adjustments however impacted significantly the Group financial statements. The main changes are the following:

- In January 2016, IASB published amendments to IAS 12 "Income taxes". Such changes clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.
- In January 2016, IASB published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.
- In December 2016, IASB published amendments to IFRS Standards 2014–2016. The change relates to IFRS 12 "Disclosure of Interests in Other Entities" (effective from January 1, 2017). It clarifies that the disclosure requirements, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale, other than those in paragraphs B12.

New standards and interpretations transposed by the EU

To date, the relevant EU bodies have concluded the homologation process needed to issue the following accounting standards and amendments:

- In May 2014, IASB issued the IFRS 15 "Revenues from agreements with the customers" (hereinafter IFRS 15). The new standard is effective for accounting periods commencing on or after January 1, 2018 and is applicable retrospectively. This standard intends to improve disclosures on revenues and their comparability among the different financial statements. In particular, IFRS 15 provides that the recognition of revenues should be based on the following five steps:
 - 1) Identification of the agreement with the customer;
 - 2) Identification of the contractual obligations of transferring goods and/or services to a customer ("performance obligation");
 - 3) Determination of the transaction price;
 - 4) Allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service; and
 - 5) Identification of the revenue when the related performance obligation is met.Furthermore, IFRS 15 supplements the information provided in the financial statements with reference to the nature, amount, timing and uncertainties of the revenue and related cash flows. The Group, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of January 1, 2018, arising from the implementation of the new standard.
- On July 24, 2014, IASB finalised the revision of this accounting standard regarding financial instruments and issued the complete version of IFRS 9 "Financial instruments". More specifically, the new IFRS 9: (i) changes classification and measurement of financial assets; (ii) introduce a new method for financial assets impairment, which takes into account the expected credit losses; (iii) change guidance on hedge accounting. The IFRS 9 shall be effective for accounting periods commencing on or after January 1, 2018. Early application is allowed.

The Group, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of January 1, 2018, arising from the implementation of the new standard.

- In September 2016, IASB published amendments to IFRS 4 “Insurance contracts” in relation to the implementation of IFRS 9 “Financial Instruments”.
The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the “overlay approach”); an optional temporary exemption (until 2021) from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the “deferral approach”). In this case IAS 39 shall apply. Such amendments are effective from January 1, 2018.
- In January 2016, IASB published IFRS 16 “Leases” (hereinafter “IFRS 16”). This new standard replaced IAS 17 “Leasing”. IFRS 16 removes the distinction between operating and financial leasing in the preparation of the financial statements of the lessees; for all leasing agreements the identification of an asset is required as representative of the right of use, and the recognition of a liability as representative of the obligation to make the payments as set forth in the agreement. The leasing agreements with short duration and the leasing of goods with a low value, may be excluded from IFRS 16. The new standard is effective as of January 1, 2019. Early adoption is permitted, but only if IFRS 15 is also adopted. The Group is setting up a working group to assess potential impacts.

New standards and interpretations yet to be transposed by the EU

To date, the relevant EU bodies have not concluded yet the homologation process needed to issue the following accounting standards and amendments:

- In June 2016, IASB published amendments to IFRS 2 “Share-based payments”. These amendments clarify the recognition of share-based payments and shall be effective from January 1, 2018.
- In December 2016, IASB published amendments to IAS 40 “Transfer of investment properties”. These amendments clarify of property to, or from, investment property and shall be effective from January 1, 2018.
- In December 2016, IASB published the following annual amendments to IFRS standards 2014-2016:
 - IFRS 1 “First-time Adoption of International Financial Reporting Standards” (applicable from January 1, 2018);
 - IAS 28 “Investments in associates and joint ventures” (applicable from January 1, 2018).

The amendments clarify, amend or remove any redundancy in the related IFRS and no significant impact is expected on disclosure and financial statements.

- In December 2016, IASB published IFRIC interpretation 22 “Foreign Currency Transactions and Advance Consideration”. It clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The effective date would be from January 1, 2018.
- In May 2017, IASB published new accounting standard IFRS 17 “Insurance contracts”. The new standard will replace IFRS 4 and would be applicable from January 1, 2021.
- In June 2017, IASB published IFRIC interpretation 23 “Uncertainty over in income tax treatments” which clarifies the accounting for uncertainties in income taxes. The effective date would be from January 1, 2019.

As soon as the EU will conclude the homologation process for these standards, amendments and interpretations, the Group will implement them all, according to the effective date of application, and will proceed to assess any impact.

The format of the financial statements adopted by the Snaitech Group for the fiscal year ended December 31, 2017 did not change with respect to those adopted as of December 31, 2016 with the exception of the item “Non-current trade receivables” included in the Consolidated Statement of Financial Position. Therefore, the item has been reclassified with respect December 31, 2016 for an amount of Euro 2,314 thousand related to receivables from clients for Euro 1,400 thousand and bills receivables for Euro 914 thousand.

The Group has not opted for an early implementation of any standard, interpretation or revision issued but not yet effective.

Format of the financial statements

The format adopted by the Group is the following:

- **Consolidated Statement of Financial Position**
The statement of financial position is based on the distinction between current and non-current assets and current and non-current liabilities.
- **Consolidated Statement of Comprehensive Income**
The consolidated statement of comprehensive income presents different types of items, as this is considered the most detailed statement.
Furthermore, as requested by Consob resolution no. 15519 of July 27, 2006, any income and expense related to non-recurring transaction shall be separately reported within the statement.
The same Consob resolution also envisages to report separately, in the financial statements, all the amounts associated to related party transactions.
- **Consolidated Statement of Changes in Shareholders' Equity**
The Statement of changes in shareholders' equity shows the net results for the year and the effects of changes, on each item, to accounting standards as well as amendments as required by IAS 8. In addition, it shows the balance of retained earnings and losses at the beginning of the year, the movements during the year and at the end of the year.
- **Consolidated Cash Flow Statement**
The cash flow statement presents the cash flows of the year resulting from operating, investing and financing activities. The cash flows from operating activities of the year are presented using the indirect method, whereby the net result for the year, or the period, is adjusted for the effects of operations of non-monetary nature, for any deferral of accrual of previous or future operating cash collections or payments, and for elements of revenues, or costs, related to cash flows deriving from investing or financing activities.

Furthermore and differently from financial statements of 2016, a reclassification of Euro 54 thousand was made from "Trade payables" to "Other current liabilities", aiming to allow better comparison of data.

b) Basis of preparation (to read)

These consolidated financial statements, the amounts of which are expressed in Euro and rounded to the thousands (unless indicated otherwise), have been prepared on the basis of the general historic cost criterion, with the exception of certain real estate properties, plants and machinery assessed at the cost replacement value ("deemed cost") as defined below, as for derivatives (fixed quota and reference betting) and shareholdings in other companies registered at fair value.

Uncertainty of estimates

In applying the Group's accounting standards, the Directors have made decisions based upon a number of key assumptions concerning the future and other important sources of uncertainty in the estimates as at the closing date of the financial statement, which could give rise to adjustments in the carrying amounts of assets and liabilities. In particular, goodwill should be checked at least once a year for possible value impairments, which requires estimating the value in use of the cash generating units to which the goodwill is attributed, which in turn is based on the estimation of the expected cash flows from the units and their discounting based on an appropriate discount rate. The assumptions formulated for the purposes of determining the value in use of the individual cash generating units, in support of such asset values, involve a certain amount of uncertainty related to all the predictions. Therefore, in the future, they may give rise to corrections in accounting values due to the actual realization of assumptions based upon the estimates and, more specifically, the Group's capacity to achieve its 2018-2020 objectives set in the Business Plan.

Use of estimates

To draw up the financial statements in accordance with the IFRS, the company's management must make evaluations, estimates and hypotheses according to the accounting principles that influence the amounts of assets, liabilities, costs and income recorded in the financial statements. The estimates and the related assumptions are based upon the previous experiences and other factors considered reasonable in the circumstances, and have been adopted in order to estimate the accounting value of assets and liabilities which is not easily inferable from other sources.

Such estimates and assumptions are regularly reviewed. Any changes resulting from the adjustment of the accounting estimates are recognised in the year in which the adjustment is made.

We shall now present some of the key hypotheses regarding the future and other important sources of uncertainty in the estimates as at the closing date of the financial statements which might result in making significant corrections of the carrying amounts of the assets and liabilities in the next year.

Impairment of non-financial assets

The Group verifies, on each reporting date, whether there are indicators for reductions in value for all non-financial assets. The goodwill and the other intangible assets having an indefinite useful life are verified on an annual basis in order to identify possible write-downs and over the course of the year only if such impairment indicators exist. The other non-financial assets are tested annually for impairment if there are indications that the carrying amount might not be recovered.

When the value in use has been calculated in advance, the directors must estimate the expected cash flows from the activity or cash-generating units and select an appropriate discount rate in order to calculate the current value of such cash flows. Further details and a sensitivity analysis for the key hypotheses are indicated below.

Deferred tax assets

Deferred tax assets are recognised with respect to tax loss carryovers and other significant temporary differences, to the extent that there is likely to be sufficient future taxable income against which such losses and temporary differences may be deducted in future periods. Directors are required to make a significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The directors need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes.

Pension plans and other post-employment benefits

The provisions for employee benefits and the net financial expenses are valued using an actuarial method which requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and the growth rates of the remuneration and considers the probability of occurrence of potential future events by means of the use of demographic parameters such as for example the rates relating to mortality and resignations or the retirement of the employees. The hypotheses used for the valuation are detailed in the note "Post-employment benefits".

Provision for bad or doubtful debts

The provision for doubtful receivables reflects management's estimate of the expected losses associated with the receivables portfolio. On the basis of past experience, provisions are made for the expected losses on receivables. Management carefully monitors the quality of the receivables portfolio and the current and forecast conditions of the economy and the reference market. The estimates and the assumptions are periodically reviewed and the effects of each change are reflected in the income statement in the pertinent year.

Provisions for risks and charges and potential liabilities

The Group ascertains a liability in the presence of legal disputes or lawsuits underway when it believes it is probable that a financial outlay will take place and when the amount of the losses which derive therefrom can be reasonably estimated. In the event that financial outlay becomes possible but the amounts cannot be determined, this fact is indicated in the explanatory notes to the financial statements. The Group is subject to lawsuits regarding complex legal problems, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary further to future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its legal advisors and experts on legal and tax-related matters.

Amortisation and depreciation

The cost of the fixed assets is amortised/depreciated on a straight-line basis over the estimated useful life of the same. The economic useful life of the Group's fixed assets is determined by the Directors at the moment of acquisition; it is based on the past experience acquired over the years of activities and on the awareness regarding any technological innovations which may render the fixed assets obsolete and no longer economical.

The Group periodically assesses the technological and sector changes to up-date the residual useful life. The periodic up-date could involve a change in the amortisation/depreciation period and therefore also the amortisation/depreciation charge for future years.

Income tax

The calculation of the Group's tax liabilities requires the use of valuations by management with reference to transactions whose tax implications are not known as of the year-end date. The Group recognises the liabilities which could derive from future inspections by the tax authorities, on the basis of the estimate of the taxes which will be due. If the result of the inspections mentioned above should be different from that estimated by management, significant effects on the current and deferred taxes could come about.

c) Valuation and consolidation criteria

Subsidiaries

The subsidiaries are companies in which the controlling shareholder has the authority to determine, directly or indirectly, the financial or management policies in order to obtain benefits deriving from its operations. Control is obtained when the Group is exposed or is entitled to variable returns, resulting from its relation with the investment entity and, at the same time, is able to have an impact on these returns by exercising powers on such entity.

Specifically, the Group controls an investee if, and only if the Group holds:

- Power on the investment entity (i.e. it holds rights to direct the key business of the investment entity);
- The exposure or rights to variable returns resulting from the relation with the investment entity;
- The capacity to exercise its power on the investment entity in order to influence the amount of its returns.

The Group will reconsider whether it holds the control on an investee if the facts and circumstances show any changes in one or more of the three key elements for defining control.

The financial statements of the subsidiaries are included in the consolidated financial statements on a line-by-line basis from the moment in which the parent company begins to exercise control until the date on which such control ceases.

Any excess in the purchase price with respect to fair value of the assets and liabilities acquired is recognised as "goodwill".

The quotas in shareholders' equity and the results attributable to minority shareholders are indicated separately, respectively in the consolidated balance sheet and in the consolidated income statement.

With regard to the business combinations, please see the section "Business combination".

Affiliates

The Affiliates are entities over whose financial and management policies the Group exercises considerable influence, while not having control or joint control. The consolidated financial statements include the quota of the investee's profit and loss pertaining to the Group, which is recognised at equity starting from the date on which the considerable influence initiated until the date on which said influence ceases. Where the conditions are met, such shareholdings are subject to impairment tests in accordance with the rules of IAS 36.

Using the equity method, the shareholding in an Affiliate is entered in the balance sheet at cost and increased by changes to the net assets of the Affiliate, after the acquisition, for the quota pertaining to the Group. The portion of profit (loss) for the year of the investee pertaining to the investing company is recognised in the consolidated statement of comprehensive income. The dividends received from an investee company reduce the book value of the investment. The adjustments to the book value of the investment are also due to changes in the items of the statement of other components of comprehensive income of the investee company. The portion of these changes, pertaining to the investing company, is recognised under other components of comprehensive income.

If the portion of the losses of an entity in an affiliate is equal to or greater than the holding in the affiliate, the entity interrupts the recognition of its portion of the additional losses. After having written off the investment, the additional losses are provided for and recognised as liabilities, only to the extent that the entity has undertaken legal or implicit obligations or has made payments on behalf of the affiliate. If the affiliate subsequently generates profits, the entity once again starts to recognise the portion of profits pertaining to it only after the same has equalised their portion of losses not recognised.

Transactions eliminated during the consolidation process

During the consolidation process, intercompany balances transactions, revenues and costs are completely eliminated.

Earnings not realized deriving from transactions with affiliates and jointly controlled entities are eliminated proportionately to the shareholding of the group in the entity. Losses not incurred are eliminated in the same

manner as earnings not realized, but only in the absence of indicators that can provide evidence of a loss of value. In the same way, the unrealised profits and losses deriving from transactions with subsidiaries are eliminated.

Transactions in foreign currency

Transactions in foreign currency are converted at the exchange rate in effect on the transaction date. Monetary assets in foreign currency on the reporting date of the consolidated financial statements are converted into Euros at the closing exchange rate. Any gains or losses resulting from the conversion are recognised in the income statement, among interest income or charges.

The non-monetary assets valued at historic cost in foreign currency are converted using the exchange rate in effect on the date of the initial recognition of the transaction. The non-monetary assets carried at fair value in foreign currency are converted using the exchange rate of the date on which their value was determined.

d) Property, Plant and Equipment

Owned assets

Property, plant and equipment are carried at cost or deemed cost, less accumulated depreciation and impairment (see standard f). The cost comprises directly attributable ancillary charges and the initial estimate, if any, of costs of disassembly and removal of the asset and site remediation and, finally, an appropriate share of the production costs of in-house built assets up to the time at which the asset is in the necessary condition to generate income.

That cost includes the costs of replacing parts of the machinery and equipment, when incurred, if they meet the criteria for recognition.

If the individual components of a tangible asset are characterised by a different useful life, they are recognised separately so as to be depreciated on a consistent basis with their duration ("component approach").

Costs incurred after acquisition are capitalised only if they increase the future economic benefits attributable to the assets in question. All other costs are recognised when incurred in the income statement. Tangible fixed assets under construction are recognised at cost and are depreciated as from the period they enter into service. Maintenance costs of an ordinary nature are booked in full to the income statement. The maintenance costs of an incremental nature are booked to the assets to which they refer and depreciated in relation to the residual possibility of use of the same.

If events or changes in situations indicate that the carrying amounts may not be recovered, they are tested for impairment and, if the carrying amount exceeds their estimated realisable value (consisting in the greater as between the fair value after deducting costs of sale and the value of use), the asset is written-down accordingly.

Depreciation

The depreciation of property, plant and equipment is systematically reported in the income statement at constant rates according to the useful technical-economic life of the relevant assets, which is defined as the residual useful life.

Land is non-depreciable.

The annual depreciation rates used are as follows:

- Buildings: between 3% and 3.33%
- Plant and equipment; between 15% and 20% with the exception of motherboard (66.67%);
- Industrial and commercial equipment: between 10% and 15.5%
- Other assets: between 12% and 25%.

The residual value of the assets, the useful economic life and the methods applied are reviewed annually and adjusted, when necessary, at the end of each year.

The assets for which transfer to the entity granting the concession is envisaged, since they do not fall within the scope of application of IFRIC 12, are depreciated at the lower term as between the useful life of the asset and the term of the concession.

Derecognition

Property, plant and equipment are derecognised from the financial statements when sold, or when no future economic benefits are expected for their use or retirement. Any gains or losses (calculated as the difference between the net proceeds from the sale and the carrying amount) are included in the income statement in the year of derecognition.

e) Intangible assets**Goodwill**

Goodwill is initially measured at cost, which is calculated as the excess between the sum of the purchase price paid and the amount paid for minority quotas with respect to identifiable net assets acquired and liabilities undertaken by the Group. If the purchase price is lower than the fair value of the net assets of the subsidiary purchased, the difference is stated in the income statement.

Goodwill is considered to be an asset of an indefinite useful life and is not amortised but rather tested for impairment each year or more frequently (if specific events or changes of circumstances occur that suggest an impairment). Such tests consist of checking the cash generating unit to which the company's management attributes the goodwill for possible impairment, in accordance with the provisions of IAS 36 - Impairment of Assets. Impairment adjustments cannot be subsequently reversed.

Other intangible assets

Other intangible assets that are purchased or self-created are carried in the assets in accordance with the provisions of IAS 38 - Intangible Assets, if it is likely that using the asset will generate future economic benefits and if the cost of the asset may be determined reliably.

Such assets are initially measured at acquisition or production cost and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful life.

Research expenses are recognised at cost when incurred.

The other intangible assets consist of capitalised costs of software developed in-house. In this sense, see the matters set forth under "Development costs".

The expenses related to internally generated goodwill are recognised in the income statement in the year in which they are incurred.

The subsequent expenses related to intangible assets are capitalised only if they increase the future expected economic benefits attributable to the assets in question. All other subsequent expenses are charged to the income statement in the year in which they are incurred.

Concessions, licences, trademarks and similar rights are capitalised only if they increase the future expected economic benefits attributable to the assets in question.

All other subsequent expenses are charged to the income statement in the year in which they are incurred.

Development costs

Development costs are recorded under the assets only if all the following conditions are observed: the costs can be determined reliably and the technical feasibility of the project, the volumes and the expected prices indicate that the costs incurred in the development phase will generate future economic benefits. The capitalised development costs include just the expenses incurred which can be assigned directly to the development process.

The capitalised development costs are amortised on the basis of a systematic approach.

All other development costs are recognised when incurred in the income statement.

Depreciation

Amortisation of intangible fixed assets is charged to the income statement on the basis of constant quotas throughout the useful lifetime of the same, with the exception of goodwill which is not amortized, but is regularly tested for impairment by the Group. Such testing is performed on each financial reporting date. Intangible assets with a definite useful life are amortised from the time at which the asset becomes available for use.

The annual amortisation rates applied are as follows, broken down by category:

- Patent rights and rights to use original works: between 10% and 20%;
- Concessions, licences, trademarks and similar rights: between 10% and 20% with the exception of AWP's paper-based licences (AKA "nulla osta") at 66.67%;
- Concessions for wagers: on the duration of the concessions expiring between June 2017 and March 2022;
- Other assets:
 - Commercial network: 6.67%;
 - Development costs: 20%;
 - Multi-annual costs: between 20% and 33.33%.

f) Impairment of non-financial assets

The Group verifies on an annual basis the carrying amounts of its assets, in order to identify any impairment. If, on the basis of such impairment testing, it is found that the assets have effectively incurred a loss of value, the Group estimates the recoverable value of the asset.

The recoverable value of goodwill, of assets with an indefinite lifetime and intangible assets not yet available for use, is estimated on each reporting date of the financial statements.

The recoverable amount is the greater of the fair value of the asset and cash-generating unit, less the cost of sale, and its value in use. The recoverable amount is determined for each individual asset except when the asset generates cash flows that are not largely independent from the cash flows generated by other assets or groups of assets.

Any impairment of cash generating units is first applied towards reducing the carrying amount of any goodwill attributed to the cash-generating unit and, thereafter, to reducing any other assets of the unit in proportion to the carrying amount of each asset that makes up the unit.

To determine an asset's value in use, the accounting standard requires calculating the present value of estimated future cash flows, including taxes, applying a discount rate that reflects the current market valuations of the time value of money and the specific risks of the asset. Impairment is recognised if the recoverable amount is less than the carrying amount. If the impairment of the asset is subsequently eliminated or reduced, the carrying amount of the asset or cash-generating unit is reinstated (except in the case of goodwill).

g) Reinstatement of values

It is not permitted to reverse impairment of goodwill.

Except for goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or a change has occurred in the valuations used to determine the recoverable amount.

The carrying amount resulting from the reinstatement of the value of an impaired asset must not exceed the carrying amount that would have been determined (less amortisation/depreciation) if the impairment of the asset had never been recognised.

h) Inventories

The inventories are measured at the (acquisition or production) cost or net realisable value, whichever is less, calculated using the FIFO (First-In, First Out) method. The valuation of the warehouse inventories includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Provisions for impairment are calculated for products considered to be obsolete or "slow movers", taking their expected future use and realisable value into account. To that purpose, the realisable values are periodically recalculated and the impairment is recognised on the income statement at the same time as the impairment occurs.

i) Trade receivables

Trade receivables are recognised on the basis of the amortised cost method. The losses on receivables are measured as the difference between the book value of the receivable, equal to the fair value inclusive of the transaction costs, and the current value of the estimate future cash flows, discount back at the effective interest rate calculated as of the date of recognition of the receivable.

The value of the receivables is stated net of the related write-down allowance so as to reflect the effective recoverability. The losses on receivables are recognised in the consolidated statement of comprehensive income within the item "Other operating costs", along with any amounts collected on receivables written off.

j) Shareholdings and other financial assets

IAS 39 provides for the following classifications of financial instruments: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments, and available-for-sale financial assets. Initially, all financial assets are recorded at fair value, increased by ancillary costs, in the case of assets other than those at fair value, with changes to the income statement. The Group determines the classification of its financial assets at the moment of their initial registration.

Shareholdings in other companies and available-for-sale financial assets

Shareholdings in other companies (with a percentage of ownership less 20%) are measured at fair value and their effects are recognised in Shareholders' Equity. If their fair value cannot be reliably determined, the shareholdings are measured at cost and adjusted for impairment, which is recognised in profit or loss. The

original value is reinstated if the conditions giving rise to the impairment cease to exist, with the effects recognised in Shareholders' Equity.

The risk of possible impairment losses exceeding the shareholders' equity is recognised in a corresponding provision for risks, to the extent to which the investor is committed to fulfilling statutory or implied obligations on behalf to the investee.

Shareholdings in other companies currently held by the Group, are measured at cost rather than at fair value since the latter cannot be reliably estimated.

Impairment of shareholdings in other companies and available-for-sale financial assets

The Group verifies on each financial statement date whether the shareholdings in other companies have incurred a loss in value. If the fair value cannot be reliably determined, the impairment is calculated based on appropriate valuations resulting from the investee's financial statements.

The objective evidence of an impairment would involve a significant or durable reduction in fair value of the instrument below its cost. The term "significant" is valued with respect to the original cost of the instrument and the term "durable" with respect to the period in which the fair value remained lower than the original cost. Whenever an impairment occurs, the cumulative loss - measured based on the difference between purchase cost and current fair value, deducted impairment losses of that financial asset previously recognised in the income statement for the year - is reversed from the statement of other comprehensive income and is recognised in the income statement for the year.

Other financial assets

Other current financial assets include the balances on financial bank accounts vis-à-vis companies subject to control on the part of the same controlling company, and non-consolidated subsidiaries and the controlling company.

k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active exchange. After the initial recognition, such assets are measured according to the criterion of amortised cost, using the effective discount rate method less any provision for impairment.

Short-term receivables are not discounted since the effect of discounting the cash flows is immaterial. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or show signs of impairment.

Fair value

Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date.

In the case of securities negotiated on the regulated markets, the fair value is determined with reference to the stock market price reported at the end of trading on the closing date of the year/period. In the case of investments for which there is no active market, the fair value is determined using a valuation method based on the following: the price of recent arm's length transactions; the fair market value of a substantially similar instrument; the analysis of discounted cash flows; option pricing models.

Fair value measurement

Assets and liabilities accounted at fair value are classified according to a "fair value hierarchy" in order to increase consistency and comparability in fair value measurements and related disclosures.

The hierarchy envisages the following three levels:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability and fall outside Level 2.

Amortised cost

Amortised cost is an investment classification category and accounting method which requires financial assets and liabilities classified under this method to be reported on balance sheet at their amortized cost which equals their initial amount less principal repayment plus/minus amortization of discount/premium (with the effective interest rate method) plus/minus foreign exchange differences (if any) less impairment losses

(if any). The effective interest rate corresponds to the rate that allows matching the present value of all future contractual (or expected) cash flows with the asset or liability's book value at the beginning of the accounting period. The amortized cost calculations should also include external costs and income recognised when accounting for the asset or liability.

Impairment of loans and receivables

The Group verifies on each financial statement date whether a financial asset or group of financial assets has incurred an impairment.

If there is objective evidence that a financial instrument carried at amortised cost has undergone impairment, the amount of impairment is measured as the difference between the carrying amount of the asset and the estimated present value of future cash flows (excluding any future loss on receivables that has not yet been incurred) discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate calculated on the date of initial recognition). The carrying amount of the asset is reduced through a provision for impairment.

The amount of impairment is not recognised in the future accounting period if the impairment assumptions are no longer valid. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

The amount of receivables is reduced through specific provisions. Receivables are cancelled when there is no longer recovery value.

l) Cash and cash equivalents

Cash and cash equivalents include cash, deposits repayable on demand, short-term financial investments and other liquid assets that can be converted into cash on short notice and are subject to negligible risks of value fluctuations, whose maturity is equal to or less than three months as from the acquisition date.

m) Treasury shares

Treasury shares are booked to reduce the shareholders' equity. The original costs of the treasury shares and the revenues deriving from any subsequent sales are recognised as changes in shareholders' equity.

n) Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs. After the initial recording, they are assessed at amortised cost, registering any differences between cost and reimbursement value in the income statement for the duration of the liability, in accordance with the actual interest rate method.

All earnings or losses are recorded in the income statement when the liability is repaid, and also through the amortization process.

Financial liabilities at fair value with changes recognised in the income statement

Held-for-trading liabilities are those purchased for the purpose of resale in the near future. Derivatives are classified as held-for-trading financial instruments unless they are designated as effective hedge instruments. Gains or losses on held-for-trading liabilities are recognised in the income statement.

Derecognition of financial assets and liabilities

A financial asset (or, as the case may be, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements whenever:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the asset but has assumed the contractual obligation to transfer the entirety of those cash flows to a third party;
- the Company has assigned the right to receive cash flows the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not substantially transferred all the risks and benefits of ownership of the asset but has transferred the control over it.

A financial liability is derecognised from the financial statements when the underlying obligation of the liability is extinguished, voided or fulfilled.

Netting of financial instruments

Financial assets and liabilities are offset with indication in the financial statements of the net balance, when a legal right to make this offsetting exists and the intention to settle the transaction at net or realise the asset and settle the liability at the same time exists.

o) Financial derivatives and hedge accounting**Initial recognition and subsequent valuation**

The Group uses derivative financial instruments such as swaps on interest rates in order to hedge its interest rate risks. Such financial derivatives are initially recognised at fair value on the date of signature of the derivative contract and measured at fair value again thereafter. Derivatives are accounted for as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are recognised directly in the income statement, except for the effective part of cash flow hedge, which is recognised in Shareholders' Equity.

For the purposes of hedge accounting, hedges are classified as follows:

- Fair value hedges for the risk of changes in the fair value of the underlying asset or liability or an unrecognised irrevocable commitment;
- Cash-flow hedges for exposure to variability in cash flows attributable to a specific risk associated with a recognised asset or liability or a highly probable planned transaction or a value or a foreign currency risk related to an unrecognised irrevocable commitment;
- Hedges for a net investment in foreign operations.

At the inception of a hedging transaction, the Group delineates and formally documents the hedging relationship to which it intends to apply the hedge accounting, its objectives in the management of risk and the strategy pursued. The documentation includes identification of the hedge instruments, the hedged item and transaction, the nature of the risk and of the methods by which the company intends to evaluate the effectiveness of the hedge in offsetting the exposure to variations in fair value of the hedged asset or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the exposure of the hedged asset to variations in fair value or of the cash flows attributable to the hedged risk; the evaluation as to whether such hedges are actually effective is performed on an ongoing basis throughout the accounting years for which they have been designated.

Transactions meeting the criteria for hedge accounting are recognised as follows:

Cash flow hedges

The portion of profits or losses of the hedged instrument, with respect to the effective part of the hedge, is recognised among the other comprehensive income in the "cash flow hedge" reserve, while the ineffective part is recorded directly in the income statement among other operating costs.

To hedge its foreign currency exposure, the Group uses forward exchange contracts based on the expected transactions and firm commitments; similarly, the Company uses forward commodity contracts to hedge against commodity price volatility.

The amounts recognised among other comprehensive income are transferred to the income statement in the period in which the hedged transaction affects the income statement, for example when the Financial expense or proceeds are recognised or when an expected sale is made. When the element covered by the hedging is the cost of a non-financial asset or liability, amounts recognized among other total earnings are transferred to the initial carrying amount of the asset or liability.

If it is believed that the expected transaction will not occur or the firm commitment will not be honoured, the cumulative gains or losses recognised in the cash flow hedge reserve are transferred to the income statement. If the hedge instrument matures or is sold, cancelled or exercised without replacement, or if its designation as a hedge is revoked, the amounts previously recognised in the cash flow hedge reserve will remain in that reserve until the expected transaction flows to the income statement.

Classification as current/non-current

The derivatives that are classified as effective hedge instruments, are classified consistently with the hedged underlying element. The derivative is divided into a current portion and non-current portion only if the allocation is expected to be realised.

The derivatives that are not classifiable as "effective hedge instruments" are classified as current or non-current or divided into a current portion and non-current portion, based on the assessment of the facts and circumstances (e.g., the negotiated underlying cash flows):

- When the Group holds the derivative as economic hedging (and does not apply the hedge accounting) for a period exceeding 12 months after the date of the financial statement, the derivative is classified as non-current (or divided between current and non-current) on the basis of the underlying element;
- Implicit derivatives which are not strictly related to the main contract are classified in line with the cash flows of the main contract.

p) Termination-employment benefit

Termination-employment benefits (TFR) are considered to be a defined-benefit plan according to IAS 19. The defined-benefit obligation, less any plan assets, is determined on the basis of actuarial hypotheses and recognised on an accrual basis consistently with the amount of service required to earn the benefits. The obligation is measured by an independent actuary based on hypotheses concerning discount rates, future wage increases, the mortality rate and pension increases. Such assumptions are reviewed on each financial statement date.

Starting from 1 January 2007, the Finance Act [Legge Finanziaria] of 2007 and the related implementing decrees introduced amendments on the subject of the post-employment benefits, including the worker's right to choose the intended use of his or her own post-employment benefits maturing in the supplementary pension fund or the "Treasury Fund" managed by the INPS (Italian national institute of social insurance). In accordance with IAS 19 "Employee Benefits", the obligation representing the post-employment benefits accrued as at 31 December 2006, which remains registered even after 1 January 2007 on the liabilities side of the balance sheet in the financial statements, constitutes a defined benefits plan, while the obligation vis-à-vis INPS and the contributions to supplementary pension panels became "defined contribution plans".

Thus, the obligation to the INPS and supplementary pension contributions is of the "Defined-Contribution Plan" type, as defined by IAS 19, whereas the portion recognised in the post-employment benefits remains classified as a "Defined-Benefit Plan".

Profits or losses deriving from the actuarial calculation are applied to shareholders' equity and consequently in the other components of the comprehensive income statement.

These profits or losses are not restated to income statements in the following years.

Interest on liabilities for defined-benefit plans should be calculated by multiplying liabilities by the discount rate. The Group recognises the following change in net liabilities for defined-benefit plans in the income statement:

- Costs for work services, inclusive of current and past work, profit and losses on non-routine profit and losses;
- Interest expenses.

q) Provisions for risks and charges

The Group recognises a provision whenever it assumes an obligation (statutory or implied) resulting from a past event and it is likely to be necessary to use resources, which can be forecasted. The amount of provisions include also best estimate of legal expenses at each reporting date.

r) Trade payables

Trade payables are obligations to pay in relation to goods or services purchased from suppliers within the sphere of core business activities. Payables to suppliers are classified as current liabilities of the payment will take place within 12 months of the balance sheet date. Otherwise, these payables are classified as non-current liabilities.

Trade payables and the other payables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method.

s) Assets held under financial or operating leases

Whether or not a contractual agreement is defined as a leasing operation (or containing a leasing operation) depends on the substance of the agreement and requires evaluating whether performance of the agreement depends on using one or more specific assets or whether the agreement transfers the right to use those assets.

The leases where the lessor essentially maintains all the risks and benefits linked to the ownership of the assets are classified as operating leases.

Operating lease instalments are recorded as costs in the consolidated statement of comprehensive income, in constant quotas allocated over the term of the lease agreement.

Financial lease agreements which substantially transfer to the Group all risks and benefits deriving from ownership of the asset leased, are capitalized on the date of commencement of the lease at the fair value of the leased asset or, if lower, the present value of the instalments. The payments are divided into principal and interest in such a way as to apply a constant interest rate to the outstanding balance of the debt. The financial expenses are allocated directly to the statement of comprehensive income.

Leased assets that are capitalized are amortized over the shorter term as between the estimated useful lifetime of the asset and the term of the lease agreement, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the agreement.

t) Revenues and expenses

Revenues are recorded to the extent that it is likely that the Group will attain economic benefits and their amount is determinable in a reliable manner. Revenue is presented net of any discounts, rebates and returns.

In particular, revenue from the sale of assets is recognised when the risks and benefits connected with ownership of the assets are transferred to the purchaser, the price of sale has been agreed or can be determined, and collection is planned: this moment generally coincides with the date of delivery or shipment of the asset.

Revenue from services is recognised on an accrual basis as the services are performed.

In particular, revenues from gambling are accounted as follows:

- Revenues from concessions related to the gaming machines under subsection 6a (AWP) are recognised less the flat-rate gaming tax (PREU) and winnings paid out but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the ADM.
- Revenue from the gaming machines under subsection 6b (VLT) is expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the ADM.
- Revenue from Online gaming (games of skill/casino/bingo) is expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of the cost of the platform and concession fees.
- Based on IAS 32 and 39 the collection of fixed-odds bets and "reference-based bets" generates a financial liability that is measured at fair value. Therefore, the wagers related to the acceptance of fixed quota and reference bets (or bets for which the Group bears a risk deriving from winnings) are stated in the financial statements under "Revenues from sales of goods and services" net of costs for the single tax, the ex ASSI withholding, winnings and refunds paid to bettors.
- The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the year in which the bets are placed.
- Revenues and costs related to bets are recognised at the time of the event for which the bet is accepted.

The costs of services are recognised on an accrual basis at the time of receipt of the services.

It is worth noting that, in application of Law Decree No. 95 of July 6, 2012. On December 1, 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency, hereinafter "AAMS" or "ADM").

It is also worth noting that the former ASSI Entity was transferred to the Minister of Forestry Agriculture and Food Policy by a decree of that Minister, in accordance with the Ministry of the Economy and Finance, on January 31, 2013 (hereinafter "former ASSI" or "MIPAAF").

State Grants

Contributions from the state and other public entities consist of the grants to MIPAAF investments fund, as well as contributions to fees for services supplied by the Company that operates the racetracks for the benefit of the Public Entity known as MIPAAF, which is the owner of proceeds deriving from the collection of bets on horse races at the same racetracks. They are recorded at their fair value the moment in which there is reasonable certainty that they will be granted and in which the group has fulfilled all conditions necessary in order to obtain them. The grants obtained to offset the costs incurred are applied to the income statement systematically over the same periods in which the related costs are registered. The contributions obtained to

offset an asset registered in the balance sheet are applied to the income statement under the item “other operating revenues” systematically based upon the useful lifetime of the related asset.

u) Financial income and expenses

The financial income and expenses are recorded on an accrual basis on the basis of interest accrued using the actual interest rate.

v) Income tax (current and deferred)

The income taxes include current and deferred taxes calculate don the taxable income of the companies belonging to the Group. The income tax is recognised in the income statement, except for income related to transactions directly recognised in Shareholders’ Equity, which is accounted for in equity.

The current taxes represent the estimated amount of income tax calculated on the basis of the taxable income for the year.

Deferred taxes are provided on the timing differences between the book values of assets and liabilities recorded in the financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are not recognised in the event of timing differences recognised at the time of the initial recognition of goodwill and differences related to shareholdings in subsidiaries for which the timing difference will probably not reverse in the foreseeable future. The prepaid tax assets and deferred tax liabilities are measured using the tax rate that it is estimated will be applicable in the year in which the relevant asset will be realised or the relevant liability will be extinguished; that estimate is based on the enacted or substantially enacted tax rate at the end of the reporting period.

Prepaid tax assets are recognised to the extent that it is probable that there will be future taxable income to which such assets can be applied. The carrying amount of the prepaid tax assets is reduced if it is unlikely that the corresponding tax benefit can be put to use.

The tax assets and liabilities for taxation are offset, separately for the current taxes and for the deferred taxes, when the income taxes are applied by the same tax authority and when there is a legal right to offsetting.

Management periodically assess the choice made at the time of calculation of the taxes with reference to situations in which the tax legislation in force lends itself to interpretations and, in the case it deems is appropriate, records risk provisions determined on the basis of the taxes which it is expected it will pay to the tax authorities.

w) Segment reporting

An operating segment is a component of an entity that undertakes business operations that generate revenues and costs, the operating results of which are reviewed periodically at the highest operational decision-making level for the adoption of decisions on the resources to be allocated to the sector and an assessment of results, and for which separate financial statements information is available. The operating segments as defined by IFRS 8 are illustrated in Note 3, including the related restated comparative information.

x) Earnings per share

The base earnings per share are calculated by dividing the group’s result of operations by the weighted average of shares outstanding during the year. For purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified assuming the conversion of all potential shares having a diluting effect.

y) Business combination

The business combinations are recorded using the acquisition method. In particular, the acquisition cost was determined as the sum of the amounts transferred in a business combination (measured at fair value) at the acquisition date, and the amount of any minority shares acquired. Ancillary costs related to the transaction are recognised in the income statement, when incurred. If the business combination occurred in steps, the shareholding previously held by the Group in the acquired company is remeasured at fair value as of the date control was acquired, and any resulting profit or loss is recognised in the consolidated statement of comprehensive income. The goodwill acquired in a business combination is initially measured at cost, which is represented by the surplus between the sum of the amount transferred in a business combination, and identifiable net assets acquired and liabilities undertaken. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, this

surplus is accounted for as income from the transaction and recognised in the income statement. After the initial recognition, the goodwill is measured at cost, net of accumulated impairment losses. In order to check the presence of impairment losses, the goodwill acquired in a business combination is allocated, at the acquisition date, to the single cash generating units or to the groups of cash generating units which should take benefit from the synergies of the combination, regardless of the fact that other assets or liabilities of the acquired company are assigned to these units or groups of units. When the goodwill is part of a cash generating unit (group of cash generating unit) and part of the asset internal to the transferred unit, the goodwill associated to the transferred asset is included in the carrying amount of the asset in order to determine the gain or loss resulting from the disposal. The goodwill associated with the disposed assets must be determined based on the related values of both the disposed activity and the portion kept within the cash generating unit. Within the 12 months following the acquisition date, the differences resulting from this transaction are allocated, while recognising, at fair value and at the acquisition date, the identifiable assets acquired and the liabilities undertaken. If the initial recognition of a business combination can only be determined on a provisional basis by the end of the year in which the combination is achieved, the recognition of the combination takes place on the basis of the provisional values. The adjustment of these provisional values further to the completion of the initial recognition are recognised within 12 months of the acquisition date.

z) Dividends

Dividends are usually accounted whenever the related right is recognised (usually corresponding to the Shareholders' meeting resolving dividend distribution).

2 CONCESSION AGREEMENTS

Snaitech Group run its business in the gambling market, which includes Sports and Horserace Betting, AWP's and VLTs, as well as Skill Games, Bingo and Casino Games. The government through concession agreements regulates the entire gambling market.

Snaitech Group owns the following concessions:

| Owner | Quantity | Subject | Maturity |
|-----------------|----------------------------|--|------------|
| Snaitech S.p.A. | 1 Concession | Implementation and management of gaming machines network (in accordance with Art. 110 (6) of TULPS as per RD no. 773 of June 18, 1931 and following amendments and supplements) as well as any related activities | March 2022 |
| Snaitech S.p.A. | 1 Concession Code 4311 | Horserace gambling collected through distribution network (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 4028 | Gambling on public gaming other than horse races collected through distribution networks (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 4801 | Horserace gambling collected through distribution network (shops and corners) | June 2016 |
| Snaitech S.p.A. | 1 Concession Code 15215 | Online gambling on the following games: a) Sports Betting; b) Horserace Betting; c) Horserace and Sports betting pools; d) National horserace totalisator game; e) Skill games, including tournament-type games; f) Bingo. | Oct. 2020 |
| Snaitech S.p.A. | 1 Concession Code 4501 | Gambling on horseraces and sports events as per Art. 10, par. 9-octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012. | June 2016 |

As regards the aforesaid concessions on gambling expired in June 2016, the 2016 Stability Law set out the renewal as per the following procedures described in par. 932.

Paragraph 932 sets out that on May 1, it should start the tender procedure for Sports and Horserace Betting nine-year concessions (expired on June 30, 2016 and extended until the execution of the new concession agreements) for 15,000 rights divided as follows:

- 10,000 shops (minimum price of Euro 32,000);

- 5,000 corners, of which 1,000 for shops selling food and drinks (minimum price of Euro 18,000).

Since the tender to renew the betting concessions was not called, ADM (with the aim to preserve business continuity in the higher interest of public order, taxation and occupation) allowed concessioners to continue their Betting business until the launch of the new tender, as long as they provided formal commitment to bid along with the relevant guarantees (or by extending the existing ones), which cover any existing or future obligations arising until June 30, 2017 plus an extra year (up to June 30, 2018).

Snaitech S.p.A. promptly formalised its intention to continue with the Betting business by filing the relevant form along with requested guarantees.

ADM, with a note dated March 28, 2017 related to the Betting business continuity and guarantees extensions, requested concessioners to extend the outstanding guarantees by one year in order to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019).

Art. 1, par. 1048 of Law no. 205 of December 29, 2017 envisages the extension of betting licences to December 31, 2018 against the payment of a fee and has mandated ADM to tender, within September 30, 2018 the new betting rights.

On January 19 and 24, 2018, ADM has subsequently informed concessioners of the implementation measures of rights extension and set the deadline on January 30, 2018, in order to receive notices from concessioners. The Company has provided indications within the deadline.

3 OPERATING SEGMENTS

Reporting is presented by “operating segment”. The definition of the sectors is based on the Group organisational structure and the internal reporting system. Intra-segment transfers are carried at market conditions.

A description of the operating segments where the Group operates is reported hereinafter:

- **Gaming Machines:** activities performed under concession and related to the management of gaming machines network (AWP and VLT) in addition to a share of the revenue pertaining to the points of sales directly owned;
- **Retail Betting:** activities performed under concession and related to the acceptance of bets on sports, horse racing and virtual events, collected on retail network, in addition to a share of the revenue pertaining to the points of sales directly owned;
- **Online:** activities performed under concession and related to the offerings of skill games, bingo and casino games as well as bets acceptance on sports, horse racing and virtual events collected on online channel;
- **Horse racing track management:** includes operations related to the management of the racetracks, including real estate management and organization of races;
- **Other:**
 1. Activities related to television/radio services run by the Teleippica S.r.l. (Broadcasting);
 2. Activities related to electronic services provided to betting point of sales and other commercial services provided.

The total value of assets and liabilities for each segment is not subject to disclosure since these figures are not periodically reviewed by the CODM (Chief Operating Decision Maker). The following table present for each segment its contribution to the consolidated figures. The Contribution Margin by segment includes items directly accounted as well as items accounted through allocation process. More specifically, segments results include appropriate revenue, related distribution costs (including any payment to the providers of gaming platforms) and the concession fees.

Retail Betting and Online segments include all bets, both fixed-odd (where the concessioner is the bookmaker) and totalisator bets (where the totalizer is the Ministry of Finance), accepted in the PoS (Point of Sales) and on the web site www.snaitech.it, run under concession by Snaitech. Risk related to fixed-odd bets is borne by the concessioner, since the latter pays winnings and taxes, while in the case of totalisator bets, there is no payout risk for the concessioner, since winnings are set as a percentage of the wagers.

| Figures in thousand/Euro | Gaming Machines | | Betting Retail | | Online | | Horse racing track management | | Other | | ICE (Intercompany Elimination) | | Consolidated | |
|---|-----------------|----------------|----------------|---------------|---------------|---------------|-------------------------------|--------------|---------------|---------------|--------------------------------|----------------|----------------|-----------------|
| | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 |
| Total revenues (A) | 628,274 | 656,991 | 176,535 | 173,369 | 65,249 | 50,365 | 7,981 | 9,943 | 21,913 | 24,081 | (10,344) | (16,252) | 889,608 | 898,497 |
| Costs (B) | (510,717) | (523,554) | (93,799) | (97,334) | (17,773) | (12,482) | 0 | (87) | (1,818) | (2,565) | 7,040 | 11,385 | (617,067) | (624,637) |
| Contribution margin (C) = (A+ B) | 117,557 | 133,437 | 82,736 | 76,035 | 47,476 | 37,883 | 7,981 | 9,856 | 20,095 | 21,516 | (3,304) | (4,867) | 272,541 | 273,860 |
| Other costs (D) | | | | | | | | | | | 3,289 | 4,903 | (139,870) | (154,700) |
| Earning before interest income and costs, taxes, depreciation and amortization (E) = (C + D) | | | | | | | | | | | (15) | 36 | 132,671 | 119,160 |
| Amortization | | | | | | | | | | | | | (50,533) | (57,400) |
| Other depreciation | | | | | | | | | | | | | (44) | (11,036) |
| Financial income/costs | | | | | | | | | | | | | (40,518) | (86,367) |
| Tax | | | | | | | | | | | | | (14,566) | 18,689 |
| Profit/loss for the period | | | | | | | | | | | | | 27,010 | (16,954) |

In 2017, the following should be noted:

- The reduction of the Contribution Margin of the Gaming Machines segment, owing to the wagers decrease and the PREU tax rate increase and partially mitigated by the payout reduction for AWP's and VLT's;
- Betting Retail segment recorded an increase in margins, owing to higher wagers and lower sports payout, despite the lower wagers from Horseracing and Virtual Events;
- Contribution Margin of the Online segment benefited of increased wagers from all games and better sports payout;
- Significant benefits from synergies obtained following the merger by incorporation of Cogemat Group subsidiaries into Snaitech;
- The aforementioned effects along with a reduction in amortisations/depreciations and financial charges positively impacted earnings before taxes, other financial income and expenses, amortisations and depreciations.

4 BUSINESS COMBINATION

In 2017, Snaitech S.p.A. signed three different sale and purchase agreement of business unit related to gaming machines pursuant to art. 110, par. 6/a of T.U.L.P.S. from different points of sales. In particular:

- 1) On May 30, 2017 the Business Unit related to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Purchase price was equal to Euro 800 thousand.
- 2) On November 29, 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from December 1, 2017. Purchase price was equal to Euro 3,000 thousand with a maximum earn-out of Euro 300 thousand if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of December 31, 2017 purchase price is still provisional and amounts to Euro 3,300 thousand.
- 3) On November 30, 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from December 1, 2017. Purchase price was equal to Euro 1,170 thousand with a maximum earn-out of Euro 130 thousand if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of December 31, 2017 purchase price is still provisional and amounts to Euro 1,300 thousand.

The table below summarize the aforementioned values.

| Figures in thousand/Euro | BU of 30.05.2017 | BU of 29.11. 2017 | BU of 30.11.2017 | Total |
|------------------------------|------------------|-------------------|------------------|--------------|
| AWPs (motherboards included) | 390 | 846 | 331 | 2,577 |
| Money changing machines | 50 | 186 | 63 | 1,049 |
| Other assets | - | 30 | 7 | 37 |
| Assets value | 440 | 1,062 | 401 | 1,903 |
| Tax effect | 58 | - | - | 58 |
| Purchase price | 800 | 3,300 | 1,300 | 5,400 |
| Goodwill | 418 | 2,238 | 899 | 3,555 |

NOTES ON MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
5 REVENUES FROM SALES AND SERVICES

The amount of revenues from sales of goods and services in 2017 is equal to Euro 884,213 thousand (Euro 889,064 thousand in 2016) and is detailed below:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|------------------|----------------|----------------|
| | 2017 | 2016 | Change |
| Revenues from Gaming Machines | 625,227 | 646,881 | (21,654) |
| Net revenues from fixed-odds Sports and Horserace betting | 150,757 | 125,684 | 25,073 |
| Revenues from Virtual Events | 34,601 | 38,886 | (4,285) |
| Net revenues from Online games (Skill, Casino and Bingo) | 27,499 | 22,878 | 4,621 |
| Revenues from Horserace totalisator, national forecast bets | 14,065 | 18,148 | (4,083) |
| Revenues from services provided on bets collection | 3,838 | 4,742 | (904) |
| Revenues from services provided on Virtual Events | 3,000 | 2,919 | 81 |
| Revenues from television services and related services | 9,938 | 9,986 | (48) |
| Revenues from the operation of betting services at racecourses | 4,659 | 5,413 | (754) |
| Revenues from servicing and assistance agreements | 3,479 | 3,949 | (470) |
| Management of racecourse and real estate properties | 1,258 | 1,267 | (9) |
| Commissions income | 1,864 | 2,967 | (1,103) |
| Other sales and services provided to third parties | 4,028 | 5,344 | (1,316) |
| Total | 884,213 | 889,064 | (4,851) |

Revenues from Gaming Machines in 2017 totalled Euro 625,227 thousand: the decrease, compared to 2016, is mainly due to the combined effect of lower wagers and PREU tax rate increase as of April 2017. The following table shows detail of the items "Revenues from Gaming Machines"

| <i>Figures in thousand/Euro</i> | Full Year | |
|--|------------------|----------------|
| | 2017 | 2016 |
| Gaming Machines | 7,147,577 | 7,475,884 |
| Winning | (5,635,781) | (5,947,914) |
| PREU | (886,569) | (881,089) |
| Total revenues from Gaming Machines | 625,227 | 646,881 |

Revenues from Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. Such costs are shown on item "Costs for services and use of third party assets" in Note 8. Concessioners are required to pay a security deposit to ADM equal to 0.50% of the wagers played on each gaming machine with the aim to grant a pre-established service levels.

The Statement of Financial Position include such credit in the item "Security deposit related to Gaming Machines" by an amount equal to Euro 35,735 thousand paid in 2017 (see Note 21). The Security deposit is refunded to the concessioners each year once it has been verified the achievement of the pre-established service levels.

The item "Net revenue from fixed-odds Sports and Horserace betting" is equal to Euro 150,757 thousand and the following table shows a breakdown by winnings, reimbursements and taxation.

| <i>Figures in thousand/Euro</i> | Full Year | |
|---|------------------|----------------|
| | 2017 | 2016 |
| Sports Betting | 1,133,964 | 1,009,146 |
| Reimbursements | (1,243) | (597) |
| Winnings | (948,232) | (856,142) |
| Flat-rate tax | (36,394) | (29,590) |
| Net revenues from Sports Betting | 148,095 | 122,817 |

| | | |
|--|----------------|----------------|
| Horse racing Betting | 51,618 | 42,860 |
| Reimbursements | (332) | (276) |
| Winnings | (42,287) | (34,401) |
| Flat-rate tax | (2,084) | (1,748) |
| Taxation | (4,253) | (3,568) |
| Net revenues from Horse racing Betting | 2,662 | 2,867 |
| Total Net Revenues from Sports and Horse racing Betting | 150,757 | 125,684 |

Net revenues from Sports betting increased compared to the previous year, owing to a lower payout and higher wagers. In 2017, the payout on Sports betting, including bonuses, settled approximately at 83.7% compared to 84.9% of the previous year.

Revenues from Virtual Events are equal to Euro 34,601 thousand in 2017 and are broken down as follows:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---|------------------|---------------|
| | 2017 | 2016 |
| Virtual Events | 278,631 | 298,552 |
| Winnings and reimbursements | (235,136) | (249,709) |
| Flat-rate tax | (8,894) | (9,957) |
| Total net revenues from Virtual Events | 34,601 | 38,886 |

The reduction of revenues from Virtual Events is due to lower wagers and slight increase of the winnings.

Revenues from Online are equal to Euro 27,499 thousand in 2017 and are broken down as follows:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---------------------------------------|------------------|---------------|
| | 2017 | 2016 |
| Online games | 1,180,012 | 919,781 |
| Winnings | (1,144,297) | (890,246) |
| Flat-rate tax | (8,216) | (6,657) |
| Net revenues from Online Games | 27,499 | 22,878 |

The increase in revenues from Online is due to the increased wagers for the period.

The item "Revenues from television services and related services" mainly includes revenues arising from the agreement between the subsidiary Teleippica S.r.l. and MIPAAF concerning the television broadcasting of horse races at the points of sales.

In addition, the item "Other services and sales provided to third parties" mainly includes: net revenues from mobiles top-ups of Euro 1,449 thousand; net revenues from numerical games totalizer of Euro 309 thousand; net revenues from events and sponsorships of Euro 297 thousand; revenues related to payment services of Euro 209 thousand.

6 OTHER REVENUES AND INCOME

"Other Revenues and Income" item totalled Euro 5,395 thousand in 2017 (versus Euro 9,433 thousand in 2016). The table below shows a breakdown of the item:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|------------------|--------------|----------------|
| | 2017 | 2016 | Change |
| Compensatory damages | 2,353 | 204 | 2,149 |
| Gain on disposal of assets | 1,007 | 97 | 910 |
| Income from lawsuit | 584 | 7,177 | (6,593) |
| Rental income and chargeback of ancillary expenses | 132 | 145 | (13) |
| Revenues from arrangement and sales of technology | 112 | 147 | (35) |
| Grants from UNIRE investments fund | 53 | 53 | 0 |
| Other revenues and income | 1,154 | 1,610 | (456) |
| Total | 5,395 | 9,433 | (4,038) |

The reduction of Euro 4,038 thousand is mainly due to the significant reduction of Income from lawsuit.

7 RAW MATERIALS AND CONSUMABLES

The cost of raw materials and consumables were Euro 761 thousand in the first nine months of 2017 (versus Euro 683 thousand in 2016) and mainly composed of materials used to collected wagers, technological support and furnishing installed in new points of sales.

8 COST OF SERVICES AND THIRD PARTY ASSETS

Cost of services and third party services totalled Euro 654,911 thousand in 2017 (Euro 666,390 thousand in 2016) and are broken down as follows:

| <i>Figures in thousand/Euro</i> | 2017 | Full Year 2016 | Change |
|--|----------------|---------------------------|-----------------|
| Services related to Gaming Machines | 487,775 | 499,129 | (11,354) |
| Bets acceptance | 67,481 | 67,147 | 334 |
| Costs associated with Virtual Events | 15,758 | 16,041 | (283) |
| Services related to Online Games | 13,641 | 10,661 | 2,980 |
| Television and radio services | 8,064 | 7,572 | 492 |
| Horse Racing track management | 1,273 | 1,152 | 121 |
| Paymat services | 1,130 | 1,574 | (444) |
| Equipment repair and maintenance | 9,704 | 8,884 | 820 |
| Advertising and promotion | 8,644 | 7,211 | 1,433 |
| Utilities and telephone bills | 7,250 | 9,177 | (1,927) |
| Advisory costs and reimbursements | 6,470 | 6,764 | (293) |
| Insurance and guarantees | 5,763 | 6,153 | (390) |
| Rental fees and ancillary charges | 3,976 | 5,448 | (1,472) |
| Information to produce posters with odds | 2,908 | 1,260 | 1,648 |
| Operating leases and other leasing | 2,348 | 2,688 | (340) |
| Installations, logistics and design | 2,251 | 1,880 | 371 |
| Third party providers (bet-related information and others) | 2,191 | 1,430 | 761 |
| Banking costs | 2,176 | 1,661 | 515 |
| Rent of stations | 359 | 374 | (15) |
| Partnerships, collaboration and others | 171 | 346 | (175) |
| Costs of research | 102 | 0 | 102 |
| Market research | 89 | 189 | (100) |
| Compensation of directors | 1,076 | 1,498 | (422) |
| Compensation of statutory auditors | 164 | 341 | (177) |
| Fee for Regulator and other committees | 152 | 239 | (87) |
| Others | 3,995 | 7,571 | (3,577) |
| Total | 654,911 | 666,390 | (11,479) |

In particular, the table shows:

- Costs of services related to Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms (totalling Euro 487,775 thousand compared to Euro 499,129 thousand in 2016). The decrease of Euro 11,354 thousand is mainly due to the reduction of wagers, the increase of PREU tax rate and the subsequent allocation of a lower net cash box to the different stakeholders of the Gaming Machines value-chain;
- Costs related to sports and horserace bets acceptance from points of sales amounted to Euro 67,481 thousand in 2017 (versus Euro 67,147 thousand in 2016);
- Costs associated with Virtual Events management, including remuneration of operator and cost of the platform, totalled Euro 15,758 thousand (compared to Euro 16,041 thousand in 2016);
- Costs of services related to Online games (online bets, skill and casino games, bingo, including remuneration of operator, cost of the platform and promotional expensed totalled Euro 13,641 thousand (versus Euro 10,661 thousand in 2016).

Several activities of research, development and innovation were carried out in 2017 for Euro 102 thousand subject to fiscal incentives, pursuant to Law 190/2014. In particular, following the certification by an auditor, an R&D tax credit of Euro 123 thousand was recognised (to be claimed only by F24 model submission). All activities were related to the project (and sub-projects) labelled “Digital Transformation v/s Robotic Process Automation –2017”.

“Others” item mainly comprises surveillance and money transfer services, cleaning services, postal and shipping expenses, costs for waste disposal and costs for the management of company vehicles.

9 COSTS OF PERSONNEL

Costs of personnel in 2017, totalled Euro 51,311 thousand compared with Euro 59,311 thousand in 2016, with a decrease of Euro 8,000 thousand due primarily to: (i) the sale of business units, in the context outsourcing points of sales directly owned by SNAI Rete Italia S.r.l.; (ii) benefits arising from the reduction of operating costs following the merger with the Cogemat Group (now Snaitech); redundancy program, which allowed to use the Wage Guaranteed Fund and a voluntary redundancy scheme.

| <i>Figures in thousand/Euro</i> | Full Year | | |
|--|---------------|---------------|----------------|
| | 2017 | 2016 | Change |
| Wages and salaries | 36,023 | 40,796 | (4,773) |
| Social security costs | 10,698 | 12,139 | (1,441) |
| Cost related to Defined benefit/Defined contribution schemes | 2,264 | 2,512 | (248) |
| Personnel training costs | 208 | 135 | 73 |
| Expense reimbursement to employees | 864 | 894 | (30) |
| Meal allowances | 860 | 970 | (110) |
| Share-based remuneration | 120 | 0 | 120 |
| Others | 274 | 1,865 | (1,591) |
| Total | 51,311 | 59,311 | (8,000) |

The item “Cost related to Defined benefit/Defined contribution schemes” includes also the impact arising from the actuarial re-measurement of the Employee Termination Indemnities (TFR) in accordance with the former IAS 19.

The table below shows a breakdown by employees grading as of December 31, 2017. The reduction by 283 employees from year-end 2016 was mainly due to the outsourcing of the points of sales directly owned by SNAI Rete Italia S.r.l. along with the downsizing of Snaitech S.p.A. corporate structure and the redundancy program, which induced voluntary leaving of employees.

| | 31.12.16 | Increases for the period | Of which related to career progression | Decreases for the period | Of which related to career progression | 31.12.17 | Average number in period |
|-------------------------------|--------------|--------------------------------|---|--------------------------------|---|------------|--------------------------------|
| Executives | 28 | 1 | 1 | (3) | - | 27 | 28 |
| Employees and middle managers | 1,049 | 77 | 2 | (351) | (1) | 776 | 909 |
| Workers | 54 | - | - | (7) | (2) | 45 | 49 |
| Total employees | 1,131 | 78 | 3 | (361) | (3) | 848 | 986 |

9.1 Incentive schemes

On March 13, 2017, the Shareholders Meeting approved two incentive plans applicable to the Managing Director and other executives of the Snaitech Group, thus conferring to the Board of directors all the broadest powers for the management and implementation of the above-mentioned plans.

The incentive plan proposals (phantom stock option) envisage, in favour of the Chief Executive Officer, General Manager and certain executives with key responsibilities of the Company and subsidiaries, a cash bonus equal to a given percentage of the company value (up to 4% for both plans). Furthermore, the incentive plan for certain executives with key responsibilities (“Phantom Stock Option 2017-2019”) subordinates the potential benefits to the achievement of specific performance targets.

Both incentive plans for the Chief Executive Officer and certain executives are however subordinated to a “change of control” event following the sale of the Company at a share price substantially higher than current Snaitech share price.

Therefore, the incentive plan for the Chief Executive Officer and each selected executive is mainly related to the achievement of the Company targets, as it is strictly connected to increase the company value in the context of change of control transaction, with the aim to align shareholders interest with transaction beneficiaries.

The incentive plan for the Chief Executive Officer and General Manager is effective from March 13, 2017. With reference to the incentive plan for certain executives, in order to grant an increased level of retention, the payment of the incentive should occur after 12 months from the change of control date as long as the managers are still employed with the Company. On August 5, 2017 30, several executives were awarded with incentives.

9.1.1 Incentive scheme for the Managing Director and General Manager

The scheme provides for the attribution to the Managing Director and General Manager of a cash bonus equal to a given percentage of the Company value, measured on the basis of the share price at the time of the change in control of the Company, according to different and growing threshold levels based on change of control date.

In particular, the incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

| Incentive Scheme | Date of change of control | | | Incentive amount (in % based on the Snaitech value) |
|------------------|---------------------------|---------------|-------------------|---|
| | By 31.03.2018 | By 31.03.2019 | Beyond 31.03.2019 | |
| Share price | ≤ Euro 2.10 | ≤ Euro 2.31 | ≤ Euro 2.43 | 0.0% |
| | = Euro 2.25 | = Euro 2.48 | = Euro 2.60 | 0.5% |
| | = Euro 2.40 | = Euro 2.64 | = Euro 2.77 | 1.0% |
| | = Euro 2.55 | = Euro 2.81 | = Euro 2.95 | 1.5% |
| | > Euro 2.70 | > Euro 2.97 | > Euro 3.12 | 2.0% |

The plan has been accounted according to IFRS 2 (Share-based payments).

As per IFRS 2, such plans are part of the remuneration of the relevant beneficiary. The cost of such schemes is represented by the fair value and is accounted on the Consolidated Statement of Comprehensive Income below the item “Cost of personnel” in the period between the assignment and vesting. The debit entry is recorded at fair value and is assessed at the end of each accounting period.

In particular, the scheme has been assessed cash-settled.

Measurement model

The measurement of the total fair value of the scheme was carried out based on the financial market conditions at the measurement time. The estimate was carried out using the stochastic simulation with the Monte Carlo Method which, based on specific assumptions, allowed to generate of a significant number of alternative scenarios within the time interval taken into consideration.

The Fair Value of the benefits assigned and subject to measurement, based on the assumption to achieve a change of control, amounted to Euro 652 thousand, of which Euro 99 thousand recognised in the Income Statement of 2017.

9.1.2 Incentive scheme for the Executives

The scheme provides for the attribution to Executives of the Company (or its subsidiaries) up to 3,768,546 options, which confer the right to receive cash bonus subject to specific conditions.

The scheme has three-year maturity and is divided into three subsequent periods. The options to be measured fall within the first period for 1,256,182, would be vested subject the achievement of target EBITDA for the period ending on December 31, 2017 and would be exercisable in the event of a change of control (as long as the Executive is still employed). The incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

| Incentive Scheme | Change of control within 31.03.2018 | Incentive amount (in % based on the Snaitech value) | Change of control between 1.04.2018 and 31.03.2019 | Incentive amount (in % based on the Snaitech value) | Change of control after 31.03.2019 | Incentive amount (in % based on the Snaitech value) |
|---|-------------------------------------|---|--|---|------------------------------------|---|
| Value of Liquidity event (per share) | ≤ Euro 2.30 | 0.00% | ≤ Euro 2.53 | 0.00% | ≤ Euro 2.66 | 0.00% |
| | = Euro 2.45 | 0.33% | = Euro 2.70 | 0.42% | = Euro 2.83 | 0.5% |
| | = Euro 2.60 | 0.67% | = Euro 2.86 | 0.83% | = Euro 3.00 | 1.0% |
| | = Euro 2.75 | 1.00% | = Euro 3.03 | 1.25% | = Euro 3.18 | 1.5% |
| | > Euro 2.90 | 1.33% | > Euro 3.19 | 1.67% | > Euro 3.35 | 2.00% |

Snaitech capitalization is meant as the product of the share price and the number of share issued and outstanding at the change of control date.

Measurement model

The measurement of the total fair value of the scheme was carried out based on the financial market conditions at the measurement time. The estimate was carried out using the stochastic simulation with the Monte Carlo Method which, based on specific assumptions, allowed to generate of a significant number of alternative scenarios within the time interval taken into consideration.

The Fair Value, under the assumption of change of control, equals Euro 254 thousand, of which Euro 21 thousand recorded on the Income statement of 2017.

10 OTHER OPERATING COSTS

Other operating costs totalled Euro 50,719 thousand in 2017 (versus Euro 54,779 thousand in 2016).

| <i>Figures in thousand/Euro</i> | Full Year | | |
|---|---------------|---------------|----------------|
| | 2017 | 2016 | Change |
| Concessions and licenses fees | 29,149 | 29,903 | (754) |
| Expenses related to bad or doubtful credits | 7,547 | 7,214 | 333 |
| Use/Release of provisions for bad or doubtful credits | 0 | (509) | 509 |
| Non deductible VAT | 5,525 | 4,888 | 637 |
| Losses on credits | 1,980 | 1,177 | 803 |
| Additional charged to related ADM agreements | 1,499 | 0 | 1,499 |
| Other taxes | 1,045 | 930 | 115 |
| IMU (real estate tax) | 979 | 1,061 | (82) |
| Expenses related to risks and charges | 931 | 1,215 | (284) |
| Release of provisions for technological renewal | (1,595) | (632) | (963) |
| Losses from lawsuits | 914 | 5,825 | (4,911) |
| Stationery, consumables and promotional materials | 565 | 725 | (160) |
| Losses on assets disposal | 327 | 657 | (330) |
| Membership fees | 301 | 313 | (12) |
| Costs of Environmental and health controls | 196 | 216 | (20) |
| Administration sanctions | 175 | 129 | 46 |
| Entertainment expenses | 156 | 181 | (25) |
| Other administrative and operating costs | 1,025 | 1,486 | (461) |
| Total | 50,719 | 54,779 | (4,060) |

“Concessions and licence fees” item includes, among other things:

- Concession fee for Gaming Machines for a total amount of Euro 21,449 thousand determined as 0.30% of wagers and paid to ADM on a bimonthly basis;
- Concession fees related to rights awarded through the 2006 tender (Bersani rights), 2008 tender (Giorgetti rights) and 2012 tender (Monti rights) and al equal to an overall amount of Euro 5,988 thousand;
- Concession fee related to the Online segment for a total amount of Euro 901 thousand;
- Television licence fees for a total of Euro 241 thousand.

In 2017, expenses related to bad or doubtful debts were set at Euro 7,547 thousand in order to realign their measurement with their recovery value. Such receivables arose in prior fiscal years in relation to the Group's core business and experienced difficulties with regard to their collection.

"Non-deductible VAT" item is equal to Euro 5,525 thousand and arises mainly from different types of transactions executed by Snaitech S.p.A.. Such transactions originate VAT taxable and non-taxable revenues with subsequent impact on non-deductible VAT payable on purchases.

"Additional charges related to ADM agreements" item includes Euro 1,207 thousand claimed by ADM in 2017 on expired VLT tickets for the period between October 2010 and March 19, 2013.

In 2017, expenses related to risks were set at Euro 931 thousand to reflect several technological upgrades as allowed by the concession agreement for Gaming Machines pursuant to art. 110, par. 6, of the T.U.L.P.S. and the R.D. n. 773 of June 18, 1931 and subsequent amendments. In the third quarter of 2017, the provision for technological renewal, set in accordance with the concession, was released, under the authorization of ADM, for Euro 1,595 thousand.

11 CAPITALISED COSTS

In 2017, capital costs of Euro 765 thousand (compared to Euro 1,825 thousand of 2016) related to projects of in-house software development.

12 AMORTISATION AND DEPRECIATION

Amortisation and depreciation totalled Euro 50,553 thousand in 2017 (compared to Euro 57,400 thousand in 2016) and are detailed as follows:

| <i>Figures in thousand/Euro</i> | Full Year | | |
|---|------------------|---------------|----------------|
| | 2017 | 2016 | Change |
| Amortisation of intangible assets | 30,176 | 34,233 | (4,057) |
| Depreciation of property, plant and equipment | 19,611 | 22,514 | (2,903) |
| Depreciations | 746 | 653 | 93 |
| Total | 50,533 | 57,400 | (6,867) |

Further information on amortisation and depreciation please see Notes 15 and 16 on "Property, plan and equipment" and Intangible assets".

13 FINANCIAL INCOME AND COSTS

In 2017, net financial costs amounted to Euro 40,518 thousand, down by Euro 45,849 thousand from 2016, as detailed below:

| <i>Figures in thousand/Euro</i> | 2017 | Full Year 2016 | Change |
|--|-----------------|-------------------|-----------------|
| Gains and expenses from shareholdings | | | |
| Revaluation/(write off) of Alfea S.p.A. | 0 | 23 | (23) |
| Revaluation/(write off) of Hippogroup Roma Capannelle S.r.l. | (641) | 2 | (643) |
| Revaluation/(write off) of Solar S.A. | 55 | (17) | 72 |
| Revaluation/(write off) of Obiettivo 2016 | 0 | (4) | 4 |
| | (586) | 4 | (590) |
| Financial income | | | |
| Foreign exchange gains | 14 | 20 | (6) |
| Interest on cash and cash equivalent | 357 | 506 | (149) |
| Other financial income | 413 | 160 | 253 |
| | 784 | 686 | 98 |
| Financial costs | | | |
| Interests on bonds | 37,881 | 71,659 | (33,778) |
| Other interest costs | 139 | 139 | 0 |
| Interest payable on bank loans | 16 | 0 | 16 |
| Interest payable on bank overdraft | 0 | 2 | (2) |
| Foreign exchange losses | 15 | 22 | (7) |
| Interest and ancillary charges on lease | 59 | 216 | (157) |
| Interest on employee termination indemnities (TFR) | 97 | 165 | (68) |
| Other financial costs | 2,509 | 14,854 | (12,345) |
| | 40,716 | 87,057 | (46,341) |
| Total financial income / (costs) | (40,518) | (86,367) | 45,849 |

Financial costs include the following:

- "Interest on bonds", subject to depreciation in accordance with effective interest rate method proposed by IAS 39, totalled Euro 37,881 thousand, of which Euro 2,270 thousand attributed to ancillary costs (see Note 28 for further details on bonds).
- "Other financial costs" for a total of Euro 2,509 thousand, which includes discounting of receivables due beyond one year (Euro 1,013 thousand), commitment fee (Euro 905 thousand) and arrangement fee (Euro 358 thousand) related to the new Euro 85 million revolving credit facility executed on October 26, 2016 (see Note 28 for further details on revolving facility).

14 INCOME TAX

Current income taxes, inclusive of IRES and IRAP on the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities for fiscal year 2017, presented a negative balance of Euro 14,566 thousand (compared to a negative figure of Euro 18,689 thousand in the previous year).

| <i>Figures in thousand/Euro</i> | Full Year | |
|--|---------------|-----------------|
| | 2017 | 2016 |
| IRAP | 3,349 | 3,213 |
| Charge related to Deferred tax liabilities | 4,802 | 4,751 |
| Reversal of Deferred tax liabilities | (1,102) | (2,218) |
| Deferred tax assets | (1,695) | (30,443) |
| Reversal of Deferred tax assets | 9,964 | 6,016 |
| IREs/IRAP from prior years | (752) | (8) |
| Total | 14,566 | (18,689) |

The table below shows the reconciliation between actual amount of IRES and IRAP arising from the Consolidated Financial Statements as of December 31, 2017 and the theoretical tax amount:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | | 31.12.2016 | |
|--|---------------|---------------|---------------|-----------------|
| Profit (loss) before tax | | 41,576 | | (35,643) |
| Theoretical IRES tax charge | 24.00% | 9,978 | 27.50% | (9,802) |
| Fines, penalties and other taxes | | 230 | | 272 |
| Impairment of shareholdings | | 141 | | 0 |
| Other permanent non-deductible costs | | 612 | | 15,269 |
| Recognition of Deferred tax assets from previous years carried forward | | 0 | | (26,178) |
| Other permanent tax deductions | | (432) | | (1,949) |
| Taxes from previous years | | (752) | | (8) |
| IRAP effect | | 2,129 | | (1,825) |
| Permanent differences for IRAP tax purposes | | 2,660 | | 5,532 |
| Actual tax expense | 35.03% | 14,566 | 52.43% | (18,689) |

For further information on fiscal effects see Note no. 18 "Deferred Taxes". The fiscal year 2012 is no longer subject to claim and/or assessment related to tax assets and liabilities.

See Note no. 29 on fiscal disputes.

NOTES ON MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
15 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as of December 31, 2017 amounted to Euro 132,367 thousand (compared to Euro 135,693 thousand as of December 31, 2016). Any changes are due to the combined effect of:

- Depreciation charged for the period of Euro 19,611 thousand;
- Additions of Euro 15,856 thousand plus additions via business combination of Euro 1,903 thousand;
- Disposals net of accumulated depreciation of Euro 728 thousand and re-measurements of the accumulated depreciations of Euro 746 thousand.

| <i>Figures in thousand/Euro</i> | Land and buildings | Plant and equipment | Industrial and commercial fixtures | Other assets | Capital WIP | Total |
|---------------------------------|---------------------------|----------------------------|---|---------------------|--------------------|--------------|
|---------------------------------|---------------------------|----------------------------|---|---------------------|--------------------|--------------|

Cost

| | | | | | | |
|------------------------------------|----------------|----------------|--------------|---------------|-----------|----------------|
| At December 31, 2015 | 146,630 | 216,895 | 8,684 | 43,728 | 59 | 415,996 |
| Re-measurements | 0 | 1,373 | (1,146) | (225) | 0 | 2 |
| Additions | 855 | 10,151 | 51 | 343 | 0 | 11,400 |
| Deletions | 0 | (12,623) | (562) | (12,753) | (59) | (25,997) |
| At December 31, 2016 | 147,485 | 215,796 | 7,027 | 31,093 | 0 | 401,401 |
| Additions via business combination | | 1,865 | | 38 | | 1,903 |
| Re-measurements | 30 | 313 | 1,866 | (1,932) | | 277 |
| Additions | 937 | 13,394 | 147 | 1,364 | 14 | 15,856 |
| Deletions | (13) | (6,291) | (50) | (2,185) | | (8,539) |
| At December 31, 2017 | 148,439 | 225,077 | 8,990 | 28,378 | 14 | 410,898 |

Accumulated depreciation

| | | | | | | |
|-----------------------------|---------------|----------------|--------------|---------------|----------|----------------|
| At December 31, 2015 | 40,096 | 182,863 | 8,100 | 36,962 | 0 | 268,021 |
| Charge for the period | 3,218 | 16,785 | 73 | 2,438 | | 22,514 |
| Depreciations | 0 | 97 | 0 | 81 | | 178 |
| Deletions | 0 | (12,397) | (2) | (12,606) | | (25,005) |
| Re-measurements | 0 | 2,348 | (1,351) | (997) | | 0 |
| At December 31, 2016 | 43,314 | 189,696 | 6,820 | 25,878 | 0 | 265,708 |
| Charge for the period | 3,210 | 14,716 | 85 | 1,600 | | 19,611 |
| Depreciations | 81 | 665 | 0 | 0 | | 746 |
| Deletions | 0 | (5,697) | (45) | (2,069) | | (7,811) |
| Re-measurements | 29 | 318 | 1,818 | (1,888) | | 277 |
| At December 31, 2017 | 46,634 | 199,698 | 8,678 | 23,521 | | 278,531 |

Net book value

| | | | | | | |
|----------------------|---------|--------|-----|-------|----|---------|
| At December 31, 2015 | 106,534 | 34,032 | 584 | 6,766 | 59 | 147,975 |
| At December 31, 2016 | 104,171 | 26,100 | 207 | 5,215 | 0 | 135,693 |
| At December 31, 2017 | 101,805 | 25,379 | 312 | 4,857 | 14 | 132,367 |

"Plant and equipment" includes electrical systems, water supply systems, fire prevention and air conditioning systems, as well as any work carried out to comply with safety regulations, electronic equipment and networking technology.

"Additions via business combination" is equal to Euro 1,903 thousand and relates to the acquisition of business units, executed in 2017, and devoted to money change machines and AWP, motherboards and other assets (see Note 4 for further information).

Increases as of December 31, 2017 of Euro 15,856 thousand mainly relate to the following:

- “Land and Building” totalling Euro 937 thousand and composed as follows: Euro 894 thousand to consolidation activities and structural improvement of racetracks and Euro 43 thousand mainly due to remediation works;
- “Plant and equipment” totalling Euro 13,394 thousand and composed as follows: Euro 12,331 thousand for the free-lease technology provided to the points of sales, including AWP; Euro 144 thousand for electro thermal and electrical systems; Euro 219 thousand for radio links; Euro 65 thousand producer systems; for Euro 13 thousand for projectors and Euro 622 thousand for the acquisition cost of capital goods (server, printers, PCs and monitors);
- “Other assets” amounting to Euro 1,364 and composed as follows: Euro 704 thousand for free-lease furnishing and fittings provided free the points of sales (including those ones directly owned), Euro 211 thousand for head offices furnishing, Euro 449 thousand for leasehold improvements.

No financial expenses have been capitalized since the Snaitech Group does not have qualifying assets, as defined under IAS 23.

Financial lease agreements

Snaitech S.p.A. has entered into several lease agreements, related to certain plants, machinery and equipment, with different expiries until December 31, 2021. These agreements include redemption and/or option to purchase.

The following table shows the outstanding commitments for future minimum lease payments under lease agreements:

Figures in thousand/Euro

| | |
|--|-----|
| Total outstanding commitments as of 31.12.2017 | 298 |
| of which | |
| Within one year | 125 |
| In the second to fifth years inclusive | 173 |
| After 5 years | 0 |
| Option to purchase | 0 |

The remaining payments related to operating leases do not present significant amounts.

16 INTANGIBLE ASSETS

Intangible assets as of December 31, 2017, amounted to Euro 426,619 thousand (compared to Euro 447,392 thousand as of December 31, 2016) and changes were mainly due to the combined effect of:

- Amortisation charged for the period of Euro 30,176 thousand;
- Additions of Euro 5,848 thousand plus additions via business combination of Euro 3,555 thousand.

| | Goodwill | Concessions, licenses, brands and similar rights | Industrial patent rights and intellectual property | Other | Capital WIP | Total |
|------------------------------------|----------------|--|--|---------------|--------------|----------------|
| <i>Figures in thousand/Euro</i> | | | | | | |
| Cost | | | | | | |
| At December 31, 2015 | 306,546 | 361,383 | 25,440 | 70,126 | 388 | 763,883 |
| Re-measurements | | 11 | (4,330) | 4,330 | (196) | (185) |
| Additions | | 5,707 | 925 | 3,178 | 642 | 10,452 |
| Deletions | | - | (1,836) | (3) | (16) | (1,855) |
| At December 31, 2016 | 306,546 | 367,101 | 20,199 | 77,631 | 818 | 772,295 |
| Additions via business combination | 3,555 | | | | | 3,555 |
| Additions | | 3,144 | 168 | 1,874 | 662 | 5,848 |
| Deletions | 0 | 0 | (5) | 0 | 0 | (5) |
| At December 31, 2017 | 310,101 | 370,245 | 20,362 | 79,505 | 1,480 | 781,693 |

Accumulated depreciation

| | | | | | | |
|-----------------------------|-----------|----------------|---------------|---------------|----------|----------------|
| At December 31, 2015 | 74 | 253,478 | 20,872 | 17,762 | 0 | 292,186 |
| Charge for the period | 0 | 27,140 | 1,349 | 5,744 | | 34,233 |
| Impairments | | 475 | 0 | 0 | | 475 |
| Deletions | | 0 | (1,835) | (2) | | (1,837) |
| Re-measurements | | 0 | (3,178) | 3,024 | | (154) |
| At December 31, 2016 | 74 | 281,093 | 17,208 | 26,528 | 0 | 324,903 |
| Charge for the period | 0 | 23,260 | 1,059 | 5,857 | | 30,176 |
| Deletions | 0 | 0 | (5) | 0 | | (5) |
| At December 31, 2017 | 74 | 304,353 | 18,262 | 32,385 | 0 | 355,074 |
| Net book value | | | | | | |
| At December 31, 2015 | 306,472 | 107,905 | 4,568 | 52,364 | 388 | 471,697 |
| At December 31, 2016 | 306,472 | 86,008 | 2,991 | 51,103 | 818 | 447,392 |
| At December 31, 2017 | 310,027 | 65,892 | 2,100 | 47,120 | 1,480 | 426,619 |

No financial expenses have been capitalized since the Snaitech Group does not have qualifying assets, as defined under IAS 23.

“Additions via business combination” is equal to Euro 3,555 thousand and relates to the acquisition of the business units (see Note 4 for further information).

Additions of Euro 5,848 thousand relate primarily to the following items:

- “Concessions, licenses, brands and similar rights”, amounting to Euro 3,144 thousand, of which Euro 1,500 thousand for the purchase of 100 VLT licenses and Euro 1,644 thousand for the issuing of the AWP paper-based authorisation form (AKA “nullaosta”);
- “Other”, totalling Euro 1,874 thousand, including Euro 818 thousand for the development of paymat, AWP portal and smart solution platform, Euro 284 thousand on VLT platform compliance, Euro 400 thousand related to financial management software, Euro 200 thousand related to bonuses finalized to exclusive agreements of VLT arcades, Euro 160 thousand for operation, logistic and CRM software development, Euro 12 thousand for development of portals.
- “Capital WIP”, amounting to Euro 662 thousand includes: Euro 407 thousand for in-house software, Euro 176 thousand for development of other software and Euro 79 thousand for development costs of the former Trotto area.
- “Industrial patent right and intellectual property” totalled Euro 168 thousand related to licenses of in-house developed software.

Goodwill amounted to Euro 310,027 thousand and was allocated to the following cash-generating units (CGU):

- Euro 11,137 thousand provided by SNAI Servizi Gioco S.r.l. allocated to CGU “Services”.
- Euro 443 thousand provided by Teleippica S.r.l. referred to the CGU “Broadcasting”.
- Euro 149,779 thousand to the CGU “Gaming machines”. CGU is represented by activities related to the concessions for gaming machines (AWP and VLT) and any related activities, management of the points of sales directly owned; the increase of Euro 3,555 thousand compared to December 31, 2016 was due to the acquisition of business units (see Note no. 4).
- Euro 78,918 thousand to the “Betting Retail” CGU. This CGU includes the activities related to the concessions for Sports Betting, Horserace Betting and Virtual Events played on retail channel and the management of the point of sales directly owned;
- Euro 69,750 thousand to the “Online” CGU. This CGU includes the activities related to the concession for Online games (Skill games, Casino and bingo) and Sports Betting, Horserace Betting and Virtual Events played on the online channel.

Following the merger by incorporation of Cogemat Group into Snaitech S.p.A., in December 2016 the segment information (as per Note no. 3) and the cash-generating units (CGU) were revised with the aim to reflect the new corporate structure and disclose results by business units, as usually adopted for the main stakeholders.

In detail, the Group describes the following CGUs, corresponding to each operating segment, including those that are not the object of a specific description:

- Gaming Machines
- Retail Betting
- Online
- Management of Horse Race racing tracks
- Services
- Broadcasting (former Television Services)

The highest allowed aggregation of CGU matches with the operating sectors classification, as envisaged by IFRS 8.

In accordance with international accounting standards, and in particular IAS 36, goodwill is subject to impairment testing on an annual basis. Where there is an indication of impairment, the Snaitech Group would account for it on the statement of financial position.

Such verification is based upon a comparison between the recoverable value of the CGUs for which the goodwill is recorded and the carrying amount of the same. In this particular case, the value used to determine the recoverable amount of the CGU, to which the goodwill allocated, is the value in use, estimated on the basis of expected cash flows discounted at an appropriate discount rate. In particular, the estimate of the value in use is made by discounting the operating financial flows of the CGUs at a rate equal to the Weighted Average Cost of Capital (WACC).

The analyses conducted to check the carrying amount of goodwill concerned the “Services” CGU, the “Broadcasting” CGU, the “Gaming Machines” CGU, the “Retail Betting” CGU and the “Online” CGU.

The cash flows for the 2018-2020 financial years of the above-mentioned CGUs were developed based on the 2018 Budget and the 2018-2020 Business Plan, approved by the Board of Directors of Snaitech S.p.A. on March 9, 2018. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2019), to which an annual growth rate (“g”) of 0.5% was applied. The terminal value of “Gaming Machines” and “Retail Betting” CGU also takes into account any disbursements necessary on a periodic basis to renew the concessions.

The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 7.4% for Gaming Machines, Retail Betting, Online and Services CGU and equal to 10.4% for Broadcasting CGU.

Moreover, the relevant parameters for estimates of value in use are shown hereunder:

| Relevant parameters for estimates of value in use | Gaming Machines | Retail Betting | Online | Services | Broadcasting |
|---|-----------------|----------------|--------|----------|--------------|
| WACC | 7.4% | 7.4% | 7.4% | 7.4% | 10.4% |
| WACC before tax | 10.0% | 9.8% | 10.0% | 10.0% | 13.8% |
| Annual growth rate (“g”) | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Wagers (CAGR 2017 - 2020) | -0.2% | 7.1% | 12.1% | 1.6% | - |

The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount. Sensitivity analyses were also conducted to assess the effects of change in certain significant parameters on the impairment test results.

In particular, we note that the excess of the value in use in the “Gaming Machines” CGU, compared to the carrying amount (including the goodwill), equal to Euro 210,4 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 1,54% of the PREU on VLT for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 5.1% of the annual discount rate; (iii) a final nominal growth rate of -3.3%; iv) a reduction of EBITDA by 26,6% for all periods.

As regards the “Retail Betting” CGU, the excess of the value in use compared to the carrying amount (including the goodwill attributed to it), equal to Euro 191,7 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 4.03% of sports payout for each year, compared to the

assumptions of the budget and other forecasts; (ii) increase of 9.9% of the annual discount rate; (iii) a final nominal growth rate of -8.1%; iv) a reduction in EBITDA by 42.8% for all periods.

As regards the “Online” CGU, the excess of the value in use compared to the carrying amount (including the goodwill attributed to it), equal to Euro 249,5 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 6.53% of sports payout for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 30.2% of the annual discount rate; (iii) a final nominal growth rate of -85.7%; iv) a reduction in EBITDA by 79.4% for all periods.

In relation to the “Services” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 14,9 million, becomes nil with an 8.7% increase in the discount rate and a reduction of EBITDA by 51.7%.

In relation to the “Broadcasting” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 8,5 million, becomes nil with 10.3% increase in the discount rate and a reduction of EBITDA by 43%.

With regard to the assessment of value in use of the CGUs above, the directors believe that there cannot reasonably be a change in the above key assumptions that could produce a recoverable amount of the unit below the its carrying amount.

Based upon the results of the impairment test, the Group has not applied any write-down to the above-mentioned value of goodwill, since no impairment was found.

17 INVESTMENTS

The Snaitech Group shareholdings are set forth in the following table:

| | Carrying amount at | | Percentage of ownership | |
|---|--------------------|--------------|-------------------------|------------|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| <i>Figures in thousand/Euro</i> | | | | |
| Associates and subsidiaries measured using the equity method | | | | |
| - Hippogroup Roma Capannelle S.p.A. | 0 | 1,038 | 0 | 27.78 |
| - Alfea S.p.A. | 1,477 | 1,477 | 30.70 | 30.70 |
| - Connex S.r.l. in liquidation | 0 | 0 | 25 | 25 |
| - Solar S.A. | 0 | 0 | 0 | 30 |
| - Teseo S.r.l. in liquidation | 0 | 0 | 0 | 100 |
| Total investments measured using the equity method | 1,477 | 2,515 | | |
| Other | | | | |
| - Lexorfin S.r.l. | 0 | 46 | 0 | 2.44 |
| - Hippogroup Roma Capannelle S.r.l. | 443 | 0 | 15.46 | 0.00 |
| Total other investments | 443 | 46 | | |

The Shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows “Hippogroup Roma Capannele S.r.l.”. Following the bond conversion, Snaitech S.p.A. owned a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannele S.r.l.. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 275 thousand equal to 15.46%. The participation was moved from investments in associates and subsidiaries to other financial participations.

On July 31, 2017 Snaitech S.p.A. sold the participation in its associate undertaking Solar S.A..

On July 31, 2017 the Shareholders’ meeting of Teseo S.r.l., in liquidation, approved the last financial statement as of July 31, 2017 and the distribution plan, which includes the attribution of a VAT receivable for

Euro 57 thousand to the sole shareholder Snaitech S.p.A. On October 12, 2017 Teso S.r.l. in liquidation was deleted from the company register.

The composition of the whole Group, and the consolidation methods used, are set forth in Schedule 1.

18 DEFERRED TAX

Deferred tax assets and tax were offset only when there was a legal enforceable right to set off, according to IAS 12. Deferred tax assets and liabilities for the Snaitech Group totalled a net amount of Euro 39,251 thousand of deferred tax asset (compared to Euro 51,288 thousand of deferred tax asset as of December 31, 2016). For greater clarity in terms of disclosure, the total amount of timing differences and tax loss carryforward is presented separately for deferred tax assets and liabilities in the tables below.

Similarly, the theoretical amount of deferred tax assets and liabilities, as well as the amounts presented in the consolidated financial statements, are shown separately.

18.1 Deferred tax assets

| Temporary differences | Amount | Rate | Maximum Tax asset allowed | Tax asset recognised | Reversal period |
|--|----------------|----------------------|---------------------------|----------------------|-----------------|
| Provisions for bad or doubtful debts taxed | 56,149 | 24.00% | 13,475 | 12,615 | 2018 onwards |
| Provisions for risks and charges | 13,375 | 24.00%-29.12%-28.82% | 3,881 | 3,881 | 2018 onwards |
| Provision for obsolete inventory | 240 | 24.00%-29.12%-28.82% | 69 | 69 | 2018 onwards |
| Book value versus taxable value of fixed and intangible assets | 7,161 | 24.00%-29.12%-28.82% | 1,849 | 1,849 | 2018 onwards |
| Non-deductible interest costs as per art. 96 of Tuir | 202,763 | 24.00% | 48,663 | 24,561 | 2018 onwards |
| Other temporary differences | 2,100 | 24.00%-29.12%-28.82% | 545 | 545 | 2018 onwards |
| Total | 281,788 | | 68,482 | 43,520 | |

| Loss carryforward | Amount | Rate | Maximum Tax asset allowed | Tax asset recognised | Expiry |
|---|----------------|--------|---------------------------|----------------------|--------------|
| Snaitech S.p.A. Consolidated Statements | | | | | |
| Year 2008 | 19,766 | 24.00% | 4,744 | 4,744 | Indefinitely |
| Year 2009 | 10,198 | 24.00% | 2,448 | 2,448 | Indefinitely |
| Year 2010 | 29,018 | 24.00% | 6,964 | 6,964 | Indefinitely |
| Year 2011 | 19,351 | 24.00% | 4,644 | 4,644 | Indefinitely |
| Year 2012 | 28,720 | 24.00% | 6,893 | 6,893 | Indefinitely |
| Year 2013 | 57,931 | 24.00% | 13,903 | 13,903 | Indefinitely |
| Year 2014 | 11,315 | 24.00% | 2,716 | 2,716 | Indefinitely |
| Year 2015 | 3,909 | 24.00% | 938 | 938 | Indefinitely |
| Year 2016 | 8,578 | 24.00% | 2,059 | 2,059 | Indefinitely |
| Year 2017 | 3,287 | 24.00% | 789 | 789 | Indefinitely |
| Total Loss carryforward of Snaitech S.p.A. Consolidated Statements | 192,073 | | 46,098 | 46,098 | |
| Snaitech S.p.A.* | | | | | |
| Limited use | 86,917 | 24.00% | 20,860 | 20,860 | Indefinitely |
| Fully usable | 25,013 | 24.00% | 6,003 | 6,003 | Indefinitely |
| Total Loss carryforward of Snaitech S.p.A. | 111,930 | | 26,863 | 26,863 | |
| SNAI Rete Italia S.r.l.** | | | | | |
| Limited use | 4,682 | 24.00% | 1,124 | - | Indefinitely |

| | | | |
|---|----------------|---------------|----------------|
| Total Loss carryforward of SNAI Rete Italia S.r.l. | 4,682 | 1,124 | - |
| Total Loss carryforward | 308,685 | 74,085 | 72,961 |
| Total deferred tax assets | | | 116,481 |

*Loss carryforward transferred to Snaitech S.p.A. following the merger with Cogemat Group in 2016

**Loss carryforward transferred to SNAI Rete Italia S.r.l. following the merger with Finscom in 2016

The following are the deferred tax assets movements during the current period:

| <i>Figures in thousand/Euro</i> | 31.12.2016 | Amount credited | Amount charged | 31.12.2017 |
|--|-------------------|------------------------|-----------------------|-------------------|
| Deferred tax assets | 124,758 | 1,709 | (9,986) | 116,481 |
| of which: | | | | |
| Provisions for bad or doubtful debts | 14,413 | 10 | (1,808) | 12,615 |
| Provisions for risks and charges | 8,514 | 0 | (4,633) | 3,881 |
| Provision for obsolete inventory | 57 | 12 | 0 | 69 |
| Book value versus taxable value of fixed and intangible assets | 1,412 | 709 | (272) | 1,849 |
| Non-deductible interest costs as per art. 96 of Tuir | 24,183 | 378 | 0 | 24,561 |
| Other temporary differences | 542 | 67 | (64) | 545 |
| Loss carryforward | 75,637 | 533 | (3,209) | 72,961 |

The Group has taken into account the following in order to measure the deferred tax assets:

1. The tax laws and their impact on temporary differences and benefits deriving from loss carryforward;
2. Taxable income of each undertaking estimated in the medium-long term and economic/tax impacts. Projections of the Group business plan have been used on this purpose.

Precisely, on December 31, 2017, directors of the parent Company recognised deferred tax assets arising from temporary differences and loss carryforward, except as hereinafter set forth. The above-mentioned recognition is based on the business plan projections of future positive results.

It should be noted that the deferred tax assets arising from loss carryforward of Snaitech S.p.A. Consolidated Financial Statements totalled Euro 46,098 thousand, while the loss carryforward amount of Snaitech S.p.A. stand-alone, resulting from the merger by incorporation of the undertakings of Cogemat/Cogetech Group and therefore non recognisable in Consolidated Financial Statements, amounted to Euro 26,863 thousand.

It should be noted that, concerning the non-deductible interest costs as per art. 96 of DPR 917/1986, deferred tax assets have been recognised for a total amount of Euro 24,561 thousand (given a maximum tax asset allowed of Euro 48,663 thousand). In particular, with regards to Snaitech S.p.A., in 2013 and 2014 deferred tax assets were recognised respectively for Euro 9,658 thousand and Euro 2,652 thousand (given maximum tax asset allowed respectively of Euro 10,875 thousand and Euro 6,230 thousand). No deferred tax assets were instead recognised in 2015, 2016 and 2017 (given a maximum tax asset allowed of Euro 19,188 thousand).

Finally, it should be noted that, with reference to the subsidiary SNAI Rete Italia S.r.l., no deferred tax assets related to temporary differences were recognised as a consequence of merger by incorporation of Finscom S.r.l., given a maximum tax asset allowed of Euro 2,104 thousand. In particular, no deferred tax assets were recognised on: loss carryforward (given a maximum tax asset allowed of Euro 1,124 thousand); non-deductible interest costs as per art. 96 of DPR 917/1986 (given a maximum tax asset allowed of Euro 119 thousand); provisions for bad or doubtful debts (given a maximum tax asset allowed of Euro 861 thousand).

18.2 Deferred tax liabilities

| Temporary differences | Amount | Rate | Maximum Tax liability allowed | Tax liability recognised |
|--|------------------|---------------------------|-------------------------------|--------------------------|
| Tax depreciation of goodwill | (12,294) | 24.00%- 29.12%- 28.82% | (3,390) | (3,390) |
| Tax depreciation of goodwill arising from business units | (179,669) | 24.00%- 29.12% | (51,241) | (51,241) |
| Depreciation of distribution network | (40,285) | 24.00%- 29.12% | (11,240) | (11,240) |
| Book value versus taxable value of fixed assets | (38,949) | 24.00%- 29.12% | (11,332) | (11,332) |
| Other temporary differences | (111) | 24.00% | (27) | (27) |
| Total deferred tax liabilities | (271,308) | | (77,230) | (77,230) |

The following are the deferred tax liabilities movements during the current period:

| <i>Figures in thousand/Euro</i> | 31.12.2016 | Amount credited | Amount charged | 31.12.2017 |
|--|------------|-----------------|----------------|------------|
| Deferred tax liabilities | 73,470 | 4,862 | (1,102) | 77,230 |
| Of which: | | | | |
| Tax depreciation of goodwill | 3,265 | 125 | 0 | 3,390 |
| Tax depreciation of goodwill arising from business units | 46,568 | 4,673 | 0 | 51,241 |
| Depreciation of distribution network | 12,115 | 0 | (875) | 11,240 |
| Book value versus taxable value of fixed assets | 11,484 | 64 | (216) | 11,332 |
| Other temporary differences | 38 | 0 | (11) | 27 |

Directors of Snaitech S.p.A. have decided, in accordance with IAS 12, to recognise the deferred tax liabilities generated by all of the temporary differences. In particular, the business units acquired, considered as business combination, were accounted according to IFRS 3. Therefore, Snaitech S.p.A. accounted for the relevant assets and liabilities on the acquisition date at fair value and subsequently recognised goodwill in accordance with the acquisition method above-mentioned. Goodwill is not subject to depreciation and is annually assessed to determine any possible impairment: tax depreciation is governed by art. 103, par. 3 of DPR 917/1986, which rules deferred taxes liabilities.

Depreciation of distribution network equals to Euro 40,285 thousand (given a maximum tax liability allowed of Euro 11,240 thousand) and results from the merger by incorporation into Snaitech S.p.A. of the undertakings of the Cogemat/Cogetech Group. In particular, once accounted for the relevant assets and liabilities of the absorbed undertaking at fair value, a portion of the difference between purchase cost (made up by the share capital increase carried out by Snaitech S.p.A.) and transferred shareholders' equity was allocated, based on fair value, to the distribution network of the Cogemat/Cogetech group.

Difference between book value and taxable value of fixed assets totalled Euro 38,949 thousand (given a maximum tax liability allowed of Euro 11,332 thousand) and relates mainly to the real estate properties (former Trenno) in Milan - San Siro - and Montecatini (Euro 37,080 thousand, given a maximum tax liability allowed of Euro 10,798 thousand) as well as land and buildings (former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,290 thousand, given a maximum tax liability allowed of Euro 376 thousand).

19 INVENTORIES

Inventories increased by Euro 6 thousand when compared to December 31, 2016 level. The breakdown is shown below:

| <i>Figures in thousand/Euro</i> | 31.12. 2017 | 31.12 2016 | Change |
|---------------------------------|--------------------|-------------------|---------------|
| Raw materials | 0 | 1 | (1) |
| Semi-finished products | 0 | 0 | 0 |
| Finished products/goods | 205 | 198 | 7 |
| Total inventory | 205 | 199 | 6 |

The value of inventories is net of any provision, which amounts to Euro 240 thousand as of December 31, 2017 (Euro 200 thousand as of December 31, 2016).

20 TRADE RECEIVABLES (CURRENT AND NON-CURRENT)

A breakdown of non-current trade receivables is provided in the table below:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|---------------|
| Non-current trade receivables | | | |
| - From clients | 7,028 | 1,400 | 5,628 |
| - Bills receivable | 1,594 | 914 | 680 |
| Total non-current trade receivables | 8,622 | 2,314 | 6,308 |

A breakdown of current trade receivables is provided in the table below:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|----------------|
| Trade receivables | | | |
| - From clients | 158,501 | 168,469 | (9,968) |
| - From foreign clients | 389 | 497 | (108) |
| - From MIPAAF | 2,413 | 2,799 | (386) |
| - From stables, jockeys and bookmakers | 589 | 433 | 156 |
| - From the Parent Company Global Games S.p.A. | 32 | 4 | 28 |
| - Bills receivables | 2,509 | 1,222 | 1,287 |
| - Provisions for bad or doubtful debts | (51,136) | (58,876) | 7,740 |
| Total trade receivables | 113,297 | 114,548 | (1,251) |

Trade receivables from clients reflect balances as of December 31, 2017 from Betting and Gaming Machines operators net of their remunerations. The reduction is mainly due to the re-profiling of payment deadlines (beyond 12 months) for some clients and to the optimisation of the credit policies implemented. As regards the receivables from those clients arising by the Stability Law and related to the benefit reduction, it is hereby noted that the missing payment from those clients to the Group, which should have collected and paid ADM, forced the Group itself to miss the deadline of October 31, 2015 set forth by the same Stability Law. Based on the several opinions received, the Snaitech Group does not see any obligation arising from such missing payments and therefore believes that no credit risk exists in relation to the missing payments. On this bases, Snaitech S.p.A. has fully offset such receivables with those payables to ADM, previously included in the "Other liabilities".

Trade receivables from clients also include the receivables subject to legal action for an amount equal to Euro 39,911 thousand (versus Euro 51,941 thousand as of December 31, 2016).

Receivables from MIPAAF (former ASSI now merged into by the Ministry of Agriculture) amounted to Euro 2,413 thousand (compared to Euro 2,799 thousand as of December 31, 2016) and include:

- Euro 892 thousand receivables (1,278 thousand as of December 31, 2016) related to subsidies for television broadcasts provided in the second half of 2017, subsidies related to plant for November and December and subsidy balance for horseraces in 2017;
- Euro 1,521 thousand (Euro 1,521 thousand as of December 31, 2016) related to the agreement made by Teleippica S.r.l. to daily broadcast domestic and foreign horserace tracks and UNIRE BLU channel to point of sales “Ippica nazionale” and to provide other ancillary services.

Provisions for bad or doubtful debts were determined according to the amount of doubtful receivables, debtors' conditions, any guarantees provided to the Group, assessing the effective recovery of overdue receivables also given the legal opinions received on the dispute status. Based on the guarantees provided by debtors, Directors believe adequate the provisions to cover foreseeable future losses on receivables.

The following table shows the changes occurred in the provisions for bad or doubtful debts:

| <i>Figures in thousand/Euro</i> | |
|---------------------------------|----------|
| At January 1, 2016 | 72,651 |
| Charge for the period | 6,891 |
| Re-measurements | - |
| Reversal | (20,666) |
| At December 31, 2016 | 58,876 |
| Charge for the period | 7,161 |
| Re-measurements | |
| Reversal | (14,901) |
| At December 31, 2017 | 51,136 |

On December 31, 2017 trade receivables due and not impaired yet were the following:

| <i>Figures in thousand/Euro</i> | Total | Not expired -in bonis | Due and not impaired | | |
|---------------------------------|--------------|------------------------------|-----------------------------|--------------------|---------------------|
| | | | 0-90 days | 90-180 days | >180 days |
| Total 2017 | 113,297 | 85,542 | 12,821 | 1,437 | 13,497 |
| Total 2016 | 114,548 | 73,162 | 17,802 | 6,491 | 17,093 |

As disclosed on Note no. 10 “Other operating costs”, the expense related to provisions for bad or doubtful debt as of December 31, 2017 is equal to Euro 7,547 thousand, including Euro 7,161 thousand of impairment of trade receivables and Euro 386 thousand related to receivables from others (see Note no. 21).

21 OTHER ASSETS (CURRENT AND NON-CURRENT)

“Other non-current assets” included in the “Other non-financial assets” item is broken down as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|---------------|
| Other non-financial assets | | | |
| <i>Tax receivables:</i> | | | |
| - from tax authority on tax refunds | 46 | 46 | 0 |
| | 46 | 46 | 0 |
| <i>Receivables from others:</i> | | | |
| - security deposits | 1,026 | 1,170 | (144) |
| - other receivables | 401 | 0 | 401 |
| | 1,427 | 1,170 | 257 |
| Total Other non-financial assets | 1,473 | 1,216 | 257 |

“Other assets” included in “Current assets” sub-section, are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|----------------|
| Other current assets | | | |
| <i>Tax receivables:</i> | | | |
| - From tax authority on IRES | 1,865 | 2,518 | (653) |
| - From tax authority on IRAP | 536 | 175 | 361 |
| - From tax authority on VAT | 452 | 1,578 | (1,126) |
| - From tax authority on other receivables | 3,621 | 1,237 | 2,384 |
| | 6,474 | 5,508 | 966 |
| <i>Receivables from others:</i> | | | |
| - Security deposit related to Gaming Machines | 35,735 | 37,392 | (1,657) |
| - Advance payment of concession fee and other receivables from ADM | 2,184 | 2,137 | 47 |
| - Receivables related to undue payment of interest/sanctions on PREU | 2,114 | 2,114 | 0 |
| - Receivables from regulators on prior positions | 327 | 327 | 0 |
| - Receivable for the advance payment to ADM of the second instalment of Stability Law | 182 | 182 | 0 |
| - Security deposit related to Online Games (Skill/Bingo) | 124 | 131 | (7) |
| - Receivables related to Skill Games | 100 | 14 | 86 |
| - Receivables from ADM related to winnings on Betting Pool and national horse racing | 41 | 34 | 7 |
| - Receivables from Bluline digital payment portfolio | 226 | 226 | 0 |
| - Pension funds | 231 | 209 | 22 |
| - Other receivables | 3,701 | 4,030 | (329) |
| - Provision for bad or doubtful debts | (3,040) | (2,929) | (111) |
| | 41,925 | 43,867 | (1,942) |
| <i>Accrued income and deferred expenses</i> | | | |
| - Accrued income | 0 | 4 | (4) |
| - Deferred expenses | 4,566 | 3,947 | 619 |
| | 4,566 | 3,951 | 615 |
| Total Other current assets | 52,965 | 53,326 | (361) |

Other receivables from tax authority mainly relate to VAT credit from previous years for Euro 2,118 thousand and Euro 123 thousand of R&D tax credit related to the project labelled "Digital Transformation v/s Robotic Process Automation – 2017" (see Note no. 8).

The item "Security deposit related to Gaming Machines" of Euro 35,735 thousand (versus Euro 37,392 thousand as of December 31, 2016) relates to 0.5% on wagers collected from gaming machines (AWP and VLT), as described in greater detail in Note no. 5, "Revenues from sales and services". In May 2017, Snaitech S.p.A. received a payment of Euro 37,117 thousand related to security deposit for 2016.

The item "Advance payment of concession fees and other receivables from ADM" equals to Euro 2,184 thousand and refers to the fixed part of the concession fee (for Betting and Online) paid in advance to ADM for both semesters of 2017 and net of any amount for the relevant period (See Note no. 10 for further details).

The item "Other receivables" includes the escrow deposit of Euro 413 thousand, related to the payment made by SNAI Rete Italia S.r.l. in favour of SIS S.r.l., in liquidation, and functional to guarantee any potential liability that might occur, as envisaged by the agreement executed on July 18, 2016. It also includes: receivables from suppliers (Euro 745 thousand), credit from transfer of business units (Euro 472 thousand) and credit related to gaming account amounts due but not paid on bank accounts (Euro 979 thousand).

The following table shows the changes occurred in the provisions for bad or doubtful debts:

| <i>Figures in thousand/Euro</i> | |
|---------------------------------|--------------|
| At January 1, 2016 | 1,074 |
| Charge for the period | 322 |
| Re-measurements | 1,708 |
| Reversal | (175) |
| At December 31, 2016 | 2,929 |

| | |
|-----------------------------|--------------|
| Charge for the period | 386 |
| Reversal | (275) |
| At December 31, 2017 | 3,040 |

“Deferred expenses” item include:

- Euro 1,463 thousand (compared to Euro 1,183 thousand as of December 31, 2016) for advanced payments of guarantee fees and insurance premiums, mainly related to those guarantees provided under the concessions agreements;
- Euro 1,289 thousand (compared to Euro 1,649 thousand as of December 31, 2016) related to the arrangement fee on the senior revolving facility (see Note no. 28);
- Euro 1,814 thousand (compared to Euro 1,115 thousand as of December 31, 2016), primarily related to deferred costs of maintenance, assistance, lease payments and utilities.

22 FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Non-current financial assets totalled Euro 3,386 thousand (compared to Euro 2,009 thousand as of December 31, 2016) and relate to deposits paid under AWP agreements executed with operators.

The current financial assets consist of the following:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|---------------|
| Escrow accounts | 16,838 | 16,785 | 53 |
| Dedicated bank account | 131 | 72 | 59 |
| Società Fiorentina Corse Cavalli share exchange | 1 | 1 | 0 |
| Total Current financial assets | 16,970 | 16,858 | 112 |

Escrow accounts, totalling Euro 16,838 thousand, were opened by the parent Company to set-off the receivables from ADM due under “Di Maio” arbitral award and payables related to horserace bets collections due fortnight (the so-called “former ASSI fifteen-days payments”). Such escrow accounts are held pending ADM’s decisions following the judgement of the Milan Court of Appeal of November 21, 2013, which declared void the “Di Maio” arbitral award, issued on May 26, 2003.

Non-current financial assets, dedicated bank account, escrow accounts and restricted deposits were not included in the Net Financial Position (see Note no. 39).

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--------------------------------------|-------------------|-------------------|---------------|
| Bank accounts | 135,859 | 79,095 | 56,764 |
| Postal accounts | 1,164 | 2,016 | (852) |
| Cash | 568 | 1,226 | (658) |
| Net cash and cash equivalents | 137,591 | 82,337 | 55,254 |

The increase in cash and cash equivalents for Euro 55,254 thousand is mainly due to the positive operating performance achieved in 2017 and to changes in working capital (see Note no. 39 for further details).

24 SHAREHOLDERS' EQUITY

Shareholders' equity of the Group as of December 31, 2017 settled at Euro 145,589 thousand and includes a profit for the period of Euro 27,010 thousand.

In particular, the following items compose shareholders' equity:

Share capital

The allotted and fully paid share capital at December 31, 2017 of the parent company Snaitech S.p.A. amounted to Euro 97,982,245.40 (same level as of December 31, 2016), and is comprised of 188,427,395 ordinary shares (188,427,395 as of December 31, 2016).

Shareholders are entitled to receive dividend payments, where approved from time to time, and to exercise one voting right per share at the Shareholders' Meeting.

| | |
|--|-------------|
| Number of shares authorised | 188,427,395 |
| Number of shares allotted and fully paid | 188,427,395 |
| Nominal value per share (in Euro) | 0.52 |

All the shares issued are ordinary shares.

The subsidiary SNAI Rete Italia S.r.l. owns 70,624 shares of Snaitech S.p.A. for a nominal value of Euro 36,724.48.

Reserves

Share premium account

The share premium account amounts to Euro 56,950 thousand and was credited by Euro 102.6 million (deducted any ancillary costs net of any tax effect) on November 19, 2015, following the acquisition of the Cogemat group for Euro 140 million. In 2016, it was used for Euro 45,677 thousand to reduce a portion of loss for 2015.

Reserve for actuarial re-measurement in employee termination indemnities TFR (IAS 19)

The TFR reserve (in compliance with IAS 19) is considered as an item with negative value of Euro 958 thousand and relates to actuarial profit or loss.

Treasury shares

Treasury shares represent Snaitech S.p.A. shares owned by former Finscom S.r.l. (now merged into SNAI Rete Italia S.r.l.) and were purchased by Snaitech S.p.A. and SNAI Rete Italia S.r.l. at the time of the acquisition of Finscom S.r.l..

Retained earnings/loss carryforward

Retained earnings/loss carryforward amounted to Euro 35,284 thousand and included Euro 16,954 thousand for the period due to the loss for 2016.

Non-controlling interest

As of December 31, 2017, there are no non-controlling interests since the equity in subsidiaries is entirely attributable to Snaitech S.p.A. shareholders.

See par. B.8 of Directors' report for information on Reconciliation of the Profit (Loss) for 2017 and the Shareholder's Equity of the Group.

25 OTHER COMPREHENSIVE INCOME/(COST)

In 2017, items of the Statement of Comprehensive Income are equal to Euro 69 thousand and relate to the entry of actuarial re-measurements in Employee Termination Indemnities (TFR), whereas in 2016 amounted to Euro -161 thousand: Euro 17 thousand from the fair value valuation of the Eonia Funds sold on March 10, 2016 and Euro -178 thousand from actuarial re-measurements in Employee Termination Indemnities.

| <i>Figures in thousand/Euro</i> | Full Year | |
|---|------------------|--------------|
| | 2017 | 2016 |
| Financial assets Available-For-Sale (fair value) | 0 | 17 |
| | (a) | 0 |
| Actuarial re-measurements in defined benefit pension scheme: | | |
| Actuarial Gain (loss) | 91 | (245) |
| Tax on re-measurements | (22) | 67 |
| | (b) | 69 |
| Total comprehensive income (loss) for the period (a+b) | 69 | (178) |
| | | 69 |
| | | (161) |

26 EARNINGS PER SHARE

Basic earnings per share

As of December 31, 2017, the amounts were calculated by dividing the profit attributable to ordinary shareholders, equal to Euro 27,010 thousand (versus a loss of Euro 16,954 thousand as of December 31, 2016), by the weighted average number of ordinary shares, equal to 188,356,771 (same number as of December 31, 2016), outstanding in the period ending on December 31, 2017.

Amounts were calculated as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Earning/(loss) per ordinary share = Group Net profit for the year (a) | 27,010 | (16,954) |
| Weighted average number of ordinary shares /1,000 (b) | 188,357 | 188,357 |
| Basic earnings/(loss) per share (a/b) in unit of Euro | 0.14 | (0.09) |

Diluted earnings per share

Diluted earnings per share are equal to basic earnings per share, given that no financial instruments with potentially dilutive effects have been issued.

27 EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities as of December 31, 2017 amounted to Euro 6,762 thousand against Euro 8,089 thousand as of December 31, 2016.

Movements in the current period were as follows:

| <i>Figures in thousand/Euro</i> | |
|--|--------------|
| Balance as of 01.01.2017 | 8,089 |
| Other changes | (30) |
| Accruals | 119 |
| Utilizations | (1,422) |
| Financial expenses | 97 |
| <i>Experience actuarial loss/(gain)</i> | (90) |
| <i>Actuarial loss/(gain) arising from changes in demographic assumptions</i> | 0 |
| <i>Actuarial loss/(gain) arising from changes in financial assumptions</i> | (1) |
| Total actuarial loss/(gain) | (91) |
| Balance as of 31.12.2017 | 6,762 |

Employee termination indemnities are defined-benefit plans to be accounted for in accordance with IAS 19 – Employees benefits, applying the projected unit credit method, which sees each period of service as giving

rise to an additional unit of benefit entitlement and measures (using actuarial methods) each unit separately in building up the final obligation.

The main assumptions adopted are summarized in the following table:

Summary of technical bases – financial assumptions

Financial assumptions

| | |
|---|--------|
| Annual discount rate | |
| Snaitech S.p.A. and Teleippica S.r.l. | 1.30% |
| SNAI Rete Italia S.r.l. | 0.88% |
| Annual inflation rate | 1.50% |
| Growth Rate of employment termination indemnities (TFR) | 2.625% |
| Annual rate of salary increase | 1% |

Summary of technical basis – demographic assumptions

Demographic assumptions

| | |
|------------|---|
| Death | RG48 mortality tables published by the General Accounting Office of the State |
| Disability | INPS tables by age and gender |
| Retirement | 100% achievement of requirements of the General Compulsory Insurance (AGO) |

Table of annual frequency of turnover and advanced payment of termination indemnities

| Company | Advances | Turnover |
|-------------------------|----------|----------|
| Snaitech S.p.A. | 2.50% | 4.00% |
| Teleippica S.r.l. | 1.00% | 9.00% |
| SNAI Rete Italia S.r.l. | 3.50% | 8.00% |

The estimation of discount rate used for Snaitech S.p.A. and Teleippica S.r.l. relied on the iBoxx Eurozone Corporate AA duration 10+ index, while the iBoxx Eurozone Corporate AA 7-10 duration index was used for the subsidiary Snai Rete Italia S.r.l..

Duration was set equal to the average of employment for each company.

The sensitivity analysis for each actuarial assumption at year-end is given hereunder while highlighting the effects (in absolute terms), which would have occurred upon reasonable possible changes in actuarial assumptions on that date:

Sensitivity analysis of the main evaluation parameters as at 31.12.2017

Figures in thousands/Euro

| Change in assumptions | Balance |
|-------------------------|---------|
| +1% on turnover rate | 6,711 |
| -1% on turnover rate | 6,816 |
| +1/4% on inflation rate | 6,867 |
| -1/4% on inflation rate | 6,655 |
| +1/4% on discount rate | 6,597 |
| -1/4% on discount rate | 6,931 |

The average financial duration of the defined-benefit plans as at December 31, 2017 ranged from 8 to 13 years. The following table shows expected disbursements related to the plan:

Figures in thousand/Euro

| Years | Expected disbursements |
|-------|------------------------|
| 1 | 465 |
| 2 | 512 |
| 3 | 562 |
| 4 | 509 |
| 5 | 489 |

28 FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|---------------|
| Non-current financial liabilities | | | |
| Bond loan | 559,385 | 557,115 | 2,270 |
| Bank loans | 696 | 0 | 696 |
| Obligations under finance leases | 163 | 299 | (136) |
| Total non-current liabilities | 560,244 | 557,414 | 2,830 |
| Current financial liabilities | | | |
| Obligation under finance leases | 147 | 309 | (162) |
| Interest on bonds | 5,352 | 5,352 | 0 |
| Due to banks | 136 | 141 | (5) |
| Current portion of long-term loans | 479 | 0 | 479 |
| Due to point of sales and related to purchase of business units and Sports/Horserace betting concessions | 32 | 32 | 0 |
| Total current financial liabilities | 6,146 | 5,834 | 312 |

The financial liabilities include:

- Bonds issued on November 7, 2016 (described in the following paragraphs) are accounted with the amortised cost method for a total of Euro 559,385 thousand (notional value of Euro 570,000 thousand) net of any direct ancillary costs. Such ancillary costs included the transaction fees and the listing costs in addition to the original issue discount. The amount recognised in the Consolidated Income Statement as of December 31, 2017 was Euro 2,270 thousand.
- Bank loans in the item “non-current liabilities” and the current portion of long-term loans of Euro 1,175 thousand relate to a loan offered by Banca Popolare di Milano originally for Euro 1,450 thousand.
- Obligations under finance leases, totalling Euro 310 thousand, mainly relate to technology deployed in point of sales and to the disaster recovery plan, as described in greater detail in Note no. 15 “Property, plant and equipment”.

There are no non-current financial liabilities being due after 5 years.

Current bonds embed also early payment options. This type of option may be treated as embedded derivatives and as such, must be presented on a stand-alone basis in the financial statements unless it can be classified as “closely related” to the debt itself. The Company determined the fair value of such options on a stand-alone basis, which had no value as of December 31, 2017.

Finally, on May 11, 2017 Snaitech S.p.A. executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of Euro 1,450 thousand to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor (floored at 0%) plus a spread of 1.9% per annum.

A summary of bonds and credit facility of Euro 85,000 thousand (undrawn as of December 31, 2017) are shown in the following table:

| Bonds | Notional (000/ Euro) | Issue date | Term | Interest rate | Interest period | Maturity | Redemption | Debt as of 31.12.2017 |
|------------------------------------|----------------------|------------|---------|--|------------------|-----------|--|-----------------------|
| Senior Secured Notes | 320,000 | 7.11.2016 | 5 years | 6.375% | 6 months | 7.11.2021 | Bullet | 320,000 |
| Senior Secured Floating Rate Notes | 250,000 | 7.11.2016 | 5 years | 6% + Euribor (floor 0%) | 3 months | 7.11.2021 | Bullet | 250,000 |
| Senior Revolving Facility | 85,000 | 26.10.2016 | | 3.5% ⁽¹⁾ + Euribor (floor 0%) | 1, 3 or 6 months | 7.8.2021 | Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused. | - |
| Bank loan | 1,450 | 11.05.2017 | 3 years | 1.9% + Euribor (floor 0%) | 1 month | 31.5.2020 | Straight-line depreciation | 1,175 |
| Total | 656,450 | | | | | | | 571,175 |

(1) it can be reduced down to 2.75% depending on the value of the Total Net Leverage

Please refer to Note no. 39.1 for information on covenants.

29 PROVISIONS FOR RISKS AND CHARGES

The Snaitech Group is involved in proceedings before civil and administrative courts, and other legal actions related to the regular course of business. On the basis of the information currently available, and taking into the existing provisions for risks, the Group considers that such proceedings and actions will not result in any material adverse effects upon the Consolidated Financial Statements.

All the provisions were subject to a review and estimate by the Board of directors based on the information available at the date of preparation of these financial statements and supported by updated legal opinions from independent professionals. These provisions are believed, as a whole, to be adequate to the risks and charges that the Group is reasonably expected to effectively address.

As of December 31, 2017, the provisions for risks and charges amounted to Euro 13,711 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

| <i>Figures in thousand/Euro</i> | Provisions for technological renewal | Provisions for tax disputes, litigations, contractual risks and other | Total |
|---------------------------------|--------------------------------------|---|---------------|
| Balance as of 31.12.2016 | 2,297 | 27,874 | 30,171 |
| Accruals for the period | 931 | 870 | 1,801 |
| Reclassifications | | (2,940) | (2,940) |
| Releases for the period | (1,595) | (13,726) | (15,321) |
| Balance as of 31.12.2017 | 1,633 | 12,078 | 13,711 |

Provisions for technological renewal

The provision for technological renewals consists of periodical accruals for technological upgrading, as provided for by the concession agreement for the implementation of the Gaming Machines network, in accordance with Art. 110, par. 6, of the T.U.L.P.S., as per the R.D. no. 773 of June 18, 1931 as amended and supplemented. In the third quarter of 2017, the provision for technological renewal, set in accordance with the concession, was released, under the authorization of ADM, for Euro 1,595 thousand.

Provisions for tax disputes, litigations and contractual risks

The provision for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 12,078 thousand.

The accruals for the period, amounting to Euro 870 thousand, of which Euro 390 thousand related to employment lawsuits (employees, advisors etc.) and Euro 459 thousand related to other disputes. Furthermore, additional accrual of Euro 17 thousand related to AWP's disposal following the reduction imposed by law.

Releases amount to Euro 13,726 thousand, of which Euro 10,691 thousand related to settlement agreements on a civil dispute and employment lawsuits (including legal costs); Euro 1,359 thousand related to the expenses incurred with the sale of business units and the closure of shops of SNAI Rete Italia S.r.l.; Euro 492 thousand related to others employment lawsuits and civil disputes (former SIS) and Euro 1.184 to other releases.

Reclassification of Euro 2,940 refers to the tax assessment report – PVC for the period 2011-2012-2013 (for further information see Note no. 30).

The following section will provide a summary of the most significant proceedings. The following proceedings relates only to Snaitech S.p.A., following the merger by incorporation into Snaitech S.p.A. of the former Cogetech S.p.A., Cogetech Gaming S.r.l. and Cogemat S.p.A. For those proceedings started before the merger, the corporate name of SNAI has been kept although it refers exclusively to Snaitech S.p.A. only.

Administrative disputes**1) Ruling on reporting procedures and accounting-related judgement****a. Regularity of judicial accounts for the years 2004/2009**

The object of the judgement is the audit on the correct contents of the accounts submitted by concession holders of legal gaming through AWP's and VLT's.

In addition to the Ruling on reporting procedures, in 2012, the Accounting-related Judgement proceeding was initiated to verify the regularity of the accounts submitted by the concession holders, including Snaitech and Cogetech (merged by incorporation on November 1, 2016). The judgement, still pending before the Court of Auditors, concerns the alleged non-endorsement of judicial accounts for the years 2004/2009 (the endorsement is made by the Court of Auditors through the reporting subject, and consists in an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration).

In first instance, the Lazio Court of Auditors' Jurisdictional Section, with the respective decisions stated that the accounts-related judgement was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administrative liabilities.

Snaitech and Cogetech have both appealed the judgements rendered by the Court of Auditors.

The Appeal section of the Court of Auditors, with the respective judgements no. 304/2015 and 373/2015, cancelled the previous objected decisions deeming that the case could not be concluded with an accounting-related judgement indicating the impossibility of bringing further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the Section of Appeal of the Court of Auditors, with appropriate judgement, ordered the Lazio Regional Section to review the audit in order to reach a final decision whether to discharge or not from the accounts the items that were not equivalent (the related amount is unavailable). Upon order of the Section of Appeal of the Court, all documents related to judicial reporting, already returned to ADM, were retransmitted to the Lazio Regional Section.

The appeals being exhausted, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the Public Prosecutor.

For this reason, the risk of a negative outcome, already deemed as remote by the respective concession holders' legal advisers, can be described as clearly remote, at the moment. In keeping with that conclusion, the Directors have recognised a provision only for the estimated legal costs of the technical defence.

b. Judgement on merit of judicial accounts for the years 2013/2014

ADM notified Snaitech on July 12, 2017 with the communication issued by the chairmen of the Court of Auditors – Lazio jurisdiction – which set the hearing on the competent section to assess the judicial accounts for the years 2013/2014 of the Company, following the disagreement between the Tuscany and Lazio jurisdictions.

The Company attended the hearing and required to postpone it since it was notified on July 12, 2017. The Court scheduled the new hearing on November 16, 2017 when the decision was upheld.

On December 31, 2017 the Court of Auditors recognized the competence of the Tuscany jurisdiction and notified the court order on 14 February 2018.

2) Proceedings to withdraw no. 27 betting licenses

On March 14, 2017 ADM notified the Company of the withdrawal 27 licenses of Horserace and Sports betting caused by the interruption of bets collection for a number of days exceeding the maximum number set forth in the concession agreement. The interruption was a consequence of the illegal termination exercised by the owners of points of sales and subsequent reopening with a new concessioner. The Company appealed before the Regional Court and the State Council to probe the legitimate interruption, as recognised also by the Lucca Court.

On June 14 and 19 ADM issued the orders to interrupt the withdrawal of licences.

After December 31, 2017, on the basis of the settlement agreement signed between parties in October 2017 and the relevant cancellation orders issued by the Regional Court, ADM issued a note on January 11, 2018, which revoked previous enforcements and recognised SNAITECH rights to be valid and fully replaceable.

3) Disputes related to the betting business: Guaranteed minimum amount/services.

It should be noted that Snaitech, Cogetech S.p.A. and Cogetech Gaming s.r.l. (merged by incorporation into Snaitech) have received from ADM several notices for reduced activities by some horse racing and sports concession holders in the period 2007-2013. In particular, the amounts required, in order to supplement the annual minimum guaranteed, amounted to Euro 25,529 thousand to Snaitech, Euro 59 thousand to former Cogetech S.p.A. and Euro 2,988 thousand to former Cogetech Gaming s.r.l.

The Companies, through their consultants, have promptly challenged the acts received annually and have obtained their suspension.

Through judgement no. 1054, filed on January 30, 2013, the Lazio Court's second section accepted the Companies' arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered to uphold the judgement, and passed the matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012, for lack of standing in the lawsuit.

For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continued to stand, to the benefit of Snaitech, preventing ADM from enforcing the objected requests.

With judgement no. 275 of November 20, 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012 as regards the wording "not higher than 5 per cent".

The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "not higher than 5 per cent".

On June 6, 2013, Snaitech was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, Snaitech objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.

With judgements no. 7323/14 and no. 7324/14 of July 10, 2014 and no. 8144/14 of July 24, 2014 - featuring the same content - the competent Court, while acknowledging the unconstitutionality of Art. 10, paragraph 5, letter b) of the Law Decree no. 16/2012, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable "fair discount" of only 5%.

ADM filed no appeal. At the same time the Company challenged the minimum guarantee requests claimed for 2012 and related to the former undertaking Cogetech Gaming S.r.l., which were notified on June 14, 2013 (totalling 300 thousand). As of today, the hearing has to be scheduled yet.

On December 5, 2017, with the aim to interrupt any limitation period, ADM issued an order to claim a payment of Euro 3,187,590.13 for the period 2006-2013 (related to the former Cogetech Gaming S.r.l. concessions). The Company promptly replied back by stating the illegitimacy of the claim.

The Group, supported by the opinion of its legal advisor, deems remote the risk of negative outcome for the Company.

4) 2015 Stability Law

The 2015 Stability Law included the obligation of the Group to pay, on a proportional basis, the Stability Tax, the proportional share of which was quantified by the directorial execution order implementing the Stability law 2015 issued by ADM (the "ADM decree"). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless of the fact that these machines are managed directly by the concession holder.

Pursuant to the ADM Decree, the amount of the Stability Tax due by the former SNAI Group for 2015 was determined, on a pro-rata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% of the total by April 30, 2015 and the remaining 60% by October 31, 2015, whereas for the former Cogetech Euro 47.04 million is also to be paid according to the above described methods applicable to Snai. Pursuant to the requirements set out by the 2015 Stability Law and the ADM Decree, (i) both companies have required their partners to pay their share of the Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses and (ii) have tried to renegotiate the terms and conditions of the agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

In February 2015 (jointly with the other concession holders of VLTs and AWP) both companies appealed against the ADM Decree before the Lazio Regional Administrative Court with a concurrent request for suspension and referral to the judgement of the Constitutional Court.

With separate Court Orders, dated October 22, 2015, the precautionary motions were rejected and the judgement on the case was upheld.

Both rejection orders were appealed with the State Council which, on its part, rejected the proposed precautionary motions.

With separate court order dated December 16, 2015, the Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014., with respect to Art. 3 and 41, par. 1 of the Constitution, while accepting the defence objections that highlighted the lack of proportion and reasonableness of the reduction in remunerations, thought to guarantee the Inland Tax Office a fixed amount from profits made by the segment of legal gaming through gaming machines, regardless of the actual performance of wagers. Both companies appeared and filed their defence deeds.

The public hearing, after several postponements, is scheduled on May 8, 2018. In the meantime any judgement rendered by the Lazio Regional Administrative Court are suspended.

The related risk of a possible negative outcome can be deemed as possible, with a possible confirmation of the structure set out by the regulation in force.

The 2016 Stability Law provided further clarity on the reduction of payment of Euro 500 million introduced by the 2015 Stability Law and its redistribution between all the interested stakeholders of the value-chain. In particular, the distribution should have been proportional to the revenues of each stakeholder for the relevant period in 2015. Such interpretation set the independence of debts of each stakeholder.

Based on several opinions issued by advisors, the Company deems not to be liable for those amounts unpaid by the different stakeholders of the value-chain. The Company has therefore paid its own contribution and those amounts received by the stakeholders.

The Company has therefore notified ADM those operators with missing payments.

As of December 31, 2017 the amounts missing from its own value-chain and due to ADM total Euro 28,181 thousand (please refer to note 20 "Trade receivables").

5) 2015 Stability Law: Snaitech – other party - vs. A.G.C.A.I. and others

With 6 separate claims, the A.G.C.A.I. association, – representative of the AWP concession holders – has summoned before the Lazio Regional Administrative Court and the President of the Republic, both Snai and former Cogetech (Now Snaitech).

The plaintiffs claim that notes should be declared null and void, while suspending their enforceability pending the final decision. With the aforesaid notes, Concession holders of the on-line network of gaming machines with winnings in money ordered the Operators of AWP gaming machines to pay the related contribution to the additional charge, introduced by Art. 1, par. 649, Law no. 190/2014 for the reduction of the fees of the gaming machine industry.

The competent authority rendered a judgement declaring the appeals to be late and non-admissible for contested jurisdiction.

The judgements are now res. For the motions notified subsequently, the scheduling of the hearings is pending.

6) 2011 quotes – Head office - Shared premises

With notice dated June 21, 2012, ADM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of Euro 300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding in number with respect to the law on applicable quotas. ADM has quantified and informed Cogetech about the total amount to pay, i.e. approximately Euro 2 million, whereas former SNAI must pay approximately Euro 1.835 million.

After the access to records and out of Court correspondence with the Administration, the latter expressed its requests once again with notice dated August 5, 2013. The above-mentioned deed was challenged by both

companies before the Lazio Regional Administrative Court and we are awaiting the dates to be set for the hearing.

The risk of an unfavourable outcome can be deemed as merely possible, taking account of the investigation performed by ADM and the novelty of the issue.

7) 2011 quotes – Regional offices - Excess of gaming machines installed

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011 and that with the ADM notice of July 11, 2014, the Lombardy Local Directory required the payment, by Cogetech, of Euro 273,000 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of Law 220/2010, always in relation to the period from January to August 2011. Against the above ADM judgement, an appeal was filed, pending scheduling of the hearing.

Several ADM regional offices notified additional 171 notices arguing that the number of gaming machines installed was above the threshold set forth by the Decree 2011/30011/giochi/US. Snaitech, after the assessment of each notice, decided either to pay lower penalty or appealing ADM (some have been accepted or still pending decision).

The risk of an unfavourable outcome can be deemed as possible.

8) Lodo di Majo (Di Majo award)

a) At the end of the 1990's, a dispute arose between various betting acceptance points and the Finance and Agriculture Ministries, regarding supposed delays and breaches by those Ministries.

The matter was first concluded in 2003, with the "Di Majo Award", in 2003, under which an Arbitration Panel, chaired by Prof Di Majo, and called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.

The compensation awarded to Snaitech by June 30, 2006, would be on the order of Euro 2,498 thousand.

The compensation for the following years has not yet been determined in its entirety.

The defeated Ministries filed an appeal against that decision before the Rome Court of Appeal.

In addition to those legal events, on June 22, 2010 AssoSNAI (Association of the category of concessionaires) sent ADM a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to ADM (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.

ADM addressed a formal legal query to the State Attorney General regarding the memoranda sent by AssoSNAI and informed AssoSNAI that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.

To date, the settlement agreement has not yet been signed.

In 2011 ADM issued a decree, which authorized the Company to offset the accounts receivable from the Di Majo Award with the amount already due. The Company offset Euro 2,498 thousand regarding the receivables directly attributable to Snaitech as concession holder.

Based on the aforementioned ADM decree, some subjects who are no longer concession holders, assigned their receivables resulting from the Di Majo Award to SNAI which provided for the offsetting of the entire amount of receivables acquired, in the amount of Euro 19,065 thousand. The consideration paid for these receivables has been temporarily put into escrow accounts awaiting the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision.

The Court of Appeal in Rome declared that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence. Snaitech appealed to the Supreme Court (Cassazione) and the judgement is still pending waiting for the date of hearing to be set.

In the event that the Supreme Court should ratify the verdict of the Court of Appeal, Snaitech, without any settlement agreement, should correspond ADM with the amount already offset (Euro 21,563 thousand). Under such circumstances, the Company may retaliate on the seller of the receivable (Refer to Note 22).

b) Once the verdict of the Court of Appeal was declared void and null, ADM claimed the payment of Euro 3,702 thousand, being such amount already offset with the receivable arising from Lodo Di Majo.

The Company filed a motion to request either the dismissal or the interruption of the procedure.

9) Allegations issued by ADM regional offices

Regional offices of ADM issued 60 allegations, which reported a different reading of the AWP's meters (now seized) compared to the reading used by the concessioner to calculate the payment for each machine.

The overall amount requested, as PREU and penalties, totals approximately Euro 1,200 thousand plus interest.

The Company appealed with the relevant Tax Commission against the allegations to obtain: i) cancellation order, ii) rejection of the appeal contested by ADM, iii) acceptance of the appeal by ADM.

To date, there are still proceedings pending before the Tax Commission and Supreme Council.

According to legal advisors, the risk of an unfavourable outcome can be deemed as possible whenever judgements in the first and second instance and Cassation are pending.

10) Late payment of weekly balance of horseracing Bersani concessions

ADM has requested Cogetech S.p.A. and Cogetech Gaming S.r.l. (now Snaitech) a total amount, including interests and fines, of Euro 444 thousand related to late payment of weekly balance under horseracing Bersani concessions. The Company filed an appeal to cancel/recall the request and at the same time filed appeal to the Regional Court.

According to legal advisors the risk of unfavourable outcome is possible although amount is limited.

After December 31, 2017 ADM claimed again the amounts related to late payments. The Company filed its statement of deference.

Civil lawsuits

1) Malfunctioning of the Barcrest VLT platform (April 16, 2012)

On April 16, 2012, an anomalous peak of “jackpot” payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets which were only apparently winners, for various sums both within and even well beyond the legal limit of Euro 500,000.00.

As a result of that episode – and also following the ADM order to block the system – Snaitech immediately blocked access to the Barcrest System in order to perform the necessary verifications and inspections. Since the aforementioned date, the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of April 16, 2012.

This event entailed that some holders of “apparently winning” tickets initiated ordinary proceedings/injunction proceedings/summary proceedings seeking payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage sustained.

To this purpose, it should be noted that, following the event, no. 100 proceedings were initiated (including mediation procedures) of which, at December 31, 2017, more than 60% were concluded with favourable judgements (some of them *res judicata*), that have recognised the non-existence of the Jackpot win of the day April 16, 2012, with a settlement, because of inactivity of the players who have not appealed the judgement or have not resubmitted the judgement before the jurisdictionally competent judge.

To date, 33 proceedings were pending.

In addition to the above, it should be noted that, subsequent to December 30, 2017 and until the date of these Notes to the Financial Statements, 5 additional proceedings were concluded either with settlement agreements or with positive judgements for Snaitech or with the cancellation of the proceedings, owing to delay of the counterparty.

In all of the above proceedings, Snaitech has appeared before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no “jackpot” was validly obtained at any time during the day of April 16, 2012.

In light of the legal advice received and the favourable judgements - also on the merits - issued by the Court, in general the risk of the Group losing the cases entered by players can be deemed as no longer possible.

2) Civil claim filed against Snaitech by Prestige Potenza S.r.l.s. and Prestige Barbera S.r.l.s.

They refer to two civil claims filed by Prestige Potenza and Prestige Barbera against Cogetech Gaming (now Snaitech) in order to have ensured, declared and sentenced: i) the breach by Snaitech regarding the individual transfers of business units; ii) the cancellation of such transfers due to the actions and default of Snaitech; iii) payment of damage compensation totalling approximately Euro 30 million.

The Company duly appeared before the Court for both claims, submitted a cross-claim and asked for the intervention of a third party.

Both judgements ended with judgement no. 895/2017 of January 25, 2017 and judgement no. 7697/2017 of July 7, 2017 with which the Court of Milan accepted the defence of Snaitech, rejecting the request to reimburse damages and rejecting also the counter-claim by Snaitech, since erroneously considering the Company in breach, and consequently, ordering it to pay all legal fees.

The Company has challenged – at different times – both judgements as well as the counterparties filed an appeal.

After December 31, 2017, following the hearings on both judgements, the court decided to merge both hearings into a single one and postponed it on June 6, 2018.
According to legal advisors, the risk of unfavourable outcome is deemed to be possible.

3) Ainvest Private Equity S.r.l./Snaitech S.p.A.

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.

The lawsuit proceeded and after the appointment of an expert by the Court (for the translation of the documents produced by the counterparty), the excussion of the texts, the Court rescheduled the hearing initially on December 6, 2017 and subsequently on February 7, 2018.

After December 31, 2017 and precisely at the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

4) FILEFLOW s.a.s. of Testa Tatiana

Civil lawsuit started by Fileflow s.a.s. against Snaitech before the Court of Lucca in order to obtain compensation for damage, quantified in Euro 620 thousand, due to the default of Snaitech as regards the requested transfer of the sports game premise managed by the plaintiff company. The lawsuit was reviewed and adjourned to be presented at the hearing of January 26, 2018.

After December 31, 2017 and precisely at the hearing held on January 26, 2018 the judgement was upheld. The assessment of a risk with unfavourable outcome is deemed, to date, possible.

5) 2015 Stability Law: Acilia Games S.r.l. and other operators

With writ of summons notified pursuant to Law no. 53 of 1994, on December 17, 2015, Acilia Games S.r.l. (together with other 435 operators of the legal gaming segment) sued Snai and Cogetech (together with other concession holders of legal gaming) with the following conclusions:

- (a) assessing that managers are not bound to pay the share of remuneration as per the 2015 Stability Law to the extent indicated by the concession holders;
- (b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10 thousand for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure;
- (c) assessing that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;
- (d) to complete item (c), assessing that agreements between the parties are valid and effective as they were in force on the effective date of the Stability Law;
- (e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, the concession holders should be ordered to pay the amount of Euro 10 thousand for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Proceedings.

Both companies appeared in Court for the first hearing, which was rescheduled on March 27, 2018.

In the opinion of the legal advisors, given the fact that the plaintiff's claims are groundless, and have already been rejected during the appeal filed by the same as per Art. 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

6) 2015 Stability Law: R.A. Elettronica (PoS owners)

These are proceedings that started in July 2016 against SNAI and Cogetech and therefore still pending before the Courts of Lucca and Milan, by the company R.A. Elettronica in order to obtain:

- i. The assessment and declaration that all the amounts requested by the above companies are not due;
- ii. The assessment and the declaration of the absence of any breach by R.A. Elettronica of its contract obligations and regulations in force and, in particular, to provisions set forth in Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015;
- iii. Sentencing the appearing companies to repay any amount unduly received or to be received as reduction of premiums and remunerations, pursuant to articles 649, Law 190/2014 and 1, par. 920 and 921 of Law no. 208/2015, in addition to interest and revaluation.

At the first hearing, where the companies insisted on the acceptance of the exception for lack of jurisdiction, and, secondarily, the issuing of an order, ex article 186 of the Civil Code, to R.A. Elettronica:

- a) The Judge of the Court of Lucca who has requested information also concerning the current situation of the Regional Administrative Court judgements and about the judgement by the Constitutional Court, also keeping into account that the hearing before the latter has not been scheduled yet, has adjourned the case for the clarification of the conclusions to a hearing scheduled for March 16, 2018.
- b) The Judge of Milan has instead deemed unnecessary to adopt any measure about which it would have no jurisdiction, given that the question of constitutional legitimacy of the legislative and regulatory provisions of which the claimant asks for the non-application, has already been submitted to the Constitutional Court. The Judge has decided that:
- i) The amount requested, based on the above, is due by SNAI S.p.A. also in consideration of the fact that the same is not subject to the objections other than those filed by the claimant, versus the one already stated as regards the unconstitutionality of the reference regulations;
 - ii) Judged the requested injunction although believing appropriate not to make it provisionally enforceable pending the judgement of the Constitutional Court;
 - iii) Rescheduled the hearing on July 4, 2018.
- According to the advisor, the risk of an unfavourable outcome is possible.

7) ZENIT 2012 S.r.l.

With a writ of summons, the company ZENIT requested Snaitech and Intralot Gaming Machine to appear before the Court of Florence, stating an alleged breach, by the defendant companies, of the obligations arising from the current concession agreement and requesting the issuing of a court order for a joint payment of approximately Euro 823 thousand.

Snaitech shall appear in compliance with the law, pleading the lack of grounds in fact and in law of the opposing claims.

At the hearing of September 20, 2017 the Court has rescheduled the hearing on May 16, 2018 allowing each party to file summons according to art. 183, par. 6 c.p.c..

According to the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

8) Cecca Celestina S.r.l.

This civil lawsuit was started pursuant to article 702-bis of the Code of Civil Proceedings by Cecca Celestina, before the Court of Lucca, requesting the assessment of a breach, committed by Snaitech, of the restrictions set forth in a competition agreement (in terms of the distance among gaming points) executed jointly with an agreement on the provision of connectivity, and the consequent sentencing to the payment of Euro 360 thousand as the penalty set forth in the case of a breach of the agreement. Snai appeared in court stating to have complied with the distances requirements set out in the agreement. The Court ordered the appointment of an expert and the hearing was adjourned to June 9, 2017, when the expert was appointed. The hearing initially rescheduled on November 17, 2017 was then subsequently rescheduled on March 20, 2018.

The assessment of risk of an unfavourable outcome, currently, i.e. not having available reliable data on the distances among the game premises, is possible.

9) Agenzia Ippica di Benito Monti e C. S.n.C. under bankruptcy proceedings

With an appeal pursuant to ex article 702 bis of the Code of Civil Proceedings, this Company requested Benito Montu & C Snc, under bankruptcy proceedings, to ascertain its right about the restitution of Euro 399 thousand plus interests (such amount was assigned to Snaitech following garnishment of assets by third parties to SNAI Servizi). Snaitech appeared before the Court within the required term challenging the adverse claims. At the first instance of the hearing on March 23, 2017, based on the ever-changing case law, the Judge invited the parties to settle out of court with a payment by Snaitech of Euro 80 thousand adjourning to the hearing of May 29, 2017 for the attempt of reconciliation pursuant to ex article 185 of the Code of Civil Proceedings. The Company accepted the proposal of the Judge and has requested the adviser to proceed with the settlement. On the hearing held on May 29, the defence obtained the rescheduling on July 10, 2017 in order to assess the settlement agreement proposed by the court for an amount not lower than Euro 100 thousand. Following the signing of a settlement agreement, on December 21, 2017 the Company paid the amount set by the Judge.

Employment lawsuit

To date, there are three pending appeals, pursuant to art. 414 c.p.c., served by Snaitech former advisors, who claimed the recognition of employment relationship and the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). Additionally, there is still a pending appeal, pursuant to art. 414 c.p.c., served by a former Snaitech advisor, who claimed: (i) the recognition of employment relationship; (ii) the termination of the agreement and the subsequent reinstatement of the employee; (iii) the damages suffered as well as any salary integration due (including

holidays and employment termination indemnities). The next hearings are scheduled on March 21, 2019 for two appeals and on May 14, 2018 for another appeal.

After December 31, 2017 the Company opposed the three aforementioned appeals served by the former Snaitech advisors and claimed the groundless requests and the rejection of the appeals. Following the hearings of February 22 and 27, 2018, the court accepted the arguments of the Company and declared the appeals to be inadmissible, owing to late filing.

After December 31, 2017 the Company was served with an appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Company to be void and null. The Company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on March 8, 2018 the court, proposed a reconciliation procedure and postponed the hearing on April 4, 2018, when the availability of both parties to transact would be assessed.

30 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

Other non-current liabilities are broken down as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|--|--------------|--------------|----------------|
| Other non-current liabilities | | | |
| <i>Tax liabilities</i> | | | |
| - Instalments on flat-rate tax | 0 | 139 | (139) |
| - Liabilities from tax assessment report | 1,693 | 0 | 1,693 |
| - 770 notice issued from tax authority | 0 | 367 | (367) |
| | 1,693 | 506 | 1,187 |
| <i>Due to social security institutions</i> | | | |
| - To INPS (instalments) | 0 | 339 | (339) |
| | 0 | 339 | (339) |
| <i>Other liabilities</i> | | | |
| - Deferral of PREU from prior years | 0 | 371 | (371) |
| - Security deposits | 2,330 | 3,075 | (745) |
| | 2,330 | 3,446 | (1,116) |
| Total other non-current liabilities | 4,023 | 4,291 | (268) |

Other current liabilities are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.17 | 31.12.16 | Change |
|---|---------------|--------------|--------------|
| Other current liabilities | | | |
| <i>Tax liabilities</i> | | | |
| - Flat-rate tax | 7,554 | 3,621 | 3,933 |
| - Instalments on flat-rate tax | 147 | 144 | 3 |
| - Instalments on tax assessment notice | 753 | 0 | 753 |
| - VAT | 713 | 1,250 | (537) |
| - 770 notice issued from tax authority | 0 | 177 | (177) |
| - Other tax liabilities | 1,223 | 1,625 | (402) |
| | 10,390 | 6,817 | 3,573 |
| <i>Due to social security institutions</i> | | | |
| - Social security institutions | 3,742 | 4,214 | (472) |
| - Social security institutions - instalments | 104 | 77 | 27 |
| | 3,846 | 4,291 | (445) |
| <i>Other liabilities</i> | | | |
| - Due to ADM and related to balance due on PREU | 53,779 | 49,161 | 4,618 |
| - Due to ADM | 21,628 | 21,767 | (139) |
| - Due to winners and VLT jackpot reserve | 13,349 | 14,649 | (1,300) |
| - Online gaming accounts balances | 8,835 | 7,631 | 1,204 |
| - Due to ADM and related to security deposit on Gaming Machines | 6,319 | 6,495 | (176) |
| - Due to ADM and related to concession fees | 3,792 | 3,915 | (123) |
| - Due to players for ante post bets | 2,688 | 2,474 | 214 |
| - Due to players for winnings/refunds on betting/IPN/CPS | 2,135 | 3,626 | (1,491) |

| | | | |
|--|----------------|----------------|--------------|
| - Due to ADM and related to CPS/IPN | 1,088 | 1,076 | 12 |
| - Due to ADM and related to balance due on horseracing | 825 | 902 | (77) |
| - Due to ADM for expired tickets | 593 | 551 | 42 |
| - Deferral of PREU from prior years | 394 | 791 | (397) |
| - Due to players for winnings on Virtual Events | 279 | 215 | 64 |
| - On restricted deposits | 10,369 | 10,330 | 39 |
| - Due to employees and partners | 7,069 | 6,751 | 318 |
| - Due to acquisition of business unit | 1,230 | 0 | 1,230 |
| - Due to Directors | 248 | 200 | 48 |
| - due to Statutory Auditors | 138 | 204 | (66) |
| - Due to Teseo S.r.l. in liquidation | 0 | 383 | (383) |
| - Due to Parent Companies | 0 | 4 | (4) |
| - Due to others | 8,613 | 7,261 | 1,352 |
| | 143,371 | 138,386 | 4,985 |
| <i>Accrued liabilities and deferred income</i> | | | |
| - Accrued expenses | 727 | 915 | (188) |
| - Deferred income | 702 | 747 | (45) |
| | 1,429 | 1,662 | (233) |
| Total Other current liabilities | 159,036 | 151,156 | 7,880 |

Liabilities arising from the tax assessment report totalled Euro 2,446 thousand (already included in the provision for risks and charges for 2016), of which Euro 1,693 thousand due after one year and Euro 753 thousand due within one year, all related to the amounts assessed in 2011, 2012 and 2013. On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

Liabilities related to the deferred flat-rate tax amounts to Euro 147 thousand and comprise residual fines and interest associated with the late payment of the flat-rate tax for the fiscal periods 2009 and 2010.

The debt related to the 770 notice issued from tax authority was repaid in November 2017. Such liability was related to tax assessments performed by tax authority on tax returns filed (through the 770 form) for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-payment of withholdings and additional taxes.

Liabilities due to social security institutions amount to Euro 104 thousand and relate to preferential amounts. The scheduled payments shall be concluded in 2018.

Debt to ADM related to balance on PREU for a total amount of Euro 53,779 thousand and is determined on volumes recorded with Gaming Machines.

Other liabilities due to ADM, totalling Euro 21,628 thousand, relate to certain payments, initially offset with credits (acquired or original) arising from the Di Majo award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled for Euro 21,581 thousand. When ADM requires the payment, Sanitech will be entitled to dispose of the amounts on the escrow accounts jointly with Agisco. For further details, see Note no. 22.

Deferral of PREU from prior years amounts to Euro 394 thousand and relates to interest and fines associated with the late payment of PREU for 2010.

Liabilities arising from purchasing of business unit amount to Euro 1,230 thousand and relate to three acquisition of business units (for further information see Note no. 4 "Business combination").

Accrued expenses of Euro 727 thousand include additional monthly salaries and related social security payments.

Deferred income totals Euro 702 thousand, of which Euro 655 thousand related to payment due to MIPAAF (former ASSI) investment fund.

31 TRADE PAYABLES

The trade payables are composed as follows:

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 | Change |
|------------------------------------|-------------------|-------------------|---------------|
| Trade payables | | | |
| - To suppliers | 37,878 | 32,799 | 5,079 |
| - To foreign-based suppliers | 1,812 | 1,952 | (140) |
| - Credit memorandum to be received | (535) | (475) | (60) |
| Total trade payables | 39,155 | 34,276 | 4,879 |

32 OVERDUE PAYABLES

As required by Consob notice ref. 10084105 of October 13, 2010, the following table sets forth the Group's payables, grouped by type, with a specific indication of the amounts overdue.

| Current liabilities | Balance as of 31.12.2017 | of which due on 31.12.2017 |
|-------------------------------------|-------------------------------------|---------------------------------------|
| Financial liabilities | 6,146 | - |
| Trade payables | 39,155 | 9,492 |
| Tax payables | 10,390 | - |
| Due to social security institutions | 3,846 | - |
| Other liabilities | 143,371 | - |
| | 202,908 | 9,492 |

Figures in thousand/Euro

As of 31 December 2017 the amounts past due are Euro 9,492 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after 31 December 2017. In certain cases, new payment dates have been agreed. To the present date, there is no claim raised by suppliers.

33 GUARANTEES

In addition to the Financial Liabilities described in Note no. 28, the Group entered into several bank guarantees for a total amount of Euro 203,213 thousand as of December 31, 2017 (Euro 196,115 thousand as of December 31, 2016), as disclosed in the following table:

| Bank | Beneficiary | Purpose | Amount as of 31.12.2017 (1,000/Euro) | Amount as of 31.12.2016 (1,000/Euro) |
|-----------------------|-----------------------------------|--|---|---|
| UNICREDIT | ADM (Customs and Monopoly Agency) | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 35,688 | 35,688 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Timely payment of PREU, concessions fees and security deposit | 24,668 | 34,668 |
| AXA ASSICURAZIONE SPA | ADM (Customs and Monopoly Agency) | Timely payment of PREU, concessions fees and security deposit | 10,000 | - |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Timely payment of PREU, concessions fees and security deposit | 41,085 | 25,911 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Opening of horse racing betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Horseracing) | 16,818 | 16,818 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Business under concession conducted regularly, timely and precise payment of | - | 14,810 |

| | | | | |
|-------------------------------|-----------------------------------|---|--------|--------|
| | Agency) | taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | | |
| ALPHA INSURANCE A/S | ADM (Customs and Monopoly Agency) | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 14,023 | - |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Horseracing bets acceptance tender (Giorgietti). | 11,391 | 11,391 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Set up and functioning of the gaming machines network (AWPs and VLTs) | - | 6,000 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Set up and functioning of the gaming machines network (AWPs and VLTs) | 6,000 | 6,000 |
| UNICREDIT | Ministry of agriculture | Broadcasting of audio/video from Italian and foreign horseracing tracks | - | 5,387 |
| BANCO BPM | Ministry of agriculture | Broadcasting of audio/video from Italian and foreign horseracing tracks | 5,387 | - |
| AM TRUST EUROPE | ADM (Customs and Monopoly Agency) | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 4,701 | 4,701 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | Horseracing bets acceptance tender (Giorgietti). | 4,262 | 4,262 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 4,184 | 4,184 |
| BANCA CAMBIANO | ADM (Customs and Monopoly Agency) | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 3,029 | 3,029 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | Timely payment of PREU, concessions fees and security deposit | 2,619 | 2,619 |
| BANCO BPM | Ministry of agriculture | Subsidy to horse racing held in Milan gallop track in 2016 | 2,464 | 2,464 |
| CREDITO VALTELLINES E | ADM (Customs and Monopoly Agency) | Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti) | 1,960 | 1,960 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Online gaming | 1,805 | 1,805 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | Horseracing bets acceptance tender (Giorgietti). | 1,738 | 1,738 |
| UNICREDIT | ADM (Customs and Monopoly Agency) | Opening of horse racing betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Horseracing) | 1,653 | 1,653 |
| BANCO BPM | Mediocredito | TIM mobile top-ups | 1,500 | 1,500 |
| BANCO BPM | ADM (Customs and Monopoly Agency) | Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport) | 1,447 | 1,447 |
| CASSA DI RISPARMIO DI RAVENNA | HIPPOGROUP ROMA CAPANNELLE | Hippogroup Roma Capannelle as beneficiary to open a bank overdraft and bank guarantee in favour of EEPP | 1,389 | 1,389 |
| BANCO BPM | Ministry of agriculture | Subsidy to horse racing held in Milan trot track in 2016 | 1,041 | 1,041 |
| UBI BANCA | SPIELO | Spielo VLT contract | 1,000 | 1,000 |

| | | | | |
|------------------------------------|-----------------------------------|---|----------------|----------------|
| UBI BANCA | GOITO SRL | Rental of offices | 698 | 698 |
| UNICREDIT | AGENZIA DELLE ENTRATE | VAT reimbursement for 2014 | 512 | 512 |
| BANCA POPOLARE DELL'EMILIA ROMAGNA | TIM/IFITALIA | TIM mobile top-ups | - | 500 |
| BANCO BPM | TIM/IFITALIA | TIM mobile top-ups | - | 400 |
| BANCO BPM | Ministry of agriculture | Subsidy to horse racing held in Montecatini track in 2017 | 356 | 356 |
| BANCO BPM | Ministry of agriculture | Subsidy to horse racing held in Milan track in 2017 | 337 | - |
| BANCO BPM | ADM (Customs and Monopoly Agency) | Online games | 197 | 315 |
| Other | Other | Other (guarantees lower than Euro 200,000) | 1,263 | 1,871 |
| TOTAL | | | 203,213 | 196,115 |

34 RELATED PARTY TRANSACTIONS

Consob note n. 6064293 dated 28 July 2006 requires, in addition to the provisions of the international accounting standard "Related Party Disclosures" (IAS 24), to disclose information on any transaction or position held with related parties, following IAS 24 classification, which may affect income and financial position.

The table hereinafter shows a summary of such transactions and positions. The impact of any transaction on the income and cash flows of the Company and/or the Group must be read bearing in mind that any dealing with related parties is similar to other dealing currently in place with third parties.

Certain undertakings of Snaitech Group have relationships with Banca Monte dei Paschi di Siena S.p.A., Intesa San Paolo S.p.A., Poste Italiane, Unicredit S.p.A. and Banco BPM S.p.A, all of them potentially classifiable as related parties. However, such transactions were executed in the course of regular business, in the only interest of the Group and settled at market conditions.

Senior Secured Notes and Senior Revolving Facility are also backed by a pledge on Snaitech S.p.A. shares, issued by the majority shareholder of the Company. The pledge between Snaitech S.p.A. and the shareholder was approved with the favourable binding opinion of the Snaitech S.p.A. Related Party Committee.

The following table sets forth a summary of dealings between Snaitech group and related parties.

| <i>Figures in thousand/Euro</i> | 31.12.2017 | % Impact | 31.12.2016 | % Impact |
|--|-------------------|-----------------|-------------------|-----------------|
| Trade Receivables | | | | |
| - From companies related to directors of Snaitech S.p.A. | - | 0.00% | 1 | 0.00% |
| - From Global Games S.p.A. | 32 | 0.03% | 4 | 0.00% |
| | 32 | 0.03% | 5 | 0.00% |
| Other Current Assets | | | | |
| - From Teseo S.r.l. in liquidation | - | 0.00% | 170 | 0.32% |
| | - | 0.00% | 170 | 0.32% |
| Total Assets | 32 | 0.00% | 175 | 0.02% |
| Trade Payables | | | | |
| - To undertakings related to directors of Snaitech S.p.A. | 2 | 0.01% | 323 | 0.94% |
| - To undertakings related to statutory auditors of Snaitech S.p.A. | 30 | 0.08% | - | 0.00% |
| - To undertakings related to shareholders of Snaitech S.p.A. | - | 0.00% | (1) | 0.00% |
| | 32 | 0.09% | 322 | 0.94% |

Other Current Liabilities

| | | | | |
|---|-----------|--------------|------------|--------------|
| - To undertakings related to directors of Snaitech S.p.A. | - | 0.00% | 4 | 0.00% |
| - To Global Games S.p.A. | 16 | 0.01% | - | 0.00% |
| - to Hippogroup Roma Capannelle S.r.l. | 7 | 0.00% | - | 0.00% |
| - To Teseo S.r.l. in liquidation | - | 0.00% | 383 | 0.25% |
| | 23 | 0.01% | 387 | 0.25% |
| Total Liabilities | 55 | 0.01% | 709 | 0.09% |

The following table shows the impact of related party transactions on the statement of comprehensive income:

| <i>Figures in thousand/Euro</i> | 2017 | % Impact | 2016 | % Impact |
|--|-------------|-----------------|-------------|-----------------|
| Revenues from Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 57 | 0.01% | 93 | 0.01% |
| | 57 | 0.01% | 93 | 0.01% |
| Other Revenues | | | | |
| - From Global Games S.p.A. | 13 | 0.24% | 4 | 0.04% |
| | 13 | 0.24% | 4 | 0.04% |
| Total Revenues | 70 | 0.01% | 97 | 0.01% |
| Costs for Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 6 | 0.00% | 6 | 0.00% |
| - From undertakings related to statutory auditors of companies incorporated into Snaitech S.p.A. | - | 0.00% | 27 | 0.00% |
| - From undertakings related to shareholders of Snaitech S.p.A. | 3 | 0.00% | - | 0.00% |
| - From undertakings related to statutory auditors of Snaitech S.p.A. | 84 | 0.01% | 1 | 0.00% |
| - From directors of Teleippica S.r.l. | - | 0.00% | 27 | 0.00% |
| - From directors and undertakings related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.) | - | 0.00% | 45 | 0.01% |
| | 93 | 0.01% | 106 | 0.01% |
| Costs of Seconded Personnel | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 7 | 0.01% | - | 0.00% |
| | 7 | 0.01% | - | 0.00% |
| Other Operating Costs | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 12 | 0.02% | 14 | 0.03% |
| - From undertakings related to statutory auditors of companies incorporated into Snaitech S.p.A. | - | 0.00% | 2 | 0.00% |
| | 12 | 0.02% | 16 | 0.03% |
| Total Costs | 112 | 0.01% | 122 | 0.02% |

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.05% in 2017 (vs. 0.08% in 2016) while total revenues weighted on Profit (Loss) for 2017 by 0.26% (vs. 0.57% in 2016).

Cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 0.08% in 2017 (vs. 0.10% in 2016) while total costs weighted on Profit (loss) by 0.41% (vs. 0.72% in 2016).

As of December 31, 2017 remuneration to executives with strategic roles was Euro 1,620 thousands, of which Euro 660 thousand related to base salary, Euro 200 thousand to the Chief Executive Officer and Euro 100 thousand related to extraordinary bonus and Euro 660 thousand related to variable compensation.

35 FINANCIAL RISK MANAGEMENT

The Group financial liabilities are mainly centred on high yield bonds, bank loan and financial leases. Such contracts have medium to long-term maturity.

On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving Facility") to substitute the existing facility of Euro 55 million.

The New Bonds, which represent the main financial indebtedness of the Snaitech Group as of December 31, 2017, are secured (as well as the New Revolving Facility) on a first-ranking basis by (a) a pledge over 50.00% plus one share of the share capital of the Snaitech S.p.A., (provided by Global Games S.p.A.) (b) a pledge over 100.00% of the quotas of Teleippica S.r.l. (provided by Snaitech S.p.A.) and (c) a pledge over certain intellectual property rights owned by Snaitech S.p.A..

Finally, on May 11, 2017 Snaitech S.p.A. executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of Euro 1,450 thousand to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor plus a spread of 1.9% per annum.

The Snaitech Group's policy is focused on reducing commercial financing, shortening the Days Sales Outstanding, schedule the extension of trade payables as well as plan different payment schedules for fixed assets.

Financial derivatives

As of December 31, 2017, the Snaitech Group has no derivative instruments outstanding.

Liquidity Risk

Liquidity risk is defined as the possibility that the Snaitech Group would be unable to settle its payment obligations as a result of the inability to obtain new funding (funding liquidity risk), to sell its own assets (asset liquidity risk), or to incur higher funding costs. The Snaitech Group's exposure to such risk is mainly linked primarily to the commitments of new bonds issued in 2016 and the New Revolving Facility, undrawn as of December 31, 2017. For further information see par. H of Directors' report.

The following table shows an analysis of maturity terms based on contract redemption obligations which are not discounted and relate to bond loans (for Fixed Rate Guaranteed Senior Bonds the rate considered was the one applied in the current interest period), to outstanding lease agreements as at December 31, 2017, and to other liabilities. The cash flows are entered in the first timeframe where they may occur.

Figures in thousands/Euro

| | Total cash flow | < 6M | 6M < CF < 1Y | 1Y < CF < 2Y | 2Y < CF < 5Y |
|-----------------------------------|-----------------|---------|--------------|--------------|--------------|
| Senior Secured Fixed Rate Note | 401,613 | 10,202 | 10,202 | 20,403 | 360,806 |
| Senior Secured Floating Rate Note | 310,913 | 7,540 | 7,665 | 15,205 | 280,503 |
| Unsecured loan from BPM | 1,203 | 249 | 249 | 498 | 207 |
| Leasing | 305 | 69 | 62 | 125 | 49 |
| Other liabilities | 162,349 | 129,555 | 28,771 | 1,499 | 2,524 |

Interest rate risk

The Snaitech Group is exposed to interest rate risk associated with the financing/investment activities performed in the course of regular business. Such risk may be defined as the possibility that a loss may occur in its financial management, in terms of a lower return of investment or an increased cost of liability (existing or potential), as a result of fluctuations in interest rates. The interest rate risk therefore represents the uncertainty associated with the interest rates changes. For further information see par. H of Directors' report.

The Snaitech Group, on December 31, 2017, is only partially exposed to interest rate risk arising from the coupons of floating rate bond, linked to three-month Euribor (floored at 0%), as well as from the bank loan

with a variable interest rate linked to three-month Euribor. Interest rate risk management objective is to hedge the Snaitech Group's financial income and expenses from possible changes in market rates, by monitoring rates volatility as well as balancing the risk-return profile of financial assets and liabilities.

Floating rate financial instruments expose the Group to changes in cash flows, while fixed rate financial instruments expose the Group to changes in its fair value.

Credit risk

In order to reduce and monitor credit risk, the Snaitech Group has implemented ad hoc policies and instruments.

Potential relationships with debtors are always subjected, on a preliminary basis, to reliability analysis based on the information received from specialised companies. Results are supplemented with other information internal to the Snaitech Group, in order to obtain a reliability assessment. This assessment is reviewed on a regular basis or, where appropriate, whenever new information comes out.

Debtors (customers, point of sales owners, AWP and VLT owners, etc.) are usually known to the Group, based on the long lasting experience matured in all the segments of the addressable markets, which is also characterised by a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the Group on the basis of reliability assessments. The relationships are monitored on a regular basis by a dedicated department, which liaises with the several other departments.

Receivables are regularly subject to in-depth assessments. In particular, receivables are presented net of the relevant provisions. Expenses related to bad or doubtful debts are accounted for in the objective event of difficult recovery of the credit. Receivables considered to be no longer recoverable are fully written off.

In relation to the above-mentioned receivables, the maximum exposure to credit risk, without taking into account any guarantee or other credit risk mitigants, is represented by fair value.

The risk related to other financial assets of the Group is in line with market conditions.

Exchange rate risk

None of the Group's operations constitute any significant exposure to exchange rate risk.

Capital management

The capital management of the Group aims at guaranteeing a solid credit rating and adequate capital ratios to finance core operations and future investment plans, while continuing to fulfil its contractual obligations with lenders.

The Snaitech Group is subject to restrictive covenants on dividends payment and issuance of new share as specified in the bonds and bank loan agreements.

The Group has analysed its equity in terms of debt/equity ratio, i.e. the ratio of net debt to shareholders' equity plus net debt. It is the Snaitech Group's policy to maintain a ratio of between 0.3 and 1.0.

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| Interest-bearing loans | 566,358 | 563,216 |
| Non-interest-bearing loans | 32 | 32 |
| Financial liabilities | 566,390 | 563,248 |
| Trade payables and other liabilities | 202,214 | 189,723 |
| Financial assets | (20,356) | (18,867) |
| Cash and cash equivalents | (137,591) | (82,337) |
| Net indebtedness | 610,657 | 651,767 |
| Shareholders' equity | 145,589 | 118,510 |
| Total shareholders' equity | 145,589 | 118,510 |
| Shareholders' equity and net indebtedness | 756,246 | 770,277 |
| Ratio net indebtedness/(shareholders' equity and net indebtedness) | 80.7% | 84.6% |

36 NON-RECURRING INCOME AND COSTS

The table below presents the summary of non-recurrent income and cost accounted for in the first nine months of 2017, pursuant to Consob Resolution No. 15519 of July 27, 2006, (which defines such items as “positive and/or negative items of Statement of Income arising from non-recurring events or operations occurred out of the ordinary course of business”). A breakdown of non-recurring income and costs is shown below:

| <i>Figures in thousand/Euro</i> | Full Year | |
|---------------------------------|------------------|-----------------|
| | 2017 | 2016 |
| Other revenues and income | 3,712 | 6,082 |
| Costs of services | 1,702 | (1,207) |
| Other operating costs | (1,910) | (6,077) |
| Cost of personnel | (108) | (1,857) |
| Other accruals | (390) | (7,598) |
| Financial expenses | 0 | (31,677) |
| Total | 3,006 | (42,334) |

The value of Euro 3,006 thousand accounted in 2017 is mainly due to the following items:

- Euro 3,712 thousand from “Other revenues and income”, of which Euro 499 thousand related to Income from lawsuits, Euro 913 thousand from sale of business units and Euro 2,300 thousand from repayment of damages;
- Euro 1,702 thousand for “Cost of services and third party assets”, of which Euro 2,978 thousand related to non-deductible VAT from prior years and Euro -1,276 thousand for advisory on non-recurring corporate transactions, lawsuits and other non-recurring events;
- Euro -1,910 thousand for “Other operating costs”, of which Euro -1,207 thousand related to ADM request on past due VLT winning tickets for the periods between 2010 to March 19, 2013, Euro -325 thousand for costs related to the aforementioned Income from lawsuits, Euro -324 thousand of losses from lawsuits, Euro -49 thousand for capital loss from transfer of business units and Euro -5 thousand related to other items;
- Euro -108 thousand for “Cost of personnel” related to voluntary redundancy schemes;
- Euro -390 thousand for “Other accruals” related to employment lawsuits.

37 ATYPICAL/UNUSUAL TRANSACTIONS

No atypical and/or unusual transactions were recorded in 2017.

38 GROUP STRUCTURE

Ownership of the Group

Snaitech S.p.A., as parent Company, is subject to the legal control of Global Games S.p.A.

Relevant ownership of subsidiaries share capital

| | Percentage of ownership | |
|------------------------------------|--------------------------------|-------------------|
| | 31.12.2017 | 31.12.2016 |
| Società Trenno S.r.l.* | 0 | 100 |
| Teleippica S.r.l. | 100 | 100 |
| SNAI Rete Italia S.r.l. | 100 | 100 |
| iZilove Fondation | 100 | 100 |
| Snaitech Smart Technologies S.r.l. | 100 | 0 |

* Merged by incorporation into Snaitech S.p.A. in 2017

The Group structure and the basis of consolidation are set forth in Schedule 1.

39 NET FINANCIAL POSITION

In accordance with the requirements of CONSOB's Notice of July 28, 2006, and in accordance with the Recommendation from CESR of February 10, 2005, "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Snaitech Group's net financial position disclosed hereinafter is negative by Euro 428,798 thousand.

| <i>Figures in thousand/Euro</i> | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| A. Cash | 568 | 1,226 |
| B. Other cash equivalents | 137,023 | 81,111 |
| - Bank accounts | 135,859 | 79,095 |
| - Postal accounts | 1,164 | 2,016 |
| C. Securities held for trading | 1 | 1 |
| D. Liquidity (A)+(B)+(C) | 137,592 | 82,338 |
| E. Current financial assets | 0 | 0 |
| F. Current bank debts | 136 | 141 |
| G. Current portion of non-current indebtedness | 479 | 0 |
| H. Other current financial debt: | 5,531 | 5,693 |
| - For interest on bonds | 5,352 | 5,352 |
| - Due to other lenders | 179 | 341 |
| I. Current financial indebtedness (F)+(G)+(H) | 6,146 | 5,834 |
| J. Net current financial indebtedness (I)-(E)-(D) | (131,446) | (76,504) |
| K. Non-current bank loans | 696 | 0 |
| L. Bonds issued | 559,385 | 557,115 |
| M. Other non-current loans: | 163 | 299 |
| - Due to other lenders | 163 | 299 |
| N. Non-current financial indebtedness (K)+(L)+(M) | 560,244 | 557,414 |
| O. Net financial indebtedness (J)+(N) | 428,798 | 480,910 |

Net financial position does not include restricted bank accounts and deposits of Euro 16,838 thousand (included in the item "Current financial assets"), the dedicated bank account of Euro 131 thousand and other non-current financial assets of Euro 3,386 thousand (see Note no. 22).

The net financial indebtedness decreased by Euro 52,112 thousand compared to the level as of December 31, 2016. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 55,254 thousand, caused by the refund of the security deposit related to Gaming Machines. Conversely, the gross financial indebtedness (current and non-current) increased by Euro 3,142 thousand due to the amortised cost method applied to bonds, the new bank loan of Euro 1,450 thousand.

39.1 Covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions on dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment in whole or in part of the loans.

According to the super Senior Revolving loan facility, Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate for the annual report, in addition to the above statements, includes also the Guarantor Coverage Test to reinsure that the total EBITDA of all the guarantor companies is equal or above the 80% of the consolidated EBITDA. As of 31 December 2017, such Guarantor Coverage Test is matched. As of 31

December 2017, the Compliance Certificate includes also the Total Net Leverage indicator representing the ratio needed to fix the margin of the facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Super Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

40 FINANCIAL INSTRUMENTS AND FAIR VALUE

The following table shows a break down of all financial instruments according to the fair value hierarchy.

| Description | Level 1 | Level 2 | Level 3 | Balance as of 31.12.2017 |
|--|-------------|---------|---------|-----------------------------|
| Current financial assets (LaR) | | 16,970 | | 16,970 |
| Non-current financial assets (LaR) | | 3,386 | | 3,386 |
| Non-current financial liabilities (FLAC) | 559,385 (*) | 859 | | 560,244 |
| Current financial liabilities (FLAC) | | 6,146 | | 6,146 |
| Other non-financial non-current assets (LaR) | | 1,473 | | 1,473 |

* Market value from Bloomberg on the last trading day related to the bond is equal to Euro 599,157 thousand.

IAS 39 categories key

| | |
|---|------|
| Loans and receivables | LaR |
| Financial Liabilities at amortised cost | FLAC |

According to IFRS 7, the financial instruments accounted at fair value in the Statement of Financial Positions are classified according to a "fair value hierarchy" in order to increase consistency and comparability in fair value measurements and related disclosures. The hierarchy envisages the following three levels:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability and fall outside Level 2.

On December 31, 2017 and December 31, 2016, there are no financial assets and liabilities designated at fair value in the Income Statement as well as no financial assets Available-For-Sale or derivatives held for hedging purposes.

In 2017, no transfers occurred between fair value levels of the aforementioned hierarchy.

41 EVENTS AFTER THE REPORTING PERIOD

41.1 Renew/Waive of betting rights

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, paf. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horse racing licenses, mainly related to

corners inactive or with limited business and low profitability. The overall capital expenditure to renew such rights, including those waived, until December 31, 2018 is expected to be slightly lower than Euro 10 million.

41.2 Ainvest Private Equity S.r.l./Snaitech

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.

The lawsuit proceeded and after the appointment of a Court expert (to translate the documents produced by the counterparty) and the excussion of the texts, the Court rescheduled the hearing on December 6, 2017 and subsequently on February 7, 2018. After December 31, 2017 and precisely at the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

41.3 Employment lawsuits

After December 31, 2017 the Company was served with the following: (i) appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Company to be void and null. The Company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on March 8, 2018 the court, proposed a reconciliation procedure and postponed the hearing on April 4, 2018, when the availability of both parties to transact would be assessed; (ii) appeals, pursuant to art. 1, par. 51 of Law 92.2012, served by former advisors (same plaintiffs who served the Company with different appeals pursuant to art. 414 c.p.c.). Following the hearings of February 22 and 27, 2018, the court accepted the arguments of the Company and declared the appeals to be inadmissible, owing to late filing.

41.4 Incorporation of SNAITECH IBERIA S.A.

On January 26, 2018 Snaitech Iberia S.A. was incorporated in Madrid, calle Miguel Angel no.11. The undertaking, with a share capital of Euro 60,000, is fully owned by Snaitech S.p.A. and its main business is related to organization and promotion of games.

41.5 Transfer of business units

At the time of drafting the financial statements, the condition precedents related to several deeds of sale executed in 2017 were satisfied. The business units include: Bologna San Lazzaro, Milano via Rembrandt, di Anzio, di Milano via Novara, di Reggio Emilia via Gramsci, Reggio Emilia via Martiri della Bettola and di Fiumicino.

Furthermore, on March 8, 2018, following the insolvency of the shops owner of Bologna Saffi and Panigale, the relative deed of sale was terminated. Such termination would be effective upon receipts of relevant authorizations and other conditions.

41.6 Reduction of AWP

The additional consolidation measures to the Budget law for 2017 scheduled the timing of reduction of AWP rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

At the time of drafting the financial statements, Snaitech S.p.A. completed the first round cut. For further information, please refer to par. M.2.

41.7 New classification of horse racing tracks

D.M. 681/2016 set forth a new classification of national horse racing tracks, which identifies tracks as follow: "strategic", "institutional", "commercial" and "promotional".

The Ministry of Agricultural policies, with a proceeding dated January 31, 2018, assigned the following classification to Snaitech horse racing tracks:

- Milan gallop track as strategic;
- Milan trot track as commercial;
- Montecatini Terme trot track as promotional/commercial.

Furthermore, in the same proceeding, the Ministry revoked 11 horse racing tracks, which were not compliant with the minimum standard required by the aforementioned classification.

The new classification would determine for each track, after the implementation decree to be issued yet, different levels of public grants and the relevant number of races and jackpot (with subsequent impact on wagers). Snaitech, along with other management companies, requested for an anticipation of the public grant for 2018.

As soon as the implementation decree will be issued, there is reasonable ground to believe that Milan trot track and Montecatini Terme track would be fairly penalised.

It is currently under analysis with legal advisor the possibility to appeal such proceeding.

ADM with an order dated February 28, 2018 invited all companies to comment on the proceeding. The Company, on March 9, 2018 filed its observations including the request to reclassify Montecatini Terme track, according to its characteristics, as a commercial track and therefore to amend the proceeding of January 31, 2018.

41.8 Approval of the update of Business Plan 2017-2019 including extension to 2020

On March 9, 2018 the Board of directors approved the update of the Business Plan 2017-2019, which now is extended to 2020 and includes the regulatory news introduced in the gambling industry in the last months. For further information, please Directors' report at par. N.1 "Business outlook and updates on Business Plans".

42 FEE FOR STATUTORY AUDITORS AND SERVICES OTHER THAN AUDITING

The following table sets forth the amounts corresponded in the 2017 (net of pocket expenses) for services provided by the Auditing Company.

Figures in thousand/Euro

| Type of service | Service provider | Fee for 2017 |
|--|------------------|--------------|
| Auditing services: | | |
| Audit of annual financial statement | PWC S.p.A. | 409 |
| Audit of annual consolidated financial statement | PWC S.p.A. | 108 |
| Audit of consolidated financial statement as of 30.06.2017 | PWC S.p.A. | 71 |
| Other services | PWC S.p.A. | 51 |
| Total | | 639 |

Other Disclosures

The above notes supplement the information included in Schedule 1 "Composition of the Snaitech Group at December 31, 2017".

Schedules are part of the notes and provide additional details and explanations of the relevant items in the financial statements.

The financial statements of subsidiaries and affiliates are all presented in Euros.

The financial statements give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the year.

On behalf of the Board of Directors

Fabio Schiavolin
(Chief Executive Officer)

Milan, March 16, 2018

SCHEDULE 1
Composition of the Snaitech Group as of December 31, 2017
Figures thousands/Euro

| Name | Head office | Share Capital | Owned percentage | Note | Type of business | Consolidation method/ Valuation criteria |
|--|--------------|---------------|------------------|------|---|--|
| - Snaitech S.p.A. | Milan (MI) | 97,982 | Parent Company | | Acceptance of horse racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games- organization and management of horse racing tracks and training centers | Line-by-line basis |
| Subsidiaries: | | | | | | |
| - Teleippica S.r.l. sole shareholder | Milan (MI) | 2,540 | 100.00% | (1) | Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers | Line-by-line basis |
| - SNAI rete Italia S.r.l. shareholder | Milan (MI) | 10 | 100.00% | (2) | Acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points | Line-by-line basis |
| - Snaitech Smart Technologies S.r.l. shareholder | Milan (MI) | 10 | 100.00% | (3) | Design, plan, implementation, production, assembly, promotion, sale, rental and assistance on computers, electronic and informatics technologies, hardware and software | Line-by-line basis |
| - IziLove Fondation | Milan (MI) | 60* | 100.00% | (4) | Non-profit Foundation - Social solidarity and charity | Line-by-line basis |
| Affiliates: | | | | | | |
| - Alfea S.p.A. | Pisa (PI) | 1,006 | 30.70% | (5) | Organization and operation of horse races and the training centre | Shareholders' Equity |
| - Connex S.r.l. in liquidation | Porcari (LU) | 82 | 25.00% | (6) | Distribution and assistance of electronic services, hardware and software | Shareholders' Equity |
| Other companies: | | | | | | |
| - HIPPOGROUP Roma Capannelle S.r.l. | Rome (RM) | 1,777 | 15.46% | (7) | Organization and operation of horse races and the training centre | Acquisition price |

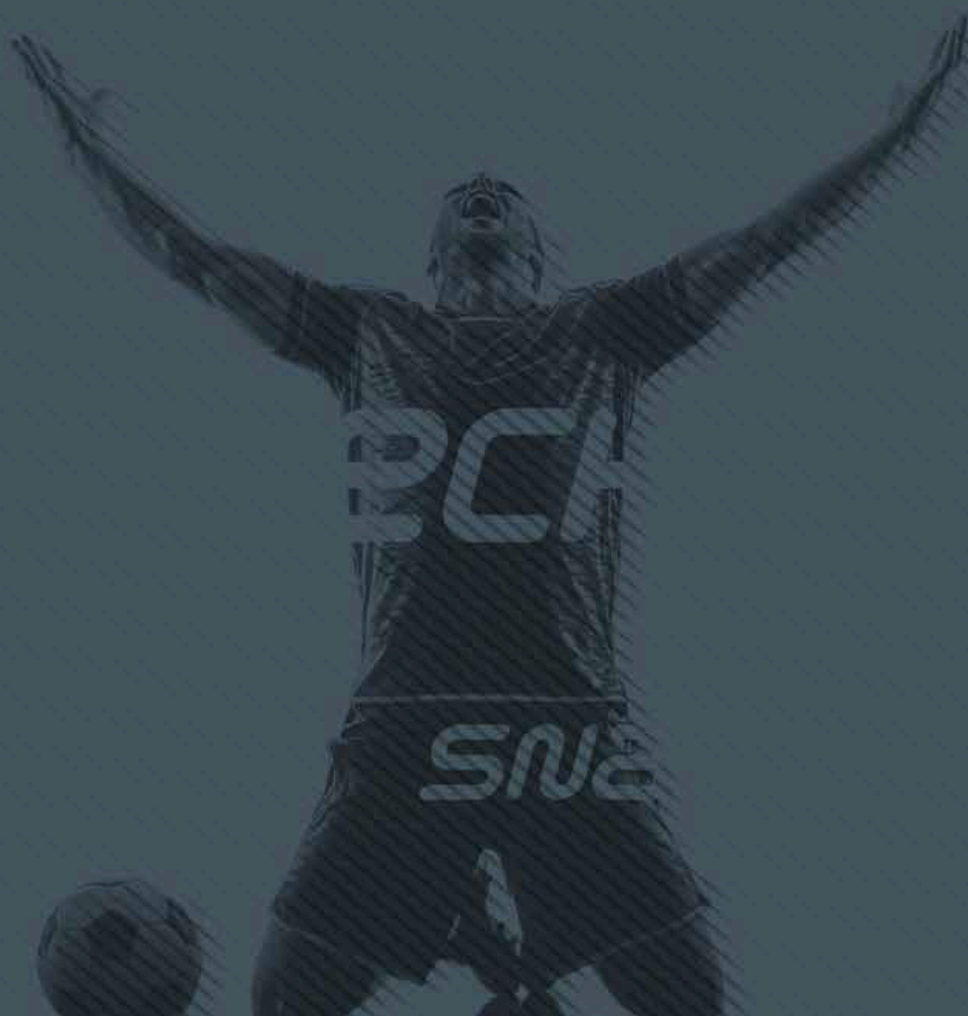
* Not available fund

Notes on Snaitech Group composition

- (1) Acquired by third parties on May 5, 2000. On October 2, 2003, the shareholders' meeting, held in extraordinary session, changed the company name from SOGEST Società Gestione Servizi Termali S.r.l. to Teleippica S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On January 31, 2011 Snaitech S.p.A. acquired 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. Snaitech S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (2) On April 3, 2015, the new undertaking SNAI Rete Italia S.r.l., 100% owned by SNAITECH S.p.A., was incorporated (with share capital of Euro 10 thousand) with the aim to acquire shareholdings in undertakings owing point of sales and then manage directly the point of sales. On October 24, 2016 (effective on November 1, 2016) Finscom S.r.l. merged by incorporation into SNAI Rete Italia S.r.l.. With a resolution of the Shareholders' Meeting on December 21, 2016 (filed in the Companies Registry on December 28, 2016) the registered office was moved from Porcari (LU) to Milan.
- (3) Incorporated on December 1, 2017 and wholly owned by Snaitech S.p.A.
- (4) Indirect ownership of wholly owned subsidiary Cogetech S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.

- (5) Now merged into Snaitech S.p.A. and previously owned by Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.) with 30.70% share capital.
- (6) On December 7, 2000, Connex S.r.l. shareholding was acquired via stock options purchase from former shareholders, with the subsequent subscription (and payment) of the share capital increase reserved. On February 4, 2015, the shareholders' meeting resolved to wind up the company. Under bankruptcy procedure since October 2015. The insolvency practitioner filed the insolvency procedure, now terminated following the distribution of residual assets.
- (7) On January 12, 2011 the Shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, among other things, the share capital reduction down to Euro 944,520. Snaitech S.p.A. shareholding was 27.78%. The Shareholders' meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows "Hippogroup Roma Capannelle S.r.l.". Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262,395 of the share capital of Hippogroup Roma Capannele S.r.l.. Thereafter, the undertaking Lexorfin S.r.l., owned by Snaitech S.p.A. with 2.44% share capital, was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 274,712 thousand equal to 15.46%

**CERTIFICATION RELATED TO
THE CONSOLIDATED FINANCIAL
STATEMENTS PURSUANT TO ART. 154,
PAR. 5 OF D.LGS. 58/98**



**Certification related to the Consolidated Financial Statements
pursuant to article 154 bis, par. 5 of D. Lgs. 58/98**

1. The undersigned, Fabio Schiavolin, as Chief Executive Officer and Managing Director of Snaitech S.p.A., and Chiaffredo Rinaudo as the executive in charge of the preparation of the accounting and corporate documentation of Snaitech S.p.A. hereby certify, also pursuant to the provisions set forth in art. 154 – bis, paragraphs 3 and 4 of Legislative Decree 58, 24 February 1998:

- The adequacy of the company characteristics and
- The effective application

of the administrative and accounting procedures for the preparation of the Consolidated Financial Statement ending on December 31, 2017.

2. In such regard, no noteworthy matters have emerged.

3. It has also been certified that:

3.1 The Consolidated Financial Statement:

- a) Is prepared in compliance with the applicable International Accounting Standards, which are recognized by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) Corresponds to the accounting books and records;
- c) Provides a true and accurate representation of the Financial Position of the issuer as well as of the undertakings included in the basis of consolidation.

3.2 Directors' report includes a reliable analysis on the performance and results of operations, as well as the financial condition of the issuer and the companies included within the consolidation perimeter, as well as a description of the main risks and uncertainties to which they are exposed.

The certification is also issued pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations.

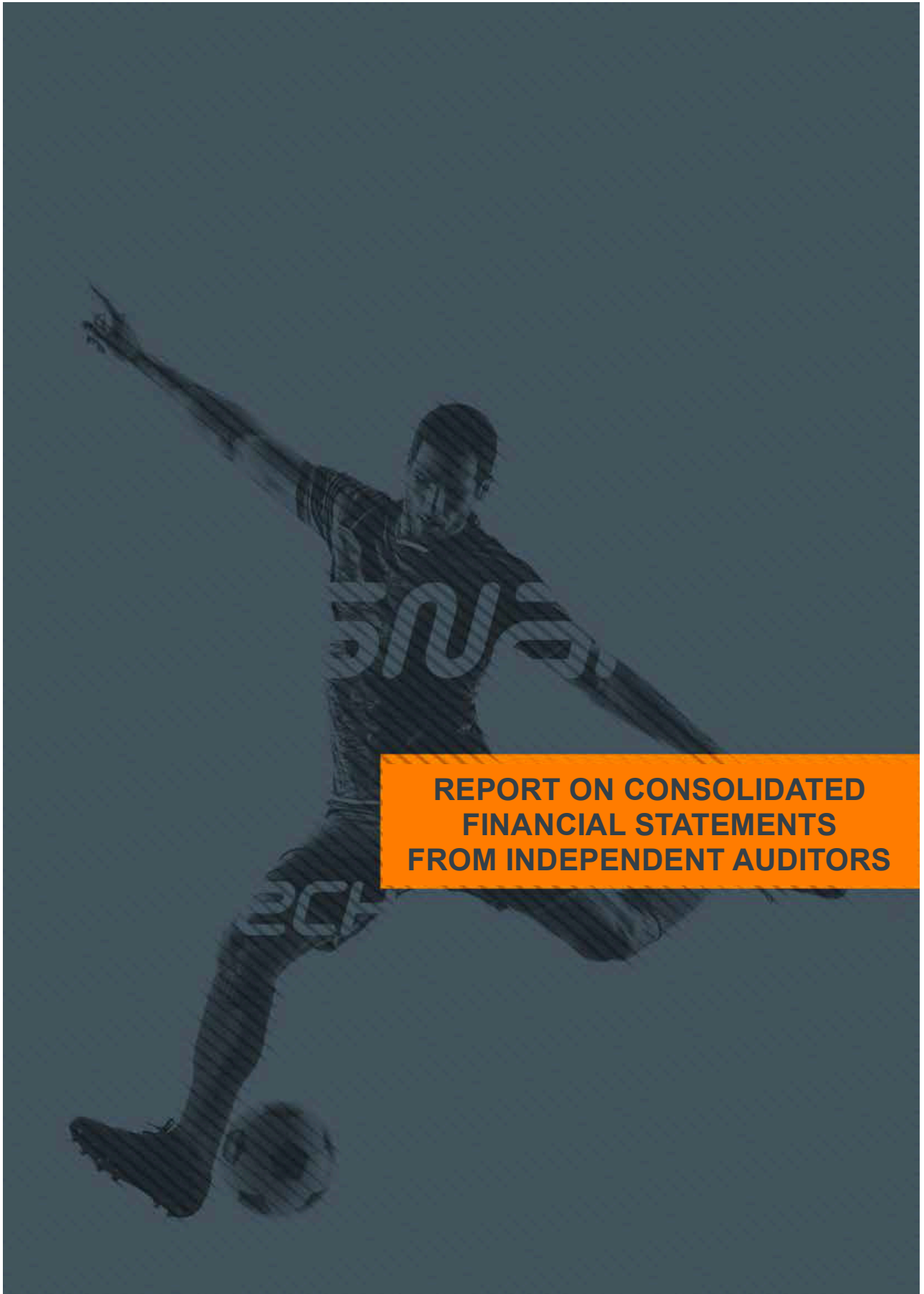
Milan, March 16, 2018

Chief Executive Officer

(Fabio Schiavolin)

**The executive responsible for the
preparation of the corporate and
accounting documents**

(Chiaffredo Rinaudo)



**REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS
FROM INDEPENDENT AUDITORS**



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of SNAITECH SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the SNAITECH Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of SNAITECH SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gamma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wahner 23 Tel. 0303697901 - Catania 05129 Corso Italia 302 Tel. 0957332311 - Firenze 50121 Viale Gaurieri 15 Tel. 0552482811 - Genova 16121 Piazza Picciopetra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 0813681 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 50 Tel. 091349777 - Parma 43121 Viale Tanara 20/A Tel. 0521279011 - Pescara 66127 Piazza Ettore Troilo 8 Tel. 0854543711 - Roma 00154 Largo Fochetti 20 Tel. 06370251 - Torino 10122 Corso Palestro 10 Tel. 011336771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissini 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Pascole 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelunghe 9 Tel. 0444393311

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| Key Audit Matters | Auditing procedures performed in response to key audit matters |
|---|---|
| <p>Recognition of revenues subject to complex regulations</p> <p><i>Note H to the directors' report and note 5 of the notes to the consolidated financial statements.</i></p> <p>The recognition of revenues (equal to Euro 884 million as of 31 December 2017) represents an area of particular attention, both for the number of transactions and for the complex and changing regulatory framework to which they are subject. The Group operates in a market that is strongly regulated by government authorities through the release of concessions.</p> | <p>We analysed and understood the internal control system related to the revenue recognition and evaluated the degree of reliability of this system. We verified the effective operativeness of the internal control system on revenue through verifications on relevant controls, both manual and automatic, identified within the related process.</p> <p>We performed validity tests on the various types of revenues by obtaining and analysing the supporting documentation related to transactions selected on a sample basis.</p> <p>Moreover, we also sent letters requesting confirmation of balances to third clients on a sample basis.</p> <p>Finally, we held discussions with the Manager in charge of Legal and Institutional Affairs of the Group and with the governance bodies in order to understand and evaluate the procedures adopted for the verification of the compliance with the sector laws and regulations, with particular reference to the fact that revenues from gambling, specifically from gaming machines, betting and "on-line games" derive from activities carried out in compliance with the specific regulations under concession agreements.</p> <p>Experts of the PwC network were involved in the performance of some tests to verify the effective operation of the relevant automatic controls identified within the revenue process.</p> |
| <p>Evaluation of intangible assets and goodwill</p> <p><i>Note 16 to the consolidated financial statements.</i></p> | <p>We understood and evaluated the procedures adopted by management in order to verify the compliance with the</p> |



Goodwill, generated by past business combinations, at 31 December 2017 is equal to Euro 310 million, while other intangible assets amount to Euro 117 million.

Goodwill represents 33% of the Group's assets, thus constituting an extremely important financial statement item.

The annual evaluation of the recoverability of such intangible assets is linked to the occurrence of the assumptions underlying the corporate plans. Such evaluation involves a degree of subjectivity of the forecasts made by management and some uncertainty in relation to the regulatory framework and to the possibility of concession renewal.

The impairment test requires management to make complex estimates, with particular reference to future cash flows, the determination of the discount rate to be used to discount future cash flows (WACC) and to determine the growth rate to use for the estimate of the terminal value after the explicit forecast period of the cash flows.

provisions of "IAS 36 – Impairment of assets" adopted by the European Union, verifying the reasonableness of the assumptions, of the discounting rate components and, more in general, evaluating the management forecasting capability in order to estimate the cash flows expected over the relevant time period and resulting from the long-term Business Plan approved by the Board of Directors, also controlling the mathematical accuracy of the calculations prepared by management and verifying that the changes in the sector regulations were correctly reflected in these analyses. Furthermore, as part of our audit activities, we verified that cash generating units (CGU) were consistent with those of the prior year and in line with the organisational, managerial and operating structure of the Group.

In order to carry out some procedures to verify any impairment loss of goodwill (impairment test) we involved the PwC network experts in evaluation.

A complex and evolving regulatory framework

Notes H and M to the directors' report and note 2 of the notes to the consolidated financial statements.

The Group operates in the gaming and betting industry regulated through concessions granted by ADM (*Agenzia delle Dogane e dei Monopoli*, Customs and Monopoly Agency). The non-compliance with laws and regulations or any changes in them that are not regularly monitored can have significant impacts on the Group's operations, financial position and outlook and, accordingly, on the results and on the most significant items of the financial statements. The evaluation of the impacts of changes in regulations requires the use of a high degree of professional judgement.

Revenues and results mainly derive from governmental concessions that have, due to their nature, a definite duration and can be revoked. The

We analysed and understood the internal control system put in place by the Group for the purpose of verifying the compliance with the sector laws and regulations, holding discussions and periodical meetings with management (Manager in charge of Legal and Institutional Affairs and the Manager in charge of the Administration, Finance and Control) and the governance bodies.

As part of our audit activities we also sent letters for the confirmation of information to the Group external legal advisors analysing the replies obtained. Finally, we acquired and analysed the opinions of external experts that the Group required on specific regulatory matters regarding the sector.



outcome of the tenders for the concession renewal and the related terms for awarding them can have significant impacts on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate SNAITECH SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting



- from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 9 June 2016, the shareholders of SNAITECH SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.



We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of SNAITECH SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the SNAITECH Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the SNAITECH Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the SNAITECH Group as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of SNAITECH SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 30 March 2018

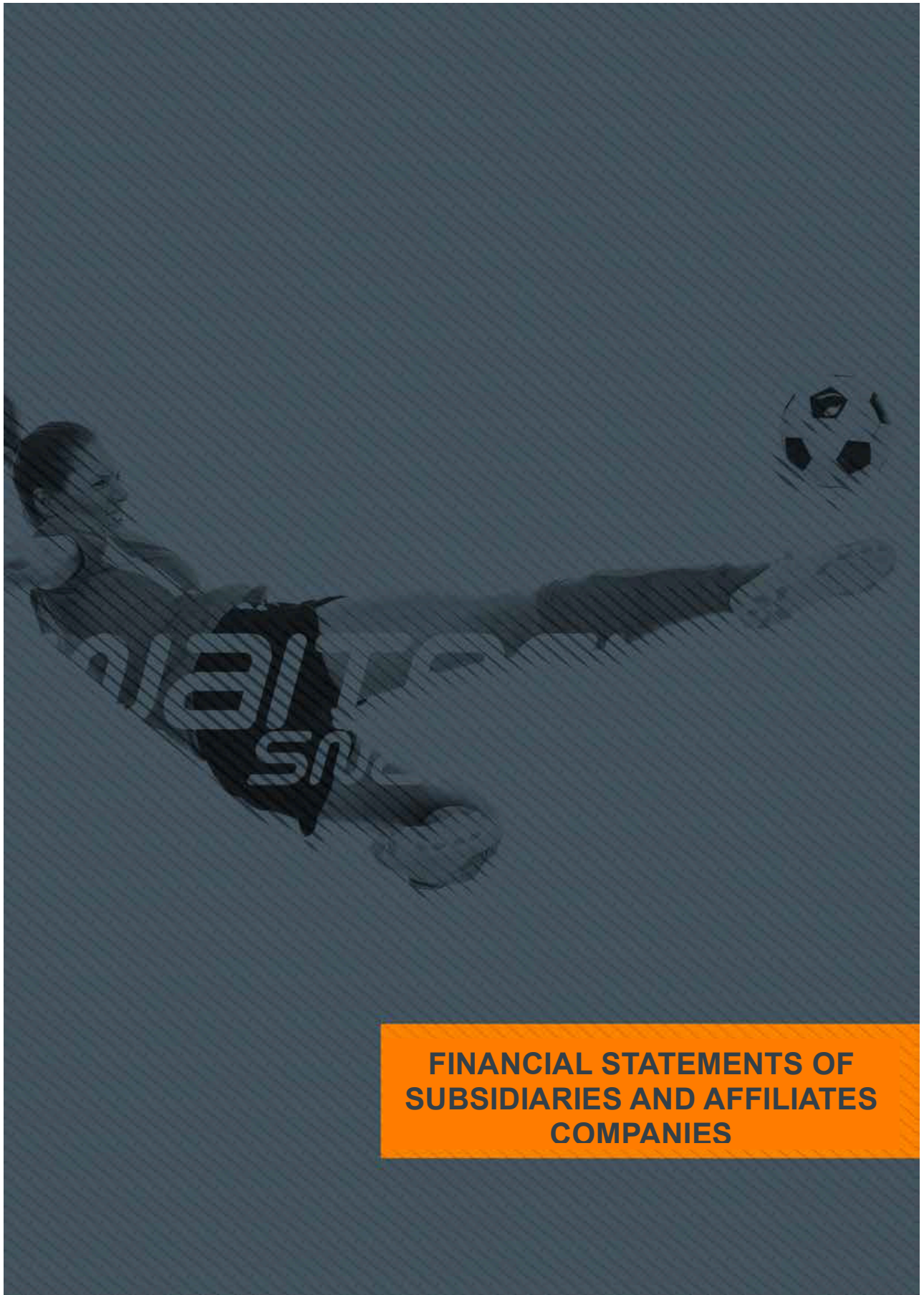
PricewaterhouseCoopers SpA



Signed by

Andrea Alessandri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.



**FINANCIAL STATEMENTS OF
SUBSIDIARIES AND AFFILIATES
COMPANIES**

TELEIPPICA S.R.L. Sole shareholder

Registered office: Piazza della Repubblica, 32 - 20124 Milan (MI)

Tax Code 01913970206. VAT No. 01779230463 – Milan REA No. 2121076

Share Capital Euro 2,540,000.00 fully paid in – Register of Companies in Milan No. 01913970206

Statements produced in accordance with IAS/IFRS standards IFRS

Statement of Financial Position as of 31.12.2017

| <i>Figures in Euro</i> | 31.12.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 2,279,118 | 3,136,486 |
| Assets held under financial leases | 0 | 0 |
| Total property, plant and equipment | 2,279,118 | 3,136,486 |
| Goodwill | 443,129 | 443,129 |
| Other intangible assets | 26,064 | 57,834 |
| Total intangible assets | 469,193 | 500,963 |
| Deferred tax assets | 0 | 0 |
| Other non-financial assets | 222,323 | 206,267 |
| Total non-current assets | 2,970,634 | 3,843,716 |
| Current assets | | |
| Inventories | 0 | 0 |
| Trade receivables | 1,843,409 | 1,754,192 |
| Other assets | 499,135 | 438,272 |
| Current financial assets | 15,623,266 | 12,532,825 |
| Cash and cash equivalents | 170,695 | 822,398 |
| Total Current Assets | 18,136,505 | 15,547,687 |
| TOTAL ASSETS | 21,107,139 | 19,391,403 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Share capital | 2,540,000 | 2,540,000 |
| FTA Reserve | 73,848 | 73,848 |
| Reserves | 11,794,041 | 10,152,719 |
| Profit (loss) for the period | 952,254 | 1,671,458 |
| Total shareholders' equity | 15,360,143 | 14,438,025 |
| Non-current liabilities | | |
| Employee termination indemnities | 894,440 | 758,226 |
| Non-current financial liabilities | 0 | 0 |
| Deferred tax liabilities | 13,448 | 17,525 |
| Provisions for risks and charges | 0 | 0 |
| Total non-current liabilities | 907,888 | 775,751 |
| Current liabilities | | |
| Trade payables | 1,575,138 | 1,416,843 |
| Other liabilities | 3,263,951 | 2,760,735 |
| Current financial liabilities | 19 | 49 |
| Current portion of long-term loans | 0 | 0 |
| Total current financial liabilities | 19 | 49 |
| Total current liabilities | 4,839,108 | 4,177,627 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 21,107,139 | 19,391,403 |

TELEIPPICA S.R.L. sole shareholder

Statement of Comprehensive Income for 2017

| <i>Figures in Euro</i> | Full Year 2017 | Full Year 2016 |
|--|---------------------------|-----------------------|
| Revenues from sales and services | 11,468,855 | 11,881,898 |
| Other revenues and income | 171,440 | 296,438 |
| Raw materials and consumables | (23,572) | (28,358) |
| Cost of services and third party assets | (6,846,991) | (7,183,780) |
| Costs of personnel | (2,828,326) | (2,483,812) |
| Other operating costs | (322,596) | 10,118 |
| Earnings before interest, tax, depreciation and amortisation | 1,618,810 | 2,492,504 |
| Depreciation | (1,224,801) | (1,146,882) |
| Other expenses related to provisions | 0 | 0 |
| Earnings before interest and taxes | 394,009 | 1,345,622 |
| Gains and expenses from shareholdings | 0 | 0 |
| Financial income | 819,730 | 885,167 |
| Financial costs | (14,992) | (22,269) |
| Total financial income and expenses | 804,738 | 862,898 |
| Profit/(Loss) Before Taxes | 1,198,747 | 2,208,520 |
| Income tax | (246,493) | (537,062) |
| Profit/(Loss) for the period | 952,254 | 1,671,458 |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | (30,136) | 19,188 |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | (30,136) | (1,129) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | |
| Total profit/(loss) in comprehensive income statement, after taxes | (30,136) | (1,129) |
| Comprehensive net profit (loss) for the period | 922,118 | 1,670,329 |

On behalf of the Board of Directors:
Chief Executive Officer
(Stefano Marzullo)

SNAI Rete Italia S.r.l.

Registered Office: Piazza della Repubblica, 32 - 20124 Milan (MI)

Tax Code and VAT No. 02388410462 - Milan REA No. 2074998

Share Capital Euro 10,000.00 fully paid in - Register of Companies in Milan No. 02388410462

Statements produced in accordance with IAS/IFRS standards IFRS

Statement of Financial Position as of 31.12.2017

| <i>Figures in Euro</i> | 31.12.2017 | 31.12.2016 |
|---|--------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 363,638 | 414,705 |
| Assets held under financial leases | 0 | 0 |
| Total property, plant and equipment | 363,638 | 414,705 |
| Goodwill | 0 | 3,219,100 |
| Other intangible assets | 0 | 10,125 |
| Total intangible assets | 0 | 3,229,225 |
| Subsidiaries and affiliates | 0 | 0 |
| Total investments | 0 | 0 |
| Deferred tax assets | 369,450 | 924,691 |
| Other non-financial assets | 701,864 | 368,774 |
| Total non-current assets | 1,434,952 | 4,937,395 |
| Current assets | | |
| Inventories | 0 | 0 |
| Trade receivables | 1,084,342 | 1,004,661 |
| Other assets | 5,177,792 | 4,261,531 |
| Current financial assets | 93,930 | 92,941 |
| Cash and cash equivalents | 1,046,985 | 2,507,007 |
| Total Current Assets | 7,403,049 | 7,866,140 |
| TOTAL ASSETS | 8,838,001 | 12,803,535 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Share capital | 10,000 | 10,000 |
| Reserves | 2,065,199 | 5,915,654 |
| Profit (loss) for the period | (4,419,225) | (5,885,422) |
| Total shareholders' equity | (2,344,026) | 40,232 |
| Non-current liabilities | | |
| Employee termination indemnities | 150,866 | 934,022 |
| Non-current financial liabilities | 0 | 0 |
| Provisions for risks and charges | 1,500,098 | 3,713,889 |
| Other non-current liabilities | 0 | 705,589 |
| Total non-current liabilities | 1,650,964 | 5,353,500 |
| Current liabilities | | |
| Trade payables | 1,019,872 | 1,704,677 |
| Other liabilities | 634,877 | 1,967,859 |
| Current financial liabilities | 7,876,314 | 3,737,267 |
| Current portion of long-term loans | 0 | 0 |
| Total current financial liabilities | 7,876,314 | 3,737,267 |
| Total current liabilities | 9,531,063 | 7,409,803 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 8,838,001 | 12,803,535 |

SNAI Rete Italia S.r.l.

Statement of Comprehensive Income for 2017

| <i>Figures in Euro</i> | Full Year 2017 | Full Year 2016 |
|--|---------------------------|---------------------------|
| Revenues from sales and services | 7,276,585 | 11,746,352 |
| Other revenues and income | 1,153,260 | 930,339 |
| Raw materials and consumables | 0 | (1,042) |
| Cost of services and third party assets | (3,823,110) | (7,107,273) |
| Costs of personnel | (5,389,898) | (11,282,055) |
| Other operating costs | (421,638) | (1,288,322) |
| Earnings before interest, tax, depreciation and amortisation | (1,204,801) | (7,002,001) |
| Depreciation | (3,416,317) | (359,123) |
| Other expenses related to provisions | 232,400 | (758,998) |
| Earnings before interest and taxes | (4,388,718) | (8,120,122) |
| Gains and expenses from shareholdings | 0 | 0 |
| Financial income | 1,735 | 17,338 |
| Financial costs | (377,965) | (271,520) |
| Total financial income and expenses | (376,230) | (254,182) |
| PROFIT/(LOSS) BEFORE TAXES | (4,764,948) | (8,374,304) |
| Income tax | 345,723 | 2,488,882 |
| Profit/(Loss) for the period | (4,419,225) | (5,885,422) |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | 33,978 | (18,832) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 33,978 | (18,832) |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | | |
| Total profit/(loss) in comprehensive income statement, after taxes | 33,978 | (18,832) |
| Comprehensive net profit (loss) for the period | (4,385,247) | (5,904,254) |

On behalf of the Board of directors
Chief Executive Officer
(Massimo Panchetti)

Summary of last available Financial Statements of the affiliates companies

Statements produced in accordance with national standards

Figures in Euro

| DIRECT SHAREHOLDINGS | | | | |
|---|--------------------------------------|----------------|---------------------|------------------|
| Shareholding (%) | Connext S.r.l. in liquidation | | Alfea S.p.A. | |
| | 25% | 25% | 30,70% | 30,70% |
| | 2014 | 2013 | 2016 | 2015 |
| Assets | | | | |
| Credits to shareholders | 0 | 0 | 0 | 0 |
| Intangible assets | 96,428 | 129,791 | 111,790 | 115,443 |
| Property, plant and equipment | 19,853 | 34,155 | 1,653,840 | 1,513,042 |
| Financial assets | 10,747 | 11,212 | 107,680 | 107,680 |
| Cash and cash equivalents | 2,066 | 3,731 | 1,221,082 | 2,035,715 |
| Financial receivables | | | 3,993,587 | 2,985,396 |
| Trade receivables and others | 242,694 | 242,460 | 422,907 | 511,161 |
| Other assets | 194,475 | 225,834 | 463,306 | 686,283 |
| Total Assets | 566,263 | 647,183 | 7,974,192 | 7,954,720 |
| Liabilities and Shareholders' Equity | | | | |
| Share Capital | 81,600 | 81,600 | 1,006,263 | 1,006,263 |
| Profit (Loss) for the year | (23,555) | (50,478) | 74,768 | 247,187 |
| Profit (Loss) carryforward | 0 | 0 | 0 | 0 |
| Other reserves | 119,048 | 169,525 | 3,729,431 | 3,484,043 |
| Total Shareholders' Equity | 177,093 | 200,647 | 4,810,462 | 4,737,493 |
| Termination employment liabilities | 111,875 | 115,895 | 530,078 | 509,150 |
| Provision for risks and charges | 0 | 0 | 1,115,521 | 1,115,521 |
| Financial payables due within one year | 0 | 0 | 0 | 0 |
| Trade payables and others | 256,109 | 299,025 | 523,686 | 634,800 |
| Other liabilities | 21,186 | 31,616 | 994,445 | 957,756 |
| Total Liabilities and Shareholders' Equity | 566,263 | 647,183 | 7,974,192 | 7,954,720 |
| Revenues | | | | |
| Sales and services | 721,787 | 731,920 | 2,563,983 | 2,983,718 |
| Financial income | 41 | 15 | 83,785 | 72,334 |
| Other income | 2,063 | 47,652 | 231,986 | 921,969 |
| Losses for the year | 23,555 | 50,478 | 0 | 0 |
| Total Revenues | 747,446 | 830,065 | 2,879,754 | 3,978,021 |
| Costs | | | | |
| Purchases and services | 421,372 | 465,798 | 1,469,904 | 1,868,097 |
| Labour costs | 249,601 | 304,405 | 932,175 | 1,051,709 |
| Financial costs and impairment of shareholdings | 5,916 | 6,761 | 514 | 723 |
| Tax payables | 11,772 | 1,426 | 58,001 | 250,991 |
| Depreciations | 49,035 | 44,850 | 220,373 | 434,281 |
| Other costs | 9,750 | 6,825 | 124,019 | 125,033 |
| Profit for the year | 0 | 0 | 74,768 | 247,187 |
| Total Costs | 747,446 | 830,065 | 2,879,754 | 3,978,021 |

NOTES:

1. Figures of Connext S.r.l. relates to 31.12.14 (last available and approved financial statement)
2. Figures of Alfea S.p.A. relates to 31.12.2016 (last available and approved financial statement)